

**ANGUS COUNCIL**

**COMMUNITIES COMMITTEE – 6 JUNE 2017**

**ENERGY EFFICIENCY MEASURES AND REPLACEMENT HEATING INSTALLATIONS  
2017 to 2022  
PROCUREMENT AUTHORITY APPROVAL REQUEST**

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

**ABSTRACT**

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

**1. RECOMMENDATIONS**

1.1 It is recommended that the Committee:

- (i) notes the indicative estimated overall cost of £20,650,000 for energy efficiency measures and replacement heating installations to be installed over a period covering financial years 2017/18 to 2021/22;
- (ii) approves the procurement authority, as contained in this report, including participation by the Council for these purposes in both the Scotland Excel framework 09-13 and the Scottish Procurement Alliance (SPA) framework N7 in accordance with Sections 16.6 and 16.8 of the Financial Regulations;
- (iii) authorises the Service Manager - Property to select the most appropriate procurement method against the appointed frameworks for individual procurements, for example, whether by direct award or by mini-competition to ensure best value is obtained on a case by case basis;
- (iv) notes the financial implications included in Section 6 of this report.

**2. ALIGNMENT TO THE ANGUS COMMUNITY PLAN/SINGLE OUTCOME AGREEMENT/CORPORATE 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
- Our carbon footprint is reduced

**3. BACKGROUND**

3.1 The current Housing Revenue Account Financial Plan 2016-2021 includes an allocation of £11.60m for Energy Saving measures and related upgrading of council properties over financial years 2017/18 to 2021/22 (includes later years) with a further £9.05m being allocated for the Heating Installation and Replacement Programme over the same period.

3.2 In the past these works have been procured on an individual contract basis using standard tendering procedures. Scotland Excel and the Scottish Procurement Alliance (SPA) have put in place separate Framework contracts which are available for Angus Council to use to procure these types of works. Angus Council is currently a member of the SPA and also supports the use of procurement arrangements put in place by Scotland Excel where

appropriate. Both Frameworks cover energy saving works (insulation) and replacement heating installations. Contracts can either be awarded through a mini-competition process or by a direct award to the most suitable contractor.

- 3.3 The procurement of external wall insulation work has previously been carried out on the basis of individual contracts under £500,000. There is currently a term contract in place to carry out boiler replacement and heating system installation works throughout Angus. This term contract finishes on 31 March 2018. Boiler replacement and heating system installation work requirements post 31 March 2018 are therefore included within the scope of the procurement authority set out in this report.

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

- 4.1 The works proposed to be covered under this procurement authority request are as follows:

- External wall insulation to solid wall or hard to treat cavity wall constructed properties
- Cavity wall insulation
- Loft insulation
- Under floor insulation
- Photovoltaic panels
- Replacement of existing gas fired boilers
- Installation of replacement gas fired heating systems
- Installation of replacement electric heating systems

- 4.2 The length of contracts let under the appropriate Framework can be up to the full term of the Framework which is two years with an option to extend by a further two years for the Scotland Excel Framework which is no later than May 2021 and up to April 2020 for the SPA framework. The prices contained in the Scotland Excel Framework are fixed for the first 12 months and subject to increase to reflect actual cost increases not exceeding the general rise in inflation in each year of the contract thereafter. The prices contained in the SPA Framework for each individual contractor can be reviewed if requested by them and checked/adjusted against industry standard indices. This adjustment will not be carried out across all the contractors only to the contractor requesting the review.

- 4.3 The Frameworks allow for the performance of all of the contractors to be monitored and should performance prove unsatisfactory removal from the list of Framework contractors. This will provide an effective service delivery process and build on the success of the previous procurement arrangements.

- 4.4 Framework contractors will be appointed based on the measures to be carried out either through direct award or by carrying out a mini-competition exercise. Appointment by direct award or mini-competition will follow the procedure stated in the appropriate Framework to ensure fair and transparent selection.

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

##### **Objectives**

- 5.1 Angus Council is required to meet the Energy Efficiency Standard for Social Housing (EESH) by 2020. This is to ensure that our housing stock will be no lower than a C or D energy efficiency rating, subject to specific exclusions. The Council's tenants will benefit from a warmer home with lower energy bills and a reduction in fuel poverty. This will be achieved by carrying out appropriate energy saving measures to the Council housing stock.
- 5.2 The proposed use of either Framework is intended to speed up the procurement process by omitting the requirement to carry out contractor selection process for each individual contract where the value is out with the Chief Officers delegated authority limit. This process has already been carried out by both Scotland Excel and SPA for their respective Frameworks.

- 5.3 The use of these Frameworks is also anticipated to result in better value for money although a benchmarking exercise will be carried out to ensure this is the case by comparing prices received through mini-competition exercises with historical rates obtained through traditional procurement processes.
- 5.4 Both Frameworks are split into Lots representing geographical areas. The Scotland Excel Framework has a Lot specifically for Angus whilst the SPA Framework has two Lots covering the whole of Scotland with the same contractors available for each Lot.
- 5.5 Any mini-competition or direct award exercise will include clauses requesting the successful contractor's participation in the Angus Shared Apprenticeship Programme or similar together with community benefit engagement to meet the delivery of community benefit outcomes. The contract documents will incorporate conditions to fulfil the Council's commitment to pay valid invoices within 30 days of receipt.
- 5.6 The mini-competition tender evaluation process will be carried out in accordance with the contract standing orders, rules and tender procedures as set out by Scotland Excel and SPA. This will be as contained within the appropriate Frameworks in accordance with regulation 16.6.4 of the Council's Financial Regulations.

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

- 5.7 As the Council is proposing to use approved sourcing routes through a Central Purchasing Body which meet the requirements for identifying collaborative procurement opportunities, Tayside Procurement Consortium (TPC) has in this case not been contacted. The use of these Frameworks meets the Council's obligations to ensure a compliant sourcing route is used for procurement.
- 5.8 The total value of works exceeds the EU threshold of £4,104,394, the Framework procurement processes carried out by Scotland Excel and SPA are fully compliant with the relevant EU procurement procedures. Contractors who have carried out external wall insulation and heating replacement works for the Council were contacted to inform them that Scotland Excel were setting up a Framework for energy saving measures which the Council would consider as a possible route to future procurement. No current contractors applied to be considered for the Scotland Excel Framework. The SPA Frameworks are already in place with no current opportunity for the additions of any new contractors.
- 5.9 The Scotland Excel Framework procurement was carried out following an open tendering procedure utilising the European Single Procurement Document. The completed ESPD confirmed minimum standards were met including:
- Economic and financial standing
  - Relevant examples of previous work and/ or services
  - Technicians or technical bodies
  - Educational and professional qualifications
  - Samples, descriptions, photographs and certifications of authenticity
  - Quality assurance schemes
  - Quality management procedures
  - Health and safety procedures
  - Health and safety breach
  - Environmental management standards
- 5.10 SPA Framework procurement was carried out following an open tendering procedure which eliminated the pre-qualification questionnaire stage. Suppliers were given free and open access to the tender and offer documentation and were required to answer suitability assessment questions. Selection criteria included:

- Financial information
- Business and professional standing
- Health and safety policy and capability
- Equal opportunity and diversity policy and capability
- Environmental management policy and capability
- Quality management policy and capability
- Sustainability and social inclusion policy requirements
- Experience of working in public sector and partnering
- Membership of professional bodies and/ or trade associations and technical associations
- Managerial and technical support, sales, marketing and supporting information
- Technical and professional ability
- Providing the full range of essential components on offer
- Conformity to the SPA specification together with the expertise and quality of delivery

5.11 It is the recommendation of the Head of Technical and Property Services that the most appropriate procurement option for delivering the work is to utilise the approach detailed in section 5 of this report.

5.12 This report details the funding arrangements and procurement options that 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 individual call-off contracts against the relevant frameworks can be accepted without the need for further approval by the relevant committee. In accordance with the current arrangements individual contract awards will be the subject of ongoing ‘Information Reports’ throughout the term of the frameworks.

#### **Sustainable Procurement Considerations**

5.13 The Scottish Government ‘Sustainability Test’ will be utilised to identify any additional sustainable procurement measures which could be incorporated within the requirements or contract conditions. Due to the nature of these contracts (Lots) it is not possible to identify sufficient materials of a high recycled content. Therefore the target of 10% by value of recycled content in property related construction projects valued over £1 million cannot be achieved on a measurable basis. Technical and Property Services will ensure that, where possible, any material specified includes an element of recycled content. The specification will 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. The inclusion of sustainability measures will be subject to compliance with the terms contained in both Frameworks relating to inclusion of additional requirements which apply to either direct award or mini-competitions.

5.14 Where work is subject to mini-competition or direct award, the successful bidder will be required to meet the community benefits requirements as specified and set as proportionate and relevant to the subject matter of the contract. This will include consideration of the use of the Angus Shared Apprenticeship Programme or similar.

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

5.15 Contract award for work to be procured through either Framework will be either by direct award or by mini-competition. The mini-competition process will follow a single stage ‘restricted’ tender procedure with tender invitations sent out to all contractors who were successful in being placed on the Framework list.

- 5.16 A quality assessment has been carried out as part of the Framework procurement process, mini-competition tenders will be assessed using quality and prices in line with the individual Frameworks terms and conditions and the most economically advantageous tender (MEAT) being recommended for acceptance.
- 5.17 The submissions for the Scotland Excel Framework were assessed as follows:
- Technical/Quality – 40%
- Framework management and general arrangements – section weighting 10%
  - Community benefits – section weighting 10%
  - Sublot specific technical – section weighting 80%
- Commercial – 60%
- Commercial offer for property archetypes based on the schedule of rates – section weighting 100%
- 5.18 The submissions for the SPA Framework were assessed as follows:
- Suitability – 10%
- Sustainability and social inclusion
  - Business and professional standing
  - Health and safety policy capability
  - Equal opportunity and diversity
  - Environmental management
  - Quality management
  - Capability for geographical lots
- Quality – 40%
- Incident management
  - Performance management
  - Framework and call-off project management
  - Customer service (client and resident)
  - Example contract scenarios
  - Management of supply chain
  - Processes for preventing poor quality installations
  - Sourcing of sub-contractors and installers
  - Product details
- Pricing – 50%
- Built up matrix of costs
  - Selection of contract scenarios

## **6. FINANCIAL IMPLICATIONS AND ALLOWANCE IN ESTIMATES**

- 6.1 The Housing Revenue Account Financial Plan 2016-2021 includes an allocation of £11.6m for Energy Saving/ Upgrading of council properties over the period from April 2017 to March 2022 (includes later years within the HRA Financial Plan) with a further £9.05m being allocated for the Heating Replacement Programme over the same period.
- 6.2 These allocations do not relate to specific projects and it is anticipated that these allocations will be expended through either direct award or by carrying out mini-competitions using either of the two Frameworks referenced earlier in this report.

- 6.3 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.
- 6.4 The current HRA Financial Plan 2016/2021 has however been the subject of an affordability review by Finance officers as part of the 2017/18 rent setting process. This review ensured that the overall revenue consequences (including borrowing costs) of the proposed total capital spend (incorporating the proposed spend levels within this report) can be sustained on a long term basis by the HRA. Accordingly as the capital programme has been determined to be affordable, any loan charges associated with the programmes of works within this report can be contained within the loan charges provision in the Housing Revenue Account.
- 6.5 Use of either Framework will result in a cost to Angus Council. Angus Council already contribute financial support to Scotland Excel to cover the setting up of Framework contracts and there will be no further cost for the use of the Energy Efficiency Framework. Use of the SPA Framework will incur a 3% levy which is included in any price submitted by the Framework Contractors for each contract. This levy is then paid by the Contractor to the SPA with any profit made by the SPA paid back to its members in the form of a rebate. An alternative offered by the SPA is to reduce the levy to 1.25% with no rebate payable. When the SPA Framework is to be used it is proposed that the reduced levy rate is adopted.

## 7. OTHER IMPLICATIONS

### Risks

- 7.1 An assessment is being undertaken for this project and has initially identified risks associated with workload, ensure value for money, quality of service and continuous delivery resulting from contractual issues and encouraging local SME involvement. No other significant risks have been identified other than the normal risks inherent in carrying out projects of this size and complexity through a Framework. Technical and Property Services have experience of procuring projects of this nature in a timely manner and every measure will be taken to ensure that these contracts are effectively managed. The assessment of risk for this procurement has initially identified the follow issues:

Risk	Mitigating Actions
Encourage SME Bidding Opportunity	Contractors who have carried out Energy Saving Measures in the past for Angus Council including Council house external wall insulation and heating replacements were contacted and provided information on the Scotland Excel Framework. No contractors took up the invitation to join this Framework.
Ensure value for money	A benchmarking exercise will be carried out using rates previously received by Angus Council against figures provided either through direct award or mini-competition when using either Framework.
Quality of Service	Both Frameworks have provisions for monitoring quality. Any issues will be taken up with the Framework providers and contractors may be excluded in accordance with the terms of each Framework.
Continuity of Service	There are alternative contractors available through the Frameworks to ensure continuity of service.

**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 14/2/17                              Report 70/17 – 2017/18 Housing Revenue Account Estimates Incorporating Rents, Charges and St. Christopher's Site Rentals

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