

Item No.	Classification: Open	Date: 7 September 2016	Meeting Name: Strategic Director of Housing and Modernisation
Report title:		Gateway 2 - Contract Award Approval Visible Difference and Planned Projects	
Ward(s) or groups affected:		All	
From:		Director of Asset Management	

RECOMMENDATIONS

1. That the strategic director of housing and modernisation approves the award of Contract A (north of the borough) visible difference and planned projects contract to Bridgewater Roofing Contractors Ltd for the estimated sum of £575,000 per annum for a period of three years from 31 October 2016 making a total estimated contract value of £1.7m.
2. That the strategic director of housing and modernisation approves the award of Contract B (south of the borough) visible difference and planned projects contract to A & E Elkins Ltd for the estimated sum of £470,000 per annum for a period of three years from 31 October 2016 making a total estimated contract value of £1.4m.
3. That the strategic director of housing and modernisation notes that Bridgewater Roofing Contractors Ltd and A & E Elkins Ltd will act as back up contractor to each other on their own tendered rates when required.

BACKGROUND INFORMATION

4. The repairs and maintenance teams undertake regular housing estate inspections of the communal areas to ensure repairs are completed and free from hazards.
5. The Council Plan, Fairer Futures Revitalised Neighbourhoods, has set out the goal to "revitalise our neighbourhoods to make them places where we can all be proud to live and work". These works will deliver against this objective.
6. During these housing estate inspections, it was identified that there is a need for dedicated contracts that can deliver planned projects rather than relying on the responsive maintenance contractors who have struggled to deliver communal repairs.
7. In January 2015, cabinet approved the housing revenue account budget for 2015/16 and as part of this £970k was allocated to visible difference projects.
8. The works are aimed at improving the entrances and surrounding areas to the council's housing estates. These works will compliment the warm, dry and safe schemes.
9. To date, the works are done on an ad-hoc basis via quotations as and when needed. However, there is a need to have contracts in place to carry out such works in the future to respond to the demand. It is therefore recommended to

award the contracts to two separate contractors who will also act as backup to each other.

10. The planned procurement strategy was the subject of a Gateway 1 report approved on 24 February 2016. The approved competitive tendering procurement strategy was followed.
11. The scope of works will be:
 - resurfacing of estate roads and paths;
 - fencing and estate boundary walls;
 - drainage works and de-scaling;
 - water main replacements; and
 - Small estate builders works.
12. The prices are fixed until 1 April 2018 with a General Maintenance Index being applied annually thereafter.

Procurement project plan (Key Decision)

Activity	Completed by/Complete by:
Forward Plan for Gateway 2 decision	March 2016
Approval of Gateway 1: Procurement Strategy Report	24/02/2016
Issue Notice of Intention (Applies to Housing Section 20 Leaseholder Consultation)	13/04/2016
Invitation to tender	20/04/2016
Closing date for return of tenders	23/05/2016
Completion of evaluation of tenders	20/06/2016
Issue Notice of Proposal (Applies to Housing Section 20 Leaseholder Consultation)	22/07/2016
DCRB Review Gateway 2:	11/08/2016
Notification of forthcoming decision – Five clear working days	22/08/2016
Approval of Gateway 2: Contract Award Report	24/08/2016
Scrutiny Call-in period and notification of implementation of Gateway 2 decision	05/09/2016
Contract award	06/09/2016
Add to Contract Register	06/09/2016
TUPE Consultation period (if applicable)	N/A
Contract start	31/10/2016
Publication of award notice on Contracts Finder	30/11/2016
Contract completion date	30/10/2019
Contract completion date – if extension(s) exercised	N/A

KEY ISSUES FOR CONSIDERATION

Description of procurement outcomes

13. The works will help improve the appearance of the council's housing estates and compliment the warm, dry and safe works that have been undertaken.
14. The works will also ensure that all communal areas are safe and free from trip hazards and provide a planned maintenance approach to de-scaling drains and replacing water mains to reduce demand on responsive repairs.
15. Each contract will contain a break clause to terminate the contract with no consideration of any loss or expense at any time.

Key decisions

16. This report deals with a key decision.

Policy implications

17. Visible difference and planned projects will compliment the council's legal and statutory obligations to maintain its housing stock.

Tender process

18. As outlined in the Gateway 1 report approved on 24 February 2016, contract standing orders (CSOs) require a minimum of 5 contractors to be invited to tender from the council's works Approved List. Five contractors were invited to tender for these works, 4 taken from the general building maintenance and ground works category of the council's works Approved List and 1 contractor nominated by a leaseholder. The tenders were issued on 20 April 2016 with instructions to return a completed tender by 1pm on 23 May 2016.

Tender evaluation

19. Only three tenders were returned to 160 Tooley Street and were opened on 24 May 2016. One contractor, (nominated by a leaseholder) emailed on 21 April 2016 to withdraw from the tender and one contractor, failed to submit a tender. No reasons were given.
20. These 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.
21. The tender pricing evaluation process was undertaken by officers from the commercial team. The quality evaluation process was assessed individually by the procurement manager, procurement officer and communal repairs co-ordinator from the council's asset management division.
22. 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 attached (Appendix 1). A minimum threshold was set for method statements 2, 3 and 4 and all 3 tenderers achieved these. The results of the quality assessment are summarised in a table in paragraph 27.

23. Tenders were evaluated using a Price Schedule Model. The pricing model devised was to arrive at an overall cost for evaluation purposes using indicative quantities and standard market prices that the tenderers were required to put an adjustment against. The prices that the tenderers provided for each item in the schedule of rates will form the contract prices.
24. Price evaluation was marked out of 70 points. The lowest overall tender price would be awarded 70 points. The following formula was used to evaluate the scores - $(A/B) \times C$ - where:
- A = Lowest Lump Sum Price
 - B = Next Lowest Lump Sum Price
 - C = Overall Weighting for Price
25. As a measured term contract is proposed, the figures and quantities used in the price evaluation were indicative only, to enable an evaluation of the relative prices of the tenders. Final spend will be demand led in accordance with the available budget. Tender prices submitted are as follows:

Ref	Contractor	Tender Sum (£)*
1	Bridgewater Roofing Contractors Ltd. (Bridgewater)	£598,673.06
2	A & E Elkins Ltd (A&E Elkins)	£610,715.55
3	Tenderer 3	

* Note tender sum figures are for evaluation purposes only.

26. All priced documents submitted were checked for arithmetical errors, qualifications and general compliance with the tender requirements by the council's commercial team. None of the tenders received contained arithmetical errors or qualifications.
27. A summary of results from the quality evaluation is shown in the table below.

Evaluation Criterion	Total available weighted score	Bridgewater	A&E Elkins	Tenderer 3
Method Statement 1: Mobilisation	4	3.6	2.4	3.2
Method Statement 2: Service Delivery	15	14.4	12	4.2
Method Statement 3: Quality control and compliance	9	7.2	7.2	5.4
Method Statement 4: London living wage	2	1.6	1.6	0.8
Weighted Score	30	26.80	23.20	13.60

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

Summary of Scoring				
Position	Company	Quality 30	Price 70	Total 100
1	Bridgewater	26.80	70.00	96.80
2	A&E Elkins	23.20	68.62	91.82
3	Tenderer 3	13.60	66.60	80.20

29. Five contractors were invited to tender for the works, 3 tender submissions were received and 2 contractors didn't submit a tender submission. Despite this, the council considers that the market was adequately tested and that the 3 tenders received are sufficient to demonstrate best value. The cost/quality evaluation concludes that Bridgewater and A&E Elkins offer the most economically advantageous compliant tenders and it is therefore recommended to award Contract A to Bridgewater and Contract B to A&E Elkins.

Plans for the transition from the old to the new contract

30. The council's repairs contract managers and the commercial manager have developed an overall plan to manage and monitor this critical phase and ensure the transition from the current ad-hoc service delivery to these new contracts.

31. The visible difference and planned project works will be programmed in based on surveys undertaken by communal repair officers on estate walkabouts. The commercial team will identify blocks which have the most blockages to plan in the drainage de-scales.

32. As soon as each contract is awarded:

- Weekly mobilisation meetings will be held with Bridgewater and A&E Elkins and site visits will be organised to familiarise them with surveys and site specific issues.
- Planned projects will be programmed and communicated with residents.
- Existing processes will be updated and communicated prior to this contract start date.

Plans for monitoring and management of the contract

33. Officers in the repairs team will monitor these contracts through monthly progress meetings and measure performance against a range of Key Performance Indicators (KPI) covering:

NO	KPI	Minimum Target Percentage %	Council's Aspirational Target Objective %
1.	Right first time	90%	95%
2.	Percentage of Priority Code 1, 2 and 3 Orders completed within the stipulated time periods.	95%	98%
3.	Adherence to programme for PPM for drainage de-scales.	95%	98%

34. The council's commercial team will review all applications for payment, monitor and administer defaults and carry out the recovery of costs for poor performance.

Identified risks for the new contract

35. The table below identifies the specific risks associated with these contracts, the likelihood of occurrence and the controls in place to mitigate the risks:

R/N	Risk	Likelihood	Risk Control
R1	Bridgewater or A&E Elkins go into liquidation, administration or cease trading.	Low	No parent company guarantee will be obtained as neither Bridgewater nor A&E Elkins have a parent company. Further checks have been undertaken as provided in paragraph 54 below which shows that Bridgewater and A&E Elkins are of a 'Very low risk'. The financial stability of the organisations will be continuously monitored throughout the contract through the contract management process.
R2	Ineffective mobilisation	Low	Mobilisation meetings will be held weekly. In total 6 week mobilisation period has been programmed for and is expected to be completed by 28 October 2016.
R3	One or both contractors unable to fulfil the requirements of the contract e.g. poor performance, leading to the need to terminate the contract.	Low	The council will use back up arrangements within the contract. If both fail the Approved list of contractors will be used whilst re-procuring the contract(s) should this occur. The contract documentation will include for retention of monies to be withheld until satisfactory completion of the contract.

Other considerations (For Housing Department works contracts only)

Design Specification Compliance

36. All works orders will be carried out in accordance with the technical specifications contained in each of the contract documents.

Leasehold Implications

37. The works to be undertaken within these contracts is service chargeable within the terms of the lease and the planned projects will result in charges over an annual period that are above the limit for statutory consultation which means these will be charged to leaseholders.
38. Costs will be service charged through the annual charge. Any changes, to the way in which work is ordered and paid for should be discussed with the service

charge accountant to ensure that all costs can be attributed on a block by block basis.

Community impact statement

39. Bridgewater and A&E Elkins will provide two week slots for work experience and an apprenticeship for each contract.

Sustainability considerations

40. The Public Services (Social Value) Act 2012 requires the council to consider a number of issues including how what is proposed to be procured may improve the economic, social and environmental well-being of the local area. These issues are considered in the following paragraphs which set out economic, social and environmental considerations.

Economic considerations

41. The full cost to the council and the life span of each contract is set out in paragraph 1 and 2 of this report.

Social considerations

42. The council is 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 24 February 2016 confirms, for the reasons stated in that report, payment of LLW was an appropriate and best value requirement for this contract offering enhanced quality of work from a motivated workforce and a lower staff turnover. Bridgewater and A&E Elkins have both 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 contracts review processes.
43. Bridgewater and A&E Elkins have demonstrated that they operate an Equal Opportunity Policy and that they are fully aware of and compliant with the council's own Equal Opportunity Policy in particular.

Environmental considerations

44. Tarmac will be removed and recycled for sub-surface reconstruction. As a result it offers savings in both transport and disposal costs. It also offers major environmental benefits from reductions in the use of energy and primary aggregates.
45. De-scaling chemicals will be WRAS approved.
46. The use of low emission vehicles and the planning of journeys will be encouraged within these contracts.

Market considerations

47. Both Bridgewater and A&E Elkins are private local SME companies based in Southwark. A&E Elkins have approximately 60 staff and have a company commitment to creating one local apprenticeship per £1m of business.

Bridgewater employs approximately 24 staff and also provide local apprenticeships. Both companies have prior experience of working for the council and have performed well in partnership arrangements with the Major Works department (Elkins) and on previous Visible Difference tarmacking projects (Bridgewater).

Staffing implications

48. There will be no impact on council staff caused as a consequence of implementing these contracts. The contracts will be managed by the council's repairs contract managers.

Financial implications (FIN0904 - JP)

49. This report recommends the contract award for visible difference and planned projects. The total estimated contract value is £3.1m and covers a three year period starting from 31 October 2016.
50. The estimated cost per annum is £1m and there is currently an agreed budget in 2016/17 of £820k for visible difference, included within the overall Repairs and Maintenance budget, and £150k for drainage descales.
51. An additional £75k has also been included within these contracts to allow for garage area re-surfacing works if needed. Where completed, the cost of these works will be funded from the garages budget within Exchequer.
52. These budgets would be sufficient to cover the current costs; however, in future years, these budgets may be subject to savings requirements and any General Maintenance Index increases would also need to be covered within this.

Investment implications

53. N/A

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

54. Second stage appraisals were obtained on 16 June 2016 and the result was that Bridgewater and A&E Elkins were considered to be 'Very Low Risk'.

Legal implications

55. In line with the requirements of CSOs, this report confirms that tenders were invited from contractors from the general building maintenance and ground works category of the council's works Approved List as well as a leaseholder nominated contractor and that adequate financial provision to fund the expenditure associated with the delivery of this project is set out in the financial implications of this report. There are no other specific legal implications arising at this stage.

Consultation

56. Consultation with residents will be held at the monthly Tenant and Resident Association meetings.

57. Tenant Management Organisations will also be consulted throughout the mobilisation period where communal repairs are the responsibility of the council.

Other implications or issues

58. None

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Finance and Governance

59. The Strategic Director of Finance and Governance notes the award of visible difference and planned projects contracts. The financial implications arising from this are contained in the report.

Head of Procurement

60. As the estimated value of these contracts are below the EU threshold for works a formal procurement concurrent is not required.

Director of Law and Democracy

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

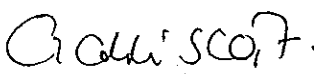
Director of Exchequer (for housing contracts only)

62. This contract is a qualifying long term agreement within the terms of the Commonhold and Leasehold Reform Act 2002. Notice of Intention was served on 24.2.16 and expired on 13.04.16. Notice of proposal was served on 16.6.16 and expired on 22.7.16. There were 20 observations received to the NOP, and these did not raise issues that would affect the letting of the contract.
63. Work carried out under this agreement will be raised via iWorld and the costs will be included in the annual service charges.

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


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Gerri Scott – Strategic Director of Housing & Modernisation

Date 15.9.16.

BACKGROUND DOCUMENTS

Background documents	Held At	Contact
None		

APPENDICES

No	Title
Appendix 1	Tender Evaluation Methodology

AUDIT TRAIL

Lead Officer	Dave Markham – Director of Asset Management	
Report Author	Gavin Duncumb – Commercial Manager	
Version	Final	
Dated	7 September 2016	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Strategic Director of Finance and Governance	Yes	Yes
Head of Procurement	Yes	Yes
Director of Law and Democracy	Yes	Yes
Director of Exchequer (for housing contracts only)	Yes	Yes
Cabinet	N/a	N/a
Date final report sent to Constitutional Team		15 September 2016