

Wards Affected:

Bradwell

**AWARD OF CONTRACT - COMMUNAL HEATING SYSTEM AT RADCOTE LODGE
(REF: CU2455)**

Responsible Cabinet Member: Councillor O'Neil, Cabinet member for Housing & Regeneration

Report Sponsor: Jane Reed, Service Director Housing & Community

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Executive Summary:

This report is seeking approval to award the contract to replace the communal heating system at Radcote Lodge sheltered housing scheme. Cabinet previously agreed that the tender could progress on 20 October 2014.

1. Recommendation(s)

1.1 That the Contract for the replacement of the communal heating system at Radcote Lodge sheltered housing scheme be awarded to the tenderer who has scored the highest in accordance with the Most Economically Advantageous Tender evaluation.

2. Context

2.1 In previous years, communal heating systems in sheltered housing have been replaced on a like-for-like basis. In order to further the Council's low carbon strategy, a technical review was undertaken to investigate the options for installing systems using low carbon / renewable energy sources. The review concluded that Radcote Lodge is suitable for the installation of a Combined Heat & Power (CHP) heating system. The principal of CHP is that conventional fuel such as gas is used to run an engine to generate electricity. In a small-scale plant, such as the one proposed here, this electricity is used as the main source of power for the building and the waste heat from the cooling jacket and exhaust is recovered to supply heating and hot water. As a result, overall energy consumption is greatly reduced.

2.2 The cost of the heating plant for CHP is greater than conventional gas-fired boiler but within the overall project, which includes refitting the boiler room controls and pipework, the additional cost of CHP was estimated to be only approximately 10% uplift on costs.

3. **Background**

3.1 Decision to Proceed to Tender. This procurement was approved to proceed to Tender by Cabinet Procurement Committee on 20 October 2014.

3.2 Consultation. The specification was developed using an external consultant.

3.3 Market Engagement and Lessons Learnt.

(a) Before tenders were invited there was a period of market engagement to understand the current appetite for this type of contract.

(b) Lessons learnt from previous, similar schemes have been built into the new contract.

3.4 Tender Evaluation

(a) The contract was advertised on the Council's E-Tendering system on 3 November 2015 and 12 tenders were returned on 24 November 2015. Five tenders were incomplete / non-compliant; the remaining seven were evaluated.

(b) The Tenders were evaluated by a suitably qualified and experienced panel of Building Services technical officers. Moderation of scores and quality assurance of the process was also undertaken. Colleagues within Finance, Legal and Corporate Procurement were engaged to support the tender process.

(c) A summary of the Risk Assessment is set out in section 4.2. The full risk assessment is available on request.

(c) The MEAT evaluation of tenders resulted in the following scores. The actual names of suppliers their pricing and a breakdown of the quality scores are in the Exempt Papers (Annex). The evaluation criteria were weighted to ensure that essential quality aspects of the tender were scored accordingly.

(e) A minimum threshold of 60% (= 24/40) was set in relation to quality questions. Only one bid achieved this score. Feedback will be given to those suppliers that fell below the line to ensure they understand the level required to meet our standards in the future. For comparison, the other bids are shown in the shaded area in the table below.

	Price score	Quality score	Total score	Ranking
Company A	58.83	28.33	87.16	1
Company B	59.44	23.33	82.77	2
Company C	59.18	15.00	74.18	3
Company D	60.00	10.00	70.00	4
Company E	51.99	15.00	66.99	5
Company F	60.00	6.67	66.67	6
Company G	52.79	13.33	66.12	7

- (f) Although the winning bid does not offer the lowest price, the price differential between it and the lowest priced tender(s) is less than 2% in cash terms. The tight pricing between the five lowest priced bids (shown in the Exempt Papers as an Annex) gives confidence that the market is competitive.
- (g) Public Services (Social Value) Act 2012. The winning bidder has made significant commitments regarding the employment of locally based staff and the use of local suppliers. Their bid highlighted a successful record of delivering social value on other projects and cited awards they have won in this field. These issues will be monitored during the contract as part of the outcomes.

3.5 Contract Management

- (f) The contract adheres to the Council's standard terms and conditions for the New Engineering Contract (3rd Edn) (NEC3) Engineering and Construction Short Contract with Z clauses as maintained by the Council's Legal Services team.
- (g) The Senior Client Officer for this contract is the Housing Service Partnering Manager.
- (c) Project management will be carried out using the MK approach with project meetings at weekly intervals. The Council's Project Manager for the contract implementation is the MKC Building Services Head of Major Works.
- (d) The key governance processes include:
- Weekly contract meeting held by the project manager and monthly reviews by the Building Service head of Major Works
 - There will be a 5% retention under the terms of the NEC3 contract
 - Clauses relating to dispute resolution and contract termination are set out within the provisions of the NEC3 contract.

- Asset data will be loaded onto the Building Services Keystone database

4. Implications

4.1 Policy

The award of this contract will progress the following priorities/outcomes within the Corporate Plan 2012/16:

- Occupy fit for purpose housing that meets individual needs

4.2 Resources and Risk

- The costs of the contract are already contained within the Housing capital programme allocation for 2015/16 agreed by Council in February 2015.
- The key OPPORTUNITY secured by this contract is to renew the heating system in Radcote Lodge, whilst giving residents lower heating costs. It is assessed that the delivery of this contract provides a HIGH likelihood that a MEDIUM Impact will secure the opportunity defined.
- The key THREATS for this contract have been assessed as:

Risk	Mitigation	Likelihood (after mitigation)
Work is delayed due to unforeseen circumstances	Ensure sound project planning that can mitigate risks	L
Costs exceed forecast	Ensure robust planning based on thorough investigation and design	L
Poor specification	Use of standard specification produced in conjunction with material suppliers	L
Poor project management	Use of the MK Approach	L
Poor quality workmanship	Use of a robust specification and tight project management	L

The governance measures set out in 3.5 above provide a basis to conclude that these threats, properly managed represent a Low likelihood.

Resources & Risk Implications

Y	Capital	Y	Revenue	N	Accommodation
N	IT	N	Medium Term Plan	N	Asset Management

4.3 Carbon and Energy Management

The completion of this project will contribute to the reduction in carbon emissions, and reduced costs for residents through the greater efficiency the heating system.

4.4 Legal

- (a) The Council has a discretionary duty to provide housing. If it does it is required under the Housing Act 1985 Part II (as amended) and Landlord and Tenant Act 1985 s11 to maintain such properties in good repair.
- (b) The Contract and its procurement are compliant with the council's contract and finance procedure rules, and UK and European legislation.

4.5 Other Implications

N	Equalities/Diversity	N	Sustainability	N	Human Rights
N	E-Government	N	Stakeholders	N	Crime and Disorder
Y	Carbon and Energy Policy				

Background Papers:

Decision to Proceed to Tender: Cabinet Procurement Committee report dated 20 October 2014

Exempt Papers:

Evaluation criteria (Annex)