

**REPORT TO:** CABINET

**DATE:** 31 MARCH 2016

**TITLE:** DISTRICT HEATING BOILER REPLACEMENT PROGRAMME TOGETHER WITH INSTALLATION OF HEAT METERS – TANYS DELL, RISDENS, ROSEMARY CLOSE (PROJECT NO. 16/002)

**PORTFOLIO HOLDER:** COUNCILLOR ROD TRUAN

**LEAD OFFICER:** ANDREW MURRAY, HEAD OF HOUSING SERVICES (01279) 446676

**This is a Key Decision**

**It is on the Forward Plan as Decision Number 1004187**

**This decision is subject to Call-in**

**This decision will affect Mark Hall, Netteswell, Old Harlow and Staple Tye Wards**

**RECOMMENDED that:**

**A** The most economically advantageous tender submitted by Contractor A is accepted in the sum of £2,138,104.95 subject to contract.

**REASON FOR DECISION**

**A** Enable the Council to enter into a contract for these works in compliance with Standing Orders Relating to Contracts.

**B** The district heating boilers at these schemes are of significant age and are in need of (and overdue for) replacement from the perspective of their ongoing reliability and in accordance with the Council's commitments to energy efficiency and tackling fuel poverty.

**C** The Council is required to adhere to new Government legislation. The Heat Network (Metering & Billing) Regulations 2014 stipulates that heat meters are required to be installed to all properties connected to a District Heating Scheme and tenants billed on actual, individual consumption (where possible by December 2016).

## **BACKGROUND**

1. A Condition Survey was undertaken to all 25 District Heating Schemes in 2014/15. This Survey confirmed that, although well maintained, all boilers were installed approximately 30 years ago and were now nearing or at the end of their service life, and therefore required replacement in order to avert significant and frequent issues of breakdown and outright failure.
2. A budget was agreed for a 6 Year Replacement Programme of District Heating Boilers starting in 2016/17 with the schemes above prioritised for inclusion in Year 1 of this Programme.
3. The significant age of these boilers (and their supporting ancillary external and internal mechanical/electrical installations and pipework) represent a significant area of risk both for the Council and therefore also for those organisations submitting tenders for these works.
4. Whilst the tender price is higher than forecasted, independent external advice from a specialist M & E consultant (LAM Associates Ltd) has provided assurance that this meets value for money and the cost can remain overall within the HRA Business Plan provisions. This is achieved by removing duplication of similar energy efficiency contingency budgets without reducing other scheduled work packages.
5. Efficiency savings already identified in the HRA capital budget head up to £303,364.88 will fund the additional costs required in the energy budget without increasing the overall HRA capital budget.
6. The Council's approved HRA Business Plan 2016-17 reflects, as part of its post-Decent Homes Standard compliance Asset Management priorities, an increased focus upon improving energy efficiency within its housing stock in order to alleviate fuel poverty amongst residents.
7. An in-depth Housing Stock Energy Study was undertaken in late 2015 which confirmed the positive impact on energy efficiency and performance of the Council's Modern Homes Programme work to date, with the Standard Assessment Procedure (SAP) rating for the stock increased to an average of 68, compared to the current national average of 57.
8. This study also further highlighted the importance of the need to replace the Council's aged and increasingly inefficient district heating boilers with new highly efficient gas-fired boilers, together with the related upgrading of heating controls within each individual property, to assist with further improved SAP ratings and provide controllable heating to individual dwellings.
9. The Heat Network (Metering & Billing) Regulations 2014 came into force on 18

December 2014 and affect all buildings connected to a District or Communal Heating system. The main requirements of the regulations are as follows:

- a) Individual heat meters to be installed in each property connected to a District Heating Scheme, where cost effective and technically feasible to do so
  - b) Where possible tenants and leaseholders must be billed using actual meter readings – i.e. pay for the heat they use in their home (December 2016).
10. Tenants currently pay a proportion of the gross cost of gas supply to their housing scheme, according to a formula based on the size of their accommodation. Where the size of the accommodation is identical tenants pay the same cost for their energy regardless of their individual consumption and use.
  11. Heat Meters will be installed simultaneously alongside the boiler replacement programme in order to minimise levels of disturbance to tenants and benefit from economies of scale and efficiencies in terms of access and works completion.
  12. An Options Appraisal is currently being carried out to confirm the most suitable method for the billing and collection process for tenants, and this will be finalised ready for launch in April 2017.

#### **THE PROCUREMENT PROCESS**

13. The Council invited six suitably qualified and experienced contractors to tender for these works. The tender period was extended by one week to encourage as many tender submissions as possible and two bids were received by the deadline.
14. A tender analysis has been undertaken, on the basis of the most economically advantageous, against a 30:70 Quality/Price split. A robust evaluation of quality has been undertaken as this is of high importance to the Council in view of the vulnerability level of many of the residents living at the schemes (in particular Tanys Dell) and the likely high profile of these works within the community.
15. The prices, rankings and weighted scores are shown below:-

	<b>Quality Weighted Score</b>	<b>Total Price for Delivery £'s</b>	<b>Price Weighted Score</b>	<b>Total Points Score</b>	<b>Ranking</b>
<b>Contractor A</b>	3000	2,138,104.95	7000	10000	1
<b>Contractor B</b>	2340	2,478,582.42	6020	8360	2
<b>Contractor C</b>	Declined to Tender as unable to submit by deadline despite a one week extension in time.				
<b>Contractor D</b>	Declined to Tender as unable to submit by deadline despite a one week extension in time.				
<b>Contractor E</b>	Declined to Tender on final day for submitting a tender.				
<b>Contractor F</b>	Declined to Tender as unable to provide the services at this time.				

## **CONCLUSIONS**

16. Contractor A has submitted the most economically advantageous bid. This Contractor is a nationally recognised service provider for commercial M & E contracts of this nature, and there is every confidence that they will deliver to the standard required by the Council.

## **NEXT STEPS**

17. In January 2016, the Cabinet approved the revised (HRA) Business Plan. The Plan has allocated resources focusing on energy efficiency initiatives to maintain the Decent Homes Standard.
18. Additional efficiencies that are identified, which result in the approved budget being changed shall be the subject of a report to the appropriate Portfolio Holder or Cabinet, as appropriate.
19. The programme work will commence in April and residents will be notified of commencement dates and arrangements.

## **IMPLICATIONS**

### **Regeneration (includes Sustainability)**

Contained in report.

Author: **Graeme Bloomer, Head of Regeneration**

### **Finance (Includes ICT)**

The costs of the scheme will be met from within the existing approved HRA Capital programme and HRA Business Plan.

Author: **Simon Freeman, Head of Finance**

## **Housing**

As outlined in the body of the report.

Author: **Andrew Murray, Head of Housing**

## **Community Wellbeing (includes Equalities and Social Inclusion)**

Non Specific.

Author: **Graham Branchett, Chief Operating Officer**

## **Governance (includes HR)**

Officers should ensure that the award of the contract conforms with the provisions of the Council's Invitation to Tender documentation. A bond is proposed to be supplied by the selected contractor in line with the Invitation to Tender documentation.

Author: **Amanda Julian, Legal Service Manager for Brian Keane, Head of Governance**