

Item No.	Classification: Open	Date: 30 June 2014	Meeting Name: Strategic director of housing and community services
Report title:		Gateway 2 Kinglake Estate Warm, Dry and Safe works	
Ward(s) or groups affected:		East Walworth	
From:		Head of Major Works	

RECOMMENDATION

1. That the strategic director of housing and community services approve the award of the Kinglake Estate Warm, Dry and Safe works contract to Keepmoat Regeneration (Apollo) Ltd for a period of 52 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 contract is for a period of 52 weeks (plus a four week lead in period).
 - There is no specific extension built into the contract.
 - The contract price is not index linked.
4. External consultants, JRP were appointed on 8 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. JRP's contract is up to tender and award stage of the project only, after which there will be formal hand over to PRP who will deliver the project on site.
5. On 1 November 2013, PRP were appointed, by way of an order from the council's Long Term Agreement, to provide the full building surveying functions, CDM-C and QS functions 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 are due to the following:
 - delays with the completion of JRP's feasibility survey document;
 - delays with JRP's preparation of the tender documents, resulting in several revisions before the documents could be issued;
 - errors were noted in schedules after tenders were submitted – a tender addendum was issued to three of the contractors, as noted in paragraph 33 below, with a new return date;
 - clarifications were raised by the council's Home Ownership Unit (HOU) on items within the priced bill/specification; and
 - further delays occurred with the issue of Notice of Proposals to leaseholders as the priced bill was not received in a correct format to enable HOU to calculate the charges.

Procurement project plan (Key Decision)

7.

Activity	Completed by/Complete by:
Forward Plan for Gateway 2 decision	April 2014
Approval of Gateway 1: Procurement Strategy Report	11 June 2013
Issue Notice of Intention	1 Aug 2013
Invitation to tender	11 Oct 2013
Closing date for return of tenders	15 Nov 2013
Completion of evaluation of tenders	11 Dec 2013
Issue Notice of Proposal	12 May 2014
DCRB Review Gateway 2:	30 Jun 2014
Notification of forthcoming decision	8 July 2014
Approval of Gateway 2: Contract Award Report	10 July 2014
Scrutiny Call-in period and notification of implementation of Gateway 2 decision	21 July 2014
Contract award	24 July 2014
Add to Contract Register	24 July 2014
Contract start	21 Aug 2014
TUPE Consultation period	N/A
Contract completion date	5 Aug 2015
Contract completion date – if extension(s) exercised	N/A

KEY ISSUES FOR CONSIDERATION

Description of procurement outcomes

8. The works will affect:
- Barham House 1-30
 - Benenden House, 1-10
 - Bethersden House 1-30
 - Cuxton House 1-10
 - Deal House 1-10
 - Faversham House 1-28
 - Folkestone House 1-8
 - Groombridge House 1-9
 - Hadlow House 1-20
 - Ivychurch Lane 1-17
 - Keston House 1-50
 - Kinglake Street 1-43
 - Leysdown House 1-49

- Littlebourne House 1-9
 - Mina Road 10-16 (even No's only)
 - Southborough House 1-30
 - Swanley House 1-30
 - Tenterden House 1-20
9. The properties listed above have always been included within the project, however, since the submission of the Gateway 1 report, installation of a door entry system has been added to the works to address anti-social behaviour issues associated with a number of the newer Kinglake Estate blocks listed above.
10. The blocks included for installation of a door entry system is Deal House, Ivychurch lane, Kinglake Street, Littlebourne House and Mina Road. The door entry will also serve interconnected blocks at Benenden House, Cuxton House, Folkestone House and Groombridge House.
11. A ballot of residents was conducted in June 2013 in regards to the door entry system with a result of more than 50% of residents in favour of having an entry system to their block.
12. The proposed works following full surveys comprise of:
- All blocks:
- Surveying, testing and reporting of elements of the building.
 - Minor structural repairs
 - Asbestos removals where required.
 - Repairs to structure and fabric of the building.
 - Repairs and renewals of roof coverings.
 - Repairs to rainwater goods where required.
 - Testing repair /upgrade and renewal where required of rising and lateral mains supply.
 - Elemental bathroom repairs / replacements to tenanted dwellings.
 - Electrical upgrades / rewires to tenanted dwellings.
 - Health and Safety works for cooker locations under Housing Health & Safety Rating System (HHSRS)
 - Sundry minor repairs.
13. This scheme is a capital scheme which was drawn up by JRP 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

14. This report deals with a key decision.

Policy implications

15. This proposed contract for refurbishment of properties on the Kinglake Estate maintains the council's obligations to make all properties warm, dry and safe by 2016 as set out by cabinet.

16. Planning permission is required for the new door entry system for those properties identified for door entry works. This was granted for the door entry system on 10 February 2014.
17. 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

18. As outlined in the Gateway 1 report approved on 11 June 2013, Contract Standing Orders requires a minimum of five contractors to be invited to tender from the council's works Approved List. Tenders were issued to five contractors on 11 October 2013 with instructions to return a completed tender by 12 noon on 15 November 2013 - all from the general works category on the council's works Approved List.
19. Due to a misunderstanding of the minimum requirement for the number of contractors required for tendering, the Gateway 1 report incorrectly outlined that six contractors would be invited from the council's works Approved List. On this occasion, five contractors were invited to tender.
20. No nominations were made by leaseholders.

Tender evaluation

21. Three tenders were returned to 160 Tooley Street on or by 12 Noon on 15 November 2013 and were opened on the same day. Two contractors (CLC Construction Ltd and R Durnell & Sons Ltd) did not return a tender.
22. R Durnell & Sons Ltd wrote on 21 October 2013 withdrawing from the tender process due to resourcing problems. CLC Construction Ltd were contacted and confirmed that due to management problems at their Watford Office, a tender was not submitted.
23. 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.
24. The tender evaluation process was undertaken by JRP's 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 finalising the tender report.
25. 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 28 below.
26. Tender prices submitted are as follows:

	Contractor
1	Keepmoat Regeneration (Apollo) Ltd (Keepmoat)
2	Ark Build Plc (Ark)
3	Borass Construction Ltd (Borass)

27. All priced documents submitted were checked for arithmetical errors and general compliance with the tender requirements by JRP's QS.
28. The summary results of the quality evaluation is shown in the table below:

Evaluation Criterion	Keepmoat (Score)	Ark (Score)	Borass (Score)
Method Statement 1: Mobilisation	8	6	8
Method Statement 2: Health & safety	8	7	8
Method Statement 3: Risk management	8	7	7
Method Statement 4: Resident & leasehold Engagement	9	6	7
Method statement 5: Quality Control	9	7	7
Method Statement 6: Programme Statement	8	8	8
Total Quality Score	50	41	45
Weighting	25	20.5	22.5

29. In terms of assessing the quality of the method statement proposals from Keepmoat - they scored the highest. The scores awarded indicate that Keepmoat's responses are good/excellent and meet all the requirements which are good/fully evidenced. Paragraphs 35 to 37 identifies the management arrangements in place to ensure that this high standard is maintained.
30. The summary results of the evaluation is 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	Keepmoat	25	63.14	88.14
2	Ark	20.50	65.55	86.05
3	Borras	22.5	60.23	82.73

31. Five contractors were invited to tender for the works and only three contractors returned tenders - two contractors failed to tender. A tender addendum was issued to three contractors and only two contractors returned a submission. The council considers, after taking advice from JRP, that the market was adequately tested. The cost/quality evaluation concludes that Keepmoat Regeneration (Apollo) Ltd offers the most economically advantageous compliant tender. It is therefore recommended for the acceptance of the tender submitted by Keepmoat Regeneration (Apollo) Ltd.
32. The date for acceptance of the above tenders will expire on 23 July 2014.
33. 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

34. Not applicable.

Plans for monitoring and management of the contract

35. The contract will be managed on a day to day basis by PRP who will provide full consultancy services for the Kinglake Estate WDS project, following formal hand over from JRP who was originally providing the consultancy services.
36. 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 Keepmoat, arrange regular meetings with the residents' project team at which contractor performance will be discussed.
37. 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

38. 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. Paragraph 53 confirms that Keepmoat are considered at low risk of going bankrupt within the next 12 months.

Other considerations

39. 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

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

Leasehold Implications

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

Decent Homes

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

Community impact statement

43. The proposed works are for the refurbishment of council housing and as such will affect council tenants and leaseholders on the Kinglake Estate. 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.
44. 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.
45. The proposed works, which are for refurbishment of council housing, will not adversely affect any one particular group.

Economic considerations

46. Keepmoat are a large size building company based within Essex and will be encouraged to utilise local labour markets to deliver the works.

Social considerations

47. 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 confirmed, for the reasons stated in that report, payment of LLW was an appropriate and best value requirement for this contract. Keepmoat 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

48. The proposed works includes the replacement of roof coverings; this will increase the thermal performance of the building and reduce the demand for heating within the top floor dwellings, thus reducing energy consumption.

Market considerations

49. JRP believes that the market has been adequately tested based on the tenders received from the contractors taken from the council's works Approved List. JRP's recommendations were considered and agreed by the area project manager within the major works team.

Staffing implications

50. There are no specific implications.

Financial implications

51. The works are part of the Housing Investment Capital programme. Main works and fees costs will be coded to a capital cost code from the Warm, Dry and Safe budget.
52. The costs for the door entry works to newer Kinglake Estate blocks will be charged to the Door Entry System Regeneration budget, as this work falls outside of WDS.

Second stage appraisal

53. An Experian credit check was obtained on 27 May 2014, Keepmoat 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

54. 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

55. All residents (tenants and leaseholders) and absent leaseholders have been consulted with regards to the proposed works.
56. Formal legal consultation with leaseholders affected by these proposals has commenced and is undertaken by Specialist Housing Services.
57. 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 as outlined in paragraph 84.
58. 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.
59. Keepmoat will issue regular newsletters to the blocks throughout the contract period.

Other implications or issues

60. Not applicable.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Head of Procurement

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

Director of Legal Services

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

Strategic Director of Finance and Corporate Services (CAP14/033)

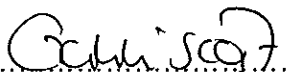
63. This report is requesting approval from the Strategic Director of Housing and Community Services to award the Kinglake Estate Warm, Dry and Safe contract to Keepmoat Regeneration (Apollo) Ltd for the sum of £3,258,891 following a tender evaluation process as reflected in the report.
64. The report identifies the total cost of the project including fees and contingency to be £3,645,599. The financial implications indicate that the costs of these works are to be funded from the budgets for Kinglake Estates, WDS contingency budgets and revenue budgets.
65. 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.
66. Staffing and any other costs connected with this contract to be contained within existing departmental revenue budgets.

Head of Specialist Housing Services (For Housing contracts only)

67. These are works of repair and are therefore chargeable to leaseholders under the terms of their leases.
68. 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 1st August 2013 and the observation period expired on the 5th September 2013. There was 1 observation received from a leaseholder at this stage.
69. Section 20 notices of proposal were served on the 12th May 2014 and expired on the 16th June 2014. There were 3 observations received from leaseholders included in this package, none of these observations would lead to a delay in proceeding with these works. The main observations were:
- Leaseholder query in regards to number of units allocated to their property.
 - Leaseholder query is the Borough wide contract for asbestos removal included within the Warm Dry and Safe works.
 - Leaseholder query in regards to Section 125.

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... 23.7.14.
 Gerri Scott, Strategic Director of Housing and Community Services

BACKGROUND DOCUMENTS

Background documents	Held At	Contact
Kinglake Estate Warm, Dry Safe Gateway 1 'open' report	Major Works, Housing and Community services	Joe Bannon 54812

APPENDICES

No	Title
n/a	

AUDIT TRAIL

Lead Officer	David Markham – Head of Major Works	
Report Author	Joe Bannon - Contract Manager Borough & Bankside & Walworth	
Version	Final	
Dated	10 July 2014	
Key Decision?	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
Head of Specialist Housing Services	Yes	Yes
Cabinet	N/a	N/a
Date final report sent to Constitutional Team		23 July 2014