

London Borough of Hammersmith & Fulham

Report to: Cabinet Member for Housing - Councillor Lisa Homan

Date: 19/12/2020

Subject: Major Refurbishment of various council-owned properties, primarily street-based

Report of: Vince Conway, Capital Delivery, Economy Department

Summary

This report seeks approval to let a contract to undertake major refurbishment works to various council-owned properties, primarily street-based, situated throughout the borough. This project is one which the council has committed to deliver as part of the Asset Management Compliance Strategy and Capital Programme approved at 1st July Cabinet.

Recommendations

Appendices 1 and 2 of this report are currently exempt from disclosure on the grounds that they contain information relating to the financial or business affairs of a particular person (including the authority holding that information) under paragraph 3 of Schedule 12A of the Local Government Act 1972, and in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

It is recommended that the Cabinet Member for Housing:

1. Approves the appointment of AD Construction Group (Architectural Decorators Ltd) to undertake major refurbishment works to the properties listed in this report for a sum of £3,324,341.00.
2. Notes that the contract is expected to be formally awarded on the 18th February 2020 with a contract period of 44 weeks. The project is expected to start on site on the 9th March 2020 with a site completion date of 11th January 2021.
3. Approves the addition of a contingency sum of £170,000.00 to the budget identified in recommendation 1.
4. Notes that the formal award of contract will not be made until completion of consultation with affected leaseholders under Section 20 of the Landlord and Tenant Act 1985.

Wards Affected: Addison, Askew, Avonmore and Brook Green, Fulham Broadway, Fulham Reach, Munster, North End, Palace

Riverside, Parsons Green and Walham, Ravenscourt Park, Sands End, Shepherds Bush Green, Town, Wormholt and White City

H&F Priorities

Our Priorities	Summary of how this report aligns to the H&F Priorities
<ul style="list-style-type: none"> Building shared prosperity 	<p>AD Construction Group have made various commitments on social value, including sourcing a minimum 20% of materials via local suppliers. AD Construction will advertise opportunities such as work experience, training and recruitment through local job centres, in resident communications and local trade press. They will also offer work experience placements to local schools and taster days for young adults to introduce them to the construction industry.</p>
<ul style="list-style-type: none"> Creating a compassionate council 	<p>AD Construction have allocated £10,000 to a Community Works Fund which can be used on resident priorities. Their Time Bank initiative commits a day per member of staff working on the contract which can be called on by the council in various ways, such as workshops, career talks, digital inclusion events, fun days etc.</p>
<ul style="list-style-type: none"> Doing things with local residents, not to them 	<p>Residents have been fully consulted in the preparation of this scheme, including formal ballots to decide door styles and communal redecorations.</p>
<ul style="list-style-type: none"> Being ruthlessly financially efficient 	<p>The project has been competitively tendered and awarded on the basis of most economically advantageous tender. There will be robust contract management and a strong site presence to ensure quality standards and value for money. AD Construction will work with the council's supply chain initiative, H&F Brill 4 Biz, to promote procurement opportunities for local businesses.</p>
<ul style="list-style-type: none"> Taking pride in H&F 	<p>The evaluation criteria required contractors to give details of their approach to energy consumption, use of sustainable materials, transport plan, site waste management, and noise pollution. AD Construction scored strongly on these points.</p>

Financial Impact

1. The HRA Capital Programme 2019/20–2022/23 budget approved by Cabinet on 7 October 2019 includes a budget allowance of £951,000 for this scheme. Due to the addition of enhanced health, safety and compliance works the final contract value (including contingency) is £3,494,341, resulting in a current budget shortfall of £2,543,341.
2. The approved budget also includes £7,232,820 of unallocated budget. The Strategic Asset Management team have agreed a transfer of £2,543,341 from the unallocated budget to meet this shortfall and this will be put to Cabinet for approval via the quarter 3 capital budget monitoring on 3 February 3 2020.
3. The leasehold billing team currently estimate the cost chargeable to leaseholders for these works, inclusive of contingency and fees, will be around £1,568,094. This is shown in Appendix 2. Where any of these charges are not borne by the leaseholders, this will have to be funded from borrowing unless alternative funding sources are identified.
4. A credit search was carried out on 25 November 2019 on the proposed contractors The AD Construction Group Limited. It showed they have a low risk credit score of 55 with CreditSafe. The last two years' average turnover of this company is £27.3m which is well above the proposed contract value of £3.3m.

Legal Implications

- Under the Public Contracts Regulations 2015 (“PCR”), the Contract is a works contract. The works are valued at below the PCR threshold and as such only a small proportion of the PCR applies. The main consequence of this is that the Council is not obliged under the PCR to hold a competitive procurement before awarding the Contract. In any event, to ensure that the procurement complies with the Council’s Contract Standing Orders (see procurement implications below), the works have been called off from a South East Consortium (SEC) framework. SEC has set up a series of frameworks from which the Council, as a SEC member, may call off. The SEC frameworks were procured following a process undertaken pursuant to the PCR. The procurement of this Contract was run as a mini-competition under the SEC framework. Officers are required to follow the framework rules and they applied the principles and award criteria set out in the approved procurement strategy.
- The Cabinet Member is the appropriate decision-maker under Contract Standing Orders.
- The decision-maker needs to be satisfied that the successful tender represented the most economically advantageous tender for the Council and that the recommendations are in the best interests of the Council.
- A draft form of contract has already been provided and circulated with the ITT accordingly, Legal Services are preparing the formal Contract.

Implications completed by Annie Moy, Partner at Sharpe Pritchard LLP (seconded to the Council) amoy@sharpepritchard.co.uk.

This section should include the legal power relevant to the proposal must be set out together with any future possible legal implications.

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Background Papers Used in Preparing This Report

Procurement Strategy Report, Cabinet, September 2018
Asset Management Compliance Strategy and Capital Programme, Cabinet July 2019

DETAILED ANALYSIS

1. Proposals and Analysis of Options

- 1.1. These works need to be undertaken to maintain a satisfactory standard to the external fabric and communal parts of the buildings and to ensure homes are safe, warm and weathertight. Failure to carry out these works would have a negative impact on the health, safety and wellbeing of residents.
- 1.2. This tendering exercise has been carried out following an analysis of procurement options which were considered in the Business case and Procurement Strategy report approved by the Leader of the Council on 20th September 2018.

Property

- 1.3. The contract includes 42 properties of different archetypes situated in various locations across the borough providing 163 homes in total: Charnock House, a four storey deck access block on the White City Estate of 36 flats with 20 commercial units on the ground floor; 76-112 Musard Road, a five storey locally listed Victorian mansion block of 19 homes; post-war infill blocks at Harbledown Road and Black Lion Lane; 1-12 Dan Leno Walk, a short terrace of 1970's purpose-built flats and maisonettes; and 37 traditional street properties, primarily conversions of between two and five storeys constructed in the late nineteenth and early twentieth century.

Proposed Works

- 1.4. The proposed works generally comprise window repairs and replacements, new FD30 front entrance doors, roof repairs, works to chimneys and rainwater goods, external and internal communal fabric repairs and redecoration. Additional fire safety works such as compartmentation, emergency lighting, fire alarms, and new signage are included across all blocks as required. The contract also allows for door entry upgrades and lightning protection where these works are due.
- 1.1. All FD30 doorset ranges undergo extensive third party UKAS accredited testing to ensure they meet exacting standards and building regulations. All doorsets are tested as full-scale assemblies to provide confidence that they will perform in the event of burglary or fire.

Tender Process

- 1.2. The procurement has been undertaken through the SEC framework by way of a mini-competition. The Council invited the framework contractors by way of invitations to tender published on 29th August 2019 with a closing date for receipt of tenders of 10th October 2019. The Council evaluated the quotations received using most economically advantageous tender (MEAT) criterion with a weighting of 60% to qualitative and technical aspects of the tender submission and 40% to price. Quotes were invited and received on a fixed

price basis and remain open for acceptance for twelve months from the closing date.

- 1.3. Tender submissions were received from three suppliers.
- 1.4. The tender process required the technical and commercial evaluation of all valid tenders. The table below sets out the scores achieved by each supplier as assessed by the evaluation panel. Further scoring information is provided at Appendix 1.

Rank	Supplier	Value of tender	Price Score	Quality Score	Total Score
1 st	AD Construction Group (Architectural Decorators Ltd)	£3,324,341.00	39.68	44.10	83.78
2 nd	Tenderer 2	£3,297,482.00	40.00	43.50	83.50
3 rd	Tenderer 3	£4,774,162.06	27.63	49.50	77.13

- 1.5. Based on the evaluation process carried out in accordance with the procurement strategy officers recommend acceptance of the tender submitted by AD Construction Group (Architectural Decorators Ltd).

Funding and Cashflow

- 1.6. This project is a pre-agreed scheme which the council has committed to deliver as part of the Asset Management Compliance Strategy and Capital Programme approved at 1st July Cabinet. The scope of the scheme has been enhanced in line with the principles of the strategy and the commitment to ensuring homes are safe and secure. Additional compliance work identified for this scheme includes:
 - Inspection, servicing, upgrade or installation of fire detection systems
 - Installation of LED and emergency lighting
 - Compartmentation works to roof voids, risers and service rooms
 - Installation of FD30 front entrance doors
 - Structural repairs
 - Upgrade of door entry systems
- 1.7. Generally, these workstreams have separately identified budgets within the four-year capital funding envelope and so this work would eventually be picked up as part of these programmes as they were rolled out. However, it is sensible to include the works now as part of this scheme to ensure safety improvements are delivered for residents as soon as possible whilst minimising inconvenience to them.
- 1.8. The budget contained within the Housing Capital Programme will be re-profiled to reflect the anticipated cash flow shown in 1.12 below. Amendments will be reported via the quarterly corporate capital monitor. A contingency sum

of £170,000 will be held in addition to the approved contract sum to deal with unforeseen works that may arise during the delivery of the project.

1.9. The anticipated cash flow of this project is as follows:

Element	2019/20	2020/21	Total
Works	£151,106	£3,173,325	£3,324,341
Contingency Sum	£0	£170,000	£170,000
Total	£151,106	£3,343,325	£3,494,341

1.10. The anticipated Programme of Works for the project is as follows:

Activity/Milestone	Estimated Date
Issue section 20 notices	06 January 2020
Cabinet Member Meeting	13 December 2019
Expiry of section 20 notices	10 February 2020
Observations responded to	17 February 2020
Contract award	18 February 2020
Resident Consultation, w/c	24 February 2020
Start on site	09 March 2020
Completion	11 January 2021

Multi-disciplinary consultant support

1.11. The Cabinet Member for Housing approved the use of Bailey Garner LLP to manage a range of fire safety and other programmes, including this one, as set out in Appendix 1 of the Cabinet Member Decision paper “Contract award for the provision of Housing Capital Programme Multi-Disciplinary Consultancy Services”. Consequently, their appointment is not covered in this report. The total value of the project management services for this particular contract is 5.33% of the total works cost. Bailey Garner will provide a range of services in support of the project including:

- Project management/Employer’s Agent
- Principal Designer (Construction (Design and Management) Regulations 2015)
- Architect and Engineer services
- Contract administration
- Quantity surveying and cost control
- Planning and building control compliance
- Specialist advice as required e.g. fire safety, structural

2. Reasons for Decision

- 2.1. This project is one which the council has committed to deliver as part of the Asset Management Compliance Strategy and Capital Programme approved at 1st July Cabinet. The development of the programme has been guided by the principles of the strategy and priorities have been agreed by the Economy Department's Capital Board chaired by the Assistant Director of Operations.
- 2.2. The decision above is required to appoint the contractor to carry out the works required in these buildings.

3. Equality Implications

- 3.1. It is not anticipated that the approval of these proposals, as set out in the recommendations, will have any direct negative impact on any protected groups, under the Equality Act 2010.
- 3.2. It is however recognised that the proposed works will cause short-term disruption to residents whilst they are in progress. If subsequent resident consultation identifies any specific needs for protected groups, these will be addressed accordingly by officers.
- 3.3. *Implications verified/completed by: Fawad Bhatti, Policy & Strategy, tel. 07500 103617.*

4. Risk Management Implications

- 4.1. In October 2017 the Council launched Fire Safety Plus. This committed the Council to achieve the highest possible standard of fire safety across its housing stock. The Fire Safety Plus made available £20 million of capital funding for fire safety testing and capital works which was agreed by Full Council on 18 October 2017. It set out our commitment to meet the aims:
 - Do more than the minimum requirement to keep residents safe
 - Ensure that homes across Hammersmith and Fulham are safe and compliant
 - Undertake a thorough review of fire safety in all communal blocks
 - Organise a programme of work to install new fire doors, enhanced firefighting equipment, facilities and automated detection
- 4.2. The report sets out how assurance will be obtained regarding the testing/certification of replacement fire doors to be fitted as part of this contract.
- 4.3. Being ruthlessly financially efficient means that we must ensure value for money is being achieved through the procurement process and the budget is reconciled back to the original Capital Programme report on 01st July 2019. Given that the works could present some risk of disruption to residents the expectation is that there will be a rigorous programme management approach in place to ensure that their needs and expectations are met throughout the works.

- 4.4. The evaluation process has concluded that the contractor has the necessary financial standing, insurances, and health and safety qualifications to complete this project.
- 4.5. *Implications completed by: Michael Sloniowski, Risk Manager, tel 020 8753 2587, mobile 07768 252703. Verified by David Hughes, Director of Audit, Risk, Fraud and Insurances on 07817 507695 and 0207 361 2389*

5. Other Implications

Procurement

- 5.1. For high value capital contracts over £1.5M the CSO states that in such cases the contract award is by the relevant Cabinet Member as long as the award value is not over 10% of the initial estimated value and over £10,000,000. The pre-tender estimate for this procurement was £3,200,352 and the award of the proposed contract is £3,324,341.
- 5.2. The procurement process ran in accordance to the CSOs and PCR 2015 by calling off from a compliant framework agreement via mini-competition. The mini-competition was conducted outside the Council's e-tendering system but approval was sought in accordance with the CSOs.
- 5.3. The process has resulted in the submission of three compliant bids which were evaluated in line with the advertised criteria, based on a 60% - 40% quality- price ratio. It is noted that the tender documents were developed by the framework provider and not signed off by the procurement team.
- 5.4. The evaluation found that AD Construction Group (Architectural Decorators Ltd) were the most economically advantageous.
- 5.5. A 1.5% levy is payable by to South East Consortium based on the final contract value. This is a transaction between the SEC and AD Construction Group (Architectural Decorators Ltd). This does not change the value of the contract.
- 5.6. A contract shall be created in the contracts register to ensure compliance with statutory transparency requirements. Given the fact that there is no corporate visibility of the tender, it is recommended that all tender documents (instructions, specifications, tenders submissions and evaluation and moderation notes) are uploaded on the Council's contracts register.
- 5.7. Implications verified/completed by: Joanna Angelides, Procurement Consultant, 0208 753 2586

Business

- 5.8. AD Construction Group (Architectural Decorators Ltd) have various targets for the contract as part of their commitment to social value and will work with the council's supply chain initiative, H&F Brill 4 Biz, to maximise opportunities for local businesses.
- 5.9. The site team and support staff will generally avail of local services such as shops and cafes during the contract.
- 5.10. Implications verified/completed by: Albena Karameros, Economic Development Team, tel 0207 938 8583

ICT

- 5.11. IT Implications: No IT implications are considered to arise from the proposal in this report.
- 5.12. IM implications: A Privacy Impact Assessment should be carried out to ensure that all the potential data protection risks associated with these works are properly assessed with mitigating actions agreed and implemented.
- 5.13. The contract with AD Construction Group (Architectural Decorators Ltd) will need to include H&F's data protection and processing schedule – which is compliant with Data Protection law (the General Data Protection Regulation (GDPR) 2016; and the Data Protection Act (DPA) 2018).
- 5.14. AD Construction Group (Architectural Decorators Ltd) will be expected to have a Data Protection policy in place and all staff will be expected to have received Data Protection training.
- 5.15. Implications verified/completed by: Karen Barry, Strategic Relationship Manager, IT Services, tel 0208 753 3481.

6. Consultation

- 6.1 Initial consultation meetings have been held with residents during April and May 2019 to give them an opportunity to discuss the proposals and scope of the works, programme and timescales.
- 6.2 Leaseholders have been notified in accordance with the statutory consultation legislation. Notices of intent were sent out on 13th May 2019 and expired 17th June 2019. The Notices of Estimate are expected to be issued on 6th January 2020 and the consultation period will expire 10th February 2020. The contract will not be issued until expiry of the section 20 notices.
- 6.3 As of 28th October 2019 a total of 79 properties have been sold under right to buy legislation with one application pending.

- 6.4 The estimated charges to leaseholders based on the rechargeable elements of the recommended contract sum plus contingency and internal management fees are shown in Appendix 2.
- 6.5 The council offers a range of repayment options to leaseholders and with extended interest free periods for those facing higher bills. In accordance with the council's Fire Safety Plus initiative it is not intended to recharge leaseholders for works under this workstream such as new front entrance doors.

List of Appendices:

Exempt Appendix 1: Tender Analysis

Exempt Appendix 2: Estimated leaseholder contributions