

Item No:	Classification: Open	Date: 28 June 2012	Decision Taker: Strategic Director of Housing Services
Report title:		Borough Wide Cavity Wall Insulation (Blocks) 2012	
Ward(s) or groups affected:		All	
From:		Head of Major Works	

RECOMMENDATIONS

1. That the Strategic Director of Housing Services approves the procurement strategy outlined in this report to carry out a single supplier negotiation, for the Borough wide Cavity Wall Insulation (blocks) 2012, seeking exemption from Contract Standing Orders as provided in CSO 5.3. The reason for the exemption from the requirement to obtain at least 5 tenders, are set out in paragraphs 15,16,17,27, 29 and 34.
2. That the Strategic Director of Housing Services approves the award of the Borough wide Cavity Wall Insulation (Blocks) 2012 contract to Avalon Sustainable Energy Services Ltd in the sum of £819,865 for a period of 30 weeks.
3. That the Strategic Director of Housing Services notes that as per paragraph 60 there are internal fees of £14,838. (1.81%) and external fees (Pod Partnership LLP) of £19,920 giving total fees of £34,758. This gives a total scheme value of £854,623.

BACKGROUND INFORMATION

4. In conjunction with its commitment under the Kyoto Protocol (mandatory reduction of carbon emissions), Central Government has set targets to reduce the country's carbon emissions by 50% by 2050. The Government views the installation of Cavity Wall Insulation as playing a key role in achieving these targets.
5. Local Authorities are required to demonstrate, via the Home Energy Conservation Act (HECA) that they are making a positive commitment to that undertaking. The promotion of Cavity Wall Insulation will play a key role in:
 - Tackling Climate change
 - Tackling fuel poverty
 - Reducing carbon emissions
6. The scheme forms part of the 2009/13 investment programme within the eight housing areas. The total number of properties involved is 2293 (including leaseholders), which are made up of some 49 hard to reach blocks ranging up to 21 storeys high.

7. In October 2009 the 'Borough wide loft and cavity wall insulation' contract was approved and awarded to Mark Group Ltd. This contract is nearing completion, with the last order placed in January 2012. There have been some minor delays due to access issues. Although some expenditure remains to be made, notably fees, there will be no further major spend on this contract.
8. The tendered cost of the contract was £1,759,074 (which included a £3k performance bond). Plus fees of £175,908 giving an overall scheme cost of £1,934,982.
9. The contract was to provide Cavity Wall Insulation exclusively to street properties and communal lofts. To date, the contract has only managed a spend in the region of £432,000.
10. The overriding reason for this underspend is due to the construction of the nominated properties. Some 10,200 street properties were put forward for inclusion by the council's Energy Efficiency department. Only approximately 900 of these were appropriate for cavity wall insulation.
11. To utilise the available resources to deliver cavity wall insulation to blocks, it is proposed that the funding for the new proposed borough wide cavity wall insulation (Blocks) 2012 scheme will be provided by the shortfall in the previous 'borough wide loft and cavity wall insulation' contract.
12. The new contract will target hard to reach blocks, 49 in total, which have been pre surveyed to ensure they are appropriate.
13. The cost of the previously approved works was met from a combination of grant funding, contributions from the Energy Team, and the balance from the Housing Investment Programme. The allocation of £1.1m within the investment programme for this purpose was approved by the Investment Programme Group in September 2009.
14. Under the new borough wide cavity wall insulation (Blocks) 2012 Scheme, the council will only fund the access element after the completion of each block at a cost of £357.55 per property. The contract sum is therefore made up of £335.00 per property (2293 no) for access and the remaining £22.55 attributed to preliminaries. The overall cost to the council, including fees, will therefore be £854,623.
15. Avalon Sustainable Energy Services Ltd (Avalon) will provide the remainder of the funding through a long term relationship with British Gas, via a Carbon Energy Reduction Targets (CERT) grant, paid directly to them.
16. It is essential that works commence as soon as possible as the CERT grant funding is only available on works completed by 31 December 2012.
17. This has necessitated the use of innovative means of access (abseiling), both to minimise costs and, more crucially, accelerate the installations.
18. The contract will provide cavity wall insulation to a total of 2293 properties in blocks up to 21 storeys high. The list of the proposed blocks is attached as appendix 1.

19. The blocks have been pre-surveyed, without cost and confirmed as appropriate construction for cavity wall insulation.
20. Avalon became the first rope access company in the UK to develop the innovative approach of installing cavity wall insulation via Abseil back in 2009.
21. Avalon spent 20 months developing the delivery system to insulate 500 flats as a pilot scheme, which was successfully delivered for the London Borough of Camden.
22. To date this business has delivered in excess of 6500 units across London and the South East delivering Grey Graphite bead to all of the properties.
23. It is widely held that the Grey Graphite bead is the best product for carrying out CWI installs to high rise buildings as it allows the cavity to breath and releases any moisture that may develop within the cavity.
24. The system proposed is the Insta Poly Pearl plus product. The system of delivery and the bead product has been developed to deliver from the ground up to 30 stories plus.
25. The contract price is not index linked and therefore not likely to increase.

Summary of the business case/justification for the procurement

26. The contract will provide insulation to a minimum of 2293 properties in hard to reach blocks up to 21 storeys high.
27. The proposed system of delivery, using rope access, is approximately 60% cheaper than traditional scaffold access and the time it takes to obtain a scaffold licence and get the scaffold unloaded and on site is the time it would take for Abseilers to complete the full installation of the block. The access methods also help with security issues that scaffold brings as every night they pack away their equipment and other than a welfare unit, nothing is left on site.
28. This accelerated approach of rope access is the only method that will allow completion in time to claim the CERT grant funding.

Market Considerations

29. Avalon remains the only UK registered cavity wall installer using rope access as part of the delivery system. To date they have delivered over 7000 individual units (178 tower blocks).

KEY ISSUES FOR CONSIDERATION

Options for procurement including procurement approach

30. The option to carry out a competitive tender process was considered but rejected. Traditional access arrangements (scaffolding) would not complete the works within the time parameters. The works must be completed by 31 December 2012 to qualify for the CERT grant funding that will be provided by British Gas, via the contractor, Avalon. In addition there are no alternative contractors capable of delivering these insulation works via rope access.

31. Do nothing – this is not an option as the authority will lose the funding and will fail to undertake works that contribute to safer warmer homes and reduce carbon emissions.
32. The council provides these services in-house - the work is highly specialised and the expertise does not exist within the council.
33. Use an existing Framework Agreement – there are no existing internal or external Frameworks in place.

Procurement Route followed

34. A single supplier negotiation with Avalon represents both value for money, via reduced access costs, and also allows the accelerated installation process required to access the CERT grant funding. The proposed approach of installation via abseiling access will achieve best value for the council and contribute to meeting the authority's carbon emission reduction target.

Timetable of procurement process followed

35. Procurement project plan (Key Decision)

Activity	Complete by:
Forward Plan	June 2012
DCRB Review Gateway 1/2: combined procurement strategy and award approval report (this report)	21 May 2012
Notification of forthcoming decision	20 June 2012
Approval of Gateway 1/ 2: combined procurement strategy and award approval report (this report)	31 May 2012
Scrutiny Call-in period and notification of implementation of Gateway 1 decision (if Strategic Procurement) and Gateway 2: Contract award report	28 June 2012
Issue Notice of Intention	N/A
Completion of tender documentation	N/A
Advertise the contract	N/A
Closing date for expressions of interest	N/A
Completion of short-listing of applicants	N/A
Invitation to tender	N/A
Closing date for return of tenders	N/A
Completion of any interviews	N/A
Completion of evaluation of tenders	N/A
Issue Notice of Proposal	N/A

Alcatel Standstill Period (if applicable)	N/A
Contract award	15 June 2012
TUPE Consultation period (minimum 3 months)	N/A
Contract start	15 June 2012
Contract completion date	31 December 2012
Contract completion date – if extension(s) exercised	N/A

Identified risks and how they were/ will be managed

36.

No.	Risk	Risk Level	Mitigating Action
1.	As Avalon are not on the council's Approved list there could be a potential issue with their ability to meet all Statutory and other local Authority standards and requirements	Medium	A robust questionnaire, detailing how they meet or exceed all council's minimum standards, was passed to Avalon. They duly completed and passed to meet the council's Approved list criteria
2	Does the company have enough previous experience of similar successfully delivered works	Medium	Avalon have provided a list of other successfully delivered schemes for other Local Authorities and RSL's
3.	Are the company financially robust enough to complete the works	Medium	A financial check has been carried out to confirm that there are no concerns

Policy implications

37. The contract supports the council's commitment to reduce Carbon emissions, fuel poverty and climate change.

Development of the tender documentation

38. The specification will be prepared by the council's consultants, Pod Partnership LLP. The contract will be executed under seal and comprise a GC/Works/2 (1998) Minor Works Contract. The contract documents will be passed to Legal Services Department for formal execution.

Advertising the contract

39. Not Applicable.

Tender process

40. This is a single supplier negotiated tender and seeks exemption from Contract Standing Orders. Indicative price were obtained from 2 companies, to measure value for money against both types of access, with Avalon being the only company able to complete the works via rope access, and therefore within the time parameters. They were also more than 50% cheaper than the alternative.
41. Whilst the works are not urgent, the delivery must be concluded before the 31 December 2012 to qualify for the CERT grant funding.

Tender evaluation

42. Assessment of all facets of Avalon was undertaken by Exor on the council's behalf. Avalon passed all appraisals including both financial and Health and Safety. This was confirmed in writing on 10 May 2012 by Exor, when Avalon was appropriately accredited.

TUPE implications

43. The proposed contract with Avalon is for cavity wall insulation works to 49 blocks of high rise flats via rope access in a strict timeframe of 6 months and does not come under the scope of the contract with Mark Group Limited dated 25 June 2010 for the Borough Wide Insulation works. Further Mark Group Limited does not have a permanent dedicated team undertaking the work under that contract. It is unlikely therefore that the proposed award of a contract for the borough wide cavity wall insulation (Blocks) 2012 presents any TUPE implications.

Plans for the transition from the old to the new contract

44. Not Applicable.

Plans for monitoring and management of the contract

45. Pod Partnership LLP has been appointed as the council's external consultants through the council's 3 quote protocol. They will be responsible for supervising the contractor's work, carrying out regular checks on the standard of workmanship and ensuring that works are carried out to the standard specified. They will also be responsible for measuring and valuing the works carried out.
46. Monthly progress and financial reports will be provided at monthly progress meetings.
47. The Project Manager from the Major Works Team will oversee the delivery of the scheme.

Performance bond/Parent company guarantee

48. A performance bond is required for this contract, the cost of which has been included in the tender sum. Avalon is a stand alone company so there is no requirement for a Parent Company Guarantee.

Other considerations (For Housing Department works contracts only)

49. Not Applicable.

Community impact statement

50. The work proposed under this contract is to the properties within all wards of the borough. The impact of the works to the residents will be small to medium and will not involve them being decanted. However, the benefit to the community and residents is immense as it improves the council's housing stock, saves energy bills and provides thermal comfort for the households, helps reduce the emission of CO2 and improves the quality of the environment.

51. Due to the fast rolling programme and nature of the contract, the welfare facility will be arranged by the contractor at their operatives consent to use local cafe shops or filling stations for convenience or break. Residents will not and should not be affected.

52. A supervisor and Resident Liaison Officer will be contactable between the hours of 9.00am and 5.00pm on each workday by phone and will be present on site to suit the requirements of the contract and the residents. Information will be provided to residents regarding the works, project team contact details, code of conduct and after installation, a customer satisfaction survey form will be left for the residents to evaluate the contractor's works and services.

Economic considerations

53. The proposed works are considered necessary to protect both the council's buildings and our Tenants and Residents.

Social considerations

54. Not Applicable. The nature of the works, particularly the means of delivery, would negate the appropriateness for Local Labour and other similar considerations.

Environmental considerations

55. This contract will reduce Carbon emissions and also help tackle climate change.

56. This contract will also help in the reduction of energy whilst also addressing fuel poverty.

Resource implications

57. None. There are appropriate numbers of staff in place to deliver the scheme.

Staffing/procurement implications

58. There are no staffing implications and no procurement implications.

Financial implications

59. The fee breakdown for this scheme is as follows:

Consultancy services provided	IP or EP? (int. or ext. provider)	Internal works fee (%)	Internal works fee (£)	External works fee (%)	External works fee (£)	Total fees value (£)
Contract Project Manager (CPM)		0.83		0.62		
Lead Designer		1.52		1.13		
Quantity Surveyor		1.85		1.37		
Clerk of Works		2.48		1.84		
CDM Co-ordinator		0.69		0.51		
Mech. & Elec. Engineer(s)		2.49		1.84		
Other specialist services		N/A		N/A		
OR 'lump sum' fee (for all services)		N/A		N/A	EXT	£19,920
Project Management (Delivery Team)		2.44		1.81	INT	£14,838
Total fees for this contract						£34,758

60. Expenditure for this contract will be met from resources available to deliver Cavity wall insulation not utilised in the previous contract (identified from the earlier IPG bid and Energy Team resources). A new capital cost code will be obtained for this scheme. All expenditure, including fees, is anticipated to be made in 2012/13 as follows:-

	2012/13	TOTALS
Energy Team budget	303,895	303,895
IPG bid	550,728	550,728
Total	854,623	854,623

Investment implications

61. Expenditure for the proposed scheme can be met from resources identified within the current investment programme which comprise of £303,895 from the Energy Team budget (from financial years 09/10 & 10/11) with the additional

£550,728 being met from the £1.1m IPG allocation. Resources for the overall 2012/13 investment programme are estimated at £104.5m, of which £56.7m (54%) will now be committed. There are therefore sufficient resources available to meet the proposed expenditure.

Second stage appraisal (For construction contracts over £250,000 only)

62. Not applicable.

Legal implications

63. This report seeks to approve the procurement strategy for and approve the award of the Borough wide Cavity Wall Insulation (Blocks) 2012 contract to Avalon Sustainable Energy Services Ltd in the sum of £819,865 for a period of 30 weeks.
64. Contract Standing Orders (CSO) 5.3 require all reasonable steps to be taken to obtain at least 5 tenders for works contracts and works-related services above £75,000 but below EU threshold. Those invited to submit tenders must be selected from the council's works Approved List unless permission is obtained to do otherwise through this Report.
65. Paragraph 34 of this report confirms that a different process is proposed. CSO 4.7 provides that, in exceptional circumstances, an exemption from the usual procedures set out in CSOs may be sought in advance through a gateway report. This Report at paragraph 30 sets out the exceptional circumstances and explains why usual procedures can not be followed.
66. The decision on the approval of this procurement strategy and the award of a contract is to be taken by the relevant chief officer or under her delegated authority in line with the department's scheme of management in accordance with CSOs 4.4.2 and 4.5.2.

Consultation

67. Following discussions with key stakeholders such as area office management, energy team, councillors, the council is not aware of any negative implications of the proposal.

Leaseholder Implications

68. Not Applicable. As works will be carried out in isolation it is deemed an improvement so no charges will be made and no Notice of Intention is required.

Other implications or issues

69. Not Applicable.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Communities, Law & Governance

70. The legal implications are contained at paragraphs 63-66 the main report.

Finance Director (SB062012)

71. The contract amount is available from within the Energy team budget and the overall Investment programme. It is important however, to ensure that the timescales for delivery of the programme can be adhered to in order to ensure the grant from British Gas can be made available for the full funding of the programme.

Head of Home Ownership

72. Since this is a discreet contract for work that is an improvement to the existing building, and the council's leases make no provision for service charging costs under these circumstances, it is considered that this contract is not chargeable to leaseholders. This is in line with decisions taken on previous contracts for this type of work that were carried out in the same way. There are therefore no statutory consultation requirements.
73. The putative contribution on behalf of leaseholders will fall to the HRA.

FOR DELEGATED APPROVAL

Under the powers delegated to me in accordance with the council's Contract Standing Orders, I authorise action in accordance with the recommendation contained in the above report.

Signature Gerri Scott Date 28.6.12
Gerri Scott, Strategic Director of Housing Services

BACKGROUND DOCUMENTS

Background Documents	Held At	Contact
None		

APPENDICES

No:	Title:
Appendix 1	List of Blocks

AUDIT TRAIL

Lead Officer	David Markham, Head of Major Works	
Report Author	Ferenc Morath, Investment Manager	
Version	Final	
Dated	28 June 2012	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Strategic Director of Communities, Law & Governance	Yes	Yes
Finance Director	Yes	Yes
Head of Home Ownership	Yes	Yes
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team		28 June 2012

