

London Borough of Hammersmith & Fulham

Report to: SLT member – Strategic Director for The Economy Department

Date: 06/03/2020

Subject: Contract Award Report - Contractor Appointment for Demolition of Hartopp Point and Lannoy Point

Report of: Matt Rumble (Head of Area Regeneration)

Responsible Director: Jo Rowlands, Strategic Director for The Economy Department

Summary

This report seeks approval from the Strategic Director for The Economy Department to award a contract for the demolition of *'Hartopp Point and Lannoy Point'*. The Cabinet Report of 29th April 2019 authorised the procurement of a demolition contractor for the blocks.

Public report with Exempt appendices:

Appendices 2, 3, 4 and 5 to this report are 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 circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

Recommendations

- 1.1 It is recommended that the Strategic Director for The Economy Department:
 - 1.1.1 Following consultation with the Cabinet Member for Housing, approves the award of contract to, *CNC Group Holdings Limited trading under the Coleman Group*, to undertake the Demolition of Hartopp Point and Lannoy Point for a total contract sum of £2,649,782.20.
 - 1.1.2 Approves the appointment of *CNC Group Holdings Limited* under a Letter of Intent to allow the commencement of works immediately to cover the works indicated in Appendix 1 with a maximum value of £974,978.00
 - 1.1.3 Approves the contingency set out in Appendix 4 (not for publication) and authorises, Matt Rumble (Head of Area Regeneration), to take decisions on expenditure against the approved contingency sum.
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Wards Affected: Munster Ward

H&F Priorities

Our Priorities	Summary of how this report aligns to the H&F Priorities
Doing things with local residents, not to them	Prior to this decision, the Council undertook a consultation with all residents about the future of the blocks and the consultation was overwhelmingly in favour of demolition. The decision to proceed with demolition was made with residents, who were foremost in the Council's consideration.
Being ruthlessly financially efficient	A tendering exercise was conducted in accordance with our Being Ruthlessly Financially Efficient objective to seek the best financial solution for our tenants and most economically advantageous tender.
Taking pride in H&F	The Council's primary concern is the health and safety of all its residents. Demolishing the blocks will address the serious structural defects identified in the structural surveys.

Financial Impact

1. The HRA Capital Programme 2019/20–2022/23 budget approved by Cabinet on 1 July 2019 includes a budget allowance for this scheme which is sufficient for the proposed contract value.
2. A credit search was carried out on 10th January 2020 on *CNC Group Holdings Limited*. It showed they have met the required scoring to be appointed as their credit score was 56 with *CreditSafe*. *CreditSafe* suggest a contract limit of £1.9m for the company however the last two years' average turnover of the company is £26.93m which is well above the proposed contract value of £2.65m.

Legal Implications

3. This report is recommending the appointment of a demolition contractor for two tower blocks.
4. The contract to be awarded is below the EU threshold for works and so it was not necessary to carry out a procurement that complied with the EU public procurement rules. Nevertheless, the Council is under a duty to treat economic operators equally and without discrimination, and to act in a transparent and proportionate manner.
5. Appendix 3 (not for publication) describes the extensive price clarification exercise that was required with the shortlisted tenderers. There is a difficult balance to strike between clarification, to ensure that everyone is being assessed on the same basis and the Council has a full understanding of what is on offer, as against ensuring that tenderers who have followed the Council's instructions are not disadvantaged.
6. Appendices 2 and 3 taken together show the thorough evaluation process followed. The decision-maker needs to be satisfied, on the basis of the information in the report and appendices, that the recommended appointment means that the contract is being awarded to the tenderer submitting the most economically advantageous tender, and that this is in the best interests of the Council.
7. In relation to the recommendation to approve a letter of intent, in legal terms a letter of intent is a collateral contract that is then subsumed into the main contract once this has been completed. Therefore, a separate approval is required to award it. If for any reason the main contract is **not** awarded, then the Council will still need to fully meet

the costs of what the contractor has already incurred under the letter of intent works. Due to this potential risk, it is recommended that the letter of intent is capped both in terms of value and scope, as is the case here.

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Background Papers Used in Preparing This Report

Sr.	Description of Background Papers	Date
1.	Cabinet Report – Hartopp and Lannoy Points	29 April 2019
2.	Cabinet Report - Asset Management Compliance Strategy and Compliance Programme	1 July 2019

DETAILED ANALYSIS**1. Proposals and Analysis of Options**

- 1.1 The Council undertook a structural survey of the two blocks Hartopp Point and Lannoy Point in August 2017. H&F Building Control identified the buildings were safe, however, further intrusive surveys were required. The Council's Building Control undertook intrusive surveys to 3 void properties and this survey was published on the Council's website in March 2018. It identified it is safe for residents to remain at Hartopp and Lannoy Points (providing safety measures were put in place), but extensive strengthening work was required. However, the buildings subsequently failed testing when tested for resistance to disproportionate collapse in the event of an accidental explosion.
- 1.2 To validate these findings, in March 2018, the Council appointed Arup to undertake further intrusive surveys. Arup undertook intrusive surveys to 9 flats across the two buildings. Their report dated 13 February 2019 validated the Council's findings and confirmed the test results regarding disproportionate collapse. Arup's report is available on the Council's website. It recommends Hartopp and Lannoy Points are 'demolished or strengthened as soon as reasonably practical'. Arup have indicated that 'reasonably practicable' be interpreted as by the end of December 2020 at the latest.

- 1.3 The Health and Safety of all residents is the Council's prime concern. Arup's report makes clear the structural issues identified in surveys must be addressed by way of either refurbishment or demolition. There were no alternative options open to the Council.
- 1.4 To address the issues identified by Arup, the Council undertook a consultation with all residents about the future of the blocks. The residents overwhelmingly voted in favour of demolishing Hartopp and Lannoy Points.
- 1.5 On the 10th February the Council successfully secured vacant possession of both Hartopp Point and Lannoy Point.
- 1.6 In line with the recommended procurement strategy in the Cabinet Paper dated, 29th April 2019, an open market tendering exercise was carried out through the Council's e-procurement portal, *CapitalESourcing*. In the same Cabinet report, the decision to award a contract to the demolition contractor was delegated to the Strategic Director for the Economy following consultation with the Cabinet Member for Housing.

Tender Process

- 1.7 The open procedure was selected because it would offer access to several contractors and the possibility to ensure genuine competition. This meant we could possibly receive a decent number of bids as a result of accessing a large pool of contractors.
- 1.8 The Invitation to Tender (ITT) document was published on the Council's e-procurement portal, *CapitalESourcing* on 7th November 2019 and simultaneously published on Contracts Finder (the single publishing portal for all public sector procurement opportunities) to enable contractors participate in the opportunity.
- 1.9 The closing date for tender submission of bids was Thursday, 19th December 2019, and the Council received eight bids.
- 1.10 The tenders were opened on Friday, 20th December 2019, in the presence of the Council's Central Procurement Team with support from the Strategic Asset Management and Compliance team.
- 1.11 A team of four evaluators were assembled to evaluate the method statements. The team consisted of people with specialist construction expertise and subject matter experts to ensure the evaluations were carried out in an objective and unbiased manner.
- 1.12 The Council evaluated the tenders using the most economically advantageous tender (MEAT) criterion as shown in Table 1 below.

MAIN CRITERIA	WEIGHTING (%)	DEMONSTRATED BY
Pass/Fail	Compulsory	Economic and Financial Standing (EFS). Tenders that failed to meet the EFS criteria would be rejected.
Quality	50%	The quality element consisted of seven (7) method statements for bidders to answer and each criterion was marked using the allocated weightings.
Price	50%	The price element was evaluated on total tender price submitted, where the lowest cost Tenderer received 50%

		and all other scores were allocated according to their difference from the lowest price, using the formula: 50% x (Lowest Price of all Tenderers / Tendered Price)
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(Table-1: Evaluation criteria and tender assessment)

- 1.13 Four bids were rejected after the first round of evaluation as they failed to meet the minimum criteria as set out in the ITT documents. The Council invited the remaining four shortlisted bidders to give a presentation on 29th January 2019, in order to clarify aspects of their tender submissions.
- 1.14 Following those interviews, further clarifications on the returned pricing documents were required which are explained in Appendix 3.
- 1.15 The tender process required the technical and commercial evaluation of all valid tenders. Table-2 below sets out the scores achieved by each supplier as assessed by the evaluation panel and taking into account the clarification process set out in Appendix 3. Further information on scoring is provided at Appendix 2.

Rank	Contractor	Price Score	Quality Score	Total Score
1 st	<i>The Coleman Group</i>	39.385	43.00	82.385
2 nd	Tenderer 7	50.00	31.00	81.00
3 rd	Tenderer 2	41.256	33.50	74.756
4 th	Tenderer 4	35.50	32.212	67.712

(Table-2: Tender Scores [Source: Appendix 2 - Tender Analysis])

- 1.16 Based on the evaluation process carried out and, as can be seen in Table-2 above, the officers recommend acceptance of the tender submitted by *The Coleman Group* - the successful bidder with a combined price and quality score of 82.385.

Project Cash Flow

- 1.17 Details of the project cash flow are explained in Appendix 5.
- 1.18 The anticipated Programme of Works for the project is as follows:

Activity/Milestone	Estimated Date
Issuance of Letter of Intent with defined scope as stated in Appendix 1	10 th March 2020
Issuance of Contract Documents	13 th March 2020
Start on site	23 rd March 2020
Project completion	31 st December 2020

Project Management Consultancy Support

- 1.19 The Council appointed Lambert Smith Hampton (t/a Ikon Consultancy) to provide Employer's Agent / Project Management and Core Professional Services to manage the demolition of Hartopp and Lannoy Points. This appointment and Ikon's role is set out in the Officer Delegated Decision paper, "*Contract Award Report: Hartopp and Lannoy Point - Appointment of Project Management Services for Demolition*" dated, 2nd September 2019 and, therefore, not covered in this report.

Letter of Intent

- 1.20 In order to meet the council's aim to demolish the blocks by the end of December 2020 this report recommends instructing Coleman and Company under a Letter of Intent (LOI). The LOI will allow, *Coleman & Company Ltd.*, sufficient time to prepare to start on site on 23rd March 2020 (through a defined Scope of Activities, before the formal contract is executed) and enable the contractor to complete works by December 2020. The LOI will cover work required until the main contract is engrossed and sealed.
- 1.21 The works to be carried out under the LOI prior to the main contract being finalised will include but not be limited to the scope stated in Appendix 1.

2. Reasons for Decision

- 2.1 The reasons and need for procurement are set out in Cabinet Paper, dated 29th April 2019, "*Hartopp and Lannoy Points*", the report approved the procurement of a contractor to demolish Hartopp and Lannoy Points.
- 2.2 The decision in this report is to award appoint, *The Coleman Group*, in line with the delegation to the Strategic Director of The Economy Department as set out in paragraph 2.7 (Recommendations) of the Cabinet Paper dated, 29th April 2019.

3. Equality Implications

- 3.1 There are no other implications that have not been considered in this report that need to be considered and included where they are relevant.

Implications verified/completed by: Matt Rumble, Head of Regeneration Area; tel: 07786 747 488.

4. Risk Management Implications

- 4.1. The Council has consulted with and been informed by experts whose opinion has led to the conclusion that demolition is necessary. The Council must address the structural issues identified either via demolition or refurbishment. The costs of refurbishing the blocks are significant hence the recommendation is to propose solutions for residents first following the consultation exercise and then to proceed to procure a contractor to undertake a controlled and safe demolition once the buildings are vacated of residents. The proposals are consistent with our Council Priorities, specifically decisions being made with our residents foremost in our consideration.
- 4.2. A tendering exercise has been conducted in accordance with our Being Ruthlessly Financially Efficient objective to seek the best financial solution for our tenants and most economically advantageous tender.
- 4.3. The tenderer being recommended in this report did meet the risk credit score criteria set out in the ITT, however, its score was significantly less favourable than that of the other bidders who passed this stage of the evaluation. Given the nature and complexity of this contract, officers should ensure that the financial position of the contractor is regularly reviewed through contract management arrangements and appropriate assurances sought where required to ensure that the contract is successfully completed.

- 4.4. Safeguards will be required to ensure that there are sufficient measures in place to manage asbestos risk and associated environmental risks, along with physical security of the site and other construction-related risks during the period of works.
- 4.5. Officers have also sought advice and followed advice from the Council's Insurance Team in preparing the invitation to tender to ensure that the insurance requirements for the contract are appropriately specified and secured through the tender process. In addition, further advice has been provided on insurance coverage required while the pre-demolition works are conducted under the proposed Letter of Intent.

Implications completed by: David Hughes, Director of Audit, Risk, Fraud and Insurance on 07817 507695

5. Other Implications

Procurement

- 5.1. For high value capital contracts over £1.5m, the Contract Standing Orders (CSOs) state that a 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 budget estimate for this procurement is £3.5m and the award of the proposed contract is £2,649,782.80.
- 5.2. The procurement process ran in accordance with the CSOs by running a competitive open tender exercise. The tender was published through the Council's e-procurement portal, *CapitalEsourcing*, in accordance with the CSOs.
- 5.3. The tender process resulted in the submission of seven (7) compliant bids which were evaluated in line with the advertised criteria, based on a 50% Quality and 50% Price ratio. The evaluation resulted in *The Coleman Group* as the most economically advantageous tender.
- 5.4. The contract should be awarded by way of a notification on the e-tendering system after any standstill period has expired, the service area must arrange for the borough solicitor to seal the contract on behalf of the council and must comply with the requirements under Contract Standing Orders 21.8 and 21.9.

Implications verified/completed by: Ilaria Agueci, Procurement Consultant Tel. 0777 667 2878

Local Businesses

- 5.5. An open market competitive exercise was followed using the Council's e-procurement portal, *capitalEsourcing*, with a simultaneous publication in Contracts Finder. As such, the tender opportunity was available to the entire contracting community including local firms who would have had the opportunity to bid for the contract.
- 5.6. The work being procured under this proposed award is of a specialist type with very limited contractors having experience of carrying out a demolition of a Large Panel System high rise blocks. Despite this, the project team will work with the contractor to explore ways to involve local business in the supply chain and provide apprenticeship to local job seekers.

Implications verified/completed by: (Matt Rumble, Head of Regeneration Area; tel: 07786 747 488.)

ICT and Data Protection

- 5.8 IT Implications: No IT implications are considered to arise from this report as it seeks approval in relation to the procurement of a demolition contractor to demolish 2 high rise blocks; Hartopp Point and Lannoy Point blocks. Should this not be the case, for example, by requiring new systems to be procured or existing systems to be modified, IT Services will be consulted.
- 5.9 IM implications: There are no Information Management implications as no protected information will be shared with the contractor, however, if any sharing of protected information was to be required, a Privacy Impact Assessment(s) will be carried out to ensure that all the potential data protection risks (e.g. contractor needing to contact Residents about the demolition) are properly assessed with mitigating actions agreed and implemented.
- 5.10 Any contracts including sub-contracts arising from this award that would require the sharing of protected information will include H&F's data protection and processing schedule. This is compliant with the General Data Protection Regulation (GDPR) enacted from 25 May 2018.
- 5.11 Any contractor or sub-contractor that require protected information as a result of this award will be required to have a GDPR policy in place and all staff will be expected to have received GDPR training.

Other Implications

- 5.12 There are no other implications that have not been considered in this report that need to be considered and included where they are relevant.

Implications verified/completed by: (Matt Rumble, Head of Regeneration Area; tel: 07786 747 488)

6. Consultation

- 6.1. In line with its statutory obligations the Council undertook consultation with all residents about the future of the blocks.
- 6.2. The consultation started on 4th March 2019 and concluded on 8th April 2019.
- 6.3. The outcome of the consultation resulted in residents overwhelmingly supporting the proposal to demolish Hartopp and Lannoy Points.

List of Appendices:

Appendix 1:	Letter of Intent – Defined Scope of Activities
Appendix 2:	Tender Analysis
Appendix 3:	Tender Price Clarification Process
Appendix 4:	Risk Register with contingency amounts
Appendix 5:	Project Cash Flow

Appendix 1:	Letter of Intent – Defined Scope of Activities
Project:	Demolition of Hartopp Point and Lannoy Point
<i>Open Appendix</i>	

Scope of Works:

The scope of works defined below will be covered under the Letter of Intent (LOI):

1. Site Hoarding
2. Site Accommodation
3. Site preparation
4. Tree felling
5. Soft Strip
6. Asbestos Removal
7. Section 60/61/80/81 notification and all other relevant notifications
8. Temporary works design
9. Surveys
10. Any other works as may be required

It is expected that the LOI would cover the above works until the contract is finalised. The approximate total cost for carrying out the above works is £974,978.00 and so a cap has been set at this level.