

Item No:	Classification: Open	Date: 09 September 2019	Decision Taker: Strategic Director of Housing and Modernisation
Report title	GW2 Masterman Plant Room, Boiler & Warm Air Replacement QHIP 19-20		
Ward(s) or groups affected	Camberwell Green		
From	Director of Asset Management		

RECOMMENDATIONS

1. That the Strategic Director of Housing and Modernisation approves the award of the Masterman Plant Room Replacement and Internal Works QHIP 2019/20 scheme via a mini-competition from the major works constructor framework to Vital Energi Utilities Ltd for a period of 33 weeks.

BACKGROUND INFORMATION

2. In October 2015, Cabinet approved the establishment of the major works constructor framework ('the framework') for a period of 4 years from 1 March 2016 in the four Lots as follows:
 - a. Lot 1 - Main building works (low value schemes up to £3.5m)
 - b. Lot 2 - Main building works (high value schemes over £3.5m)
 - c. Lot 3 - District mains, boilers and internal works
 - d. Lot 4 - Communal and electrical works
3. It was noted to Cabinet that the Strategic Director of Housing and Modernisation will take the decisions for works being instructed through the framework in line with his scheme of delegation and approval was obtained for exemption from contract standing order 4.5.2(h) requiring consideration of approval reports by the relevant DCRB for works being instructed through the framework.
4. The framework supports and works alongside the council's 3 existing major works partnering contracts ('partnering contracts') but more specifically, undertakes work in contract areas 1 and 2 where the partnering contracts were mutually concluded. It should be noted that 2 of the 3 partnering contractors act as reserve contractors for contract areas 1 and 2. The partnering contracts for contract areas 3, 4 and 5 are now in place until 13 June 2020 and have non-exclusive extensions in place with termination at will clauses. However, mini-competition through the framework will be used where there are no partnering contracts in existence.
5. The scope of works for this project is the complete renewal of the communal system (currently a warm air system) which includes replacing the boilers and refurbishing the boiler house, renewing all the communal distribution pipework throughout the building to point of entry into each property/ dwelling and modification of the existing BMS system.
6. Lot 3 is applicable to these works.

7. The duration of the works is 33 working weeks.
8. Works are expected to start on 30 October 2019 and complete on 23 June 2020.

Procurement project plan Key Decision

Activity	Completed by/Complete by:
Forward Plan for this Gateway 2 decision	17/06/2019
Approval of Gateway 2: Establishment of major works framework agreement	20/10/2015
Notice of Intention (Applies to Housing Section 20 Leaseholder Consultation)	02/11/2018
Mini competition invitation	12/02/2019
Closing date for return of tenders	25/03/2019
Completion of evaluation of tenders	10/04/2019
Notice of Proposal (Applies to Housing Section 20 Leaseholder Consultation)	31/05/2019
Notification of forthcoming decision – Five clear working days	11/09/2019
Approval of Gateway 2: Mini competition award report	16/09/2019
Scrutiny Call-in period and notification of implementation of Gateway 2 decision	24/09/2019
Contract award	30/09/2019
Add to Contract Register	30/09/2019
Contract start	30/10/2019
Publication of award notice on Contracts Finder	30/10/2019
Contract completion date	23/06/2020

KEY ISSUES FOR CONSIDERATION

Description of procurement outcomes

9. This scheme consists of works to 1-67 Masterman House in the Camberwell area. This includes 16 leasehold properties and 0 Right to Buy (RTB) applicants. The address details are as follows:

Block Address
1-67 Masterman House, Elmington Estate SE5 7HX

Policy Implications

10. This scheme is part of the Quality Homes Investment Programme (QHIP) 2019/20 which includes works to district heating systems.
11. Planning consent is not required for the works being undertaken within this scheme.
12. As part of the overall procurement process for this framework, Vital Energi Utilities were assessed and indicated compliance with the council's equal opportunities policy. This

scheme is for works to the housing stock and will benefit all residents in the blocks affected.

13. This report confirms that, where applicable, this scheme is designed in compliance with the council's design specification as included in the overall procurement process for the framework.

Mini competition Process

14. The call-off arrangements set out in the 'operation of the framework' document was followed and a mini-competition procedure was carried out.
15. As the scope of this work is of a nature where charges can be recovered from leaseholders under section 20 of the Landlord and Tenant Act 1987, leaseholder consultation was carried out. The council did not receive any leaseholder nominations.
16. All contractors listed on Lot 3 were invited to participate in the mini-competition process with instructions to return the tender by 4pm on 25 March 2019. The list of contractors invited is as follows:
 - **BSW Heating Ltd**
 - **MPS Housing Ltd (formerly Mitie Property Services (UK) Ltd).**
 - **Vital Energi Utilities Ltd**
 - **K&T Heating Services Ltd**
 - **Stapletech Ltd**
17. 3 contractors returned a tender. K&T Heating Services Ltd and Stapletech Ltd declined to tender for this project because of internal resources challenges.

Mini-competition Evaluation

18. The tenders were evaluated in line with the rules set out in the framework.
19. Representatives from Potter Raper Ltd (PRL) (formerly Potter Raper Partnership Ltd) and the Investment Team participated in the tender evaluation process which involved checking whether all requirements set out in the checklist were met and assessment of price and quality specific to this scheme.
20. All tenderers were required to complete and confirm that they meet the requirements set out in the checklist. The checklist was satisfactorily completed by all tenderers.
21. The quality element of the submissions was assessed on a pass/fail basis.
22. The quality criteria for these works were as follows:
 - **Resources and management of call-off contract.**
 - **Management of sub-contractors.**
 - **Health and Safety (H&S) proposals for the call-off contract.**
 - **Design Proposals.**
23. The quality submissions were scored using a 1 – 3 scoring system as set out in the 'operation of the framework' document. At this stage, tenderers were required to meet a minimum threshold of 3. If they failed to meet this standard, they were not assessed any further in this process. All tenderers achieved the threshold 3.
24. The results of the quality criteria assessments were as follows:

Contractor	Pass/Fail
BSW Heating Ltd	Pass
MPS Housing Ltd (formerly Mitie)	Pass
Vital Energi Utilities Ltd	Pass

25. Tenderers were required to complete a scheme specific schedule of rates. The price evaluation included the pricing of an actual works package plus rates for composite items. Separately tendered percentages applied to overheads and profit. The costs obtained for this scheme are based on the rates tendered within the framework. This does not preclude the contractor from offering a lower rate than the framework tender.
26. All priced documents submitted were checked for arithmetical errors and general compliance with the tender requirements by PRL.
27. The prices submitted by BSW Heating Ltd fully complied with the tender requirements; the tender was arithmetically checked and found to contain higher than expected tender preliminaries equating to approximately 21% of the works sum. However, their design fees were below their framework rate of 4%. Clarifications were sought by PRL on 8 April 2019 and BSW confirmed on 8 April 2019 that the 21% figure was the correct percentage.
31. The prices submitted by Vital Energi Utilities Ltd (Vital) complied with tender requirements; the tender was arithmetically checked and found to contain no arithmetical errors. The preliminaries equated to approximately 5.9% of the works sum and are considered very competitive for a project of this nature and it is also below Vital's submitted framework rate of 8.75%. However, Vital did not submit executed PCG and PB undertakings with their tender submission as these documents will only be required from the successful tenderer.
32. The prices submitted by MPS Housing Ltd (formerly Mitie Property Services Ltd) fully complied with tender requirements; the tender was arithmetically checked and found to contain no arithmetical errors. The preliminaries equated to approximately 10% of the works sum and are considered very competitive for a project of this nature. However, MPS Housing Ltd did not submit executed PCG and PB undertakings with their tender submission; PRL did not contact MPS because these documents would only be required from the successful tenderers.
33. The council's appointed quantity surveyor has confirmed that the pricing has been checked in line with the framework's schedule of rates and confirmed that they are a combination of equal to or lower than the rates set out on the framework.
34. Therefore, on the basis of the mini-tender submitted, the contractor recommended for this scheme is Vital Energi Utilities Ltd.

Plans for monitoring and management of the contract

35. The performance of the framework contractors is monitored and managed by the Investment Team in accordance with the framework. Each project manager in the Investment Team or other departmental officers provide a quarterly monitor on the performance of the framework contractors on the schemes they are working on as the framework contractors are expected to achieve certain targets set out in the Key Performance Indicators (KPIs) around the areas of time, cost and quality.
36. The framework contractors are monitored against these KPIs on a regular basis as if the framework contractors fail to perform to the required standard, their 'call-off' contract(s) can be terminated, their mini-competition opportunities can be restricted or they can be removed from the framework.
37. It is confirmed that this framework contractor has had 0 contracts terminated, 0 mini-competition opportunity exclusions and they have not been removed from the framework for Lot 3.
38. These 'call-off' contracts, whilst predominantly design and build contracts, have all design and work proposals examined and checked by both internal lead designers and cost consultants or by one of the council's professional technical services consultants,

Calfordseaden LLP (Calfordseaden) or Potter Raper Ltd (formerly Potter Raper Partnership (PRL). It is confirmed for this scheme that the lead design services and cost management will be provided by PRL.

39. The spend and performance is monitored by the Head of Investment and reported each quarter to the major works core group led by the Deputy Leader and Cabinet Member for Housing, as well as to the Housing Investment Board led by the Strategic Director of Finance and Governance.

Health and Safety Plan

40. The CDM 2015 regulations require a developed health and safety plan to be in place prior to commencement of works and the appointment of the principal designer at scheme inception. It is confirmed that the principal designer role will be provided by RRL who were appointed on 15 April 2016. Works will not commence on site until it is confirmed that the health and safety plan is sufficiently developed for the type of works proposed.

Leasehold Implications

41. Formal legal consultation with leaseholders has been undertaken by the council's specialist housing services team. These works are rechargeable to leaseholders..

Financial Implications

42. In addition to the works cost, it is considered prudent to add a 5% risk contingency fund, as identified in paragraph 2 above, to the contract sum to allow for any unforeseen issues. Any additional works will be agreed with the lead designer and project manager and any costs arising due to any unforeseen works will be agreed by the quantity surveyor.

Legal Implications

43. It is confirmed that this scheme falls under Lot 3 and the 'call-off' contract to be used is JCT Design and Build Contract 2011 with Contractors Design 2011. The contract documentation will be passed to legal services to formalise a contract for the scheme in due course.

Consultation

44. Consultation meetings were held with residents on 17 October 2018 and 10 June 2019. .

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Finance and Governance (H&M19/076)

45. The report seeks approval from the Strategic Director of Housing and Modernisation to award the works package entitled Masterman Plant Room Replacement and Internal Works QHIP 2019/20 scheme via a mini-competition from the major works constructor framework to Vital Energi Utilities Ltd.
46. There is an estimated resource shortfall for the whole life of the Housing Investment Programme. There is also likely to be further demand on the capital programme as a consequence of local or national demand for resources following the tragic Grenfell fire. It is therefore important that the costs of these works are carefully monitored and that accurate forecasting is in place to enable efficient financing of capital expenditure.
47. Any variation or extension of the works order beyond the scope of this report will require further approval in line with the council's procurement protocols.

Head of Procurement

48. N/A

Director of Law and Democracy

49. Not required

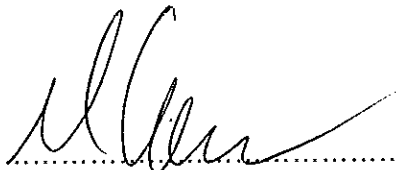
Director of Exchequer (for housing contracts only)

50. These are works of repair and are therefore chargeable to leaseholders under the terms of their leases. There are 16 leasehold properties and 0 RTB applicants included in the contract that will be affected by the works. In accordance with the Landlord and Tenant Act 1985 (as amended) Notices of Intention were served on 4 October 2018 and the observation period ended on 2 November 2018.
51. Section 20 notices of proposal were served on 30 April 2019 and expired on 31 May 2019. There were 5 observation received from leaseholders included in this package and they were responded to in writing. The observations were not of a nature that would impact on the commencement of these works.

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 contained in the above report.

Signature.....



Date

10 October 2019

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
Not applicable.
4. ANY CONFLICT OF INTEREST DECLARED BY ANY CABINET MEMBER WHO IS CONSULTED BY THE OFFICER WHICH RELATES TO THIS DECISION
5. NOTE OF ANY DISPENSATION GRANTED BY THE MONITORING OFFICER, IN RESPECT OF ANY DECLARED CONFLICT OF INTEREST <i>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.</i>
6. DECLARATION ON CONFLICTS OF INTERESTS
<p>I declare that I was informed of no conflicts of interests.*</p> <p>or</p> <p>I declare that I was informed of the conflicts of interests set out in Part B4.*</p> <p>(* - Please delete as appropriate)</p>

BACKGROUND DOCUMENTS

Title:	Held at	Contact
Major works project file	160 Tooley Street, SE1 2QH	

APPENDICES

Appendix number	Title of appendix
n/a	

AUDIT TRAIL

Lead Officer	Ferenc Morath, Head of Investment
Report Author	Bola Odusanya, Project Manager

Version	Final		
Dated	19 September 2019		
Key Decision	Yes	If yes, decision date on forward plan	N/A
CONSULTATION WITH OTHER OFFICERS/DIRECTORATES/CABINET MEMBER			
Officer Title		Comments Sought	Comments Included
Strategic Director of Finance and Governance		Yes	Yes
Director of Law and Democracy		Yes	Yes
Director of Exchequer		Yes	Yes
Cabinet Member		Yes	Yes
Date final report sent to Constitutional Officer			