

<b>Item No.</b>	<b>Classification:</b> Open	<b>Date:</b> 4 August 2014	<b>Meeting Name:</b> Strategic director of housing and community services
<b>Report title:</b>		<b>Gateway 2 - Contract Award Approval</b> Scovell & Tabard Gardens Estate Warm, Dry and Safe works	
<b>Ward(s) or groups affected:</b>		Chaucer & Cathedral	
<b>From:</b>		Head of Major Works	

## RECOMMENDATIONS

1. That the strategic director of housing and community services approve the award of the Scovell & Tabard Gardens Estates Warm, Dry and Safe works contract to Star Contractors Ltd for a period of 40 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 21 below.
3. **This is a Key Decision.**
  - The the contract is for a period of 40 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 also 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 reason 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	August 2014
Approval of Gateway 1: Procurement Strategy Report	11 June 2013
Issue Notice of Intention	18 July 2013
Invitation to tender	23 Oct 2013
Closing date for return of tenders	27 Nov 2013
Completion of evaluation of tenders	24 Jan 2014
Issue Notice of Proposal	1 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	25 June 2015
Contract completion date – if extension(s) exercised	N/A

### KEY ISSUES FOR CONSIDERATION

#### Description of procurement outcomes

8. The works will affect:

#### Scovell Estate

Borough Square 7-9  
 Collinson Walk 1-13,15  
 Collinson Walk 17-31  
 Scovell Crescent 27-31  
 McCoid Way 1- 21 (odds)  
 McCoid Way 12 -22 (evens)

Borough High Street 10-13  
 Collinson Walk 14-28  
 Collinson Walk 30-40  
 Scovell Crescent 33-41  
 McCoid Way 2-10 (evens)

#### Tabard Gardens Estate

Chartham House 1-33, 24  
 Seal House 1-20

Chilham House 1-29, 14  
 Headbourne House 1-29, 15

9. The general proposed works, following full surveys for Scovell Estate comprise of:

**Scovell Estate**

Borough Square 7-9	Borough High Street 10-13
Collinson Walk 1-13,15	Collinson Walk 14-28
Collinson Walk 17-31	Collinson Walk 30-40
Scovell Crescent 27-31	Scovell Crescent 33-41
McCoid Way 1- 21 (odds)	McCoid Way 2-10 (evens)
McCoid Way 12 -22 (evens)	

- Elemental bathroom repairs/replacements to tenanted dwellings
- Repairs/overhauling of dwelling windows
- Repair/upgrade and renewal of existing flat entrance doors where necessary
- Repair/upgrade and renewal where required of rising and lateral mains supply
- Electrical upgrade/rewire to tenanted dwellings
- Health and Safety works for cooker locations under Housing Health & Safety Rating System (HHSRS)
- Roof repairs
- Replacement of asbestos soffits
- Sundry minor repairs

10. The general proposed works, following full surveys for Tabard Gardens Estate comprise of:

**Tabard Gardens Estate**

Chartham House 1-33, 24	Chilham House 1-29, 14
Seal House 1-20	Headbourne House 1-29, 15

- Elemental bathroom repairs/replacements to tenanted dwellings.
- Repair/upgrade and renewal of existing flat entrance doors and windows where necessary
- Repair/upgrade and renewal where required of rising and lateral mains supply
- Electrical upgrade/rewire to tenanted dwellings
- Health and Safety works for cooker locations under Housing Health & Safety Rating System (HHSRS)
- Renewal of flat roof coverings
- Cleaning, repairs and conservation works to existing masonry
- Cleaning, and repairs to existing structural concrete masonry
- Sundry minor repairs.

11. This scheme is a capital scheme designed to meet the Warm, Dry and Safe (WDS) policy set out by cabinet for the housing stock and have been identified as necessary. The carrying out of these works will make all properties compliant with the current WDS standard.

**Key/Non Key decisions**

12. This report deals with a key decision.

### **Policy implications**

13. This proposed contract for refurbishment of properties on the Scovell and Tabard Gardens Estates maintain the council's obligations to make all properties warm, dry and safe by 2016 as set out by cabinet.
14. Planning permission is required for window replacements for those properties identified for window renewal.
15. 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**

16. 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 23 October 2013 with instructions to return a completed tender by 12 noon on 27 November 2013 - all from the general works category on the council's works Approved List.
17. 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.
18. No nominations were made by leaseholders.

### **Tender evaluation**

19. Five tenders were returned to 160 Tooley Street on or by 12 Noon on 27 November 2013 and were opened on the same day.
20. 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.
21. 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.

22. Tenders were submitted are as follows:

	<b>Contractor</b>
1	Quinn London Ltd (Quinn)
2	Star Contractors Ltd (Star)
3	Mears Group Ltd (Mears)
4	United House Ltd (United)
5	Kind & Co Ltd (Kind)

23. The estimated works completion timescale proposed in the Gateway 1 report was 30 weeks. However, there has been an increase of 10 weeks, bringing the expected completion time to 40 weeks. This is due to the complexity and volume of the works required.
24. All priced documents submitted were checked for arithmetical errors and general compliance with the tender requirements by PRP.
25. The summary results of the evaluation is shown in the schedule below:

<b>Summary Cost and Quality Evaluation</b>				
<b>Rank</b>	<b>Organisation</b>	<b>Quality Score (out of 30)</b>	<b>Price Score (out of 70)</b>	<b>Total Score (out of 100)</b>
1	<b>Star Contractors Ltd</b>	20.75	70.00	<b>90.75</b>
2	<b>Mears Group Ltd</b>	20.50	69.05	<b>89.51</b>
3	<b>Quinn London Ltd</b>	13.00	67.62	<b>80.62</b>

26. Five contractors were invited to tender for the works and all contractors returned tenders. The council considers, after taking advice from PRP, that the market was adequately tested. The cost/quality evaluation concludes that Star offers the lowest compliant tender. It is therefore recommended for the acceptance of the tender submitted by Star Contractors Ltd .
27. The date for acceptance of the above tenders expired on 27 May 2014. Star Contractors Ltd 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 Scovell and Tabard Gardens 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 Star, 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:

<b>Risk</b>	<b>Impact</b>	<b>Probability</b>	<b>Mitigation</b>
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 Star is considered at low risk of going bankrupt within the next 12 months.

**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 Scovell and Tabard Gardens 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. Star is a medium 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. Star 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 believe 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 two budget allocation:-

- a. "Scovell Estate & Tabard Gardens Estate"
- b. WDS contingency budget allocation.

#### **Investment implications**

48. Please refer to paragraphs 46 to 47 above.

#### **Second stage appraisal**

49. An Experian credit check was obtained on 6 June 2014, Star 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. There is a risk associated with the council's decision to award but following discussions it was decided that the risk may not be significant.

#### **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. Star 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 (CAP 14/025)**

59. The report is requesting delegated approval from the Strategic Director of Housing and Community Services to award the works contract package entitled "Scovell & Tabard Estate WDS works" to Star Contractors Ltd for a period of 40 weeks.
60. The financial implications as stated in paragraph 46 and 47 indicate that the costs of these works are to be funded from the original budget allocation for "Scovell Estate & Tabard Gardens Estate" and WDS contingency budget.
61. It is also noted that budgets will be re-profiled 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 44 leaseholders and 13 freeholders 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 18th July 2013 and the observation period expired on the 19<sup>th</sup> August 2013. There was 1 observation received from leaseholders at this stage.
65. Section 20 notices of proposal were served on the 1<sup>st</sup> May 2014 and expired on the 15<sup>th</sup> July 2014. There were 20 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 include:
  - The scope of works including the WDS remit
  - Request as to why this work is not covered by a government grant.
  - How will the Council ensure the quality of the work and manage the contract.
  - Why are both admin and professional fees being charged.
  - Why is there so many provisional sums and a large contingency fee.
  - Are the works necessary.
  - Payment options for non resident leaseholders

**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
Scovell & Tabard Gardens Estates Warm, Dry Safe Gateway 1 'open' report	Major Works, 160 Tooley Street	Courtland Fletcher x51145

**APPENDICES**

No	Title
	Not applicable.

**AUDIT TRAIL**

<b>Lead Officer</b>	David Markham – Head of Major Works	
<b>Report Author</b>	Courtland Fletcher- Contract Manager Borough & Bankside & Walworth	
<b>Version</b>	Final	
<b>Dated</b>	4 August 2014	
<b>Key Decision?</b>	Yes	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments included</b>
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
<b>Cabinet</b>	N/a	n/a
<b>Date final report sent to Constitutional Team</b>		12 August 2014