

<b>Item No.</b>	<b>Classification:</b> Open	<b>Date:</b> 15 April 2014	<b>Meeting Name:</b> Strategic Director of Housing & Community Services
<b>Report title:</b>		Gateway 2: Nelson Square Gardens and Gaywood Warm Dry Safe 2013/14	
<b>Ward(s) or groups affected:</b>		Newington	
<b>From:</b>		Head of Major Works	

## RECOMMENDATIONS

1. That the strategic director of housing and community services approve the award of the Gaywood & Nelson Square Gardens Estates Warm, Dry and Safe works contract to J. Murphy & Sons Ltd in the sum of £2,785,672 for a period of 48 weeks.

## BACKGROUND INFORMATION

2. The planned procurement strategy was the subject of a Gateway 1 report which was approved on 11 June 2013. The approved competitive tendering procurement strategy was followed.
3. This is a Key Decision.
  - The tendered cost of the contract is £2,785,672 for a period of 48 weeks (plus a four (4) week lead in period).
  - There is no specific extension built into the contract.
  - The contract price is not index linked.
4. External consultants, Pellings LLP (Pellings) were appointed on 08 May 2013, via 3 quotes, to provide the full building surveying functions including lead designer (LD), quantity surveyor (QS) function and CDM Co-ordinator (CDM-C) required on this contract in accordance with Contract Standing Orders 5.2. Pellings' contract is up to tender and award stage of the project only, after which there will be formal hand over to Potter Raper Partnership (PRP) who will deliver the project on site.
5. On 01 November 2013, PRP were appointed, by way of an order from the council's Long Term Agreement, to provide the full building surveying functions, the CDM Coordinator's role (CDM-C) and the quantity surveyor (QS) function required for this project which will commence from award and construction phase to end of defects period.
6. There have been delays to the original project timings that were advised within the Gateway 1 report. The main reasons for the slippage to the original project plan was delays with completion of Pellings' feasibility survey document and further delays with their preparation of the tender documents, resulting in several revisions before the documents could be tendered.

## Procurement project plan (Key Decision)

Activity	Completed by/Complete by:
Forward Plan for Gateway 2 decision	April 2014
Approval of Gateway 1: Procurement Strategy Report	03 June 2013
Issue Notice of Intention	27 Aug 2013
Invitation to tender	11 Oct 2013
Closing date for return of tenders	08 Nov 2013
Completion of evaluation of tenders	18 Nov 2013
Issue Notice of Proposal	12 Feb 2014
DCRB Review Gateway 2:	07 April 2014
Notification of forthcoming decision	15 April 2014
Approval of Gateway 2: Contract Award Report	18 April 2014
Scrutiny Call-in period and notification of implementation of Gateway 2 decision	28 April 2014
Contract award	30 April 2014
Add to Contract Register	30 April 2014
Contract start	27 May 2014
TUPE Consultation period	N/A
Contract completion date	28 April 2015
Contract completion date – if extension(s) exercised	N/A

## KEY ISSUES FOR CONSIDERATION

### Description of procurement outcomes

#### 7. The works will affect:

##### Gaywood Estate

- 1-90 Perronet House,
- 1-63 Prospect House,
- 1-10 Flaxman House,
- 1-17 Laurie House
- 20-42 Princess Street.

##### Nelson Square Gardens Estate

- 157-209 Applegarth House,
- 1-51 Vaughan House,
- 210-221 Helen Gladstone House

- 222-269 Helen Gladstone House

8. The proposed works following full surveys comprise of:

All blocks:

#### **Gaywood Estate**

- Address any potential high risks identified under Housing Health & Safety Rating System (HHSRS).
- Undertake type 1 & 2 electrical repairs as may be required.
- Window renewal
- Renew roof coverings to blocks as required
- Renew bathroom elements within council tenanted dwellings.
- Renewal of front entrance door Replacement and upgrading (where possible) of existing individual front entrance doors and frames and secondary escape doors to 30 minute fire resistance.

#### **Nelson Square Gardens Estate**

- Renew bathroom elements within council tenanted dwellings.
- Renew lateral and rising mains.
- Address any potential high risks identified under Housing Health & Safety Rating System (HHSRS).
- Undertake type 1 & 2 electrical repairs as may be required.
- Window renewal
- Renew roof coverings to blocks as required.
- Wall Finish –repair to defective brick work, cracks/deteriorating mortar, re-pointing or rendering.
- Chimney- Repairs to: - failed pointing, wall and flaunching, damaged brick work to flashing, weather proofing joints and junctions.
- Renewal of front entrance door Replacement and upgrading (where possible) of existing individual front entrance doors and frames and secondary escape doors to 30 minute fire resistance

9. This scheme is a capital scheme which was drawn up by Pelling's to bring the external elements on the properties up to standards required to meet current legislation. The carrying out of these works will make all properties compliant with the current Warm, Dry and Safe (WDS) standard.

#### **Key/Non Key decisions**

10. This report deals with a key decision.

#### **Policy implications**

11. This proposed contract for refurbishment of properties on the Gaywood & Nelson Square Gardens Estates maintains the council's obligations to make all properties warm, dry and safe by 2016 as set out by cabinet.
12. Planning permission is required for window replacements for those properties identified for window renewal. Planning permission for Prospect House is currently under consideration and is due for expiry in mid April.

13. Building Control Approval will only be required for specific elements and as such will be sought by way of a 'Building Notice' once work commences.

#### **Tender process**

14. As outlined in the Gateway 1 report approved on 11 June 2013, Contract Standing Orders requires a minimum of five (5) contractors to be invited to tender from the council's works Approved List. Tenders were issued to five (5) contractors on 11 October 2013 with instructions to return a completed tender by 12 noon on 08 November 2013 - all from the general works category on the council's works Approved List.
15. No nominations were made by leaseholders.

#### **Tender evaluation**

16. Five (5) tenders were returned to 160 Tooley Street on or by 12 Noon on 08 November 2013 and were opened on 12 November 2013.
17. Tenders were evaluated on the basis of M.E.A.T (most economically advantageous tender) using a weighted model of 70:30 price and quality.
18. The tender evaluation process was undertaken by Pellings' LD, QS and Health & Safety Co-ordinator in conjunction with officers from the council's Major Works Team who were consulted in regards to evaluation outcomes before final approval of the tender report.
19. Tenderers were required to provide information to support their quality submission. The quality assessment was weighted in relation to the level of importance put upon each criterion and is detailed in the Tender Evaluation Methodology issued within the tender documents is outlined in the closed report. The results of the quality assessment are summarised in a table in paragraph 34.
20. Tender prices submitted are as follows:

	<b>Contractor</b>	<b>Contract Period</b>	<b>Tender Sum £</b>
1	Contractor 1	(1) 48 wks (2) 43 wks	2,431,572.00 2,416,572.00
2	J. Murphy & Sons Ltd	48 weeks	2,785,672.00
3	Contractor 2	48 weeks	2,798,156.00
4	Contractor 3	48 weeks	2,897,154.73
5	Contractor 4	48 weeks	3,107,535.95

\*Cosmur Construction Ltd was the only contractor who submitted an alternative tender period.

21. The estimated costs of the works provided in the Gateway 1 report, which was based upon the current stock condition data, was £1,395,252. Stock condition is a planning tool that allows prioritisation and estimates of costs of work. Due to omissions in the stock condition database, a more detailed stock condition survey was commissioned and carried out by Pellings. A pre-tender estimate was then provided for this project by Pellings in September 2013 in the sum of £2,625,578.

22. A separate exercise in reconciling out turn costs and the stock condition data is being undertaken across the council's Major Work team as the current works show marked increases across both the partnering and tendered projects from the stock condition estimates. This exercise, although in its infancy, has already identified some major areas of omission in the stock condition data around scaffolding and access and asbestos.
25. The June 2013 Major Works report to cabinet identified an average of 82% increase in the approved budget costs against the original programmed estimated costs, the estimates were based on the information available at that time. The increase in costs for the lowest received tender compared to the estimated Gateway 1 report costs for Gaywood & Nelson Square Gardens Estates Warm, Dry and Safe is approximately 99.6% higher.
26. The estimated works completion timescale proposed in the Gateway 1 report was 40 weeks. However, there has been an increase of 8 weeks, bringing the expected completion time to 48 weeks. This is due to the complexity and volume of the works required.
27. All priced documents submitted were checked for arithmetical errors and general compliance with the tender requirements by Pellings.
28. The tender submitted by Contractor 1 - who was the only contractor to submit an alternative tender for an alternative period - was checked for qualifications and arithmetical errors.
  - ◇ Tender - arithmetical errors were identified reducing the tender figure by £14,100. However, the most significant discrepancy was found on the tender summary where the total tender figure of £2,431,572 was carried to the Form of Tender. Checking this total, it was found that the true tender figure should have been £2,870,472 - a major difference of £424,800 plus the arithmetical errors mentioned above.
  - ◇ Alternate tender - this was also subject to the same additions, giving a true alternative tender figure of £2,855,472. Contractor 1 withdrew their tender submissions by email dated 28 March 2014.
29. The tender submitted by J. Murphy & Sons Ltd was checked for qualifications and arithmetical errors. A minor arithmetical error was found on Prospect House external works section total was shown at £114,050 but should read £114,110 - a difference of £60 in excess of the pricing. J. Murphy & Sons Ltd agreed to stand by their submitted figure as confirmed by email dated 25 November 2013. The tender sum is therefore unaffected. A breakdown of preliminary items was submitted but no indication of overheads and profit. This was provided following a request from Pellings. There were no qualifications.
30. The tender submitted by Contractor 2 was checked for qualification and arithmetical errors. Two minor arithmetical errors were found on Perronet House - internal works was shown as £7,212 but should read £7,729 - a difference of £517 and for Prospect House - £11,791.47 but should read £11,791.44 a difference of 3p less than the pricing. RR Richardson Plc agreed to stand by their submitted figure as confirmed by email dated 22 November 2013. Preliminaries have been expressed as a lump sum and no details of overheads and profit were provided. These were obtained later following a request from Pellings.

31. The tender submitted by Contractor 3 was checked for qualifications and arithmetical errors. An arithmetical error was identified as £58,467 but should have read £57,217 - a difference of £1,250. Contractor 3 agreed to stand by their submitted figure as confirmed by email dated 25 November 2013. There were no qualifications.
32. The tender submitted by Contractor 4 was checked for qualifications and arithmetical errors. Arithmetical errors were identified giving a net value of (-£7,330.17). This amended the tender figure to £3,100,205.78 Contractor 4 agreed to the amended tender figure by email dated 01 April 2014.
33. The results of the revisions as described above are as follows:

	Contractor	Contract Period	Tender Sum £
1	J. Murphy & Sons Ltd	48 weeks	2,785,672.00
2	Contractor 2	48 weeks	2,798,156.00
3	Contractor 1	(1) 48 wks (2) 43 wks	2,870,472.00 2,855,472.00
4	Contractor 3	48 weeks	2,897,154.73
5	Contractor 4	48 weeks	3,100,205.78

\*Cosmur Construction Ltd's tender submissions were withdrawn.

34. The summary results of the evaluation are shown in the schedule below:

Summary Cost and Quality Evaluation				
Rank	Organisation	Quality Score (out of 30)	Price Score (out of 70)	Total Score (out of 100)
1	J. Murphy & Sons Ltd	19.50	70.00	89.50
2	Contractor 3	21.50	67.20	88.70
3	Contractor 2	17.50	69.69	87.19
4	Contractor 4	22.00	62.10	84.10

35. Five (5) contractors were invited to tender for the works and all returned tenders, one of which withdrew their tender submissions. The council considers, after taking advice from Pellings, that the market was adequately tested. The cost/quality evaluation concludes that J. Murphy & Sons Ltd offers the most economically advantageous compliant tender. It is therefore recommended for the acceptance of the tender submitted by J. Murphy & Sons Ltd in the sum of £2,785,672.
36. The date for acceptance of the above tenders will expire on 08 May 2014.
37. A Risk Pot allocation of 5% of the contract sum was agreed at the Gateway 1 approval stage.

#### Plans for the transition from the old to the new contract

38. Not applicable.

### Plans for monitoring and management of the contract

39. The contract will be managed on a day to day basis by PRP who will provide full consultancy services for the Gaywood & Nelson Square Gardens Estates WDS project, following formal hand over from Pellings, who was originally providing the consultancy services.
40. In addition to PRP, there will be a contract manager, a customer relationship officer and a project manager from the council's Major Works team allocated to this scheme. These council officers will monitor PRP and the performance of the J. Murphy & Sons Ltd and arrange regular meetings with the residents' project team at which contractor performance will be discussed.
41. PRP are providing full quantity surveying services for the contract and all costs will be monitored by PRP and officers from the council's Major Works team.

### Identified risks for the new contract

42. Specific risks identified, impact, likelihood and mitigation controls for this contract are outlined below:

Risk	Impact	Probability	Mitigation
Poor performance or poor quality workmanship.	Medium	Low	Regular meetings to review performance scheduled from the outset.  Establish processes of quality control and works inspections before sign off.  The contract provides for a 12 month defects liability period for all work undertaken.
Company goes into liquidation, administration or ceases trading.	High	Low	A performance bond will be obtained and the council will re-tender the works if necessary.  J. Murphy & Sons Ltd has confirmed that they are part of a larger group and a parent company guarantee will be obtained.  Paragraph 68 confirms that J. Murphy & Sons Ltd are considered at very low risk of going bankrupt within the next 12 months

### **Other considerations (For Housing Department works contracts only)**

43. This report seeks approval for the acceptance of the most economically advantageous tender in accordance with Contract Standing Order 4.5.2. It is therefore considered that there are no alternative viable options.

### **Design Specification Compliance**

44. A Specification has been drawn in compliance with the design guide wherever possible.

### **Leasehold Implications**

45. Formal legal consultation with leaseholders has been undertaken by Specialist Housing Services.

### **Decent Homes**

46. This scheme has been designed to ensure the blocks will meet the minimum WDS decent homes standards.

### **Community impact statement**

47. The proposed works are for the refurbishment of council housing and as such will affect council tenants and leaseholders on the Gaywood & Nelson Square Gardens Estates. The level of disturbance has been considered to be relatively low; it will not adversely affect any particular group and will not involve any resident being decanted.
48. The level of disturbance or disruption to the general public is considered negligible as the blocks sit within a council estate and the works will not impact the public highway.
49. The proposed works, which are for refurbishment of council housing, will not adversely affect any one particular group.

### **Economic considerations**

50. The full cost of the contract (including fees and the like) is £3,154,526. The contract period is 48 working weeks.
51. J. Murphy & Sons Ltd are a medium size building company based within London and will be encouraged to utilise local labour markets to deliver the works.

### **Social considerations**

52. In November 2012 the council became an officially accredited London Living Wage (LLW) Employer and is committed to ensuring that, where appropriate, our contractors and sub-contractors pay staff at a minimum rate equivalent to the LLW rate. The Gateway 1 report approved on 11 June 2013 confirm, for the reasons stated in that report, payment of LLW was an appropriate and best value requirement for this contract. J. Murphy & Sons Ltd has confirmed that they exceed the LLW requirements. Following award, quality improvements and costs implications linked to the payment of LLW will be monitored as part of the contract review process.



### **Environmental considerations**

53. The proposed works includes the replacement of windows which will provide a 30 year minimum life and provide increased energy efficiency through improved thermal performance, increased security and increased noise insulation. The new windows shall be safe to operate and clean, and shall be as maintenance free as possible. Works also include the roof covering renewal; this will increase the thermal performance of the building and reduce the heating demand for the top floor properties thus reducing energy usage.

### **Market considerations**

54. Pellings believes that the market has been adequately tested based on the tenders received from the contractors taken from the council's works Approved List. Pellings' recommendations were considered and agreed by the Area Project Manager within the Major Works team.

### **Staffing implications**

55. There are no specific implications.

### **Financial implications**

56. The fee breakdown for this scheme is as follows:

Consultancy services provided – Gaywood & Nelson WDS 13/14	EP? (int. or ext. provider)	Internal works fee (%)	Internal works fee (£)	External works fee %	External works fee (£)	Total fees (£)
			<b>1,020,327</b>		<b>1,765,345</b>	
<b>Up to tender stage - Pellings</b>						
Contract Project Manager (CPM)						
Lead Designer						
CDM Co-ordinator						
Quantity Surveyor						
Mechanical & Electrical Engineer(s)	EP	1.45%	14,794.74	1.45%	25,597.50	<b>40,392.24</b>
<b>From on site stage - PRP (45%)</b>						
Contract Project Manager (CPM)						
Lead Designer						
CDM Co-ordinator						
Quantity Surveyor						
Mechanical & Electrical Engineer(s)	EP	4.54%	20,845.28	4.54%	36,066.00	<b>56,911.28</b>
Other specialist services – Asbestos Surveys – Mailouts	IP	N/A	10,500.00	LUMP	10,500.00	<b>21,000.00</b>
Planning drawings	IP	N/A	0	LUMP		<b>0.00</b>
Planning/Building Control fees	IP	LUMP	0	LUMP	5,000.00	<b>5,000.00</b>
Project Management (Delivery Team)	IP	2.44%	24,895.98	1.81%	31,952.74	<b>56,848.72</b>
Second Stage Appraisal (fixed sum)	IP	n/a	0	n/a	35.00	<b>35.00</b>
<b>Total fees for this contract</b>			<b>71,036.00</b>		<b>109,151.24</b>	<b>180,187.25</b>

57. The anticipated profile of expenditure is set out below:

Element	2012/13	2013/14	2014/15	2015/16	Total
<b>Works WDS Inclusive of Risk Pot (5%)</b>	£49,382	0	£2,855,314	£69,642	<b>£2,974,388</b>
<b>Fees</b>	0	£70,274	£91,895	£18,019	<b>£180,188</b>
<b>Total</b>	<b>£49,382</b>	<b>£70,274</b>	<b>£2,947,209</b>	<b>£87,661</b>	<b>£3,154,526</b>

58. The works are part of the Housing Investment Capital programme. Main works and fees costs will be coded to capital cost code H-1211-9220 from the Warm, Dry and Safe budget.

59. The cost of these works will be met from the following budget allocations:-
- a. H-1211-9220 Gaywood Estate & Nelson Square Garden Estate"
  - b. WDS contingency budget allocation.
60. The total budget that was allocated to "Gaywood Estate & Nelson Square Garden Estate is £1,478,934.
61. The additional funding of £1,675,592 will be met from the WDS contingency budget. The total WDS contingency budget is £60,860,155 of which £47,156,322 has already been allocated to fund other parts of the WDS capital program. This leaves a balance £13,703,833 available to fund these works. Budgets will be transferred from the WDS contingency fund to the project code for accurate monitoring and reporting.
62. As part of the capital refresh and budget profiling exercise, budgets will be transferred between projects and re-profiled between the years to reflect the above expenditure for "Gaywood and Nelson Square Gardens Estates WDS" works.

#### **Investment implications**

63. Please refer to paragraphs 61 to 64 above.

#### **Second stage appraisal (for construction contracts over £250,000 only)**

64. An Experian credit check was obtained on 25 March 2014. J. Murphy & Sons Ltd is a contractor and the report indicates they are creditworthy and there is a very low risk of the company becoming bankrupt in the next 12 months.

#### **Legal implications**

65. In line with the requirements of Contract Standing Orders, the report confirms that tenders were invited from contractors from the general works category of the council's Approved List and that adequate financial provision has been made to fund the expenditure associated with the delivery of this project. It is confirmed that the contract documents will be passed to legal services for formal execution within one (1) month of the contract being awarded. There are no other specific legal implications arising at this stage.

#### **Consultation**

66. All residents (tenants and leaseholders) and absent leaseholders have been consulted with regards to the proposed works.
67. Formal legal consultation with leaseholders affected by these proposals has commenced and is undertaken by Specialist Housing Services.
68. Further consultation with residents will take place prior to award the contract and leaseholders have been formally consulted in line with legislative requirements by way of Notice of Intention and Notice of Proposal.

69. A project team incorporating both tenants and leaseholders will be formed to meet on a regular basis and act as a conduit for information between residents in general and officers.
70. J. Murphy & Sons Ltd will issue regular newsletters to the blocks throughout the contract period.

**Other implications or issues**

71. Not applicable.

**SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

**Head of Procurement**

72. As the value of this contract is below the current EU threshold for works no formal procurement concurrent is required.

**Director of Legal Services**

73. The legal implications are contained within the main report. At this value, no legal concurrent is required.

**Strategic Director of Finance and Corporate Services (CAP)**

74. This report is requesting delegated approval from the Strategic Director of Housing and Community Services to award the works contract entitled "Gaywood and Nelson Square Gardens Estates Warm Dry and Safe" to J.Murphy & Sons Ltd.
75. The financial implications as stated in paragraph 46 indicate that the costs of these works are to be funded from the budget allocation for Gaywood Estate & Nelson Square Garden Estate and WDS contingency budget.
76. It is also noted that budgets will be transferred and re-profiled against the project as required for monitoring and reporting the contract costs against approved budgets.
77. Staffing and any other costs connected with this contract will need to be contained within existing departmental revenue budgets.

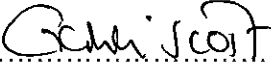
**Head of Specialist Housing Services (For Housing contracts only)**

78. Formal legal consultation with leaseholders has been undertaken by Specialist Housing Services. These are works of repair and are therefore chargeable to leaseholders under the terms of their leases.
79. There are 83 leaseholders included in the contract that will be affected by the works. In accordance with the Landlord and Tenant Act 1985 (as amended) section 20 notices of intention were served on the 25th July 2013 and the observation period expired on the 2nd September 2013. There were 5 observations received from leaseholders at this stage.

80. Section 20 notices of proposal were served on the 10th February 2014 and expired on the 3rd April 2014. There were 7 observations received from leaseholders included in this package, none of these observations would lead to a delay in proceeding with these works.

#### FOR DELEGATED APPROVAL

Under the powers delegated to me in accordance with the council's Contract Standing Orders, I authorise action in accordance with the recommendation(s) contained in the above report.

Signature .....  ..... Date 28.4.14

Designation **Strategic Director of Housing and Community Services**

#### BACKGROUND DOCUMENTS

Background documents	Held At	Contact
Gaywood & Nelson Square Gardens Estates WDS Gateway 1 'open' report	160 Tooley Street	Jo Taylor 0207 525 3614

#### APPENDICES

No	Title
n/a	

#### AUDIT TRAIL

Lead Officer	David Markham – Head of Major Works	
Report Author	Jo Taylor – Contract Manager	
Version	Final	
Dated	15 April 2014	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Director of Legal Services	Yes	Yes
Strategic Director of Finance and Corporate Services	Yes	Yes
Head of Specialist Housing Services	Yes	Yes
Cabinet	N/a	n/a
Date final report sent to Constitutional Team		28 April 2014

