

Item No.:	Classification: Open	Date: 14 December 2015	Meeting Name: Strategic director of housing and modernisation
Report title:		Gateway 2 Contract Award Approval Lant Estate, Ayres Street, Avery House, Amigo House & Dodson Estate- Warm, Dry and Safe Works.	
Ward(s) or groups affected:		Cathedrals	
From:		Director of Asset Management	

RECOMMENDATIONS

1. That the strategic director of housing and modernisation approves the award of Lant Estate, Ayres Street, Avery House, Amigo House & Dodson Estate- Warm, Dry and Safe works contract to Keepmoat Regeneration Ltd.

BACKGROUND INFORMATION

2. The planned procurement strategy was the subject of a Gateway 1 report which was approved on 26 February 2015. 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 (4) week lead in period).
 - There is no specific extension built into the contract.
 - The contract price is not index linked.
4. External technical 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 principle designer and the quantity surveyor (QS) functions required for this project which will commence from award and construction phase to end of defects period.
5. There has been a slight slippage 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 because:
 - there has been a change to the scope of works this includes bathrooms as outlined in paragraph 10, which required further time to prepare contract documents.
 - the extension of time requirements of the council's 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	Dec 2015
Approval of Gateway 1: Procurement Strategy Report	26 Feb 2015
Issue Notice of Intention	11 Mar 2015
Invitation to tender	01 May 2015
Closing date for return of tenders	08 Jun 2015
Completion of evaluation of tenders	29 July 2015
Issue Notice of Proposal	5 Oct 2015
DCRB Review Gateway 2	30 Nov 2015
Notification of forthcoming decision	07 Dec 2015
Approval of Gateway 2: Contract Award Report	09 Dec 2015
Scrutiny Call-in period and notification of implementation of Gateway 2 decision	20 Dec 2015
Contract award	05 Jan 2016
Add to Contract Register	05 Jan 2016
TUPE Consultation period (if applicable)	N/A
Contract start	8 Feb 2016
Publication of award notice on Contracts Finder	8 Feb 2016
Contract completion date	3 Feb 2017
Contract completion date – if extension(s) exercised	N/A

KEY ISSUES FOR CONSIDERATION

Description of procurement outcomes

6. The works will affect:
 - 1-30 Amigo House,
 - 1-10 Avery House,1
 - 1-9 Ayres Street,
 - 1-5 Cranfield Row,
 - 1-48 Dodson Street,
 - 49-56 Dodson Street,
 - 1-34 Guthrie Court,
 - 1-35 Jurston Court,
 - 1-25 Lant House,
 - 26-49 (& 39A) Lant House
 - 1-9 Trundle House.

7. The proposed works following full surveys comprise of:

- a. Install extractor fans to council tenanted dwellings
 - b. Renew bathroom elements within council tenanted dwellings
 - c. Carry out repairs to concrete and brickwork
 - d. Replace/repair rainwater systems and soil pipes where required
 - e. Carry out PIR tests to dwellings where required
 - f. Rewire council tenanted flats as required
 - g. Address any potential high risks identified under housing health and safety rating system (HHSRS)
 - h. Windows replacements where required
 - i. Balcony door replacements where required
 - j. Roof replacements where required
 - k. Renewal of Estate water mains (Dodson Estate Only)
 - l. Undertake asbestos removal to disturbed areas where required
 - m. Installation of LD2 smoke alarms in tenanted and leasehold properties
 - n. Bathroom replacement within council tenanted dwellings based on age criteria - 30 years
 - o. Kitchen replacement within council tenanted dwellings based on age criteria - 20 years
8. The scope of works has changed slightly from the Gateway 1, following agreement at Cabinet in February 2015 for the initial 1 year kitchen and bathroom programme to coincide with the final year of the current Warm, Dry and Safe Programme in 2015/16 to replace kitchens older than 20 years and bathrooms older than 30 years.
9. 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 standard.

Key/Non Key decisions

10. This report deals with a key decision.

Policy implications

11. This proposed contract for refurbishment of properties on Lant Estate, Ayres Street, Avery House, Amigo House and Dodson Estate maintains the council's obligations to make all properties warm, dry and safe by 2016 as set out by cabinet.
12. 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. An application for planning is due for submission by 27 November 2015.

Tender process

13. As outlined in the Gateway 1 report approved on 26 February 2015, contract standing orders (CSOs) require a minimum of 5 contractors to be invited to tender from the council's works Approved List, On this occasion, 6 contractors were invited to tender for these works on 20 March 2015 - all from the general works category of the council's works Approved List, (contractors collected the tenders from 160 Tooley Street) with instructions to return a completed tender by

1:00pm on 29 May 2015. An extension of 1 week was given due to the Easter Holidays giving a return date of 8 June 2015.

Tender evaluation

14. Only four tenders were returned to 160 Tooley Street on or by 1:00pm on 8 June 2015 and were opened on 9 June 2015. One contractor (Ian Williams Ltd) did not return a tender as they had declined to tender via email dated 1 June 2015. One contractor (Forest Gate Construction Ltd) did not return a tender and when contacted, declined to advise why no tender returned.
15. These 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. The weighted model of 70 price was split further into 60:10/ Tender Sum: Schedule of Rates as detailed in the Tender Evaluation Methodology issued within the tender documents (Appendix 1).
16. The tender pricing evaluation process was undertaken by PRP's QS. The quality evaluation process was assessed individually by one of PRP's partners, PRP's QS and two officers from the council's 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. The results of the quality assessment are summarised in a table in paragraph 22.
18. Tender prices submitted are as follows:

Ref	Contractor
1	Keepmoat Regeneration Ltd (Keepmoat)
2	Jerram Falkus Construction Ltd (Jerram Falkus)
3	Quinn London Ltd (Quinn)
4	Cosmur Construction London Ltd (Cosmur)

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. As set out in paragraph 15 above, the weighted model of 70 price was split further into 60:10/Tender Sum: Schedule of Rates. The schedule of rates are included in the tender documents in order to provide a cost framework for various elements of work which are either priced as fixed cost provisional sums in the tender document or may be required but are not anticipated. In the measured works sections provisional sums are included, which are fixed sums and hence will not vary between contractors. This means that these elements

are effectively not evaluated within the 60% weighted section. These elements are re-measured post contract award in line with values included within the schedules of rates. The 10% evaluation weighting applied to Schedules of rates, is a mechanism for evaluating high rates which will be used later in the contract against fixed sums in the measured works sections.

22. The summary results of the quality evaluation is shown in the table below:

Evaluation Criterion	Keepmoat	Jerram Falkus	Cosmur
Method Statement 1: Health & safety/ Risk management	7	5	6
Method Statement 2: Resident & leasehold Engagement	9	4	8
Method Statement 3: Quality Control	8	4	6
Method Statement 4: Mobilisation/ Programme	8	4	6
Total Quality Score	32	17	26
Weighted Score	23.90	12:80	19.40

23. In terms of assessing the quality of the method statement proposals, Keepmoat's responses scored well across the evaluation criteria and particularly well in resident engagement; however they will be closely monitored to ensure these standards are met. Paragraphs 40 to 42 identify the management arrangements in place to ensure that a high standard is maintained.

24. The summary results of the evaluation are shown in the schedule below:

Summary Cost and Quality Evaluation						
Rank	Organisation	Price - base Tender sum	Price - Schedule of Rates	Total Price (out of 70)	Quality Score (weighted out of 30)	Total Score (out of 100)
1	Keepmoat	60.00	10.00	70.00	23.90	93.90
2	Jerram Falkus	54.71	9.54	64.25	12.80	77.05
3	Cosmur	54.97	8.65	63.62	19.40	83.02

25. Six contractors were invited to tender for the works but only 4 tender submissions were received. During evaluation, 1 contractor was deemed non compliant. The council considers, after taking advice from PRP, that the market was adequately tested. The cost/quality evaluation concludes that Keepmoat Regeneration Ltd offers the most economically advantageous compliant tender. It is therefore recommended for the acceptance of the tender submitted by Keepmoat Regeneration Ltd.
26. The date for acceptance of the above tenders will expire on 8 March 2016.
27. 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

28. Not applicable.

Plans for monitoring and management of the contract

29. The contract will be managed on a day to day basis by PRP who will provide full consultancy services for Lant Estate, Ayres Street, Avery House, Amigo House & Dodson Estate Warm, Dry and Safe works.

30. 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 Keepmoat and arrange regular meetings with the residents' project team at which contractor performance will be discussed.

31. PRP's QS will provide 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

32. 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	<p>Regular meetings to review performance scheduled from the outset.</p> <p>Establish processes of quality control and works inspections before sign off.</p> <p>Keepmoat has confirmed they are part of a larger group and a parent company guarantee will also be required.</p> <p>The contract provides for a 12 month defects liability period for all work undertaken.</p>
Company goes into liquidation, administration or ceases trading.	High	Low	<p>A performance bond will be obtained and the council will re-tender the works if necessary.</p> <p>Paragraph 48 indicates that Keepmoat Regeneration Ltd is a very low risk company and there is little reason to doubt their credit transactions.</p>

Other considerations (For Housing Department works contracts only)

33. This report seeks approval for the acceptance of the most economically advantageous tender in accordance with CSO 4.5.2. It is therefore considered that there were no alternative viable options.

Design Specification Compliance

34. A Specification was drawn in compliance with the design guide wherever possible.

Leasehold Implications

35. Formal legal consultation with leaseholders has been undertaken by the council's specialist housing services team.

Decent Homes

36. This scheme has been designed to ensure the blocks on Lant Estate, Ayres Street, Avery House, Amigo House & Dodson Estate, will meet the minimum warm, dry and safe decent homes standards.

Community impact statement

37. The proposed works are for the refurbishment of council housing and as such will affect council tenants and leaseholders on the Lant Estate, Ayres Street, Avery House, Amigo House & Dodson 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.
38. The level of disturbance or disruption to the general public is considered negligible as the properties sit within a council estate and the works will not impact the public highway.
39. The proposed works, which are for refurbishment of council housing, will not adversely affect any one particular group.

Sustainability considerations

40. The Public Services (Social Value) Act 2012 requires the council to consider a number of issues including how what is proposed to be procured may improve the economic, social and environmental well-being of the local area. These issues are considered in the following paragraphs which set out economic, social and environmental considerations.

Economic considerations

41. Keepmoat Regeneration Ltd are a medium size building company based in Waltham Abbey, Essex and will be encouraged to utilise local labour markets to deliver the works.

Social considerations

42. 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 26 February 2015 confirmed, for the reasons stated in that

report, payment of LLW was an appropriate and best value requirement for this contract. Keepmoat Regeneration Ltd 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 will not have any environmental impact.

Market considerations

44. 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

45. There are no specific implications.

Financial implications

46. The works identified in this report form part of the WDS works and the enhanced smoke alarm systems within the Housing Investment Capital programme.
47. On 10 February 2015, cabinet agreed a six year kitchen and bathroom programme and a budget of £186.3m allocated to this programme from the above total of £985.1m.

Second stage appraisal

48. An Experian credit check obtained on 18 November 2015 indicates that Keepmoat Regeneration Ltd is a very low risk company 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, this report confirms that tenders were invited from contractors from the general works category of the council's Approved List and that adequate financial provision to fund the expenditure associated with the delivery of this project is set out in the financial and investment implications of this report. There are no other specific legal implications arising at this stage.

Consultation

50. All residents have been consulted with regards to the proposed works.
51. Further consultation with residents will take place prior to award.
52. 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.

53. Keepmoat Regeneration Ltd will issue regular newsletters to affected properties throughout the contract period.

Other implications or issues

54. Not applicable.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Finance and Governance (CAP15/158)

55. This report is requesting delegated approval from the strategic director of housing and modernisation to proceed with the works package entitled "Lant Estate, Ayres Street, Avery House, Amigo House & Dodson Estate WDS", appointing Keepmoat Regeneration Ltd.
56. 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.
57. Staffing and any other costs connected with this contract to be contained within existing departmental revenue budgets.

Head of Procurement

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

Director of Law and Democracy

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

Director of Exchequer (For Housing contracts only)

60. These are works of repair and are therefore chargeable to leaseholders under the terms of their leases.
61. There are 82 leaseholders, 4 Freeholders and 6 RTB's 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 11 March 2015 and the observation period expired on 7 May 2015. There were no observations received from a leaseholder at this stage.
62. Section 20 notices of proposal were served on 5 October 2015 and expired on 25 November 2015. There were 10 observations received from leaseholders included in this package, none of these would lead to a delay in proceeding with these works.
63. Enhanced LD2 smoke and heat detection systems are being installed to all properties. These are not being recharged to the 82 leaseholders and 6 RTB's.

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 22.12.15
Gerri Scott, Strategic Director of Housing and Modernisation

BACKGROUND DOCUMENTS

Background documents	Held At	Contact
Lant Estate, Ayres Street, Avery House, Amigo House & Dodson Estate- Warm, Dry and Safe Works Gateway 1 'open' report	Housing & Modernisation Department Major Works Team, 3rd Floor Hub 3, Tooley Street	Joe Bannon 020 7525 4812
Link: <u>Lant Estate, Ayres Street, Avery House, Amigo House & Dodson Estate WDS Gateway 1 open report</u>		

APPENDICES

No	Title
n/a	

AUDIT TRAIL

Lead Officer	David Markham – Director of Asset Management	
Report Author	Joe Bannon – Contracts Manager	
Version	Open	
Dated	14 December 2015	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Strategic Director of Finance and Governance	Yes	Yes
Head of Procurement	Yes	Yes

Director of Law and Democracy	Yes	Yes
Director of Exchequer (for housing contracts only)	Yes	Yes
Cabinet	N/a	N/a
Date final report sent to Constitutional/Community Council/Scrutiny Team		

BACKGROUND DOCUMENT – CONTRACT REGISTER UPDATE - GATEWAY 2

Contract Name	Lant Estate, Ayres Street, Avery House, Amigo House & Dodson Estate WDS works
Contract Description	Warm, Dry & 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	Major Works Team
Division	Housing and Modernisation
Procurement Route	Competitively tendered
EU CPV Code (if appropriate)	Not applicable
Departmental/Corporate	Departmental
Fixed Price or Call Off	Fixed priced
Supplier(s) Name(s)	Keepmoat Regeneration Ltd
Contract Total Value	£3,365,362
Contract Annual Value	Not applicable
Contract Start Date	6 February 2016
Initial Term End Date	4 February 2017
No. of Remaining Contract extensions	0
Contract Review Date	Not applicable
Revised End Date	Not applicable
Comments	Not applicable

This document should be passed to the member of staff in your department responsible for keeping your departmental contracts register up to date.