

Item No.	Classification: Open	Date: 27 June 2016	Meeting Name: Strategic Director of Housing and Modernisation
Report title:		Gateway 2 Acorn Estate underground heating mains replacement	
Ward(s) or groups affected:		Livesey Ward	
From:		Director of Regeneration	

RECOMMENDATIONS

1. That the strategic director of housing and modernisation approves the award for the fit out boiler plant works contract of a new Energy Centre on the Acorn Estate to Vital Energi Utilities Ltd in the sum of £546,645 for a period of 24 weeks.

BACKGROUND INFORMATION

2. The planned procurement strategy was the subject of a Gateway 1 report which was approved on 5 November 2015. The approved competitive tendering procurement strategy was followed.
3. External consultants, Calfordseaden were appointed on 10 September 2014, by way of an order from the council's Long Term Agreement, to provide the full building surveying functions, the lead designer (LD) role, a contract project manager (CPM), the Principal Designer role (PD) role and the quantity surveyor (QS) function required for this project.
4. There had been delays to the original project timings advised in the Gateway 1 report. The main reason for slippage to the original project plan was due to Notting Hill Housing Group who had not built the energy centre shell as they did not at the time meet some planning requirements for pollution control in their planning application. After amendments were made to their planning application, the council's planning department granted them permission to build. As a consequence of these delays the planned completion date had to be moved back beyond the tender quote retention period we had received.

Procurement project plan (Key Decision)

Activity	Completed by/Complete by:
Forward Plan for Gateway 2 decision	27/06/2016
Approval of Gateway 1: Procurement Strategy Report	02/11/2015
Issue Notice of Intention	01/10/2014
Invitation to tender	24/11/2015
Closing date for return of tenders	05/01/2016
Completion of evaluation of tenders	12/01/2016
Issue Notice of Proposal	03/02/2016
DCRB Review Gateway 2: Contract award report	27/06/2016
Notification of forthcoming decision	07/07/2016
Approval of Gateway 2: Contract Award Report	11/07/2016
Scrutiny Call-in period and notification of implementation of Gateway 2 decision	20/07/2016
Contract award	21/07/2016
Add to Contract Register	21/07/2016
TUPE Consultation period (if applicable)	N/A
Contract start	04/08/2016
Publication of award notice on Contracts Finder	05/08/2016
Contract completion date	11/01/2017
Contract completion date – if extension(s) exercised	N/A

KEY ISSUES FOR CONSIDERATION

Description of procurement outcomes

5. The proposed general works are as follows:
 - a. To supply the Acorn Estate (the Estate) through a purpose built plant room within a shared Energy Centre on the Wooddene site;
 - b. To fit out the new plant room and connect to the Estate;
 - c. Install enabling pipework within the new plant room and that connect plant to the Estate network;
 - d. Carry out existing acoustic tests for records;
 - e. Arrange road closure for the delivery and installation of required works;
 - f. Install and initial commissioning of new plant and services to bring on line;
 - g. Suspend works while the council's term maintenance contractor Vital Energi Utilities Ltd installs a new BMS and controls system (under the supervision of the council's engineering and compliance team) – approximately 2 weeks is required;
 - h. Return/restart the final testing, commissioning and balancing of the new boiler plant installation; and

- i. Decommission main plant room before clearing site.
6. The Estate's boiler fit out works (installed to current standards) will provide the following benefits:
 - i. Eliminate service failure from existing boilers
 - ii. Reduced overall running costs
 - iii. Improved system efficiency resulting in reduced carbon emissions; and
 - iv. Reduced maintenance costs.
7. Central Government promotes the provision of communal heating and promotes it as a major way of helping tackle climate change and reduce fuel poverty. This project confirms the council's on-going commitment to the use and promotion of community heating.
8. The scope of works proposed will provide a permanent energy source for the Estate's communal heating and hot water systems. The new boiler plant will be reliable and highly efficient, meeting fully with all current Building and Environmental Regulations and providing the council's residents with a more reliable and robust communal heating and hot water service.

Key/Non Key decisions

9. This report deals with a key decision.

Policy implications

10. In conjunction with their commitment under the Kyoto Protocol (mandatory reduction of carbon emission), Central Government has set certain targets. The target is to reduce the countries carbon emissions by 50% come 2050. The Government views the promotion of community heating as playing a key role in achieving these targets.
11. Local Authorities are required to demonstrate, via their Home Energy Conservation Act (HECA) returns, that they are actively striving towards and achieving reductions in carbon emissions. This demonstration will be greatly assisted via the council's commitment to sustain and improve its community heating installations. The promotion of community heating will play a key role in:
 - Tackling climate change.
 - Tackling fuel poverty.
 - Reducing carbon emissions.
 - Providing low cost heat and electricity when coupled with combined heat and power technology.
12. The council's Climate Change Strategy (approved by Executive in December 2006) set a long term target to reduce borough-wide carbon dioxide emissions by 80% of current levels by 2050. The council subsequently agreed a target to cut borough-wide per capita CO2 emissions (as reported via NI 186) by 8.5% over 3 years by 2012.
13. Central Government is actively promoting the provision of 'community heating' and recommending it as a major way of helping to tackle climate change and reducing fuel poverty. By retaining the Estate's communal heating system, the

council confirms its continuing commitment to and promotion of the sustainable use of community heating.

14. The new boilers will be highly efficient, condensing boilers and the installation will be in full compliance with Building Regulation L.

Tender process

15. As outlined in the Gateway 1 report approved on 5 November 2015, contract standing orders (CSOs) require a minimum of 5 contractors to be invited to tender from the council's works Approved List. On this occasion, nine contractors were invited to tender for these works all taken from the specialist mechanical services category of the council's works Approved List. The tenders were issued on 24 November 2015 (via email) with instructions to return a completed tender by 1pm on 5 January 2016.
16. No nominations were made by leaseholders.

Tender evaluation

17. Only 4 tenders were returned to 160 Tooley Street on or by 1pm on 5 January 2016 and were opened on 6 January 2016. Three contractors did not return a tender due to capacity issues and two contractors did not provide a reason.
18. These 4 tenders were evaluated on the basis of M.E.A.T (most economically advantageous tender) using a weighted model of 70:30 price and quality.
19. The tender pricing evaluation process was undertaken by a Calfordseaden QS. The quality evaluation process was assessed by a Calfordseaden principle engineer and the council's senior mechanical engineer and housing regeneration manager.
20. Tenderers were required to provide information to support their quality submission. The quality assessment was weighted in relation to the level of importance put upon each criterion and is detailed in the Tender Evaluation Methodology included with the tender documents in the closed report.
21. The date for acceptance of the above tenders expires on 5 July 2016. Vital agreed to extend their quote to 5 October 2016.
22. A Risk Pot allocation of 5% of the contract sum was agreed at the Gateway 1 report approval stage. This had to be increased to 10% to mitigate risk for any unforeseen delays caused by UK Power Network who have informed Notting Hill Housing Group of current delays with decommissioning the existing electric substations that need to be repositioned and electric wiring realigned to the new energy centre.

Plans for the transition from the old to the new contract

23. Not applicable.

Plans for monitoring and management of the contract

24. This contract will be managed on a day to day basis by Calfordseaden's LD and finances will be managed by Calfordseaden's QS. The roles of PD and QS will

be monitored by the council's commercial manager and CDM manager respectively from the council's engineering and compliance team. Calfordseaden will also carry out the duties of the CPM role while the contract is on site.

25. In addition to Calfordseaden staff referred to in paragraph 34 above, there will be a senior heating engineer from the council's engineering and compliance team and a project manager from the council's housing regeneration and delivery team allocated to this scheme who will monitor both the external and internal staff and the Vital's performance and arrange regular meetings with the project team at which Vital's performance will be discussed.
26. There will be regular site progress meetings, frequency yet to be decided. It is envisaged that the first of these will be held 2 weeks after the pre contract meeting. All complaints will be fully investigated and tracked until conclusion.

Identified risks for the new contract

27. Specific risks identified, impact, likelihood and mitigation controls for this contract are outlined below:

Risk	Impact	Probability	Mitigation
Poor performance or poor quality workmanship.	Medium	Low	Regular meetings to review performance schedule from the outset of the work with Vital. Establish processes of quality control and works inspections before sign off. Vital has confirmed they are part of a larger group and a parent company guarantee will be obtained. The contract provides for a 12 month defects liability period for all work undertaken.
Handover of the energy centre delayed beyond 6 months and contractor unable to hold price.	High	Medium	Agreed uplift with contractor for a period of 3 months, may change depending on how long it takes for Vital to get access to site.
Delay in handover results in disruptions in service and increase insurance costs as current plant is running beyond its serviceable life.	High	Medium	Engineering will monitor and if required will carry out maintenance more often as the service life expires. They will plan as a contingency for temporary boilers to be installed if the existing plant fails.
Company goes into liquidation, administration or ceases trading.	High	Low	A performance bond will be obtained and the council will re-tender the works if necessary.

Other considerations (For Housing Department works contracts only)

28. Not applicable.

Design Specification Guide

29. Calfordseaden produced a design brief for the works and issued this as part of the tender documents. This can be found in Appendix 1.

Leasehold Implications

30. Formal legal consultation with leaseholders has been undertaken by the council's Capital Works and Service Charge Construction Team.

Community impact statement

31. The proposed works are for the refurbishment of the Estate's communal heating plant and as such will affect council tenants and leaseholders on the Estate. The level of disturbance has been considered to be relatively low; it will not adversely affect any particular group and will not involve any resident being decanted. No works will be carried out inside their homes.

32. The level of disturbance or disruption to the general public is considered negligible as the new and old plant to be decommissioned on the outer boundary of the estate and the works will not impact the public highway. Works will be contained within the plant room.

33. The proposed works will not adversely affect any one particular group.

34. The work proposed under this contract is to install new boilers and associated plant and equipment within the new boiler plant room, which falls within the Livesey ward of the borough. The impact of the works to the residents will be medium and will not involve them being decanted.

35. At present, from a permanent feed the existing boiler plant supplies the heating and hot water services. This supply will continue while the works proceed. These works will also allow change over of supplies from the existing to the new plant to be carried so as to minimise the interruption of the supply to residents.

36. The proposed works will provide a permanent heat generating plant for the Estate's communal heating and hot water system. The boiler plant will be high efficiency condensing boilers in line with Building Regulation L.

37. Overall the undertaking of these works has been judged to have little or no significant impact on local people and communities.

Sustainability considerations

38. The Public Services (Social Value) Act 2012 requires the council to consider a number of issues including how what is proposed to be procured may improve the economic, social and environmental well-being of the local area. These issues are considered in the following paragraphs which set out economic, social and environmental considerations.

Economic considerations

39. The full cost of the contract (including fees and the like) is £675,260.50. The contract period is 24 weeks.
40. Vital is a large company based in Lancashire and will be encouraged to utilise local companies in their sub-contracting and supply chain arrangements.

Social considerations

41. The council is an officially accredited London Living Wage (LLW) Employer and is committed to ensuring that, where appropriate, its contractors and sub-contractors pay staff at a minimum rate equivalent to the LLW rate. The Gateway 1 report approved on 5 November 2015 confirmed, for the reasons stated in that report, payment of LLW was an appropriate and best value requirement for this contract. Vital has confirmed that they meet the LLW requirements. Following award, quality improvements and costs implications linked to the payment of LLW will be monitored as part of the contract review process.

Environmental considerations

42. The contract documents stipulate that a waste management procedure is put in place and administered whilst the works are on site.
43. The boilers being proposed for this project have a very high seasonal efficiency rating this high level of efficiency ensures that the production of CO2 gases are kept to a minimum.

Market considerations

44. Calfordseaden believes that the market has been adequately tested based on the four tenders received. Calfordseaden's recommendations were considered and agreed by the council's housing regeneration team project manager.
45. Past experience has shown that due to the specialist nature of the works the vast majority of labour on site will be supplied from staff directly employed by the companies involved in this scheme appointed by Vital. However, Vital will be encouraged to make use of local labour wherever possible.

Staffing implications

46. There are no specific implications.

Financial implications

47. The cost of the works including fees and contingency is estimated to be £675,260.50. The anticipated expenditure profile, including fees, is shown on the table below:

Years	Works Inclusive of 10% risk pot	Fees	Total

2014/15		£6,750	£6,750
2015/16		£6,615	£6,615
2016/17	£601,309.50	£60,586	£661,896
Grand Total	£601,309.50	£73,951	£675,260.50

Investment implications

48. The total estimated cost of these works including fees and contingency is £675,260.50. The cost of these works will be met from the current capital allocation of £4,300,000 on H-1619-2521. The works identified in this report form part of the "Wooddene – Acorn plant reprovision" and is within the Housing Investment Capital programme. To date £201,920 has been spent, £4,098,080 remains within the allocated budget. There are therefore sufficient resources in place to fund this scheme.
49. As part of the capital refresh and budget profiling exercise, the 'Acorn Estate – Fit Out Boiler refurbishment' works package will be re-profiled between the years to reflect the above expenditure.

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

50. An Experian credit check was obtained on 18 January 2016. Vital are a contractor and the report indicates that they are creditworthy and there is a below average risk of the company becoming bankrupt in the next 12 months.

Legal implications

51. This report confirms that contractors were invited to tender for this project from the special mechanical services category of the council's Approved List which is in line with contract standing orders. Paragraphs 47-48 confirm the financial implications for this award. There are no specific legal implications arising

Consultation

52. As part of our consultation, a newsletter was sent out on 28 January 2016 to all Estate residents. This explained to residents the reason for the works and the aims and objectives of fitting out the new energy centre. The newsletter also invited residents to attend a consultation event held on 8 February 2016 at Peckham Library. 7 Estate residents attended and questions were answered by our resident services officer, consultation manager, project manager, senior mechanical engineer, project coordinator and two Calfordseaden consultants.

Other implications or issues

53. Not applicable.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Finance and Governance (H&M15/030)

54. It is noted that the report recommends approval to contracted works to Vital Energi Utilities Ltd costing £675,260.50 including fees and contingency.

55. The cost is intended to be met from the £4.3m Wooddene – Acorn Plant Reprovision budget on H-1619-2521 and from that £675,260.50 for the fit out boiler plant works contract of a new Energy Centre on the Acorn Estate.
56. At this juncture, there is an estimated resource shortfall in the overall 2016/17 HIP (as reported to cabinet in February 2016). Whilst this position is likely to be moderated downwards during the year as expenditure phasing and resourcing forecasts are updated in light of better information, programme commitments may need to be managed such that they match more closely the available resources in year.

Head of Procurement

57. As the contract value is below the EU threshold a formal procurement concurrent is not required.

Director of Law and Democracy

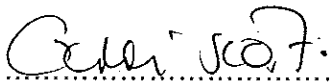
58. The legal implications are contained within the main report. At this value, no legal concurrent is required.

Director of Exchequer (for housing contracts only)

59. Following the retender of this work, Notice of Proposal under Section 20 of the Landlord and tenant Act 1985 was served on all affected leaseholders on 3.02.2016. The consultation period ended on 8.03.2016. Two observations were received, neither of which raised issues that would affect the service charging of the costs for this work.
60. There are 33 leaseholders affected by these charges, which are all estimated at £1,986 and will be invoiced in March 2017.

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 recommendations contained in the above report.

Signature  Date..... 13.7.16

Gerri Scott, Strategic Director of Housing and Modernisation

BACKGROUND DOCUMENTS

Background documents	Held At	Contact
Contract file	Chief Executive Department/Capital and Development Works	Rouhman Choudhury 0207 525 7782

APPENDICES

No	Title
n/a	

AUDIT TRAIL

Lead Officer	Nnenna Urum-Eke, Housing Regeneration Manager	
Report Author	Rouhman Choudhury, Project Co-ordinator	
Version	Final	
Dated	27/06/2016	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Strategic Director of Finance and Governance	Yes	Yes
Head of Procurement	Yes	Yes
Director of Law and Democracy	Yes	Yes
Director of Exchequer (for housing contracts only)	Yes	Yes
Cabinet	N/a	N/a
Date final report sent to Constitutional Team		13 July 2016