

<b>Item No.</b>	<b>Classification:</b> Open	<b>Date:</b> 1 June 2015	<b>Meeting Name:</b> Strategic director of housing and community services
<b>Report title:</b>		Gateway 2 Bittern, Babington, Pattison Houses and Cooper Close Internal Warm, Dry and Safe works	
<b>Ward(s) or groups affected:</b>		Cathedrals	
<b>From:</b>		Head of Major Works	

## RECOMMENDATIONS

1. That the strategic director of housing and community services approve the award of Bittern, Babington, Pattison Houses and Cooper Close Internal Warm, Dry and Safe works contract to Borrás Construction Ltd for a period of 22 weeks.

## BACKGROUND INFORMATION

2. The planned procurement strategy was the subject of a Gateway 1 report which was approved on 27 January 2015. The approved competitive tendering procurement strategy was followed.
3. This is a Key Decision.
  - The contract is for a period of 22 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 technical consultants, PRP were appointed on 1 November 2013, by way of an order from the council's Long Term Agreement, to provide the full building surveying functions, the Principle Designer (PD) and the Quantity Surveyor (QS) functions required for this project which will commence from award and construction phase to end of defects period.
5. There has been a slight slippage to the original project timings that were advised within the Gateway 1 report. The main reasons for the slippage to the original project plan arose from delays with the preparation and verification of the tender documentation.

## Procurement project plan (Key decisions)

- 6.

<b>Activity</b>	<b>Completed by/Complete by:</b>
Forward Plan for Gateway 2 decision	May 2015
Approval of Gateway 1: Procurement Strategy Report	27 Jan 2015
Issue Notice of Intention	N/A
Invitation to tender	11 Feb 2015
Closing date for return of tenders	6 Mar 2015
Completion of evaluation of tenders	1 Apr 2015
Issue Notice of Proposal	N/A
DCRB Review Gateway 2	18 May 2015
Notification of forthcoming decision	26 May 2015
Approval of Gateway 2: Contract Award Report	29 May 2015
Scrutiny Call-in period and notification of implementation of Gateway 2 decision	7 Jun 2015
Contract award	11 Jun 2015
Add to Contract Register	11 Jun 2015
Contract start	9 Jul 2015
TUPE Consultation period	N/A
Contract completion date	9 Dec 2015
Contract completion date – if extension(s) exercised	N/A

## **KEY ISSUES FOR CONSIDERATION**

### **Description of procurement outcomes**

7. The works will affect: 1-16 Bittern House, Lant Estate; 1-20 Babington House and 1-50 Pattison House, Marshalsea Estate and 1-49 Cooper Close, (Cooper Close Tenant Management Organisation (TMO)).
8. The proposed works following full surveys comprise of:
  - a. Install extractor fans to council tenanted dwellings
  - b. Renew bathroom elements within council tenanted dwellings
  - c. Rewire council tenanted flats as required
  - d. Address any potential high risks identified under housing health and safety rating system (HHSRS)
  - e. Undertake asbestos removal to disturbed areas within dwellings
  - f. Installation of LD2 smoke alarms in tenanted and leasehold properties
9. This scheme is a capital scheme which was drawn up by PRP 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 Lant, Marshalsea and Cooper Close Estates maintains the council's obligations to make all properties warm, dry and safe by 2016 as set out by cabinet.
12. Building Control Approval will not be required for this scheme and PRP has confirmed that Planning Approval is not required for this scheme.

### Tender process

13. As outlined in the Gateway 1 report approved on 27 January 2015, Contract Standing Orders requires a minimum of five contractors to be invited to tender from the council's works Approved List. On this occasion, six contractors were invited to tender for these works on 11 February 2015 (contractors collected the tenders from 160 Tooley Street) with instructions to return a completed tender by 12 noon on 6 March 2015 - all from the general works category of the council's works Approved List.

### Tender evaluation

14. Six tenders were returned to 160 Tooley Street on or by 12 Noon on 6 March 2015 and were opened on 9 March 2015.
15. 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. The weighted model of 70 price was split further into 20:50/ Tender Sum: Schedule of Rates as detailed in the Tender Evaluation Methodology issued within the tender documents).
16. The tender pricing evaluation process was undertaken by PRP's QS. The quality evaluation process was assessed individually by one of PRP's partners, PRP's QS and two officers from the major works team.
17. 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. The results of the quality assessment are summarised in a table in paragraph 22.
18. Tender prices submitted are as follows:

Ref	Contractor
1	Standage & Co Ltd (Standage)
2	Cosmur Construction Ltd (Cosmur)

3	Borras Construction Ltd (Borras)
4	TCL Group Ltd (TCL)
5	Jerram Falkus Construction Ltd (Jerram Falkus)
6	Masher Brothers Ltd (Masher)

19. All priced documents submitted were checked for arithmetical errors and general compliance with the tender requirements by PRP.
20. All Tenderers were requested to provide a price for each schedule of works item, which was scored separately from the tender sum.
21. As this project was an internal works package, the kitchen, bathroom and electrical works provisional sums were included within the tender documentation. Paragraph 16 confirms that the weighted model of 70 price was split further into 20:50/Tender Sum: Schedule of Rates. As the extent and content of work to each tenanted dwelling is unknown until Borras Construction Ltd carry out surveys to identify the scope of works required to each tenanted dwelling under the WDS requirements, a Schedule of Rates was produced with indicative quantities used to enable tenderers to competitively price these rates. More emphasis was placed on the Schedule of Rates element in order to obtain best value for the council.
22. The summary results of the quality evaluation is shown in the table below:

Evaluation Criterion	Masher	Jerram Falkus	Cosmur	Standage	Borras	TCL Group
<b>Method Statement 1: Health &amp; safety/ Risk management</b>	4	6	5	6	6	6
<b>Method Statement 2: Resident &amp; leasehold Engagement</b>	5	4	7	8	8	8
<b>Method Statement 3: Quality Control</b>	6	5	6	7	7	6
<b>Method Statement 4: Mobilisation/ Programme</b>	6	6	6	8	7	5
<b>Total Quality Score</b>	21	21	24	29	28	25
<b>Weighting</b>	<b>15.70</b>	<b>15.90</b>	<b>17.90</b>	<b>21.70</b>	<b>20.90</b>	<b>18.60</b>

23. In terms of assessing the quality of the method statement proposals, Borras' responses scored well across the evaluation criteria and particularly well in Resident Engagement; however they will be closely monitored to ensure these standards are met. Paragraphs 29 to 31 identify the management arrangements in place to ensure that a high standard is maintained.
24. The summary results of the evaluation are shown in the schedule below:

<b>Summary Cost and Quality Evaluation</b>
--

Rank	Organisation	Price Score - base tender sum	Price Score - schedule of rates	Total Price Score (out of 70)	Quality Score (weighted out of 30)	Total Score (out of 100)
1	Borras	17.17	49.54	66.71	20.90	87.61
2	Masher	20.00	50.00	70.00	15.70	85.70
3	Standage	17.20	43.56	60.76	21.70	82.46
4	TCL	13.57	27.06	40.62	18.60	59.22
5	Cosmur	17.58	16.94	34.52	17.90	52.42
6	Jerram Falkus	2.21	18.27	20.48	15.90	36.38

25. Six contractors were invited to tender for the works and all six contractors returned tenders. The council considers, after taking advice from PRP, that the market was adequately tested. The cost/quality evaluation concludes that Borras Construction Ltd offers the most economically advantageous compliant tender. It is therefore recommended for the acceptance of the tender submitted by Borras Construction Ltd.
26. The date for acceptance of the above tenders will expire on 9 December 2015.
27. 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

28. Not applicable.

#### Plans for monitoring and management of the contract

29. The contract will be managed on a day to day basis by PRP who will provide full consultancy services for the Bittern, Babington, Pattison Houses and Cooper Close Estate Internal WDS works.
30. 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 project. These council officers will monitor PRP and the performance of Borras Construction Ltd and arrange regular meetings with the residents' project team at which contractor performance will be discussed.
31. PRP's QS will provide 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

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

Risk	Impact	Probability	Mitigation
Poor performance or poor quality	Medium	Low	Regular meetings to review performance scheduled from the

workmanship.			<p>outset.</p> <p>Establish processes of quality control and works inspections before sign off.</p> <p>Borras Construction Ltd has confirmed they are part of a larger group and a parent company guarantee will also be required.</p> <p>The contract provides for a 12 month defects liability period for all work undertaken.</p>
Company goes into liquidation, administration or ceases trading.	High	Low	<p>A performance bond will be obtained and the council will re-tender the works if necessary.</p> <p>Paragraph 52 confirms that Borras Construction Ltd is considered at low risk of going bankrupt within the next 12 months.</p>

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

33. 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 were no alternative viable options.

**Design Specification Compliance**

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

**Leasehold Implications**

35. The works proposed have no financial implications for leaseholders. No works are required to leasehold properties that would require the serving of notices under the statutory obligations to consult with leaseholders.

**Decent Homes**

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

**Community impact statement**

37. The proposed works are for the refurbishment of council housing and as such will affect council tenants and leaseholders in 1-16 Bittern House, 1-20 Babington House, 1-50 Pattison House and 1-49 Cooper Close.
38. 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.

39. 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.
40. The proposed works, which are for refurbishment of council housing, will not adversely affect any one particular group.

#### **Economic considerations**

41. Borrás Construction Ltd are a medium size building company based in St Albans, Hertfordshire and will be encouraged to utilise local labour markets to deliver the works.

#### **Social considerations**

42. The council is an officially accredited London Living Wage (LLW) Employer and is committed to ensuring that, where appropriate, its contractors and sub-contractors pay staff at a minimum rate equivalent to the LLW rate. The Gateway 1 report approved on 27 January 2015 confirmed, for the reasons stated in that report, payment of LLW was an appropriate and best value requirement for this contract. Borrás Construction 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**

43. The proposed works will not have any environmental impact.

#### **Market considerations**

44. PRP believe that the market has been adequately tested based on the tenders received from the contractors taken from the general works category of the council's works Approved List. PRP's recommendations were considered and agreed by the area project manager within the major works team.

#### **Staffing implications**

45. There are no specific implications.

#### **Financial implications**

#### **Investment implications**

46. The works identified in this report form part of the WDS works and the enhanced smoke alarm systems within the Housing Investment Capital programme.
47. A new project code will be set up for the WDS works at "Bittern, Babington, Pattison & Cooper CI intern" and budgets will be transferred from the housing stock- new programme to the new project code. Installation costs of smoke detectors in tenanted and leasehold properties will be charged directly as reflected above. Costs will be monitored and reported against the appropriate budget headings on a regular basis.

48. On 18th March 2014, as part of the 2013/14 quarter 3 capital monitor and capital refresh process, cabinet approved a capital bid of £985m on the housing stock programme for future years which included amongst others, the kitchens and bathrooms programme and also works to maintain the Warm Dry and Safe (WDS) standard across the housing stock.
49. On 10th February 2015, cabinet agreed a six year kitchen and bathroom programme and a budget of £186.3m allocated to this programme from the above total of £985m. Recent contract awards in completing the current WDS programme has allocated further budget allocation of £54.89m leaving a residual balance of £743.81m from the initial budget approved on 18th March 2014 for the housing stock programme.

#### **Latest Budget Position on Housing Stock Programme**

	<b>£m</b>
Budget Approved by cabinet 18/03/2014 Housing Stock Programme	<b>985.089</b>
Less 6 Year Kitchens and Bathroom Programme- cabinet 10/2/2015	186.300
Less Recent WDS Contract Awards and Budget Allocation	54.889
Less WDS Budget Allocation from this report	0.670
Residual Budget Available for future Housing Stock Programme	<b>743.230</b>

50. As can be seen, the above budget transfer and allocation will leave a residual budget of £743.23m for the Housing Stock Programme and any future works across the housing stock will need to be re-assessed against this residual budget.
51. Furthermore, the projected financial position on the council's entire Housing Investment Programme currently indicates a significant gap in resources against the projected expenditure on the total programme across the years. Therefore cash flow implications will also need to be monitored closely to ensure that there are sufficient resources to fund the overall Housing Investment Programme on a yearly basis.

#### **Second stage appraisal**

52. An Experian credit check was obtained on 6 May 2015, Borrás Construction Ltd are a contractor and the report indicates they are creditworthy and there is a low risk of the company becoming bankrupt in the next 12 months.

#### **Legal implications**

53. 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. There are no other specific legal implications arising at this stage.

#### **Consultation**

54. All residents have been consulted with regards to the proposed works.



55. Further consultation with residents will take place prior to award.
56. 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.
57. Borrás Construction Ltd will issue regular newsletters to the blocks throughout the contract period.

#### **Other implications or issues**

58. Not applicable.

#### **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

##### **Head of Procurement**

59. As the value of this contract is below the EU threshold for works, a formal procurement concurrent is not required.

##### **Director of Legal Services**

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

##### **Strategic Director of Finance and Corporate Services (Ref CAP15/025)**

61. The report is requesting delegated approval from the Strategic Director of Housing and Community Services to award the works contract package entitled "Bittern, Babington, Pattison Houses and Cooper Close Internal Warm, Dry and Safe works" to Borrás Construction Ltd, following a tender evaluation process.
62. 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.
63. Staffing and any other costs connected with this contract to be contained within existing departmental revenue budgets.
64. The financial implications section also provides the latest position on the housing stock programme budgets. It is also noted that regular and robust monitoring of the Housing Investment Capital Programme will be required to ensure there are sufficient resources to fund the overall programme on a yearly basis.

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

65. There are no 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.
66. Enhanced LD2 smoke and heat detection systems are being installed to all properties. These are not being recharged to the 62 leaseholders.

**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 Gerri Scott Date 10.6.15  
**Gerri Scott, Strategic Director of Housing and Community Services**

**BACKGROUND DOCUMENTS**

Background documents	Held At	Contact
Gateway 1 'open' report – Bittern Babington Patterson Houses and Copper Close Internal Warm, Dry and Safe works – approved on 27 January 2015	Major Works, Housing and Community services	Jo Taylor 54812

**APPENDICES**

No	Title
none	

**AUDIT TRAIL**

<b>Lead Officer</b>	David Markham, Head of Major Works
<b>Report Author</b>	Joe Bannon, Contract Manager
<b>Version</b>	Final
<b>Dated</b>	1 June 2015
<b>Key Decision?</b>	Yes

**CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER**

Officer Title	Comments Sought	Comments included
Head of Procurement	Yes	Yes
Director of Legal Services	Yes	Yes
Strategic Director of Finance and Corporate Services	Yes	Yes
<b>Cabinet</b>	N/a	N/a
<b>Date final report sent to Constitutional Team</b>		