

<b>Item No.</b>	<b>Classification:</b> Open	<b>Date:</b> 25 January 2016	<b>Meeting Name:</b> Strategic director of housing and modernisation
<b>Report title:</b>		<b>Gateway 2 Contract Award Approval</b> Slippers Place Estate Warm, Dry and Safe Works.	
<b>Ward(s) or groups affected:</b>		Rotherhithe	
<b>From:</b>		Director of Asset Management	

## RECOMMENDATIONS

1. That the strategic director of housing and modernisation approves the award of Slippers Place Estate Warm, Dry and Safe works contract to UK Gunite Limited in the sum of £2,470,130 for a period of 36 weeks.

## BACKGROUND INFORMATION

2. This is a **Key Decision**.
  - The tendered cost of the contract is £2,470,130 for a period of 36 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.
3. External technical consultants, Calfordseaden were appointed on 1 November 2013, by way of an order from the council's Long Term Agreement, to provide the Principal Designer's (PD) functions required for this project which will commence from award and construction phase to end of defects period.

### Procurement project plan (Key Decision)

Activity	Completed by/Complete by
Forward Plan for Gateway 2 decision	Jan 2015
Approval of Gateway 1: Procurement Strategy Report	12 May 2015
Issue Notice of Intention	14 May 2015
Invitation to tender	14 Aug 2015
Closing date for return of tenders	07 Sept 2015
Completion of evaluation of tenders	12 Oct 2015
Issue Notice of Proposal	28 Oct 2015
DCRB Review Gateway 2	25 Jan 2016
Notification of forthcoming decision	3 Feb 2016

Activity	Completed by/Complete by:
Approval of Gateway 2: Contract Award Report	5 Feb 2016
Scrutiny Call-in period and notification of implementation of Gateway 2 decision	15 Feb 2016
Contract award	18 Feb 2016
Add to Contract Register	18 Feb 2016
TUPE Consultation period (if applicable)	N/A
Contract start	21 Mar 2016
Publication of award notice on Contracts Finder	21 Mar 2016
Contract completion date	02 Dec 2016
Contract completion date – if extension(s) exercised	N/A

## KEY ISSUES FOR CONSIDERATION

### Description of procurement outcomes

4. The works will affect: 1-88 Arica House, 1-48 Matson House, 1-54 Moreton House, 1-14 Gataker House, 1-14 Cornick House, 1-20 Glebe House and 1-12 Hickling House
5. The proposed works following full surveys comprise of:
  - a. Renew kitchens and bathrooms to all blocks where necessary including relevant asbestos removal within council tenanted dwellings
  - b. Renew windows and external balcony doors to Arica House
  - c. Repair flat roofs including guttering and rainwater pipes to Arica House
  - d. Repair private balconies to Arica House
  - e. Renew crittal windows to communal areas on Arica House
  - f. Rewire council tenanted flats to Arica House
  - g. Repair concrete and brickwork to Arica House
  - h. New front entrance doors to Cornick House
  - i. Repair flat roofs including guttering and rainwater pipes to Matson House
  - j. Repair flat roofs including guttering and rainwater pipes to Moreton House
  - k. Glebe House: works to dwellings internally – kitchens, bathrooms and domestic electrics.
  - l. Hickling House: works to dwellings internally – kitchens, bathrooms and domestic electrics
6. This scheme is a capital scheme which was drawn up by the council's In-house officers 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

### Policy implications

7. ~~This proposed contract for refurbishment of properties on the Slippers Place Estate maintains the council's obligations to make all properties warm, dry and safe by 2016 as set out by cabinet.~~
8. Planning approval for the window replacement at Arica House was granted on 29 December 2014.

### **Tender process**

9. As outlined in the Gateway 1 report approved on 12 May 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 17 August 2015 (contractors collected the tenders from 160 Tooley Street) with instructions to return a completed tender by 12 Noon on 7 September 2015 - all from the general works category of the council's works Approved List.

### **Tender evaluation**

10. Six tenders were returned to 160 Tooley Street on or by 12 Noon on 7 September 2015 and were opened on 8 September 2015.
11. 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 as detailed in the Tender Evaluation Methodology issued within the tender documents (Appendix 1).
12. The tender pricing evaluation process was undertaken by the council's in-house quantity surveyor (in-house QS). The quality evaluation process was assessed individually by the in-house QS and two officers from the council's major works team.
13. 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.
14. All priced documents submitted were checked for arithmetical errors and general compliance with the tender requirements by the in-house QS.
15. The tender submitted by UKG contained two arithmetical errors but no qualifications were found. UKG confirmed by email on 25 September 2015 that they would stand by their original tendered sum of £2,470,129.72.
16. In terms of assessing the quality of the method statement proposals, UKG's responses scored well across the evaluation criteria and particularly well in resident engagement.
17. Six contractors were invited to tender for the works and all 6 tender submissions were received. The council considers that the market has been adequately tested. The cost/quality evaluation concludes that UK Gunitite offers the most economically advantageous compliant tender. It is therefore recommended for the acceptance of the tender submitted by UK Gunitite Ltd in the sum of £2,470,129.72.

18. The date for acceptance of the above tender will expire on 7 March 2016.

**Plans for the transition from the old to the new contract**

19. Not applicable.

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

20. The contract will be fully managed on a day to day basis by the council's major works team for Slippers Place Estate Warm, Dry and Safe works.
21. 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 the performance of UKG and arrange regular meetings with the residents' project team at which contractor performance will be discussed.
22. The 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**

23. 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 schedule from the outset of the work with successful contractor.  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 61 indicates that UKG is a very low risk company and there is a low risk of the company becoming bankrupt in the next 12 months

**Other considerations (For Housing Department works contracts only)**

24. This report seeks approval for the acceptance of the most economically advantageous tender in accordance with CSO 2.3. It is therefore considered that there were no alternative viable options.

### **Design Specification Compliance**

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

### **Leasehold Implications**

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

### **Decent Homes**

27. This scheme has been designed to ensure the blocks on the Slippers Place Estate meet the minimum warm, dry and safe decent homes standards.

### **Community impact statement**

28. The proposed works are for the refurbishment of council housing and as such will affect council tenants and leaseholders on the Slippers Place 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.
29. 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.
30. The proposed works, which are for refurbishment of council housing, will not adversely affect any one particular group.

### **Sustainability considerations**

31. 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**

32. The full cost of the contract (including fees and the like) is £2,893,385. The contract period is 36 weeks.
33. UK Gunitite Ltd are a medium size building company based in Bromley, Kent and will be encouraged to utilise local labour markets to deliver the works.

### **Social considerations**

34. 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 12 May 2015 confirmed, for the reasons stated in that report, payment of LLW was an appropriate and best value requirement for this contract. UK Gunitite 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**

35. The proposed works will not have any environmental impact.

### **Market considerations**

36. The in-house QS 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. The in-house QS's recommendations were considered and agreed by the area project manager within the major works team.

### **Staffing implications**

37. There are no specific implications.

### **Financial implications**

38. The cost of these works including fees and contingency is estimated to be £2,893,385 and the anticipated expenditure profiles, including fees is as follows:

Element	2014/2015	2015/2016	2016/2017	2017/2018	Total
Works WDS Inclusive of Risk Pot (5%)		£50,000	£1,921,117	£64,841	£2,035,958
kitchens			£289,345		£289,345
Bathrooms			£144,898		£144,898
Electrics			£116,436		£116,436
LD2's leasehold			£7,000		£7,000
Fees	£6,185	£83,739	£179,849	£29,975	£299,748
Total	£6,185	£133,739	£2,658,645	£94,816	£2,893,385

### **Investment implications**

39. The works identified in this report form part of the WDS works package within the Housing Investment Capital programme. The total cost of these works is £2,893,385. However, as £6,185 has already been spent in the previous year, the total additional budget that needs to be set aside for this contract is £2,887,200.

### **Second stage appraisal**

40. An Experian credit check obtained on 2 October 2015 indicates that UK Gunito 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**

41. In line with the requirements of contract standing orders, this report confirms that contractors were invited to tender 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**

42. All residents have been consulted with regards to the proposed works.
43. Further consultation with residents will take place prior to award.
44. 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.
45. UK Gunitite Ltd will issue regular newsletters to affected properties throughout the contract period.

### **Other implications or issues**

46. Not applicable.

## **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

### **Strategic Director of Finance and Governance**

47. This report is requesting delegated approval from the strategic director of housing & modernisation to proceed with the works package entitled "Slippers Place Estate WDS works", appointing UK Gunitite for the value of £2,470,130.
48. The report identifies the total cost of the works including fees and contingency to be £2,893,385. The financial implications section details the funding arrangements.
49. 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.
50. Staffing and any other costs connected with this contract to be contained within existing departmental revenue budgets.

### **Head of Procurement**

51. 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**

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

### **Director of Exchequer (For Housing contracts only)**

53. These are works of repair and are therefore chargeable to leaseholders under the terms of their leases.

54. There are 56 leaseholders and 5 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 14 May 2015 and the observation period expired on 26 June 2015. There were 6 observations received from a leaseholder at this stage.
55. Section 20 notices of proposal were served on 28 October 2015 and expired on 2 December 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. Leaseholder estimated charges are between £291.69 and £10,556.45 per leaseholder and the RTB applicants estimated charges are £8,797.04 and 10,556.45.

#### 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 2.2.16  
**Gerri Scott, Strategic Director of Housing and Modernisation**



## BACKGROUND DOCUMENTS

Background documents	Held At	Contact
Slippers Place Estate Warm, Dry and Safe Works Gateway 1 'open' report	Housing & Modernisation Department Major Works Team, 3rd Floor Hub 3, Tooley Street	Courtland Fletcher 020 7525 1145
Link: <a href="#">Slippers Place Estate WDS Gateway 1 open report</a>		

## APPENDICES

No	Title
n/a	

## AUDIT TRAIL

Lead Officer	David Markham – Director of Asset Management
Report Author	Courtland Fletcher – Contract Manager
Version	Final
Dated	25 January 2016
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 Team		2 February 2016

**BACKGROUND DOCUMENT – CONTRACT REGISTER UPDATE - GATEWAY 2**

Contract Name	Slippers Place Estate WDS works
Contract Description	Warm, Dry & Safe refurbishments
Contract Type	GC/Works/1(1998) with quantities
Lead Contract Officer (name)	Kevin Orford
Lead Contract Officer (phone number)	020 7525 3320
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)	UK Gunite Ltd
Contract Total Value	£2,893,385
Contract Annual Value	Not applicable
Contract Start Date	21 March 2016
Initial Term End Date	02 December 2016
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.