

Item No. N/a	Classification: Open	Date: 13 June 2018	Meeting Name: Strategic Director of Housing and Modernisation
Report title:		Gateway 3 – Variation Decision Visible Difference Planned Projects	
Ward(s) or groups affected:		All	
From:		Director of Asset Management	

RECOMMENDATIONS

1. That the strategic director of housing and modernisation agrees the variations to allow additional spend for the first visible difference planned project contract with Bridgewater Roofing Contractors Ltd (Bridgewater) to £855,000 for the period from June 2018 to October 2019, making a revised contract value of £2,580,000 for three years.
2. That the strategic director of housing and modernisation agrees the variations to allow additional spend for the second visible difference planned project contract with A&E Elkins Ltd (Elkins) to £430,000 for the period from June 2018 to October 2019, making a revised contract value of £1,840,000 for three years.

BACKGROUND INFORMATION

3. A Gateway 2 report was approved on 22 August 2016 to award two visible difference planned projects contracts. The first contract was awarded to Bridgewater (Contract A for north of the borough) for a period of 3 years at an estimated annual sum of £575,000 and the second contract was awarded to Elkins (Contract B for south of the borough) for a period of 3 years at an estimated annual sum of £470,000. Both contracts to expire on 31 October 2019.
4. The scope of both contracts encompasses the following work streams:
 - resurfacing of estate roads and paths;
 - fencing and estate boundary walls;
 - drainage works and de-scaling;
 - water main replacements; and
 - Small estate builders works.
5. The work streams were originally planned based on a priority basis subject to the following criteria:
 - Priority of the work streams based on safety issues such as:
 - i. Trip and pot hole hazards;
 - ii. Access for emergency services; and
 - iii. Disability designated parking.
 - Projects not to be planned in conjunction with warm dry and safe works to avoid excessive leaseholder costs.

- Equal distribution of the work streams across the whole borough.
6. Due to fire risk assessments and associated works being carried out on a number of traffic management schemes on estates in light of recent events highlighted the volume and urgency for planned works for these two contracts to be carried out sooner than anticipated to help mitigate the number of risks on the estates. This resulted in the following:
 - Bridgewater's spend for 1 November 2016 to date being £1,596,467 leaving a sum of £128,533 to complete the rest of the planned projects in the north of the borough; and
 - Elkins' spend for 1 November 2016 to date being £1,169,919 leaving a sum of £240,081 to complete the rest of the planned projects in the south of the borough.
 7. To date both contractors have delivered high quality projects which have been acknowledged and praised by tenant and home owner representatives - Core Group Report: Visible difference 2017-18 update referenced in background documents. Officers from asset management carry out inspections during and on completion of each project undertaken by both contractors. There are currently backup arrangements in place with both contractors but this has not yet proven necessary to use.
 8. The reason for seeking approval for additional spends is after officers reviewed the current list of planned works, it was identified that there are 12 schemes in the north of the borough to be done at an estimated value of £855,000 (£280,000 from June 2018 to 31 October 2018 and £575,000 from 1 November 2018 to 31 October 2019) and 8 schemes in the south of the borough to be done at an estimated value of £430,000. Officers envisage that these additional spends will ensure these schemes are delivered and completed by 31 October 2019. It should be noted that it's not appropriate for any of these proposed schemes to be dealt with under the communal repairs contracts as the two new contracts focus on repairs and maintenance whereas the visible difference contracts focus on planned projects which have been priced to ensure good value for money.
 9. The actual financial term expenditure is set out in appendix 1 for both contractors.

KEY ISSUES FOR CONSIDERATION

Key Aspects of Proposed Variation

10. This proposal as detailed in paragraph 8 is for approval for additional spend to both contracts from June 2018 to October 2019 to enable further visible difference planned projects to be completed.
11. The additional spend to the Bridgewater contract will increase the overall contract percentage by 49% and the additional spend to the Elkins contract will increase the overall contract percentage by 31%.
12. The contracts contain a Building Maintenance Index (BMI) clause to allow an annual fluctuation calculation which was due on 1 April 2018. Both contractors have confirmed that they will adhere to their original tendered rates and the BMI will not be applied.

Reasons for Variation

13. Asset management is responsible for undertaking fire risk assessments to all blocks within its housing portfolio. These fire risk assessments identified issues regarding the traffic management on some housing estates which could potentially inhibit access for the emergency services due to parking on kerbs and blocking access to fire hydrants. Due to the urgency and concerns highlighted on some blocks from the fire risk assessment this has led to a number of planned projects being brought forward as they need to be completed urgently to improve the risk rating of the blocks.
14. Since these contracts commenced on 1 November 2016, significant improvements have been made to the entrances and the surrounding areas of the council's housing estates which has successfully been a visible difference.

Future Proposals for this Service

15. As the value of these contracts have been exceeded, a new Gateway 1 report will be presented in October 2018 to start a new procurement for two new contracts to commence in November 2019.

Alternative Options Considered

16. At this stage of the contracts, two options were considered but rejected for the following reasons:
 - a) Bringing these services in-house – as the council is currently bringing its repairs and maintenance services in-house there is no capacity for these contracts.
 - b) Using existing frameworks prepared by others – these cannot be used as leaseholders were not specifically consulted on the framework proposals.

Identified risks for the Variation

17. The table below identifies the risks associated with this extension, the likelihood of occurrence and the control in place to mitigate the risks:

Risk No.	Risk Identified	Risk level	Mitigation
R1	Possible risk of challenge	Low	As service continuation is required and a new procurement will start later this year, Regulation 72(1) (a) of the Public Contracts Regulations 2015 (EU Regs) will be relied upon.
R2	Bridgewater and/or Elkins are unable to deal with new workload	Low	Both contractors have provided staffing structures presenting how they plan to deal with the additional workload. A performance report will be done in line with contract standing orders in 6 months time to DCRB.

R3	The new procurement exercise fails to be in place by 1 November 2019	Low	The project management of the new procurement process will ensure that adequate service provision is in place.
R4	Bridgewater and/or Elkins are financially unable to deal with the new work, cease trading, goes into administration or liquidation	Low	A Mint credit check was carried out on 27 February 2018, with the minimum achieved score set at 40 or more, which indicated that Bridgewater scored 41 and Elkins scored 92 which indicates a low risk of such an event occurring.

Policy implications

18. The visible differences contracts help deliver on one of the council's Fairer Future promises for revitalising neighbourhoods.

Contract management and monitoring

19. The performance of Bridgewater and Elkins and any commitments made in their bids such as Key Performance Indicators (KPIs), London Living Wage (LLW), apprenticeships and work experience slots are monitored by the repair and maintenance team. The repair and maintenance team ensure that each time Bridgewater and Elkins are instructed, that they follow the works brief for the scheme, are involved in the consultation process with residents, follow the timetable for the scheme and ensure that the works are carried out to the set quality.
20. The KPIs for the periods since the contracts began are detailed in the table below:

NO	KPIs	Minimum Target Percentage %	Bridgewater Actual KPI % YTD April17 – Nov 17	Elkins Actual KPI % YTD April17 – Nov 17
1.	Percentage of Priority code 3 orders completed within the stipulated time period.	95%	97%	97%
2.	Adherence to programme for PPM for drainage de-scales.	95%	98%	97%

21. Performance to date has been very good and both contractors have delivered high quality projects which has been acknowledged and praised by tenant and home owner representatives.

Community Impact Statement

22. Having a consistent set of visible difference firms working borough wide has improved and supported the council's Fairer Future Promises for revitalised neighbourhoods.

Social Value considerations

23. The Public Services (Social Value) Act 2012 requires that the council considers, before commencing a procurement process, how wider social, economic and environmental benefits that may improve the well being of the local area can be secured. The social value considerations included in the tender (as outlined in the Gateway 1 report) are set out in the following paragraphs in relation to the tender responses, evaluation and commitments to be delivered under the proposed contract.

Economic considerations

24. Both contractors have provided two work experience slots to local schools. Elkins currently have three apprentices and Bridgewater currently has one apprentice in place.
25. Both contractors use direct labour to carry out planned projects and where possible use local material suppliers.

Social considerations

26. Both contractors continue to demonstrate that they operate an Equal Opportunities Policy and are fully aware and are compliant with the council's own Equal Opportunity Policy.
27. Both contractors have confirmed that all relevant staff continues to be paid in excess of the LLW rate.

Environmental/Sustainability considerations

28. Both contractors operate a permit base waste disposal system for tarmac.

Financial Implications

29. The original value of the three year contract starting 31 October 2016 for Bridgewater was £1,725,000 (£575,000 per annum) and Elkins was £1,410,000 (£470,000 per annum).
30. This variation will increase the value of the contract for Bridgewater from £1,725,000 to £2,580,000 and that of Elkins from £1,410,000 to £1,840,000 for the remaining two years.
31. The visible difference contracts budget are sufficient to cover the increased spend, and will be monitored on a regular basis to ensure all costs can be contained within existing approved budgets.

Legal Implications

32. Please see concurrent from the Director of Law and Democracy.

Consultation

33. Consultation will continue with residents on a scheme by scheme basis and where required section 3 notices will be issued to all leaseholders.

Other implications or issues

34. None.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Finance and Governance (Reference Number)

35. This report seeks delegated approval to vary the value of the visible difference contracts from £3.135m to £4.420m, to enable additional works to be undertaken over the remaining contract period ending 31 October 2019. The annual budget for this is £1.045m, giving a cumulative sum over the period 1 April 2016 to 31 October 2019 (pro-rata for seven months) of £3.745m. In addition a one-off allocation of resources totalling £675k was approved during 2016-17 to deal with urgent safety related works. The proposed contract variation is predicated on the basis that the visible difference budget for 2019-20 remains at £1.045m and isn't subject to future savings requirements. Accordingly, this will leave a residual budget of £435k (pro-rata for five months for the period 1 November 2019 to 31 March 2020).

Head of Procurement

36. This report is seeking approval to vary two visible difference planned project contracts to incorporate additional expenditure for the period March 2018 to October 2019. This is required in order to action essential planned works in response to a number of urgent fire risk assessments. The report confirms that the current contracts have provisions to extend the scope and expenditure for the recommended period.

37. Paragraph 15 explains that a new contract or contracts will be procured and put in place in November 2019. These variations will allow for continuity of essential planned maintenance service whilst the new procurement is undertaken.

38. Both paragraphs 7 and 20 confirm that performance to date by both contractors has been very good.

39. The management and monitoring arrangements currently in place should ensure that the required level of contract performance is maintained.

Director of Law and Democracy

40. This report seeks the strategic director of housing and modernisation's approval to the additional spend for 2 visible difference planned project contracts which are being performed by Bridgewater Roofing Contractors Ltd and A&E Elkins Ltd.

41. The nature of this variation is such that it is subject to the Public Contracts Regulations 2015 (EU regulations). Regulation 72(1)(a) of the EU regulations allow the council to vary the current contracts as this option was provided for in the initial procurement documents and does not alter the overall nature of the contracts.

42. Paragraph 14 of this report confirms that a Gateway 1 report will be presented in October 2018 to commence a new procurement for these contracts.

43. As the decision to approve these variations fall within the circumstances noted in contract standing orders (CSO) 6.6.3(e), the decision is reserved to the relevant chief officer (or under his delegated authority in line with the department's scheme of management). CSO 2.3 requires that a variation decision may only be made if the expenditure involved has been approved. Paragraphs 28-30 confirm the financial implications of this variation.

Director of Exchequer (for housing contracts only)

44. There are no S20 or service charge implications associated with an increase in the budget for this qualifying long term agreement. The additional emphasis on amendments to layout for traffic flow may give rise to consideration of whether any changes are service chargeable under the terms of the lease and they will be considered on a scheme by scheme basis.

PART A – TO BE COMPLETED FOR ALL DELEGATED DECISIONS

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

27 June 2018

Date.....

Michael Scorer, Strategic Director of Housing and Modernisation

PART B – TO BE COMPLETED BY THE DECISION TAKER FOR:

- 1) All key decisions taken by officers
- 2) Any non-key decisions which are sufficiently important and/or sensitive that a reasonable member of the public would reasonably expect it to be publicly available.

1. DECISION(S)
As set out in the recommendations of the report.

2. REASONS FOR DECISION
As set out in the report.

3. ALTERNATIVE OPTIONS CONSIDERED AND REJECTED BY THE OFFICER WHEN MAKING THE DECISION

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None.

4. ANY CONFLICT OF INTEREST DECLARED BY ANY CABINET MEMBER WHO IS CONSULTED BY THE OFFICER WHICH RELATES TO THIS DECISION

None.

5. NOTE OF ANY DISPENSATION GRANTED BY THE MONITORING OFFICER, IN RESPECT OF ANY DECLARED CONFLICT OF INTEREST

If a decision taker or cabinet member is unsure as to whether there is a conflict of interest they should contact the legal governance team for advice.

N/a

6. DECLARATION ON CONFLICTS OF INTERESTS

I declare that I was informed of no conflicts of interests.*

or

~~I declare that I was informed of the conflicts of interests set out in Part B4.*~~

(* - Please delete as appropriate)

BACKGROUND PAPERS

Background Papers	Held At	Contact
GW1 report - Visible Difference & Planned Projects Signed	Repairs and Maintenance Asset Management / 160 Tooley Street	Gavin Duncumb 50685
GW2 report - Visible Difference Planned Projects open	Repairs and Maintenance Asset Management / 160 Tooley Street	Gavin Duncumb 50685
Core Group Report Visible Difference Report 2017 18	Repairs and Maintenance Asset Management / 160 Tooley Street	Gavin Duncumb 50685

APPENDICES

No	Title
Appendix 1	Financial Table

AUDIT TRAIL

Lead Officer	David Markham, Director of Asset Management	
Report Author	Gavin Duncumb, Commercial Manager	
Version	Final	
Dated	8 June 2018	
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 Member	n/a	n/a
Date final report sent to Constitutional Team		

BACKGROUND DOCUMENT – CONTRACTS REGISTER UPDATE FORM – GATEWAY 3

Details	Original	Extension 1	Extension 2
Contract Name	Visible Difference Planned Projects		
Contract Description	Visible difference projects to communal areas on council housing estates.		
Contract Type	JCT MTC 2011		
Fixed Price or Call Off	Fixed price		
Lead Contract Officer (name)	Gavin Duncumb		
Lead Contract Officer (phone number)	02075250685		
Department	Asset Management		
Division	Housing and Modernisation		
Procurement Route	Competitive tender		
EU CPV Code (if appropriate)	N/A		
Departmental/Corporate	Departmental		
Supplier(s) Name(s)	Bridgewater Roofing Contractors Ltd & A&E Elkins Ltd		
Contract Total Value	£1.725m £1.41m		
Contract Annual Value	£575k £470k		
Contract Start Date	1 November 2016		
Initial Term End Date	31 October 2019		

No. of Remaining Contract Extensions	None		
Contract Review Date	31 October 2017		
Revised End Date	N/A		
SME/ VCSE (If either or both include Company Registration number and/or registered charity number)			
Comments	None		
London Living Wage	Yes		

This document should be passed to the member of staff in your department responsible for keeping your departmental contracts register up to date.