

<b>Item No.</b>	<b>Classification:</b> Open	<b>Date:</b> 12 November 2014	<b>Meeting Name:</b> Strategic Director of Housing and Community Services
<b>Report title:</b>		Gateway 2 Penrose & Nelson Warm, Dry, Safe 2014/15	
<b>Ward(s) or groups affected:</b>		Faraday and Newington	
<b>From:</b>		Head of Major Works	

## RECOMMENDATIONS

1. That the strategic director of housing and community services approve the award of Nelson Estate and Penrose House Warm, Dry and Safe works contract to Axis Europe Plc.

## BACKGROUND INFORMATION

2. The planned procurement strategy was the subject of a Gateway 1 report which was approved on 19 March 2014. The approved competitive tendering procurement strategy was followed.
3. **This is a Key Decision.**
  - The tendered cost of 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. External consultants, PRP were appointed on 1 November 2013, by way of an order from the council's Long Term Agreement, to provide the full building surveying functions, the CDM Coordinator's role (CDM-C) and the quantity surveyor (QS) function required for this project which will commence from award and construction phase to end of defects period.
5. 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 arose from delays with the preparation and verification of the tender documents and extension of time requirements of Home Ownership Unit (HOU) in order to issue the Notice of Proposals (NOP) to leaseholders.

## Procurement project plan (Key Decision)

Activity	Completed by/Complete by:
Forward Plan for Gateway 2 decision	November 2014
Approval of Gateway 1: Procurement Strategy Report	19 Mar 2014
Issue Notice of Intention	24 Feb 2014
Invitation to tender	22 May 2014
Closing date for return of tenders	19 Jun 2014
Completion of evaluation of tenders	10 Jul 2014
Issue Notice of Proposal	19 Sep 2014
DCRB Review Gateway 2	3 Nov 2014
Notification of forthcoming decision	11 Nov 2014
Approval of Gateway 2: Contract Award Report	14 Nov 2014
Scrutiny Call-in period and notification of implementation of Gateway 2 decision	24 Nov 2014
Contract award	27 Nov 2014
Add to Contract Register	27 Nov 2014
Contract start	5 Jan 2015
TUPE Consultation period	N/A
Contract completion date	12 Oct 2015
Contract completion date – if extension(s) exercised	N/A

## KEY ISSUES FOR CONSIDERATION

### Description of procurement outcomes

6. The works will affect: 1-24 Harry Hinkins House, 1-24 James Stroud House, 1-24 Ringsfield House, 1-24 Walsham House, 1-38 Bronti Close, 1-62 Trafalgar House and 1-150 Penrose House.
7. The proposed works following full surveys comprise of:
  - Renew/repair pitched roofs and flat roofs to blocks as required
  - Repair chimneys, soffits and parapets as required
  - Replace/repair rainwater systems and soil pipes where required
  - Carry out structural works to balcony walls and floors where required
  - Balcony wall Trespa panels
  - Carry out repairs to brickwork and concrete
  - Refurbish bin stores in blocks
  - Communal staircase window repair/replacement
  - Renew bathroom elements within council tenanted dwellings
  - Install extractor fans to council tenanted dwellings
  - Upgrade landlord's electrics where required

- Carry out PIR tests to dwellings where required
  - Rewire council tenanted flats as required
  - Address any potential high risks identified under housing health and safety rating system (HHSRS)
  - Undertake asbestos removal to disturbed areas within dwellings and undertake asbestos removal to disturbed communal areas
8. This scheme is a capital scheme which was drawn up by PRP 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**

9. This report deals with a key decision.

#### **Policy implications**

10. This proposed contract for refurbishment of properties on Nelson Estate and in Penrose House maintains the council's obligations to make all properties warm, dry and safe by 2016 as set out by cabinet.
11. 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. PRP has confirmed that Planning Approval is not required for this scheme.

#### **Tender process**

12. As outlined in the Gateway 1 report approved on 19 March 2014, 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 22 May 2014 (contractors collected the tenders from 160 Tooley Street) with instructions to return a completed tender by 12 noon on 19 June 2014 - all from the general works category of the council's works Approved List.
13. No nominations were made by leaseholders.

#### **Tender evaluation**

14. Five tenders were returned to 160 Tooley Street on or by 12 Noon on 19 June 2014 and were opened on 20 June 2014.
15. 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.
16. The tender pricing evaluation process was undertaken by PRP's Quantity Surveyor (QS). The quality evaluation process was assessed individually by one of PRP's partners, PRP's QS and two officers from the major works team.
17. 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.
18. Tender prices submitted are as follows:

Ref	Contractor
1	Contractor 2
2	Axis Europe Plc (Axis)
3	Contractor 3
4	Contractor 4
5	Contractor 5

19. All priced documents submitted were checked for arithmetical errors and general compliance with the tender requirements by PRP.
20. All Tenderers were requested to provide a price for each schedule of works item, which was scored separately from the tender sum.
21. The summary result of the quality evaluation is shown in the table below

Evaluation Criterion	ARK (Score)	Axis (Score)	Standage (Score)	Durkan (Score)	Amber (Score)
Method Statement 1: Mobilisation	4	7	6	5	5
Method Statement 2: Health & safety	3	7	6	6	6
Method Statement 3: Risk management	5	6	7	5	6
Method Statement 4: Resident & leasehold Engagement	5	9	8	8	6
Method statement 5: Quality Control	3	6	6	6	5
Method Statement 6: Programme Statement	4	7	7	7	6
<b>Total Quality Score</b>	<b>24.00</b>	<b>42.00</b>	<b>40.00</b>	<b>37.00</b>	<b>34.00</b>
<b>Weighting</b>	<b>12.00</b>	<b>21.00</b>	<b>20.00</b>	<b>18.50</b>	<b>17.00</b>

22. In terms of assessing the quality of the method statement proposals, Axis Europe Plc's submission was generally acceptable. Paragraph 30 identifies the management arrangements in place to ensure that a high standard is maintained.
23. Five contractors were invited to tender for the works and all returned tenders, one of which could not be validated. The council considers, after taking advice from PRP, that the market was adequately tested. The cost/quality evaluation concludes that Axis Europe Plc (contractor 2) offers the most economically advantageous compliant tender. It is, therefore recommended for the acceptance of the tender submitted by Axis Europe Plc.
24. The date for acceptance of the above tenders will expire on 20 December 2014.
25. 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**

26. Not applicable.

**Plans for monitoring and management of the contract**

27. The contract will be managed on a day to day basis by PRP who will provide full consultancy services for the Nelson Estate and Penrose House WDS project.
28. 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 project. These council officers will monitor PRP and the performance of Axis Europe Plc and arrange regular meetings with the residents' project team at which contractor performance will be discussed.
29. 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**

30. 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,	High	Low	A performance bond will be obtained and the council will re-

administration or ceases trading.			tender the works if necessary.  Paragraph 50 confirms that Axis Europe Plc is considered at low risk of going bankrupt within the next 12 months.
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**Other considerations**

- 31. 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**

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

**Leasehold Implications**

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

**Decent Homes**

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

**Community impact statement**

- 35. The proposed works are for the refurbishment of council housing and as such will affect council tenants and leaseholders on the Nelson Estate and in Penrose House. 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.
- 36. 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.
- 37. The proposed works, which are for refurbishment of council housing, will not adversely affect any one particular group.

**Economic considerations**

- 38. The full cost of the contract (including fees and the like) is £2,816,836. The contract period is 40 weeks.
- 39. Axis Europe Plc are a large size building company based in South London and will be encouraged to utilise local labour markets to deliver the works.

**Social considerations**

- 40. The council is an officially accredited London Living Wage (LLW) Employer and is committed to ensuring that, where appropriate, its contractors and sub-

contractors pay staff at a minimum rate equivalent to the LLW rate. The Gateway 1 report approved on 19 March 2014 confirmed, for the reasons stated in that report, payment of LLW was an appropriate and best value requirement for this contract. Axis Europe Plc 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**

41. The proposed works includes the replacement of the roof coverings on some of the blocks; these will increase the thermal performance of the buildings and reduce the demand for heating within the top floor dwellings, thus reducing energy consumption.

#### **Market considerations**

42. PRP believe that the market has been adequately tested based on the tenders received from the contractors taken from the general works category of 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**

43. There are no specific implications.

#### **Financial implications**

44. These works are part of the Housing Investment Capital programme and form part of the Warm, Dry and Safe works. The total cost of these works will be funded from the following budget allocation:
  - a) Nelson Estate & Penrose House scheme allocation
  - b) WDS 2015 major works allocation
  - c) Capital cost code for the Installation of smoke detectors tenanted properties
  - d) Capital cost code for the Installation of smoke detectors leasehold properties
45. All the above budgets, with the exception of "d" are formally approved and loaded on the council's financial information system (SAP). The Housing Investment Board (HIB) at its meeting on 15 October 2014 agreed resources up to £9.6m for the installation of LD2 smoke alarms in leasehold properties. Once approved by cabinet as part of the second quarter capital monitoring report, it will be loaded onto SAP.
46. Officers will be reviewing and reporting back in the future on the remaining budgets available against the costs required in completing the WDS programme.
47. As part of the third quarter capital refresh and budget profiling exercise, budgets will be transferred between projects and re-profiled between the years to reflect the above expenditure for "Nelson Estate and Penrose House WDS" works.

## **Second stage appraisal**

48. An Experian credit check was obtained on 30 September 2014, Axis Europe Plc 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**

49. 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**

50. All residents (tenants and leaseholders) and absent leaseholders have been consulted with regards to the proposed works.
51. Formal legal consultation with leaseholders affected by these proposals has commenced and is undertaken by Specialist Housing Services.
52. 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 66.
53. 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.
54. Axis Europe Plc will issue regular newsletters to the blocks throughout the contract period.

## **Other implications or issues**

55. Not applicable.

## **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

### **Head of Procurement**

56. As the value of this contract is below the EU threshold for works, a formal procurement concurrent is not required.

### **Director of Legal Services**

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



**Strategic Director of Finance and Corporate Services (CAP14/086)**

58. The report is requesting delegated approval from the Strategic Director of Housing and Community Services to award the works contract package entitled "Nelson Estate and Penrose House Warm, Dry and Safe works" to Axis Europe Plc.
59. The financial implications detail the funding arrangements for these costs.
60. 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.
61. 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)**

62. These are works of repair and are therefore chargeable to leaseholders under the terms of their leases.
63. 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 24 February 2014 and the observation period expired on 26 March 2014. There were 3 observations received from a leaseholder at this stage.
64. Section 20 notices of proposal were served on 19 September 2014 and expired on 22 October 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.

**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 20.11.14  
**Gerri Scott, Strategic Director of Housing and Community Services**

## BACKGROUND DOCUMENTS

Background documents	Held At	Contact
Nelson Estate and Penrose House Warm, Dry and Safe works Gateway 1 'open' report	Major Works, Housing and Community services	Bola Oludipe 50148

## APPENDICES

No	Title
n/a	

## AUDIT TRAIL

<b>Lead Officer</b>	David Markham, Head of Major Works	
<b>Report Author</b>	Bola Oludipe, Contract Manager	
<b>Version</b>	Final	
<b>Dated</b>	12 November 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>
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>		20 November 2015

## BACKGROUND DOCUMENT – CONTRACT REGISTER UPDATE - GATEWAY 2

Contract Name	Nelson Estate and Penrose House Warm; Dry & Safe works
Contract Description	Warm Dry and Safe refurbishments
Contract Type	GC/Works/1(1998) with quantities
Lead Contract Officer (name)	Cheryl Phillips
Lead Contract Officer (phone number)	020 7525 3848
Department	Housing & Community Services
Division	Major Works
Procurement Route	Competitively tendered
EU CPV Code (if appropriate)	n/a
Departmental/Corporate	Departmental
Fixed Price or Call Off	Fixed priced
Supplier(s) Name(s)	Axis Europe Plc
Contract Total Value	£2,506,673.83
Contract Annual Value	Not applicable
Contract Start Date	5 January 2015
Initial Term End Date	12 October 2015
No. of Remaining Contract extensions	n/a
Contract Review Date	n/a
Revised End Date	n/a
Comments	n/a

