

Item No.	Classification: Open	Date: 4 August 2014	Meeting Name: Strategic director of housing and community services
Report title:		Gateway 2 Congreve, Comus & Salisbury Warm, Dry, Safe 2013/14	
Ward(s) or groups affected:		Faraday	
From:		Head of Major Works	

RECOMMENDATIONS

1. That the strategic director of housing and community services approve the award of the Comus House, Congreve & Salisbury Estates Warm, Dry and Safe works contract to Lakehouse Contracts Ltd for a period of 50 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 with the exception of the tender evaluation model which is explained in paragraph 20 below.
3. This is a **Key Decision**.
 - The contract is for a period of 50 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. This project will be supervised on site by the in-house lead designer (LD), providing the full building surveying functions and supported by the in-house Quantity Surveyor (QS). The CDM co-ordinator's role (CDM-C) required will be provided by external consultants, PRP.
5. On 1 November 2013, PRP were appointed, by way of an order from the council's Long Term Agreement, to provide the CDM Coordinator's role (CDM-C) and the quantity surveyor (QS) function required for the tender process only (appointed due to staff shortage in the in-house team).
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 completion of the feasibility survey document
 - delays with the preparation of the tender documents, resulting in several revisions before the documents could be issued
 - 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	Aug 2014
Approval of Gateway 1: Procurement Strategy Report	11 June 2013
Issue Notice of Intention	23 July 2013
Invitation to tender	25 Oct 2013
Closing date for return of tenders	29 Nov 2013
Completion of evaluation of tenders	31 Jan 2014
Issue Notice of Proposal	2 May 2014
DCRB Review Gateway 2:	28 July 2014
Notification of forthcoming decision	30 July 2014
Approval of Gateway 2: Contract Award Report	7 Aug 2014
Scrutiny Call-in period and notification of implementation of Gateway 2 decision	15 Aug 2014
Contract award	18 Aug 2014
Add to Contract Register	18 Aug 2014
Contract start	18 Sep 2014
TUPE Consultation period	N/A
Contract completion date	3 Sept 2015
Contract completion date – if extension(s) exercised	N/A

KEY ISSUES FOR CONSIDERATION

Description of procurement outcomes

8. The works will affect:

Comus House: 1-70

Congreve Estate:

Boarley House 1-20
 Ightham House 1-22
 Thornton House 1-30
 Stanford Place 1-5
 Plaxdale House 1-6

Broomfield House 1-20
 Ightham House 23-30
 Offham House 1-40
 Stanford Place 6-15

Salisbury Estate

Chatham Street 2- 24
 Salisbury Close 1-32
 Hillery Close 1-36

Rodney Road 61-203
 Locksfields 1-32
 Hemp Walk 1 - 29

9. The proposed works following full surveys comprise of:

All blocks:

- Surveying, testing and reporting of elements of the building.
 - Repairs to structure and fabric of the building.
 - Repairs and renewals of dwelling windows.
 - Repairs/upgrades and renewal of existing flat entrance doors.
 - 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.
10. This scheme is a capital scheme which was drawn up by the in-house LD 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

11. This report deals with a key decision.

Policy implications

12. This proposed contract for refurbishment of properties at Comus House and on the Congreve and Salisbury Estates maintains the council's obligations to make all properties warm, dry and safe by 2016 as set out by cabinet.
13. 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

14. 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 25 October 2013 with instructions to return a completed tender by 12 noon on 22 November 2013 - all from the general works category on the council's works Approved List.
15. Unfortunately, due to an omission of the schedule of works document which relates to the block 169-179 Rodney Road, the tender return date was revised to 12 noon on 29 November 2013. A tender addendum was issued to all Tenderers on 12 November 2013.
16. Also, 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.
17. No nominations were made by leaseholders.

Tender evaluation

18. Four tenders were returned to 160 Tooley Street on or by 12 Noon on 29 November 2013 and were opened on 2 December 2013. One contractor (TSG Ltd) did not return a tender and confirmed by way of email dated 12 November 2013 that they no longer wished to tender.
19. The Gateway 1 report advised that the tender would be evaluated on the basis of M.E.A.T (most economically advantageous tender) using a weighted model of 70:30 price and quality. Unfortunately, the tender documentation did not include the tender evaluation model based on this weighted model therefore a quality assessment addendum was carried out on the three lowest contractors to check that they could carry out the works to the required standard. In relation to Borrás Construction Ltd, their quality submission was not considered due to the late submission.
20. The tender analysis was undertaken by PRP's QS in conjunction with officers from the council's major works team who were consulted in regards to the outcome before final approval of the tender report and the quality evaluation was undertaken by council officers and officers from PRP.
21. Tender were submitted as follows:

	Contractor
1	Lakehouse Contracts Ltd (Lakehouse)
2	Borrás Construction Ltd (Borrás)
3	J. Murphy & Sons Ltd (J. Murphy)
4	Jerram Falkus Construction Ltd (Jerram Falkus)
5	TSG Ltd (TSG)

22. The estimated works completion timescale proposed in the Gateway 1 report was 30 weeks. However, there has been an increase of 20 weeks, bringing the expected completion time to 50 weeks. This is due to the complexity and volume of works required.
23. All priced documents submitted were checked for arithmetical errors and general compliance with the tender requirements by PRP.
24. In terms of assessing the quality of the method statement proposals from Lakehouse - they scored the highest. The scores awarded indicate that Lakehouse's responses are good and meet all the requirements with a good evidence base.
25. 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	Lakehouse	19.75	70.00	89.75
2	J. Murphy	18.00	55.55	73.55

26. Five contractors were invited to tender for the works and only four contractors returned tenders. The council considers, after taking advice from PRP, that the market was adequately tested. The cost/quality evaluation concludes that Lakehouse offers the lowest compliant tender. It is therefore recommended for the acceptance of the tender submitted by Lakehouse Contracts Ltd.
27. The date for acceptance of the above tenders expired on 8 May 2014. Lakehouse has confirmed that they will hold their tender price until the end of August 2014.
28. 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

29. Not applicable.

Plans for monitoring and management of the contract

30. The contract will be managed on a day to day basis by the in-house LD who will provide full consultancy services for the Comus House, Salisbury and Congreve Estates WDS project.
31. In addition to the LD, 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 who will monitor the performance of Lakehouse, arrange regular meetings with the residents' project team at which contractor performance will be discussed.
32. The council's in-house QS will provide full quantity surveying services for the contract and all costs will be monitored by officers from the council's major works team.

Identified risks for the new contract

33. 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 49 confirms that Lakehouse are considered at low risk of going bankrupt within the next 12 months
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Other considerations

34. 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

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

Leasehold Implications

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

Decent Homes

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

Community impact statement

38. The proposed works are for the refurbishment of council housing and as such will affect council tenants and leaseholders on the Comus House, Congreve and Salisbury Estates. 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. Lakehouse are a large size building company based within London will be encouraged to utilise local labour markets to deliver the works

Social considerations

42. 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. Lakehouse 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 includes roof covering renewal - this will increase the thermal performance of the building and reduce the heating demand for the top floor properties thus reducing energy usage

Market considerations

44. PRP believes that the market has been adequately tested based on the tenders received from the contractors taken from 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

46. 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.
47. The cost of these works will be met from budget allocation:-
- a. "Comus, Congreve & Salisbury Estate"
 - b. WDS contingency budget allocation.
 - c. WDS 2015 Major Works allocation.

Investment implications

48. Please refer to paragraphs 47 above.

Second stage appraisal

49. An Experian credit check was obtained on 6 June 2014, Lakehouse 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

50. In line with the requirements of Contract Standing Orders, the report confirms that tenders were invited from contractors from the council's works Approved List and that adequate financial provision has been made to fund the expenditure associated with the delivery of this project.

Consultation

51. All residents (tenants and leaseholders) and absent leaseholders have been consulted with regards to the proposed works.

52. Formal legal consultation with leaseholders affected by these proposals has commenced and is undertaken by Specialist Housing Services.
53. 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.
54. 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.
55. Lakehouse will issue regular newsletters to the blocks throughout the contract period.

Other implications or issues

56. Not applicable.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Head of Procurement

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

Director of Legal Services

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

Strategic Director of Finance and Corporate Services (CAP14/041)

59. This report is requesting approval from the strategic director of housing and community services to award the Comus House, Congreve & Salisbury Estates Warm, Dry and Safe works contract to Lakehouse Contracts Ltd following a tender evaluation process as reflected in the report.
60. The financial implications indicate that the costs of these works are to be funded from the budgets for Salisbury Estate & Comus Congreve, WDS contingency and WDS 2015 Major works allocation.
61. 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.
62. 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)

63. These are works of repair and are therefore chargeable to leaseholders under the terms of their leases.

64. There are 112 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 26th July 2013 and the observation period expired on the 2nd September 2013. There were 8 observations received from leaseholders at this stage.
65. Section 20 notices of proposal were served on the 2nd May 2014 and expired on the 13th June 2014. There were 10 observations received from leaseholders included in this package, none of these observations would lead to a delay in proceeding with these works.. A summary of the observations is as follows:
- Who decided to carry out the proposed works and who carried out the investigations
 - Who decides to re-wire lateral mains
 - Breakdown of estimated cost and terms of payment
 - Request for details of admin and professional fees plus breakdown
 - Request for electrical report
 - Request for detailed estimate
 - Request to provide a detailed technical specification for the electrical work
 - Request to provide directive that replacement of the electrics is mandatory

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..... 13-8-14

Gerri Scott, Strategic Director of Housing and Community Services

BACKGROUND DOCUMENTS

Background documents	Held At	Contact
Comus House, Congreve & Salisbury Estates Warm, Dry Safe Gateway 1 'open' report	Major Works, 160 Tooley Street	Courtland Fletcher x51145

APPENDICES

No	Title
	Not applicable.

AUDIT TRAIL

Lead Officer	David Markham – Head of Major Works
Report Author	Courtland Fletcher- Contract Manager
Version	Final
Dated	28 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	12 August 2014	