

Item No.	Classification: Open	Date: 25 November 2015	Meeting Name: Strategic director of housing and modernisation
Report title:		Gateway 2 Haddonhall Estate Warm, Dry and Safe works	
Ward(s) or groups affected:		Chaucer	
From:		Head of Major Works	

RECOMMENDATIONS

1. That the strategic director of housing and modernisation approve the award of Haddonhall Estate Warm, Dry and Safe works contract to Lakehouse Contracts Ltd for a period of 42 weeks.

BACKGROUND INFORMATION

2. The planned procurement strategy was the subject of a Gateway 1 report which was approved on 13 March 2015. The approved competitive tendering procurement strategy was followed.
3. This is a **Key Decision**.
 - The contract is for a period of 42 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 (PD) and the quantity surveyor (QS) functions required for this project. Formal hand over to the council's Lead Designer (LD), PD and QS will take place 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 documentation.

Procurement project plan (Key decisions)

Activity	Completed by/Complete by
Forward Plan for Gateway 2 decision	November 2015
Approval of Gateway 1: Procurement Strategy Report	13 March 2015
Issue Notice of Intention	25 Jan 2015
Invitation to tender	22 April 2015
Closing date for return of tenders	20 May 2015
Completion of evaluation of tenders	25 June 2015
Issue Notice of Proposal	31 July 2015
DCRB Review Gateway 2	16 Nov 2015
Notification of forthcoming decision – five clear working days	25 Nov 2015
Approval of Gateway 2: Contract Award Report	27 Nov 2015
Scrutiny Call-in period and notification of implementation of Gateway 2 decision	7 Dec 2015
Debrief Notice and Standstill Period (if applicable)	N/A
Contract award	10 Dec 2015
Add to Contract Register	10 Dec 2015
TUPE Consultation period (if applicable)	N/A
Contract start	11 Jan 2016
Publication of award notice in Official Journal of European (OJEU)	N/A
Publication of award notice on Contracts Finder	13 Jan 2016
Contract completion date	31 Oct 2016
Contract completion date – if extension(s) exercised	N/A

KEY ISSUES FOR CONSIDERATION

Description of procurement outcomes

6. The works will affect: **Haddonhall Estate:** 13-30 Potier Street, 31-42 Potier Street, 21-55 Rothsay Street, 1-12 Thornham House and 30-34 Wild Rents. (Haddonhall Tenant Management Organisation (TMO)).
7. The proposed works following full surveys comprise of:
 - a. Installation of LD2 smoke alarms in tenanted and leasehold properties
 - b. Install extractor fans to council tenanted dwellings.
 - c. Bathroom replacement within council tenanted dwellings based on age i.e. 30 years
 - d. Carry out periodic inspection report (PIR) tests to dwellings where required
 - e. Rewire council tenanted dwellings as required

- f. Address any potential high risks identified under housing health and safety rating system (HHSRS).
 - g. Windows to dwellings – Extensive repairs and replacements were required.
 - h. Undertake asbestos removal to disturbed areas where required.
 - i. Building Fabric Repairs
 - j. Kitchen replacement within council tenanted dwellings based on age i.e. 20 years
8. The scope of works has changed from those stated in the Gateway 1 report to include the additional items of c, l and j referred to in paragraph 8 above. These additional items were included following approval from 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 the Haddonhall 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 not be required for this scheme and PRP has confirmed that Planning Approval will be required for this scheme for window replacements.

Tender process

13. As outlined in the Gateway 1 report approved on 13 March 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 on 22 April 2015 (contractors collected the tenders from 160 Tooley Street) with instructions to return a completed tender by 12 noon on 20 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 20 May 2015 and were opened on the same day. 1 contractor (Peak Contractors Ltd) did not return a tender as they had declined to tender via email dated 15 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.

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 31.
18. Tender prices submitted are as follows:

Ref	Contractor
1	Lakehouse Contracts Ltd (Lakehouse)
2	United Living Ltd (United)
3	A&E Elkins Ltd (Elkins)
4	Star Contractors Ltd (Star)
5	J Murphy & Sons Ltd (J Murphy)

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 16 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	Lakehouse	United	Elkins	Star	J Murphy
Method Statement 1: Health & safety/ Risk management	7	3	7	4	4

Method Statement 2: Resident & leasehold Engagement	8	8	7	5	4
Method Statement 3: Quality Control	8	5	7	6	6
Method Statement 4: Mobilisation/ Programme	8	5	7	6	4
Total Quality Score	31	21	28	21	18
Weighted Score	23.20	15.50	21.00	15.70	13.40

23. In terms of assessing the quality of the method statement proposals, Lakehouse' 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. As mentioned in paragraphs 38 to 39, there will be 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	Lakehouse	60.00	8.61	68.61	23.20	91.81
2	United	58.02	10.00	68.02	15.50	83.52
3	Elkins	44.94	7.55	52.49	21.00	73.49
4	Star	41.55	5.64	47.18	15.70	62.88
5	J Murphy	36.55	8.84	45.40	13.40	58.80

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 Lakehouse Contracts Ltd the most economically advantageous compliant tender. It is therefore recommended for the acceptance of the tender submitted by Lakehouse Contracts Ltd.
26. The date for acceptance of the above tenders will expire on 20 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 internally by the council's major works team who will provide full consultancy services for Haddonhall 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 Lakehouse Contracts 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:

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. Lakehouse Contracts Ltd has confirmed that they are part of a larger group and a parent company guarantee will also be obtained. Paragraph 62 confirms that Lakehouse Contracts Ltd is considered at low risk of going bankrupt within the next 12 months.

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 Guide

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 Haddonhall 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 Haddonhall 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 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. Lakehouse Contracts Ltd are a medium size building company based in Romford, 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 13 March 2015 confirmed, for the reasons stated in that report, payment of LLW was an appropriate and best value requirement for this contract. Lakehouse Contracts 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

Investment 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. As part of the capital refresh and budget profiling exercise, budgets will be transferred between projects and re-profiled between the years to reflect the above expenditure for "Haddonhall Estate WDS works".
48. The projected financial position on the council's entire Housing Investment Programme currently indicates a significant gap in resources against the projected expenditure on the total programme across the years. Therefore, cash flow implications will also need to be monitored closely to ensure that there are sufficient resources to fund the overall Housing Investment Programme on a yearly basis.

Second stage appraisal

49. An Experian credit check was obtained on 1 October 2015, Lakehouse Contracts 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

50. 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

51. All residents have been consulted with regards to the proposed works.
52. Further consultation with residents will take place prior to award.
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. Lakehouse Contracts Ltd 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 Law and Democracy

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

Strategic Director of Finance and Governance (CAP15/129)

58. This report is requesting delegated approval from the strategic director of housing & community services to proceed with the works package entitled "Haddonhall Estate Warm, Dry and Safe works", appointing Lakehouse Contracts Ltd.
59. 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.
60. Staffing and any other costs connected with this contract to be contained within existing departmental revenue budgets.

Director of Exchequer Services (For Housing contracts only)

61. These are works of repair and are therefore chargeable to leaseholders under the terms of their leases.
62. There are 31 leaseholders and no 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 25 February 2015 and the observation period expired on 7 April 2015. There were no observations received from a leaseholder at this stage.
63. Section 20 notices of proposal were served on 31 July 2015 and expired on 15 September 2015. There were 4 observations received from leaseholders included in this package, none of these would lead to a delay in proceeding with these works.
64. Enhanced LD2 smoke and heat detection systems are being installed to all properties. These are not being recharged to the 31 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..... *3.12.15*
Gerri Scott, Strategic Director of Housing and Modernisation

BACKGROUND DOCUMENTS

Background documents	Held At	Contact
Gateway 1 'open' report – Haddonhall estate Warm, Dry and Safe works – approved on 13 March 2015	Major Works, Housing and Community services	Julian Kent 53493
Link: Gateway 1 Haddonhall scanned signed copy.pdf		

APPENDICES

No	Title

AUDIT TRAIL

Lead Officer	David Markham, Director of Asset Management
Report Author	Julian Kent, Contract Manager
Version	Final
Dated	25 November 2015
Key Decision?	Yes

CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER

Officer Title	Comments Sought	Comments included
Head of Procurement	Yes	Yes
Director of Law and Democracy	Yes	Yes
Strategic Director of Finance Governance	Yes	Yes
Strategic Director of Housing and Modernisation	Yes	Yes
Cabinet	N/a	N/a
Date final report sent to Constitutional Team		3 December 2015

