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| Item No. | Classification: Open | Date: 9 November 2015 | Meeting Name: Strategic director of housing and modernisation |
| Report title: | | Gateway 2 - Contract Award Approval Borough Road Estate And Rochester Estate Warm, Dry and Safe works | |
| Ward(s) or groups affected: | | Cathedral | |
| From: | | Head of Major Works | |

RECOMMENDATIONS

1. That the strategic director of housing and modernisation approve the award of Borough Road Estate & Rochester Estate Warm, Dry and Safe works contract to Vinci Construction UK 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 12 March 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 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 principal 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 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 the council's home ownership unit (HOU) in order to issue the Notice of Proposals (NOP) to leaseholders.
6. **Procurement project plan (Key decisions)**

| Activity | Completed by/Complete by: |
|--|---------------------------|
| Forward Plan for Gateway 2 decision | Oct 2015 |
| Approval of Gateway 1: Procurement Strategy Report | 12 March 2015 |
| Issue Notice of Intention | 20 April 2015 |
| Invitation to tender | 6 May 2015 |

| Activity | Completed by/Complete by: |
|--|---------------------------|
| Closing date for return of tenders | 4 June 2015 |
| Completion of evaluation of tenders | 1 July 2015 |
| Issue Notice of Proposal | 18 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 | 28 Jul 2016 |
| Contract completion date – if extension(s) exercised | N/A |

KEY ISSUES FOR CONSIDERATION

Description of procurement outcomes

7. The works will affect: **Borough Road Estate:** 1-4 Gardiner House, 1-30 Hunter House, 1-24 Murphy House and **Rochester Estate:** 1-17 Rotherham Walk, 1-14 Brinton Walk and 2-18 Nicholson Street.
8. 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 based on age i.e. 30 years to council tenanted dwellings
 - d. Kitchen replacement based on age i.e. 20 years to council tenanted dwellings
 - e. Carry out repairs to concrete and brickwork
 - f. Replace/repair rainwater systems where required
 - g. Carry out periodic inspection report (PIR) tests to dwellings where required
 - h. Rewire council tenanted dwellings as required
 - i. Windows to dwellings – extensive repairs and replacements where required.
 - j. Undertake asbestos removal to disturbed areas where required
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 Borough Road Estate and Rochester 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. PRP has confirmed that Planning Approval is not required for this scheme.

Tender process

13. As outlined in the Gateway 1 report approved on 12 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, 7 contractors were invited to tender on 3 May 2015 (contractors collected the tenders from 160 Tooley Street) with instructions to return a completed tender by 12 noon on 3 June 2015 - all from the general works category of the council's works Approved List.

Tender evaluation

14. Only 6 tenders were returned to 160 Tooley Street on or by 12 Noon on 3 June 2015 and were opened on 4 June 2015. 1 contractor (Beechwood Building Maintenance Ltd) did not return a tender as they had declined to tender via email dated 11 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 22.
18. Tender submitted are as follows:

| Ref | Contractor |
|-----|------------|
|-----|------------|

| | |
|---|--------------------------------------|
| 1 | Vinci Construction UK Ltd (Vinci) |
| 2 | Standage & Co. Ltd (Standage) |
| 3 | Keepmoat Regeneration Ltd (Keepmoat) |
| 4 | Niblock Building Ltd (Niblock) |
| 5 | Ark Build Plc (Ark) |
| 6 | Saltash Enterprises Ltd (Saltash) |

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 | Vinci (Score) | Standage (Score) | Keepmoat (Score) | Ark (Score) | Niblock (Score) | Saltash (Score) |
|--|---------------|------------------|------------------|--------------|-----------------|-----------------|
| Method Statement 1: Risk Management/Health and Safety | 6 | 5 | 5 | 6 | 6 | 6 |
| Method Statement 2: Resident & leasehold Engagement | 6 | 7 | 6 | 6 | 7 | 7 |
| Method Statement 3: Quality Control | 6 | 7 | 5 | 4 | 6 | 6 |
| Method Statement 4: Programme management and Mobilisation | 6 | 7 | 5 | 5 | 5 | 5 |
| Total Quality Score | 24.00 | 26.00 | 21.00 | 21.00 | 24.00 | 24.00 |
| Weighed Score | 18.00 | 19.40 | 15.70 | 17.90 | 15.80 | 17.90 |

23. In terms of assessing the quality of the method statement proposals, Vinci's submission met all the requirements with an excellent/good evidence base. As mentioned in paragraphs 29 to 31 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:

| Rank | Organisation | Price - base Tender Sum | Price - Schedule of Rates | Total Price (out of 70) | Quality Score (out of 30) | Total Score (out of 100) |
|------|--------------|-------------------------|---------------------------|-------------------------|---------------------------|--------------------------|
| 1 | Vinci | 60.00 | 10.00 | 70.00 | 18.00 | 88.00 |
| 2 | Contractor 1 | 43.32 | 5.91 | 49.23 | 19.40 | 68.63 |
| 3 | Contractor 2 | 46.41 | 7.70 | 54.11 | 15.70 | 69.81 |
| 4 | Contractor 3 | 36.77 | 8.39 | 45.16 | 15.80 | 60.96 |
| 5 | Contractor 4 | 34.75 | 4.98 | 39.73 | 17.90 | 57.63 |
| 6 | Contractor 5 | 30.28 | 6.56 | 36.84 | 17.90 | 54.74 |

25. Seven 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 Vinci Construction UK Ltd offer the most economically advantageous compliant tender. It is therefore recommended for the acceptance of the tender submitted by Vinci Construction UK Ltd.
26. The date for acceptance of the above tenders will expire on 3 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 the Borough Road Estate and Rochester 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 Vinci Construction UK Ltd and arrange regular meetings with the residents' project team at which contractor performance will be discussed.
31. 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

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. Vinci Construction UK Ltd has confirmed that they are part of a larger group and a parent company guarantee will also be obtained. Paragraph 48 confirms that Vinci Construction UK Ltd is considered at very low risk of going bankrupt within the next 12 months. |

Other considerations

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 was undertaken by the council's specialist housing services team.

Decent Homes

36. This scheme has been designed to ensure that the blocks on Borough Road Estate and Rochester 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 Borough Road Estate and Rochester 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. Vinci Construction UK Ltd is a large company based in Watford, Hertfordshire 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 12 March 2015 confirmed, for the reasons stated in that report, payment of LLW was an appropriate and best value requirement for this contract. Vinci Construction UK 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 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

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 28 September 2015, Vinci Construction UK Ltd are a contractor and the report indicates they are creditworthy and there is a very low risk of the company becoming bankrupt in the next 12 months.

Legal implications

49. In line with the requirements of CSOs, 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 the council's specialist housing services team.
52. Further consultation with residents will take place prior to award of 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 paragraphs 61 to 64.
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. Vinci Construction UK 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 (CAP15/136)

58. This report is requesting delegated approval from the strategic director of housing & modernisation to proceed with the works package entitled "Borough Road Estate and Rochester Estate Warm, Dry and Safe works", appointing Vinci Construction UK 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.

Strategic Director of Housing and Modernisation (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 19 leaseholders and 2 RTB 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 19 March 2015 and the observation period expired on 27 April 2015. There were 5 observations received from a leaseholder at this stage.
63. Section 20 notices of proposal were served on 18 August 2015 and expired on 22 September 2015. There were 3 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 19 leaseholders and 2 RTB.

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: 17.11.15 -
Gerri Scott, Strategic Director of Housing and Modernisation

BACKGROUND DOCUMENTS

| Background documents | Held At | Contact |
|---|---|-----------------|
| Gateway 1 'open' report – Borough Road Estate And Rochester Estate Warm, Dry and Safe works 12 March 2015 | Major Works, Housing and Community services | Jo Taylor 53614 |
| Link: <u>G:\Major Works\Investment Delivery\Inv Prog Area 1 - Bor & Bank & Walw\WDS Schemes 2015-2016\Tend - Package 6 - Borough and Rochester\Gateways\GW1 Equitrac Scan-to-Me.msg</u> | | |

APPENDICES

| No | Title |
|-----|-------|
| n/a | |

AUDIT TRAIL

| | |
|----------------------|------------------------------------|
| Lead Officer | David Markham, Head of Major Works |
| Report Author | Jo Taylor, Contract Manager |
| Version | Open |
| Dated | 9 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 and Governance | Yes | Yes |
| Cabinet | N/a | N/a |
| Date final report sent to Constitutional Team | | 17 November 2015 |