

ITEM No ...3.....

REPORT TO: NEIGHBOURHOOD REGENERATION, HOUSING AND ESTATE
MANAGEMENT COMMITTEE– 2 SEPTEMBER 2024

REPORT ON: PROCUREMENT OF WORKS TO INSTALL RETROFIT FABRIC
UPGRADES IN THE FLEMING GARDENS AREA, INCLUDING FLEMING
TRUST

REPORT BY: EXECUTIVE DIRECTOR OF NEIGHBOURHOOD SERVICES

REPORT NO: 225-2024

1 PURPOSE OF REPORT

- 1.1 The purpose of this report is to provide an update on the development of a sourcing strategy for the tender process to procure a Principal Contractor to install retrofit fabric upgrades including external wall insulation; underfloor and loft insulation; replacement doors and windows; solar PV panels and battery energy storage; decentralised mechanical ventilation with heat recovery and to seek approval to commence a compliant tender process, leading to award of a contract.

2 RECOMMENDATION

- 2.1 It is recommended that the Committee:
- a approves the commencing of a procurement exercise in respect of the project described (based on the sourcing strategy summarised in this report); and
 - b delegates authority to the Executive Director of City Development to utilise the Scotland Excel Framework for Energy Efficiency Contractors, Ref: 1320 and report the preferred tender to a future committee, following a tender process carried out in compliance with the Public Contracts (Scotland) Regulations 2015.

3 FINANCIAL IMPLICATIONS

- 3.1 There are no direct financial implications associated with this report, other than the estimated cost of the contract to be awarded, the sum of which has already been approved in the relevant budget. From previous experience and market testing carried out, the total cost of the contract awarded is anticipated to be £6,000,000. This comprises £2.7m from the Capital Plan 2024-2029 - Tackle Climate Change and Reach Net Zero Emissions by 2045 - Housing HRA Element. The balance of funding in the sum of £3.3m will be met through contributions from the Fleming Trust, the Energy Efficient Scotland - Area Based Scheme (EES - ABS) funding for 2025/2026, the Energy Company Obligation (ECO 4) funding, which is available until March 2026 and Contractor contributions, the exact sub-division of which will be dependent upon the levels of funding available from each source.
- 3.2 Dundee City Council requires to maximise funding from the Energy Efficient Scotland - Area Based Schemes (EES: ABS) from the Scottish Government to ensure owner occupiers can be included in the programme and mixed tenure blocks comprehensively treated. Officers are having ongoing discussions with SCARF to maximise the number of owners who can access ECO4 flex funding to take advantage of the works.
- 3.3 Any material deviation from this sum, resulting from the tender process that is above the amount allowed for contingencies, will require further approval from this Committee, prior to the contract being awarded.

4 SOURCING STRATEGY SUMMARY

- 4.1 The framework has a very specific route to market: Capability & Capacity Enquiry followed by a mini-competition between those Contractors best aligned with the project outcomes.
- 4.2 The expected benefits from this contract and the wider fabric retrofit project include: improvements in the quality of the built environment; protecting communities against the threat of climate change; increasing the value of housing assets; reducing the maintenance costs of housing assets; reducing heating costs to tenants and owners, reducing the instances of fuel poverty and the associated impacts on tenants' mental and physical health and improving tenants' satisfaction with their homes and their neighbourhood.
- 4.3 The services comprise the procurement of a Principal Contractor to install retrofit fabric upgrades including external wall insulation in accordance with PAS 2035 as the Council require this for the 175 DCC tenanted properties and 129 privately owned properties in the Fleming Gardens area.
- 4.4 Dundee City Council have delivered an External Wall Insulation Programme across the city for many years under a bespoke Delivery Agreement with OVO Energy Solutions Ltd, who have decided to withdraw from the market and not deliver further developments. Accordingly, it is recommended that these services are procured via the Scotland Excel Framework for Energy Efficiency Contractors, Ref: 1320.
- 4.5 Properties in the Fleming Gardens area, which are of traditional solid masonry construction, are deemed to be suitable for upgrading using external wall insulation. A range of measures are deemed to be required to deliver the best possible results for occupiers. The selected framework takes cognisance of this requirement and provides access to suitably certified contractors.
- 4.6 Community Benefits - Framework Spend Value of £6,000,000 equates to 600 Community Benefits Points which may be used for initiatives under the following headings (although parties may agree on alternative equivalents): Carbon Offsetting, Fuel Poverty Support, Energy Efficient Community Project Support, Local Community Meetings and Events, Community Volunteering, Carbon Reduction, Upskilling Staff and/or Local Residents, Supply Chain Initiatives, Job Creation, Educational Engagement, Local Sponsorship, and Foodbank Donation. Alternatively, Community Benefits Points can be "banked" with Scotland Excel to be used to provide benefits throughout Scotland.

5 RISK ANALYSIS

- 5.1 There are four standard risks in any procurement and for public sector regulated procurements, a fifth is added, that of the procurement exercise itself breaching the public contract regulations and leaving the Council open to a legal challenge

Sourcing Strategy Section 4 Key Risk Table

| Description of Risk | Actions to be taken to manage Risk |
|--|--|
| Commercial Risk – that either the price objectives are not achieved up front or there are other costs that arise during the contract and diminish the overall benefits. | The contract will be the subject of a mini-competition between those Framework Contractors qualified to install the systems. |
| Technical Risk – this concerns the difficulty in being able to specify the desired outcome | The installation will be designed to comply with PAS 2035, and all the framework |

| Description of Risk | Actions to be taken to manage Risk |
|---|--|
| and on the market being unable to deliver to the specification. | contractors have the relevant experience to install the systems. |
| Performance Risk – this concerns the ability of suppliers to perform consistently over the life of the contract to deliver the planned benefits. | The ability of the supplier to perform the service is a pre-requisite of inclusion in the Framework. |
| Contractual Risk – being able to remedy the shortcomings in the contractor's performance without severely damaging the contract and about avoiding reliance on the contracted supplier as the contract develops. | The suppliers continued presence on the Framework and future income stream is dependent upon their performance. |
| Procurement Risk – where a procurement is found unsound in law, through the public procurement rules. | Appointment through the framework is a compliant procurement route. Risk is further mitigated by following the appointment procedures laid down in the framework guidance. |

6 CONCLUSION

- 6.1 It is recommended that approval is given to utilise the mini competition process available through the Scotland Excel Framework for Energy Efficiency Contractors, Ref: 1320.

7. POLICY IMPLICATIONS

- 7.1 This report has been subject to the pre-IIA Screening Tool and does not make any recommendations for change to strategy, policy, procedures, services or funding and so has not been subject to an Integrated Impact Assessment. An appropriate Senior Manager has reviewed and agreed with this assessment.

8. CONSULTATIONS

- 8.1 The Council Leadership Team were consulted in the preparation of this report and are in agreement with its contents.

9. BACKGROUND PAPERS

- 9.1 Reference should be made to Item II of the Minute of Meeting of this committee on 21st August 2023, report 215-2023 refers, which approved detailing the strategy for design and costs associated with the delivery of the EWI programmes.

Tony Boyle
Executive Director of Neighbourhood Services

Olga Clayton
Head of Housing and Construction

31 July 2024

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APPENDIX 1

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|--|---|-----------------|------------|--------------------------|-----------|-----------------------------|------------|-----------------------|------------|------------------|------------|--|-------------------|
| PROJECT | Fleming Gardens Fabric Retrofit Upgrades | | | | | | | | | | | | |
| PROJECT NUMBER | 22-EWI05 | | | | | | | | | | | | |
| PROJECT INFORMATION | Fabric Retrofit Upgrades to 304 properties | | | | | | | | | | | | |
| ESTIMATED START AND COMPLETION DATES | April 2025 – October 2025 | | | | | | | | | | | | |
| TOTAL COST | <table> <tr> <td>Total Net Cost:</td><td>£6,000,000</td></tr> <tr> <td>Contractor Contribution:</td><td>-£200,000</td></tr> <tr> <td>Fleming Trust Contribution:</td><td>£1,300,000</td></tr> <tr> <td>Council Contribution:</td><td>£2,700,000</td></tr> <tr> <td>EES: ABS Funding</td><td>£1,800,000</td></tr> <tr> <td>Total Contract Value minus Contractor Contribution</td><td><u>£5,800,000</u></td></tr> </table> | Total Net Cost: | £6,000,000 | Contractor Contribution: | -£200,000 | Fleming Trust Contribution: | £1,300,000 | Council Contribution: | £2,700,000 | EES: ABS Funding | £1,800,000 | Total Contract Value minus Contractor Contribution | <u>£5,800,000</u> |
| Total Net Cost: | £6,000,000 | | | | | | | | | | | | |
| Contractor Contribution: | -£200,000 | | | | | | | | | | | | |
| Fleming Trust Contribution: | £1,300,000 | | | | | | | | | | | | |
| Council Contribution: | £2,700,000 | | | | | | | | | | | | |
| EES: ABS Funding | £1,800,000 | | | | | | | | | | | | |
| Total Contract Value minus Contractor Contribution | <u>£5,800,000</u> | | | | | | | | | | | | |
| FUNDING SOURCE | HRA Capital Plan 2024-29 - Tackle Climate Change and reach Net Zero carbon emissions by 2045 EES: ABS Funding Contractor Contribution Fleming Trust | | | | | | | | | | | | |
| HRA CAPITAL PLAN 2024-29 BUDGET PROVISION & PHASING | 2025/26 - £2,700,000 | | | | | | | | | | | | |
| REVENUE IMPLICATIONS | None | | | | | | | | | | | | |
| POLICY IMPLICATIONS | None | | | | | | | | | | | | |
| TENDERS | To be presented at future committee. | | | | | | | | | | | | |
| ADDRESSES | Arklay Street, Clepington Road, Fleming Gardens East, Fleming Gardens North, Fleming Gardens South, Fleming Gardens West, Hindmarsh Avenue, Provost Road. | | | | | | | | | | | | |
| RECOMMENDATION | To agree the commencement of a tender process utilising the Scotland Excel Energy Efficiency Contractors Framework Ref: 1320. | | | | | | | | | | | | |
| SUB-CONTRACTORS | To be reported with preferred tender. | | | | | | | | | | | | |
| BACKGROUND PAPERS | 238-2023 | | | | | | | | | | | | |

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