

<b>Item No.</b>	<b>Classification:</b> Open	<b>Date:</b> 19 October 2015	<b>Meeting Name:</b> Strategic director of housing and modernisation
<b>Report title:</b>		<b>Gateway 2 – Contract Award Approval</b> Hayles Buildings and Albert Barnes House Warm, Dry and Safe works	
<b>Ward(s) or groups affected:</b>		Cathedrals	
<b>From:</b>		Head of Major Works	

**Not for publication by virtue of category 3 of paragraph 10.4 of the Access to Information Procedure Rules of the Southwark Constitution.**

### RECOMMENDATIONS

1. That the strategic director of housing and modernisation approve the award of contract of Hayles Buildings and Albert Barnes House Warm, Dry and Safe Works to Standage & Co. Ltd for a period of 32 weeks.

### 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 32 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 from delays with the preparation and verification of the tender documents and 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	Oct 2015

Activity	Completed by/Complete by:
Approval of Gateway 1: Procurement Strategy Report	26 Feb 2015
Issue Notice of Intention	4 Mar 2015
Invitation to tender	17 Apr 2015
Closing date for return of tenders	15 May 2015
Completion of evaluation of tenders	29 Jun 2015
Issue Notice of Proposal	11 Aug 2015
DCRB Review Gateway 2	19 Oct 2015
Notification of forthcoming decision – five clear working days	28 Oct 2015
Approval of Gateway 2: Contract Award Report	30 Oct 2015
Scrutiny Call-in period and notification of implementation of Gateway 2 decision	9 Nov 2015
Contract award	12 Nov 2015
Add to Contract Register	12 Nov 2015
TUPE Consultation period (if applicable)	N/A
Contract start	10 Dec 2015
Publication of award notice in Official Journal of European (OJEU)	N/A
Publication of award notice on Contracts Finder	12 Dec 2015
Contract completion date	01 Sep 2016
Contract completion date – if extension(s) exercised	N/A

## KEY ISSUES FOR CONSIDERATION

### Description of procurement outcomes

6. The works will affect: 1-20 Hayles Buildings, 21-40 Hayles Buildings, 41-60 Hayles Buildings, 61-84 Hayles Buildings and 1-99 Albert Barnes 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 to dwellings – extensive repairs and overhaul where required
  - i. Undertake asbestos removal to disturbed areas where required
  - j. Installation of LD2 smoke alarms in tenanted and leasehold properties

- k. Bathroom replacement within council tenanted dwellings based on age criteria - 30 years
  - l. 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 Hayles Buildings and Albert Barnes House 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. PRP has confirmed that Planning Approval is not required for this scheme.

### **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 17 April 2015 (contractors collected the tenders from 160 Tooley Street) with instructions to return a completed tender by 12 noon on 15 May 2015 - all from the general works category of the council's works Approved List.

### **Tender evaluation**

14. Only 5 tenders were returned to 160 Tooley Street on or by 12 Noon on 15 May 2015 and were opened on the same day. 1 contractor (Adrem Contracts Ltd) did not return a tender as they had declined to tender via email dated 2 May 2015.
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 submitted are as follows:

Ref	Contractor
1	Standage & Co. Ltd (Standage)
2	Diamond Build Plc (Diamond)
3	Cuttle Construction Ltd (Cuttle)
4	Smith & O'Sullivan Ltd (Smith)
5	Bolt and Heeks Ltd (Bolt)

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	Standage	Diamond	Cuttle	Smith	Bolt
<b>Method Statement 1: Health &amp; safety/ Risk management</b>	5	5	5	4	5
<b>Method Statement 2: Resident &amp; leasehold Engagement</b>	9	9	6	6	6
<b>Method Statement 3: Quality Control</b>	8	6	4	4	6

<b>Method Statement 4: Mobilisation/ Programme</b>	8	6	6	4	5
<b>Total Quality Score</b>	30	26	21	18	22
<b>Weighted Score</b>	<b>22.30</b>	<b>19.30</b>	<b>15.80</b>	<b>13.40</b>	<b>16.40</b>

23. In terms of assessing the quality of the method statement proposals, Standage's responses scored well across the evaluation criteria except the health and safety/ risk management method statement which was a bit low. As mentioned in paragraphs 29 to 31 below, there will be management arrangements in place to ensure the risks are identified and managed effectively and high standards are maintained.
24. The summary results of the evaluation are shown in the schedule below:

<b>Summary Cost and Quality Evaluation</b>						
<b>Rank</b>	<b>Organisation</b>	<b>Price - base Tender sum</b>	<b>Price - Schedule of Rates</b>	<b>Total Price (out of 70)</b>	<b>Quality Score (weighted out of 30)</b>	<b>Total Score ( out of 100)</b>
1	Standage	60.00	10.00	<b>70.00</b>	<b>22.30</b>	<b>92.30</b>
2	Diamond	58.11	8.73	<b>66.84</b>	<b>19.30</b>	<b>86.14</b>
3	Cuttle	46.14	4.25	<b>50.40</b>	<b>15.80</b>	<b>66.20</b>
4	Smith	40.63	8.69	<b>49.32</b>	<b>13.40</b>	<b>62.72</b>
5	Bolt	36.01	9.20	<b>45.21</b>	<b>16.40</b>	<b>69.06</b>

25. Six contractors were invited to tender for the works with one contractor failing to return a completed tender. The council considers, after taking advice from PRP, that the market was adequately tested. The cost/quality evaluation concludes that Standage & Co. Ltd offers the most economically advantageous compliant tender. It is therefore recommended for the acceptance of the tender submitted by Standage & Co. Ltd.
26. The date for acceptance of the above tenders will expire on 15 February 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 Hayles Buildings and Albert Barnes House 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

Standage & Co. Ltd 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:

<b>Risk</b>	<b>Impact</b>	<b>Probability</b>	<b>Mitigation</b>
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>Standage &amp; Co. Ltd 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 confirms that Standage &amp; Co. Ltd is considered at low risk of going bankrupt within the next 12 months.</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 Contract Standing Order 4.5.2. It is therefore considered that there were no alternative viable options.

**Design Specification Compliance**

34. A Specification has been 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 in Hayles Buildings and Albert Barnes House 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 in Hayles Buildings and Albert Barnes 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.
38. 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.
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. Standage & Co. Ltd are a medium size building company based in South East London 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. Standage & Co. 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 £985m.

**Second stage appraisal**

48. An Experian credit check was obtained on 27 August 2015, Standage & Co. Ltd, 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 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. Standage & Co. Ltd will issue regular newsletters to affected properties throughout the contract period.

**Other implications or issues**

54. Not applicable.

**SUPPLEMENTARY ADVICE FROM OTHER OFFICERS****Head of Procurement**

55. 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**

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



**Strategic Director of Finance and Governance (CAP15/120)**

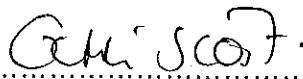
57. This report is requesting delegated approval from the strategic director of housing & community services to proceed with the works package entitled "Hayles Buildings and Albert Barnes House WDS", appointing Standage & Co. Ltd under the Housing Major Works competitive tendering contract.
58. It is 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.
59. 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)**

60. These are works of repair and are therefore chargeable to leaseholders under the terms of their leases.
61. There are 55 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 4 March 2015 and the observation period expired on 6 April 2015. There was 1 observation received from leaseholders at this stage.
62. Section 20 notices of proposal were served on 11 August 2015 and expired on 16 September 2015. There were 4 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..... 3.11.15 .....

**Gerri Scott, Strategic Director of Housing and Modernisation**

## BACKGROUND DOCUMENTS

Background documents	Held At	Contact
Hayles Buildings and Albert Barnes House Warm, Dry and Safe (WDS) works Gateway 1 'open' report	Housing & Modernisation Department Major Works Team, 3rd Floor Hub 3, Tooley Street	Bola Oludipe 020 7525 0148
Link: <a href="#">Hayles Buildings &amp; Albert Barnes House WDS Gateway 1 open report</a>		

## APPENDICES

No	Title
Appendix 1	Tender Evaluation Methodology

## AUDIT TRAIL

<b>Lead Officer</b>	David Markham, Head of Major Works	
<b>Report Author</b>	Bola Oludipe, Contract Manager	
<b>Version</b>	Open	
<b>Dated</b>	22 October 2015	
<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 Law and Democracy	Yes	Yes
Strategic Director of Finance and Governance	Yes	Yes
Strategic Director of Housing and Modernisation	Yes	Yes
<b>Cabinet</b>	N/a	n/a
<b>Date final report sent to Constitutional/Community Council/Scrutiny Team</b>		n/a