


<b>LONDON BOROUGH OF CAMDEN</b>	<b>WARDS:</b> Cantelowes, Kilburn and Gospel Oak
<b>REPORT TITLE</b> Procurement strategy for the renewal of communal heating systems at Maiden Lane, Alexandra & Ainsworth and Weedington Road	
<b>REPORT OF</b> Cabinet Member for Better Homes	
<b>FOR SUBMISSION TO</b> Cabinet	<b>DATE</b> 16 January 2019
<p><b>SUMMARY OF REPORT</b></p> <p>The Council has a significant programme to renew or upgrade the communal heating networks across its housing stock. These systems can be large in scale and require extensive works. This report sets out the procurement strategy for the renewal of three systems at the Maiden Lane, Weedington and Alexandra &amp; Ainsworth housing estates.</p> <p>The report provides information on the nature and scope of the works and explains the rationale for the recommended procurement strategy. The report is coming to the Cabinet because the total value of the work across the three contract packages is estimated to be £25m in total and the Council's Standing Orders require that the procurement strategy for contracts above £5m is approved by Cabinet.</p> <p>Our Camden Plan sets out how the Council will respond to the vision of our community, set out in Camden 2025. Improving housing conditions is core to reducing inequality and the renewal of communal heating systems which are fully controllable, better insulated and energy efficient supports this work.</p> <p><b>Local Government Act 1972 – Access to Information</b> No documents that require listing were used in the preparation of the report</p> <p><b>Contact Officer:</b> Primesh Kalia, Team Leader M&amp;E, 33-35 Jamestown Rd, NW1 7DB Tel: 020 7974 1471, email: primesh.kalia@camden.gov.uk</p>	
<p><b>RECOMMENDATION</b></p> <p>That, having considered this report, the Cabinet approves:</p> <ol style="list-style-type: none"> <li>1. the recommended procurement strategy as summarised in 3.1.3</li> <li>2. that the award of each contract is delegated to the Executive Director Supporting Communities in consultation with the Cabinet Member for Better Homes</li> </ol>	

Signed: 

Date: 4<sup>th</sup> January 2019

## **1. CONTEXT AND BACKGROUND**

- 1.1 The Council has a significant programme to renew communal heating systems as part of its Better Homes programme. Communal heating systems typically have a central boiler house, pipework that connects the blocks on the estate and distribution within dwellings – this largely radiators and pipework that is either within walls or surface mounted. Older systems can suffer from pipework that is not insulated, heating levels that cannot be controlled by residents and pipework that is prone to leaks.
- 1.2 The programme improves the thermal comfort of its properties by installing communal heating systems that are energy efficient, can be fully controlled within the property by residents and are more resilient. The three estates covered by this report have very large heating networks that have exceeded their recommended life and are prone to failures causing large scale disruption to residents.
- 1.3 Each estate covered by this report is large and the estimated value of each project exceeds £5m. These are therefore significant engineering projects and each has their own particular challenges, for example the Rowley Way blocks on the Alexandra & Ainsworth estate are Grade II listed and the Council is working with Planners, Historic England and residents to find a solution that is appropriate both in terms of design and day to day operation.
- 1.4 It is recommended that the communal heating systems are replaced on all three estates; this report recommends a procurement strategy that recognises the scale and complexity of these projects. The report also notes how consultation and engagement will be vital to the successful delivery of the projects.

## **2. PROPOSAL AND REASONS**

- 2.1 When renewing communal heating systems the Council looks at all of the available options and determines the best approach. With regards the estates considered by this report:
  - Maiden Lane has 444 homes and 31 blocks, the estate has an extensive distribution network. An option appraisal was carried out and found that over a 30 year life cycle, renewal of the communal heating system was the most cost effective option that provided the greatest degree of carbon savings
  - Weedington Road has 532 homes and 8 blocks, it is connected to the Royal Free Combined Heat and Power system and benefits from very low cost energy which is supplied to the communal heating network. The system captures waste heat from the Royal Free Hospital boilers and supplies it to six estates in the Gospel Oak area, providing over 50% of the heat used by residents. Renewal of the communal heating system therefore enables the Council and its residents to continue to benefit from this low cost energy source and the associated carbon savings
  - The Rowley Way blocks on the Alexandra & Ainsworth estate have 478 homes across 3 large blocks. They are Grade II listed and design considerations are paramount with regards the renewal of the heating system. Renewal of the communal heating network is the option which best meets operational and design criteria; for example individual boilers would

require a flue for each dwelling which would be physically difficult to accommodate but would also not be acceptable in terms of the visual impact

- 2.2 Across all three estates the works will include any required updates to the boiler house, renewal of the distribution network across the estates and new distribution, heat interface units and controls within flats. Any internal works to the Rowley Way blocks are subject to further discussion and design with Planning, Historic England and residents.
- 2.3 With regards how this work is procured, this report is necessary as Contract Standing Orders specify that the Cabinet must agree the contract award strategy for all proposed capital contracts between £5 million and £10 million.
- 2.4 In terms of process, the proposal is to use a Restricted procedure under the Public Contracts Regulations 2015, it is proposed to use a “design and build” process on all three contracts. The proposed price quality split for tender evaluation is 70% price, 30% quality, with a 60% quality threshold at both Selection Questionnaire (pre-qualification) stage and tender stage.

### **3. OPTIONS APPRAISAL**

- 3.1 A number of procurement options were considered for the renewal of the communal heating systems on these estates.

#### **3.1.1 Better Homes and Construction Framework**

The Council’s current framework agreement has five contractors in its Mechanical Lot (Keepmoat, Invicta, G&D Higgins Lakehouse and BTU). Those framework contractors actively bidding and securing mechanical work packages are working at capacity and the award of projects of this size would place significant demand on their managerial and operational resources. This could adversely impact on current schemes and put the Council at risk of failure in delivery of the programme

#### **3.1.2 External construction framework**

These projects are of high value and complexity, it is not clear that there are frameworks with capacity to deliver this volume of mechanical work. A third party framework would require two-stage leaseholder consultation, similar to an OJEU restricted procedure, therefore any advantage with regards speed of call off for services would be reduced.

#### **3.1.3 OJEU restricted procedure**

It is proposed to use this procedure because the two stage process (selection questionnaire and tender stage) and proposed mid-tender briefings will provide sufficient information and time for the works to be fully explained and understood by the tenderers to provide an achievable programme and cost certainty for the works. The proposed price quality split is set out in paragraph 2.4.

It is proposed that the works are procured through two separate invitations to tender. This is because the projects at Weedington Road and Alexandra &

Ainsworth will be taken to 'stage 3' of the design process as defined by the Royal Institute of British Architects (RIBA). By contrast for Maiden Lane, the Council will provide a detailed brief but will require the appointed contractor to carry out the design from the outset ('stage 1').

Cabinet is asked to note that if the Planning process for the Rowley Way blocks requires additional time, the Council may carry out separate invitations to tender for the Weedington Road and Alexandra & Ainsworth projects.

### 3.1.4 In house delivery

The Council has a well-established in house team which is focussed on building fabric day to day repairs. At present the Council does not deliver mechanical works in house and projects of this size would require a significant scaling up of resources over a relatively short period of time. It is therefore considered that, at present, in house delivery of communal heating projects of this size is an option that is not currently available to the Council.

## 4. WHAT ARE THE KEY IMPACTS / RISKS? HOW WILL THEY BE ADDRESSED?

4.1 Project specific impacts / risks, and the associated mitigation strategy are set out below:

Risk / Impact	Mitigation
Delays encountered during the project lead in time.	Proactive consultation and engagement will be critical to the success of these projects and will help to minimise delays during the lead in time. In particular, the project for the Rowley Way blocks will require close work with residents and Planners prior to mobilisation.
No access issues delay installation works, resulting in having to work around properties leading to temporary connections, delays and additional costs.	Proactive resident engagement is required at an early stage and appropriate action needs to be taken where access cannot be gained. The Council will also need to provide support to residents for whom work within properties may pose a risk (e.g. due to health conditions).

<p>Existing building conditions – for example, discovery of asbestos not found at the time of survey, re-routing of the pipework and services due to obstructions</p> <p>Existing services (gas, electric, water) not suitable for the new installation.</p>	<p>Asbestos ‘refurbishment’ surveys to be carried out in advance of the works by Camden and information provided to the successful contractor as part of the tender information. The successful contractor will arrange for the asbestos strip out scheduled to be undertaken in advance of the contract for the main works to mitigate any risk of delaying the programme of works. Pre-contract investigations to be funded and carried out prior to the contract award or allowed in the programme to avoid delay.</p>
<p>Impact of Brexit on labour and materials</p>	<p>The outcome of the Brexit process is not sufficiently clear to understand the implications. Potential impacts will, however, relate to tariffs on materials and the availability of labour. This will need to be monitored as we proceed to market and it may be that prospective tenderers ask for risk to be shared.</p>

## 5. LINKS TO OUR CAMDEN PLAN

- 5.1 The proposed works to replace the heating and hot water on these estates will deliver better internal environmental conditions for our resident’s needs. This supports the commitment in Our Camden Plan *to make homes in Camden, safe, well-managed and well-maintained.*
- 5.2 In particular, the replacement of the heating and hot water services with an efficient and well managed system will result in reduced carbon emissions in the borough and reduce heating costs for residents.
- 5.3 By including provisions regarding apprentices and training places within the contract, we will ensure that young people who have grown up in Camden, or have strong connection to the Borough, have the opportunity to learn and gain employment skills.

## 6. CONSULTATION/ENGAGEMENT

- 6.1 Consultation and engagement with residents will be vital to the success of all three projects. The Council needs to clearly express the requirements for the work and explain how it will be carried out. The Council also needs to be clear on how value for money will be obtained through the procurement process.
- 6.2 Officers will develop a full communication plan for each project which will focus on making sure documentation is in plain English and how the Council will work to engage all residents. The communication plans will provide for drop in

sessions for residents, briefings for ward councillors, development of online content and work with tenants and residents associations on the approach to engagement for their estates.

- 6.3 There will be separate statutory consultation with leaseholders which will include a notice of intent prior to the procurement process and a notice of proposal once tenders have been received. This consultation process allows time for leaseholders to make observations on the proposals and officers will hold specific daytime and evening drop in meetings during this period. The Council will also work with leaseholders on the options available to them regarding the cost of the works. The Council has a range of payment options in place including interest free loans.

## **7. LEGAL IMPLICATIONS**

- 7.1 This report seeks endorsement of the procurement strategy for the proposed renewal of the district heating and hot water systems at Maiden Lane Estate, Weedington Estate and Alexandra & Ainsworth. It is proposed to procure the works by means of two separate ITTs, one for Maiden Lane and the other for both Weedington Estate and Alexandra & Ainsworth. A successful tenderer for the latter may be awarded contracts for works to one or both estates depending on the evaluation of their technical submission including their proposed resourcing and programme for delivery. The total value of the works is c. £25m.
- 7.2 The works will be procured by OJEU compliant Restricted procedure tender processes. This will comply with CSOs.
- 7.3 CSOs require this strategy to be approved by Cabinet due to the value of the works.
- 7.4 Cabinet Members must take into account in coming to any decision the Council's equality duties and have due regard to them. In summary these legal obligations require the Council, when exercising its functions, to have 'due regard' to the need to:
1. eliminate discrimination, harassment and victimisation and other conduct prohibited under the Act (the protected characteristic of marriage and civil partnership is also relevant);
  2. advance equality of opportunity between people who share a relevant protected characteristic and those who don't; and
  3. foster good relations between people who share a relevant protected characteristic and those who don't (which involves tackling prejudice and promoting understanding).
- 7.5 Under the Duty the relevant protected characteristics are: Age, Disability, Gender reassignment, Pregnancy and maternity, Race, Religion, Sex, Sexual orientation.
- 7.6 In this case the attached EIA concludes that there is no potential for discrimination and all appropriate opportunities to advance equality and foster good relations have been taken.

## **8. RESOURCE IMPLICATIONS (finance comments from Executive Director Corporate Services)**

- 8.1 This report seeks endorsement of the procurement strategy for the proposed renewal of the district heating and hot water systems at Maiden Lane, Weedington and Alexandra & Ainsworth estates using a design and build process. Each project will take approximately 125 weeks to complete.
- 8.2 The total contract sum of £25m will cover the three estates and the contract award strategy will require Cabinet approval as it is above the £5m threshold.
- 8.3 The use of the design and build process will transfer key risks to the contactors and mitigate the risk of unnecessary delays and costs. However, considering the significant number of properties to be covered within the contract works there is a potential risk of asbestos find which would impact on time and cost of delivery of the project. It is therefore essential that a contingency budget is set up within the contract sum to cover any unforeseen costs.
- 8.4 The projects will be funded from approved budgets in the Property Management capital programme. A total budget of £22,196,000 has been approved in the programme and profiled over 3 years; £8.25m in 2019-20; £9m in 2020-21 and £4.946m in 2021-22. Resources have been identified within the capital programme block provision and savings from other projects to fund the balance of £2,804,000.

## **9. TIMETABLE FOR IMPLEMENTATION**

- 9.1 A Restricted procedure tender process will be used to select a suitable contractor to deliver the works. The tender will be advertised in the Official Journal of the European Union
- 9.2 Bidders will be asked to submit a selection questionnaire, with the five highest scoring bidders invited to submit a formal tender
- 9.3 Tenders will be evaluated based on an award criteria split of 70% price to 30% quality (split equally between resourced programme, managing sub-contractors and managing quality).
- 9.4 An indicative timeframe is set out below:

<b>Key milestones</b>	<b>Indicative Date (or range)</b>
Cabinet	16 January 2019
Contract Notice published	28 January 2019
Suitability questionnaire return period	28 January to 27 February 2019
Suitability questionnaire evaluation	28 February to 28 March 2019
Tenders invited	29 March 2019
Tender return date	9 May 2019

<b>Key milestones</b>	<b>Indicative Date (or range)</b>
Tender evaluation	10 May to 31 May 2019
Internal governance and approvals	1 June to 30 June 2019
Resident engagement and leaseholder consultation	1 July to 31 August 2019
Contract award	2 September 2019

## **10. APPENDICES**

- 10.1 Appendix 1 - Approach to Contract Management, Business Continuity, TUPE implications, Premises/Leases and Safeguarding
- 10.2 Appendix 2 - Approach to Equality Impact Assessment, Social Value Act & London Living Wage

**REPORT ENDS**



**Appendix 1 - Approach to Contract Management, Business Continuity, TUPE implications, Premises/Leases and Safeguarding**

Factor	Relevant to this contract?	Outcome
<b>Contract Management</b>	Yes	<p>There will be an experienced Contract Manager (CM) employed by Camden allocated to this project to deliver the scheme from start to completion. The CM will monitor the installation programme, hold regular minuted site meetings, approve and authorise interim applications of payment, liaise with housing management, the resident and the contractor to resolve any issues. External consultant Employers Agent (EA) will be commissioned who will manage and monitor Camden’s and residents’ interests. The EA will also support the CM in the contract administration processes. Regular site visits, minuted site meetings and progress payments against the installation programme and percentage completion at valuation stage will be provided during the course of the project.</p> <p>At least one full time resident liaison officer (RLO) will be employed by the contractor to coordinate the resident’s requirements with the contractors installation programme. The RLO will also deal with any damage to resident’s property and complaints. This information will be captured at the monthly site meetings attended by all officers, consultants and contractor.</p>
<b>Business Continuity</b>	Yes	<p>Contractors are selected with sufficient resources and financial capacity to carry out the works. Interim payments are made upon valuation and percentage completion of the works less retention to protect Camden. In the event of the contractor failing</p> <p>In the event of a failure by contractor there is clause allowing the contracts to be terminated and works completed by others and costs set off against any payments.</p>

<b>TUPE Implications</b>	No	This is a standalone works contract and TUPE does not apply.
<b>Premises / Leases</b>	No	There are no implications for Council premises or leases.
<b>Safeguarding</b>	Yes	Contractors and sub-contractors will need to have DBS checks because they will be working in resident's property where there will be vulnerable residents. Children will need to have parents or guardians present during the works in the flat or the contractor's operative will leave the flat.
<b>Vehicle Considerations</b>	<p>No</p> <p>No</p> <p>Yes</p>	<p>Freight Consolidation Service (FCS): The contract involves the delivery, collection and storage of specialised goods therefore the FCS will not be used for this contract. Please contact <a href="mailto:procurement@camden.gov.uk">procurement@camden.gov.uk</a> for guidance.</p> <p>Green Vehicle Standards: Any contract that involves procurement of fleet vehicles for the council, procurement of contractor fleet or use of contractor vehicles to deliver council goods or services, the <a href="#">green vehicle policy for fleet procurement</a> or <a href="#">contractor fleet</a> will apply. Please liaise with Adam Webber in Sustainability <a href="mailto:adam.webber@camden.gov.uk">adam.webber@camden.gov.uk</a> for advice.</p> <p>Work Related Road risk (WRRR): WRRR terms will apply for all contracts using vans, lorries and Public Service Vehicles (capable of carrying &gt;9 passengers) over £100k p.a and/or 6 months duration. Please contact <a href="mailto:WRRR@Camden.gov.uk">WRRR@Camden.gov.uk</a> or see the <a href="#">WRRR intranet page</a> (Where vehicles are being used, all three areas should be considered on their own merits)</p>

## Appendix 2 - Approach to Equality Impact Assessment, Social Value Act & London Living Wage

Factor	Assessment completed?	Implications
<b>Equality Impact Assessment</b> (application of corporate assessment)	Yes	<p>The Council will have due regard to the provisions of the Equalities Act by ensuring that the works delivery process takes account of individual needs of our residents and appropriate management and contractor resources are appointed to manage the resident interface.</p> <p>The completed EIA concluded that that there is no adverse impact for residents.</p>
<b>Data Protection Requirements (including GDPR)</b>	Yes	<ul style="list-style-type: none"> <li>• Resident liaison officers will obtain contact details with the consent of residents, purely for the purposes of making appointments and these details will not be stored beyond the delivery of the project.</li> <li>• This will be in the form of an encrypted spread sheet which will be held on the contractors secure server. The information will not be shared with third parties.</li> <li>• The DPIA has been completed.</li> </ul>
<b>Social Value Act</b>	Yes	<p>Social and economic considerations will be included as part of the award criteria. The successful contractor is required to appoint one trade apprentice for each £1million value of the contract.</p>
<b>London Living Wage</b> (application of LLW impact assessment (best value test))	Yes	<p>The outcome from the LLW Impact Assessment is that LLW will be included in the contract as it meets the criteria.</p>
<b>Workforce Standards</b>	Yes	<p>The Council believes there exists a minimum approach to the management of a supplier's workforce and therefore does not expect its suppliers will incur additional costs as a result of these.</p>