

**ANGUS COUNCIL**

**COMMUNITIES COMMITTEE – 12 APRIL 2016**

**BULK KITCHEN REPLACEMENT PROGRAMME 2017-2021  
PROCUREMENT AUTHORITY APPROVAL REQUEST**

**REPORT BY HEAD OF TECHNICAL AND PROPERTY SERVICES**

**ABSTRACT**

Report seeking authority for the proposed procurement where the maximum value of the contract is above the Chief Officer's delegated authority limit.

**1. RECOMMENDATIONS**

1.1 It is recommended that the Committee:

- (i) approves the indicative estimated overall cost over four years of £5,035,000 for replacement of kitchens within council houses with a contract period of two years from January 2017 to January 2019 with the option to extend the contracts for a further two year period to January 2021;
- (ii) approves the procurement authority, as contained in this report, in accordance with the process stated in Section 16.8 and 16.24.16 of the Financial Regulations;
- (iii) notes that the funding for this project amounting to £5,035,000 is from the HRA Capital budget and that the Housing Financial Plan will be amended at its next update to accommodate the revised total cost for this project; and
- (iv) notes the financial implications included in Section 6 of this report.

**2. ALIGNMENT TO THE ANGUS COMMUNITY PLAN/SINGLE OUTCOME AGREEMENT/COPORATE PLAN**

2.1 This report contributes to the following local outcomes contained within the Angus Community Plan and Single Outcome Agreement 2013-2016:

- We have a sustainable economy with good employment opportunities
- Angus is a good place to live in, work and visit
- Our communities are safe, secure and vibrant
- Our communities are developed in a sustainable manner

**3. BACKGROUND**

3.1 In order to achieve continued compliance the Scottish Housing Quality Standard (SHQS) council housing must have modern facilities and services. The replacement of kitchens through an ongoing 15 year programme contributes to maintaining the housing stock in the condition required to meet these obligations.

3.2 Customer consultation exercises with our tenants also indicate that having a good kitchen is their highest priority aspiration. Regularly replacing kitchens allows us to meet these aspirations and inform tenant satisfaction measures collected for the Scottish Social Housing Charter annual return.

- 3.3 Having modern facilities and services within our housing stock helps reduce tenancy offer refusals on the basis of property condition, leading to reduced void periods and greater rental income.

#### **4. SCOPE OF CONTRACT**

- 4.1 The works comprise the removal of existing kitchen fitments and the design, supply and installation of new fitted kitchens, including associated builder work, rewiring, services alterations, insulation works, flooring and decoration to approximately 1170 properties throughout the Angus area.
- 4.2 The kitchen replacement programme will run from January 2017 to January 2021 (including extensions). The contract is to be fixed price for a two year period from January 2017 to January 2019. Thereafter the option will exist to extend the contract for a further two year period to January 2021.

#### **5. PROCUREMENT AUTHORITY**

##### **Objectives**

- 5.1 The main objective is to assist in the Councils' continued compliance with the Scottish Housing Quality Standard (SHQS). The procurement of this project will allow kitchens to be replaced within the Councils' housing stock and provide modern facilities and services to our tenants.
- 5.2 The tender evaluation process will be carried out in accordance with the Financial Regulations for contracts over £500k in value and be carried out as set out in Section 5.15 of this report. The Contract Notice and Invitation to Tender documents will include community benefit clauses to encourage participation in apprenticeships and the delivery of community benefit outcomes.

##### **Sourcing Route/ Collaborative Opportunities**

- 5.3 Collaborative procurement opportunity details were passed to Tayside Procurement Consortium (TPC) on 15 February 2016. Confirmation was received on 24 February 2016 from TPC that based on the size, type and timescale of the proposed project there are currently no opportunities for collaborative procurement for the Council's requirement under the umbrella of TPC. This will be reviewed in the future as part of any procurement strategy for the delivery of a similar programme.
- 5.4 Technical and Property Services has successfully completed a number of kitchen replacement contracts using a procurement process which includes contractor design utilising the construction 'approximate Quantities' approach encompassing open market competition on a 'restricted' procedural basis with appointment on the basis of lowest acceptable tender. This procurement option has been very successful at providing a good quality, well managed project, with high tenant satisfaction and at competitive rates. In order to comply with the latest procurement legislation the appointment of the contractor will be on the basis of most economically advantageous tender.
- 5.5 Based on the previous success of this procurement method it is the recommendation of the Head of Technical and Property Services that the replacement of kitchens in approximately 1170 council houses is procured using the restricted tendering procedure and awarding to a single supplier (a single contract (lot)). The contract will not be divided into lots to ensure continuity of service and to provide a single point of contact for tenants. The single lot option has been successfully used previously and provides value for money and savings in Council resources.
- 5.6 The project will be advertised on Public Contracts Scotland (PCS) in line with Council policy in June 2016. As the estimated value for the new build works noted in Section 6.1 exceeds the EU threshold of £4,104,394 the relevant EU procurement procedures will apply. Any capable local contractor will be identified and steps taken to alert them to the bidding opportunity prior to advertisement of the project.

- 5.7 Procurement will be via a two stage 'restricted' process which will require contractors to submit the standard European Single Procurement Document (ESPD) which, under the Public Contract (Scotland) Regulations 2015 (for procurement commenced from 18 April 2016), replaces the Pre-Qualification Questionnaire (PQQ). Following evaluation of the ESPD's submitted, up to six of the highest scoring bidders who satisfy the minimum thresholds set and communicated within the Contract Notice will be invited to submit a tender. The evaluation methodology is set out in Section 5.13 of this report.
- 5.8 Following the evaluation of the ESPD, it is anticipated that invitations to tender will be issued in September 2016 and returned during October 2016. The Invitation to Tender will include a schedule of items to be priced by the bidders. The tender documentation will incorporate standard Scottish Building Contract 2011 (with approximate quantities) conditions, contract specific preliminaries, pricing documents, community benefit clauses, fair work practices, pricing documents, pre-construction information pack and specification. Tenders will be evaluated in accordance with Section 5.15 of this report and the projected date for award of contract is December 2016 with the contracts commencing in January 2017. The initial contract period is for two years up to January 2019 with the option to extend for a further two years until January 2021. A two year contract with a two year extension option is considered the most beneficial to the Council as it allows a decision to be taken to invite competition or to extend the contract taking into account contractor performance and best value.
- 5.9 This report details the funding arrangements and procurement options fall within the procurement authority requirements contained in Financial Regulations (FR) 16.8. This procurement is not considered to be a "major procurement" in terms of Financial Regulation 16.8.4. Approval of this report would mean that the contract can be accepted without the need for further approval by the relevant committees. In accordance with the current arrangements the contract award will be the subject of a 'Noting Report' and will be available on the Council's 'Information Hub'.

#### **Sustainable Procurement Considerations**

- 5.10 The Scottish Government 'Sustainability Test' is utilised to identify any additional sustainable procurement measures which could be incorporated within the requirement. This project will be designed to incorporate sufficient materials with a high recycled content that the target of 10% by value of recycled content in property related construction projects valued over £1 million will be achieved. The design will also incorporate the Sustainable Timber Policy approved by the Corporate Services Committee on the 23 October 2008 (Report No. 1040/08, Article 11 refers) ensuring that all timber or timber materials required for this contract will be from sustainable sources.
- 5.11 The successful bidder will be required to meet the community benefits contained within the invitation to tender which will be considered to be proportionate to the contract.

#### **Procurement Procedure and Contract Award Criteria**

- 5.12 The procurement of the contract will follow a two-stage 'restricted' tender procedure as the best means of procuring the works. There is anticipated to be a high degree of interest in tendering for this work and based on similar projects this process will allow the Council to select a list of up to six of the top scoring bidders to receive tender documents.
- 5.13 The first stage Pre-qualification (ESPD) assessment will include:
- Minimum requirements for: business probity, criminal convictions, economic and financial standing, technical capability/expertise, Health & Safety, prohibited (black) lists, equalities and contractual issues.
  - Evaluation of: technical & professional ability; previous relevant experience, technical references/statements, level of resources/capability, bidder's capability of supporting delivery of community Benefit awareness/standards and environmental management awareness/standards awareness.

- 5.14 The second stage will comprise issuing tender documents to up to six of the highest scoring bidders who satisfy the minimum qualification thresholds. The tender returns will be evaluated in line with the following contract award criteria.
- 5.15 The tenders will be evaluated on the basis of the most economically advantageous tender (MEAT) having regard to the following criteria which are weighted according to importance. Price is to be given a weighting of 70%, with the other quality related criteria listed below to be given a total weighting of 30% in accordance with the Financial Regulations. Once the tenders have been evaluated, as noted above then an acceptance will be issued to the tenderer providing the highest MEAT score.

#### Quality Criterion

- Management and Supervision – 6%: Tenderers to identify number, role, qualifications and management of staff.
- Resources – 6%: Tenderers to identify project management and project administration processes.
- Adaptability – 6%: Tenderers to identify innovative working practices.
- Quality and Performance – 6%: Tenderers to identify process and procedures to ensure quality and performance of the contract is maintained at appropriate levels.
- Community Benefit – 3%: Tenderers to identify additional community benefits to be provided as part of this procurement to meet the Councils' requirements.
- Fair work practices – 3%: Tenderers to confirm how they commit to Fair Work Practices for workers (including any agency or Sub-Contractor workers) engaged in the delivery of the Contract.

#### Price Criterion

- The weighted price of 70% will be evaluated on the basis of the lowest total price received following a check for arithmetical and rating errors.

## 6. FINANCIAL IMPLICATIONS AND ALLOWANCE IN ESTIMATES

- 6.1 The estimated total cost for the replacement of approximately 1170 kitchen in the Angus area is:

Installation of kitchens and associated works 2017 to 2019	£2,185,000
Installation of kitchens and associated works Extension of Contract 2019 to 2021	£2,300,000
	<hr/>
	£4,485,000
Allowance for professional fees, supervisory, travel and administrative expenses	£450,000
Allowance for statutory payments and sundry expenses	£100,000
	<hr/>
Estimated total cost (at out-turn prices)	<u>£5,035,000</u>

- 6.2 The HRA Financial Plan 2015/2019 approved at the Rent setting meeting on 9 February 2016 (Report No 46/16) contains a gross allowance of £4,845,000 for the kitchen replacement programme. The project costs have been reviewed and updated based on the latest information relating to specification and number of properties. As noted above the revised total cost of the project is now estimated at £5,035,000.

- 6.3 The HRA Financial Plan will be adjusted at its next update to accommodate the revised estimated total cost and additional funding required of £190,000.
- 6.4 The overall mix of funding of the HRA capital budget (e.g. borrowing, receipts) is determined as part of the Council's year end final accounts process. This assumes that the overall required capital funding of £5,035,000 is met from borrowing, members should note the estimated loan charges in line with the Housing Long Term Affordability exercise will be calculated over an average 25 year period. The following table shows what the loan charges will be at certain points over the borrowing write off period.

	Year 1 2017/18 £000	Year 5 2021/22 £000	Year10 2026/27 £000	Year 15 2031/32 £000	Year 20 2036/37 £000	Year 25 2041/42 £000
Estimated loan Charges	62	323	349	379	415	454

- 6.5 As noted above loan charges have been calculated in line with the assumptions within the Housing Long Term Affordability Strategy. The current HRA Financial Plan 2015/2019 has been the subject of an affordability review by Finance officers as part of the 2016/17 rent setting process. This review ensured that the overall revenue consequences (including borrowing costs) of the proposed total capital spend can be sustained on a long term basis by the HRA.
- 6.6 Accordingly as the capital programme has been determined to be affordable, the loan charges noted above can be contained within the loan charges provision in the Housing Revenue Account.

## 7. OTHER IMPLICATIONS

### Risks

- 7.1 A risk assessment is being undertaken for this project and other than the normal risks inherent in carrying out a project of this size and complexity, no other significant risks have been identified. Technical and Property Services has extensive experience of delivering projects in a timely manner and every measure will be taken to ensure that through effective project management the project is delivered on time and on budget.
- 7.2 Due to the nature of this contract the appointment of a single supplier is not considered to be a significant risk. As there are no legislative health and safety implications if the contractor is unable to complete the contract there is no requirement to provide continuing contractual cover for the works. To mitigate any delays in completing works already commenced temporary arrangements can be put in place using existing contractors already employed through the Councils' repair and maintenance contracts.

**NOTE:** The background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) which were relied on to any material extent in preparing the above report are:

- Corporate Services Committee 20/10/08 Report No 1040/08 – Sustainable Sourcing of Timber and Timber Products for Property Construction Projects
- Communities Committee 09/02/16 Report No 46/16 – 2016/2017 Housing Revenue Account Estimates

**Report Author: Ian Cochrane, Head of Technical and Property Services**  
**Email Details: [Coummunitiesbusinesssupport@angus.gov.uk](mailto:Coummunitiesbusinesssupport@angus.gov.uk)**