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|------------------------------------|--------------------------------|--|---|
| Item No. | Classification: Open | Date: 8 September 2016 | Meeting Name: Strategic Director of Housing and Modernisation |
| Report title: | | Gateway 2 Soane and Leysdown Houses – Boiler Plant Refurbishment Works | |
| Ward(s) or groups affected: | | Walworth Ward | |
| From: | | Director of Asset Management | |

RECOMMENDATIONS

1. That the strategic director of housing and modernisation approves the award of the Soane and Leysdown Houses – boiler plant refurbishment works contract to Invicta Building Services Ltd for a period of 16 weeks.

BACKGROUND INFORMATION

2. The planned procurement strategy was the subject of a Gateway 1 report which was approved on 1 September 2015. The approved competitive tendering procurement strategy was followed.
3. This is a **Key Decision**.
 - The contract is for a period of 16 weeks (plus a 4 week lead in period).
 - There is no specific extension built in to the contract.
 - The contract price is not index linked
4. External consultants, David Miles & Partners Ltd (DMP), were appointed on 10 February 2014, via 3 quotes, to provide the role of Employers Agent which includes contract administrator (CA), project engineer (PE), Principle Designer (PD) and quantity surveying (QS) functions for this project in accordance with contract standing order (CSO) 5.2. Some of the roles defined in the Gateway 1 report were changed to reflect the different duties to be carried out under the contract (i.e. contract project manager title to CA, lead designer title to PE and CDM co-ordinator to PD during the contract).
5. The proposal to demolish Soane House within the next five to ten years as part of the regeneration of the Aylesbury Estate has now been confirmed. This has resulted in a slippage to the project timing as officers have had to revise the scope of work to the block. The original works tendered and detailed in the Gateway 1 report were for replacement of Soane House boiler plant in its entirety which would have resulted in a plant life expectancy of 20-30 years. As a consequence of this, the scope of works to Soane House was reduced to a level to ensure that the existing plant continues efficient operations for a shorter period of ten years with minimal disruption to residents.

Procurement project plan (Key Decision)

| Activity | Completed by: |
|--|---------------|
| Forward Plan for Gateway 2 decision | 12/08/2016 |
| Approval of Gateway 1: Procurement Strategy Report | 01/09/2015 |
| Issue Notice of Intention (Applies to Housing Section 20 Leaseholder Consultation) | 23/09/2015 |
| Invitation to tender | 23/09/2015 |
| Closing date for return of tenders | 28/10/2015 |
| Bill of Addendum issued | 24/05/2016 |
| Closing date for revised prices | 03/06/2016 |
| Completion of evaluation of tenders | 05/07/2016 |
| Issue Notice of Proposal (Applies to Housing Section 20 Leaseholder Consultation) | 14/12/2015 |
| DCRB Review Gateway 2: | 08/09/2016 |
| Notification of forthcoming decision – Five clear working days | 19/09/2016 |
| Approval of Gateway 2: Contract Award Report | 21/09/2016 |
| Scrutiny Call-in period and notification of implementation of Gateway 2 decision | 29/09/2016 |
| Contract award | 30/09/2016 |
| Add to Contract Register | 30/09/2016 |
| TUPE Consultation period (if applicable) | N/A |
| Contract start | 31/10/2016 |
| Publication of award notice on Contracts Finder | 02/11/2016 |
| Contract completion date | 17/02/2017 |
| Contract completion date – if extension(s) exercised | N/A |

KEY ISSUES FOR CONSIDERATION

Description of procurement outcomes

6. There is an urgent need to replace (Leysdown House) and upgrade (Soane House) the heating and hot water equipment within the plant rooms as they have now reached the end of any economic repair resulting in increased cost and down time.
7. Proposed works for both Soane and Leysdown Houses (as set out in the Gateway 1 report) were:

Soane House (basement) boiler plant room

Replace existing boiler

Remove existing primary pumps and replace with 2 twin run and standby pumps
 Replace existing sump pump and pipework, along with gulley at ground floor level.
 Insulate pipework with phenolic insulation on new pipework and existing pipework where exposed or in poor condition.
 Replace leaking pipework
 Replace any valves that are letting by or have signs of corrosion
 Replace any flanges that have corroded/leaking or in poor condition
 Upgrade existing control panel with control specialist with new control panel indicator panel, linked to existing BMS, the BMS will then be linked to new equipment and the existing burners.

Leysdown House (rooftop) boiler plant room:-

Provide temporary boiler plant system at street level
 Install scaffolding and temporary pipework services to ground level (including Gas service). Also provide crane service for rooftop access.
 Strip-out redundant boilers and associated plant and service pipework. (NB possible asbestos removal procedures)
 Carry out builders work repairs to the plant room and adjacent areas.
 Install new Boiler flue system for new modern boiler system.
 Install new boiler with associated plant and services. Provide hydraulic break facilities between new boiler plant and existing network distribution services.
 Renew network distribution side plant services e.g. new circulating pumps, pressurisation plant and additional components to assist in system cleaning and dosing in future.
 Install new and upgraded Controls and Building Management System (BMS),
 Upgrade lighting and electrical services including emergency lighting.
 Fire safety works to be identified and addressed.
 Commissioning and enabling of new boiler system and removal of temporary plant and services

8. Brief summary of scaled down works to Soane House:

Strip out existing plant, boilers, pumps, pipework, etc. and replace with new c/w additional plate heat exchanger, pressurisation unit, new controls.
 Form new opening in oil tank room, remove oil tank, and associated builders work.
 Replace existing sump pump and pipework, along with gulley at ground floor level.
 Insulate pipework with phenolic insulation on new pipework and existing pipework where exposed or in poor condition.
 New controls system

9. Reasons for scaled down works needed to Soane House are explained in paragraph 5. Soane House will be decanted between 2020 and 2023 and as such the scope of work to the plant serving this block has been reduced but is anticipated to serve this block uninterrupted for at least the next 10 years.
10. The new heating and hot water systems should reduce maintenance and enhance economical performance.
11. The new installation will be fitted with a BMS system which will enable remote monitoring of the systems and enable rapid response to system faults.

12. Central Government is promoting the provision of district heating and promoting it as a major way of helping tackle climate change and reduce fuel poverty. This project continues the council's on-going commitment to the use and promotion of community heating.

Key decisions

13. This report deals with a key decision.

Policy implications

14. In conjunction with the Government's commitment under the Kyoto Protocol (mandatory reduction of carbon emissions), Central Government has undertaken to reduce the countries carbon emissions by 60% come 2050. The Government views the promotion of community heating systems as playing a key role in achieving this target.
15. The promotion of community heating will play a key role in:
 - a. Tackling fuel poverty
 - b. Reducing carbon emissions
 - c. Tackling climate change
16. The council's Climate Change Strategy (approved by the executive in 2006) set a long term target to reduce borough-wide carbon dioxide emissions by 80% of current levels by 2050. The council's strategy promotes the adoption and development of communal and district heating systems as the principle means of reducing CO2 emissions across the borough.

Tender process

17. As outlined in the Gateway 1 report approved on 1 September 2015, CSOs require a minimum of 5 contractors to be invited to tender from the council's works Approved List. Tenders were issued to five contractors on 23 September 2015 with instructions to return a completed tender by 12 noon on 21 October 2015 - all from the specialist mechanical services category of the council's works Approved List. Unfortunately, due to a clerical error and the issue of additional information, the tender return date was revised to 12 noon on 28 October 2015
18. On 24 May 2016, a tender addendum was issued with 2 documents (part III section 6 performance specification for mechanical and electrical services and part IV revised pricing document) to all 5 Tenderers for revised pricing (only) for the reduced scope of works with a return date of 12 noon on 3 June 2016.
19. No nominations were made by leaseholders.

Tender evaluation

20. Five original tenders were returned to 160 Tooley Street on or by 12 Noon on 28 October 2015 and were opened on 3 November 2015.
21. 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.

22. The tender pricing evaluation process was undertaken by a DMP QS. The quality evaluation panel process was assessed individually by two DMP project engineers and two council mechanical engineers.
23. Tenderers were required to provide information to support their quality submission that demonstrates their ability to fulfil the requirements of the contract and demonstrate experience in similar project types. 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 within the tender documents. The results of the quality assessment are summarised in a table in paragraph 26.
24. Tender prices submitted initially are as follows:

| Ref | Contractor |
|-----|---|
| 1 | Invicta Building Services Ltd (Invicta) |
| 2 | Contactor 1 |
| 3 | Contactor 2 |
| 4 | Contactor 3 |
| 5 | Contactor 4 |

25. The summary results of the quality evaluation is shown in the table below:

| Evaluation Criterion | INVICTA | Contactor 1 | Contactor 2 | Contactor 3 | Contactor 4 |
|----------------------|---------|-------------|-------------|-------------|-------------|
| Method Statement 1: | 3.0 | 5.4 | 2.4 | 6.0 | 2.4 |
| Method Statement 2: | 3.6 | 4.8 | 2.4 | 6.0 | 2.4 |
| Method Statement 3: | 2.8 | 2.8 | 2.4 | 4.0 | 2.8 |
| Method Statement 4: | 2.0 | 2.0 | 1.0 | 2.0 | 0 |
| Method Statement 5: | 1.8 | 1.8 | 1.2 | 2.0 | 2.0 |
| Method Statement 6: | 2.0 | 1.6 | 2.0 | 2.0 | 2.0 |
| Method Statement 7: | 6.4 | 6.4 | 4.0 | 5.6 | 6.4 |
| Weighted Score | 21.6 | 24.8 | 15.4 | 27.6 | 18 |

26. The summary results of the original evaluation are shown in the schedule below:

| Rank | Organisation | Quality Score (out of 30) | Price Score (out of 70) | Total Weighted Score (out of 100) |
|------|--------------|------------------------------|----------------------------|--------------------------------------|
| 1 | Invicta | 21.6 | 70 | 91.6 |
| 2 | Contactor 1 | 27.6 | 58 | 85.6 |
| 3 | Contactor 2 | 18.0 | 64 | 82.0 |
| 4 | Contactor 3 | 15.4 | 59 | 74.4 |
| 5 | Contactor 4 | 24.8 | 46 | 70.8 |

- 27. The date for acceptance of the above tenders expires on 4 November 2016.
- 28. A Risk Pot allocation of 10% of the contract sum was agreed at the Gateway 1 approval stage

Plans for the transition from the old to the new contract

- 29. Not applicable.

Plans for monitoring and management of the contract

- 30. The contract will be managed on a day to day basis by DMP. The finances will be managed and monitored by the council's mechanical and electrical (M&E) project manager.
- 31. In addition to DMP, there will be a senior mechanical engineer, a customer relationship officer and an M&E project manager from the council's major works team allocated to this project.
- 32. Monthly progress meetings will be held with Invicta and chaired by DMP to monitor the progress of the works throughout the contract period. Both DMP and the senior mechanical engineer will carry out regular checks on the standard and quality of the work being carried out on site and ensure that they are carried out to the council's specification. DMP will provide monthly financial reports and valuations.

Identified risks for the new contract

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

| Risk | Impact | Probability | Mitigation |
|--|---------------|--------------------|--|
| Does Invicta have enough previous experience of similar successfully delivered works | Medium | Low | Invicta has provided a list of successfully delivered schemes for Local Authorities together with other information within their tender submission. |
| Poor performance or poor quality workmanship. | Medium | Low | Regular meetings to review performance scheduled from the outset. Establish processes of quality control and works inspections before sign off. The contract provides for a 12 month defects liability period for all work undertaken. |

| | | | |
|--|------|-----|--|
| Company goes into liquidation, administration or ceases trading. | High | Low | 7.5% retention will be applied during the contract and the council will re-tender the works if necessary. Invicta has confirmed they are part of a larger group and a parent company guarantee will be required. Paragraph 65 confirms that Invicta is considered at low risk of going bankrupt within the next 12 months. |
|--|------|-----|--|

Other considerations (For Housing Department works contracts only)

- 34. This report seeks approval for the acceptance of the most economically advantageous tender in accordance with CSO 2.3. It is therefore considered that there were no alternative viable options.

Community impact statement

- 35. The work proposed under this contract is to replace heating and hot water equipment within the specified plant rooms.
- 36. The impact of the works to the residents will be medium and will not involve them being decanted. The connections from the temporary and new to the existing systems will require a number of interruptions to service delivery (exact amount and timescales cannot be confirmed at this time). These interruptions will be pre-planned and adequate notice provided. In addition, Invicta will be advised that the works on site must be phased to ensure that each planned interruption to service does not exceed a 24 hour time period.
- 37. Upon completion, the works will help increase the level of service delivery provided to the residents for the communal heating and hot water service and will meet the commitment of the council to maintain a reliable heating service. In addition, the works should help reduce the energy costs for the district heating system
- 38. It is anticipated that residents will be receptive to the works. There may be minor concern over the timescales for the project, particularly in regard of outages as a result of the changeover from existing to new.
- 39. The district heating system is set up to operate when the external ambient temperature drops below 17°C. The contractor is required to provide temporary heating throughout the works so the heating and hot water should not be affected except during scheduled system changeovers, thereby minimising inconvenience to residents. The new secondary hot water services pipe work will be installed once the temporary systems are in place and operational. This process will enable the contractor to change over from existing to temporary systems and from temporary to new in each block in under 12 hours. Once the temporary services are in place, the redundant plant will be removed and the new secondary heating services installed in its place. In the event of inclement summer weather and the outside ambient temperature falling below 17°C and a loss of heat over 12 hours, residents will be offered temporary electric fan heaters to use during the period.

40. The level of disturbance or disruption to the general public is considered negligible as the works will not adversely affect any particular group, will not involve any resident being decanted and will not impact on the public highway. Overall the undertaking of these works has been judged to have little or no significant impact on local people and communities.

Social Value considerations

41. The Public Services (Social Value) Act 2012 requires that the council considers, before commencing a procurement process, how wider social, economic and environmental benefits that may improve the well being of the local area and can be secured. The social value considerations included in the tender (as outlined in the Gateway 1 report) are set out in the following paragraphs in relation to the tender responses, evaluation and commitments to be delivered under the proposed contract.

Economic considerations

42. Invicta is a national company based in Tonbridge, Kent and where possible will be using local companies in their sub-contracting and supply chain arrangements.

Social considerations

43. 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 1 September 2015 confirmed, for the reasons stated in that report, payment of LLW was an appropriate and best value requirement for this contract. Invicta 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/Sustainability considerations

44. The proposed works will not have any environmental impact.

Market considerations

45. Past experience has shown that the vast majority of labour on site will be supplied from staff directly employed by the specialist sub-contractors appointed by Invicta. However, Invicta will be encouraged to make use of local labour, wherever possible.

Staffing implications

46. There are no specific implications.

Investment implications

47. The cost of the works will be met from the Housing Investment Programme which includes provision for M&E heating works. The costs for this project are under the provision made for this scheme.

48. These works were part of the WDS works approved by cabinet and a sufficient allowance has been made in the budget for the completion of these works. There is therefore sufficient resources available to meet the proposed expenditure.

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

49. A second stage appraisal was sought. The result showed that Invicta Building Services Ltd had an Experian Delphi score of 74 and were classed as below average risk for failure. The score was calculated on 18 January 2016. Internal references (Quality Control) shows that no recent poor reports have been supplied for this firm.

Legal implications

50. This report confirms that contractors were invited to tender for this project from the specialist mechanical services category of the council's Approved List which is in line with CSOs. Paragraphs 59-60 confirm the financial implications for this award.

Consultation

51. The two stage consultation process with leaseholders has been carried out and all observations addressed. Following approval of this report, letters will be sent out to all residents inviting them to a drop in session to address any queries or issues they may have in regards to the works.
52. Invicta will issue regular newsletters to all residents in the affected blocks throughout the contract period.

Other implications or issues

53. Not applicable.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Finance and Governance (H&M 16/024)

54. The report is requesting delegated approval from the Strategic Director of Housing and Modernisation to award the works contract entitled "the Soane and Leysdown Estates Boiler House Refurbishment to Invicta Building Services Ltd.
55. 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 to the available resources in year.

Head of Procurement

56. As the value of this contract is below the current EU threshold no formal procurement concurrent is required.

Director of Law and Democracy

57. The legal implications are contained in the main body of this report. At this value, a legal concurrent is not required.

Director of Exchequer (for housing contracts only)

58. Notice of Intention was served on 13/10/14, 15/10/15 & 30/04/15. Notice of Proposal was served on 14/12/15. No observations were received in response to the Notice of Proposal. None raised issues that would suggest that the contract should not go ahead.

59. There are three blocks affected by these works. Charges will be made to 31 leaseholders

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(s) contained in the above report.

Signature Gerri Scott Date 28.9.16
Gerri Scott, Strategic Director of Housing and Modernisation

BACKGROUND DOCUMENTS

| Background documents | Held At | Contact |
|----------------------|---------------------------|-------------------------|
| Contract File | 160 Tooley Street SE1 2QH | Bola Odusanya x57184 |

APPENDICES

| No | Title |
|-----|-------|
| n/a | |

AUDIT TRAIL

| | |
|---------------|---|
| Lead Officer | David Markham, Director of Asset Management |
| Report Author | Bola Odusanya, Project Manager |
| Version | Final |
| Dated | 20 September 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 | | 28 September 2016 |

