

London Borough of Hammersmith & Fulham

Report to: Cabinet Member for Housing

Date: 17 August 2020

Subject: Approval of the Procurement Strategy for the major refurbishment of Maystar Estate W14

Report of: Cabinet Member for Housing – Councillor Lisa Homan

Summary

This report seeks approval of the Business Case & Procurement Strategy for the major refurbishment of Maystar Estate W14 comprising 1-21 Cheesmans Terrace & 34-46 Star Road (Block N); 22-36 Cheesmans Terrace & 1-5 Orchard Square (Block M); 37-52 Cheesmans Terrace & 6-13 Orchard Square (Block L); 53-79 Cheesmans Terrace & 1-9 Shutters Square (Block I); 80-103 Cheesmans Terrace & 10-17 Shutters Square (Block H); 104-115 Cheesmans Terrace & 1-4 Sun Road (Block G); 116-139 Cheesmans Terrace & 1-5 Sun Road (Block F); 140-154 Cheesmans Terrace & 1-5 Vine square (Block B); 155-173 Cheesmans Terrace & 2-10 Star Road (Block C); 198-215 Cheesmans Terrace & 6-11 Vine Square (Block E); 20-32 Star Road; 1-19, 20-39, 40-69 and 70-77 Alice Gilliatt Court; 1-24 Passfields; 1-30 Browning Court, all in W14

This project is one which the Council has committed to deliver as part of the Asset Management Compliance Strategy and Capital Programme approved by Cabinet on 1st July 2019.

Recommendation

That the Cabinet Member for Housing approves the Procurement Strategy, attached at Appendix 1, to use the South East Consortium for the major refurbishment of Maystar Estate W14 at an estimated value of £4.750m for a proposed contract period of 52 weeks.

Wards Affected: North End

H&F Priorities	Summary of how this report aligns to the H&F Priorities
Building shared prosperity	The procurement strategy will require suppliers to demonstrate their commitment to social value including how they can support local businesses.

Creating a compassionate council	Investment in social housing enables the council to fulfil its landlord function and provide good-quality homes to local people that are safe, secure and genuinely affordable
Doing things with local residents, not to them	Residents have been consulted in the preparation of this scheme including formal ballots to decide door styles and communal redecorations. The consultation will continue post-procurement to include site set-up arrangements and further information on the delivery stage.
Being ruthlessly financially efficient	The project will be competitively tendered and awarded on the basis of most economically advantageous tender as set out in the procurement strategy. There will be robust contract management and a strong site presence to ensure quality standards and value for money.
Taking pride in H&F	The evaluation criteria set out in the procurement strategy will require contractors to give details of their approach to energy consumption, use of sustainable materials, transport plan, site waste management, and noise pollution.

Financial Impact

The HRA Capital Programme approved on 1 July 2019 included an indicative budget allowance of £1.9m for the works cost of this project. To allow for the top end pre-tender estimate this procurement strategy is based on, an increased allocation of £3.05m would be needed for the £4.75m works estimate and associated consultant fees of £0.2m. This can be met through utilising the Programme unallocated budget. The HRA Capital Programme had an unallocated budget of £29m as reported to Cabinet on 3 February 2020.

As outlined in section 2 of Appendix 1 to this report, the increase in the pre-tender cost estimate is on account of subsequent addition of enhanced health, safety, lighting and structural works within the scheme's scope.

It is estimated that circa £1.2m of these costs will be chargeable to the leaseholders. The successful contractor will be subject to an assessment of their financial stability which at the very least will be credit check as well as confirmation of turnover. It is recommended that the minimum criteria for this is:

- A CreditSafe score of 50 or above (deemed as low risk)
- An average turnover of the last two years of at least double the contract value. This will need to be confirmed by audited accounts or if the company has a small company filing exemption then it will need to be confirmed by the company's auditors or external accountants.

Legal Implications

1. This report recommends approval of the procurement strategy for the major refurbishment of Maystar Estate W14, as further detailed in Appendix 1 (Procurement Strategy) of this report, at an estimated value of £4.750m and for a proposed contract period of 52 weeks.
2. This estimated value exceeds the current EU Works threshold of £4,733,252 as set out in the Public Contracts Regulations 2015 ("PCR"), therefore the procurement exercise is subject to the full remit of the PCR.
3. Appendix 1 of this report details the procurement strategy and confirms that calling off a third-party framework would be best suited to meet the Council's needs. Officers have identified the South East Consortium Internal and External Building Works Framework ("SEC") Lot 1b: Major Refurbishment over £1m to be the preferred option which meets the Council's needs. The start date of the SEC Framework is 23rd October 2019, and it expires 4 years thereafter. The proposed mini-competition must comply with the requirements of 5.4 – 5.9 of the Framework Agreement. As part of the process, the Council will need to identify the Service Providers of Lot 1b who are capable of carrying the required works and shall invite those Service Providers to take part in a mini-competition.
4. CSO 18.1 requires procurement strategy reports of this value to be approved by the relevant Cabinet Member. The proposal to conduct a mini competition under the SEC Framework complies with the Competition requirement under CSO 19.1. Contract Award will also require approval by the relevant Cabinet Member.
5. All contracts awarded as a result of this procurement strategy must be recorded in the Council's Contracts Register, capitalEsourcing.

Implications verified/completed by: Radhika Devesher Associate at Sharpe Pritchard LLP, on secondment to the Council. rdevesher@sharpepritchard.co.uk

Contact Officers:

Name: Vince Conway
Position: Capital Delivery
Telephone: 07776 672481
Email: vince.conway@lbhf.gov.uk

Name: Sudhir Kafle
Position: Housing Investment Accountant
Telephone: 0777 667 2451
Email: sudhir.kafle@lbhf.gov.uk
Verified by: Andrew Lord, Head of Strategic Planning and Monitoring, Corporate Finance

Name: Radhika Devesher

Position: Associate at Sharpe Pritchard LLP, on secondment to the Council.

Telephone: 020 7405 4600

Email: rdevesher@sharpepritchard.co.uk

Background Papers Used in Preparing This Report - None

DETAILED ANALYSIS

Proposals and Analysis of Options

1. The proposals and analysis of options are set out in Appendix 1. 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.

Property

2. Situated off North End Road, the Maystar Estate encompasses 28 blocks and provides 392 homes (excluding two houses sold freehold) in the Fulham North housing area. The main body of the estate was constructed in 1977 to the north of Star Road (hence the estate is also referred to as Star Road Estate). The homes above the ground floor have the addresses Cheesemans Terrace whilst the ground floor accommodation has other addresses (Shuters Square Road, Sun Road etc) and include a mixture of flats and houses. One block, 6-13 Orchard Square & 37-52 Cheesemans Terrace, is designated sheltered accommodation. Passfields is a single five storey 1960's block of 24 flats. Alice Gilliatt Court sits to the south of Star Road and comprises four blocks of between four and six storeys. It was constructed in the late 1950s and provides 77 homes. Browning Court was built in 1970's and provides 30 flats arranged over two storeys.

Proposed Works

3. The proposed works consist of structural and concrete repairs to private balconies and public walkways, new FD30/FD60 front entrance doors, roof repairs, works to chimneys and rainwater goods, and general external and internal communal fabric repairs and redecoration. Additional fire safety works such as compartmentation, emergency lighting and new signage are included across all blocks as required.

Reasons for Decision

4. This project is one which the Council has committed to deliver as part of the Asset Management Compliance Strategy and Capital Programme approved at Cabinet on 1st July 2019. The development of the programme has been guided by the principles of the strategy and the priorities have been agreed by the Economy Department's Capital Board, chaired by the Assistant Director of Operations.

5. The decision is required to initiate the tender process to appoint a contractor to carry out the works required in these buildings.

Equality Implications

6. 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.

Implications verified by: Fawad Bhatti, Policy & Strategy Officer, tel. 07500 103617.

Risk Management Implications

7. Proposals made are in accordance with the Council's continuing ambition to improve fire safety and security for residents. Works should be undertaken in full consideration and application of HM Government, Health and Safety Executive, Public Health and Industry guidelines to maintain safe distancing at work and other measures to mitigate risks associated with Covid-19. Ensuring works of this nature happen will form a part of the recovery of the construction industry following the lockdown.

Implications completed by: Michael Sloniowski, Risk Manager, tel 020 8753 2587, mobile 07768 252703.

Business Implications

8. Suppliers appointed via the SEC framework will be encouraged to use local businesses where possible. Suppliers will be made aware of the council's business support programme, HF Brill Bizz Supply Chain, which assists local small and medium-sized firms to win contracts for works, supplies and services in the borough. The mini-competition evaluation criteria will include questions on each supplier's training policy and the opportunities they can provide for local employment where this is permitted by the terms of the relevant framework, otherwise contract terms will be included to require this.

Implications verified by: Albena Karameros, Economic Development Team, tel 0207 938 8583

ICT Implications

9. IT Implications: No IT implications are considered to arise from the proposal in this report.

10. IM Implications: : A Privacy Impact Assessment will need to be completed to ensure all potential data protection risks resulting from this proposal are properly assessed with mitigating actions agreed and implemented.
11. Suppliers will be expected to have a GDPR policy in place and all staff will be expected to have received GDPR training. Contracts will need to include H&F's data protection and processing schedule which is GDPR compliant.

Implications completed by: Karen Barry, Strategic Relationship Manager, IT Services, tel 0208 753 3481.

List of Appendices:

Appendix 1: Procurement Strategy for the Major Refurbishment of Maystar Estate
W14

PROCUREMENT STRATEGY RELATING TO THA MAJOR REFURBISHMENT OF MAYSTAR ESTATE W14

The following procurement strategy has been produced in collaboration with Ilaria Agueci, Procurement Consultant, Contracts and Procurement

BUSINESS CASE

1. BUSINESS CASE – WHY THE PROCUREMENT IS NEEDED

- 1.1 The subject properties form part of the Council's housing stock of over 17,000 homes which require ongoing capital investment to ensure they are safe, secure, warm, and weathertight. In particular, in the aftermath of the tragedy at Grenfell Tower, the council has committed to improving fire safety in its stock and this, together with ensuring other statutory compliance, will be a priority for investment in the coming months and years. The council needs to secure a suitable contractor, to ensure this project is delivered efficiently and effectively.

2. FINANCIAL INFORMATION

- 2.1 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 pre-tender estimate for the works of £4,950,000 is £3,050,000 over the approved budget of £1,900,000. 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:
- Installation of automated fire detection systems
 - Installation of lightning protection systems
 - Fire safety works including compartmentation and signage
 - Installation of LED and emergency lighting
 - Remedial structural work
 - Installation of FD30/FD60 front entrance doors

Each of 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.

Leaseholder contributions are estimated to total in the region of £1.2m based on the pre-tender estimate.

3. OPTIONS APPRAISAL AND RISK ASSESSMENT

3.1 Options and analysis of options

3.1.1 Option1 – Do Nothing

The works need to be done to ensure the properties are compliant with safety standards therefore doing nothing is not an option.

3.1.2 Option 2 – Carry out an open tender.

This would lengthen the process so is not a preferred option.

3.1.3 Option 3 – Use existing South East Consortium framework

This is the preferred option. The SEC provides a selection of OJEU-compliant frameworks and offers a quicker route to pre-selected suppliers already assessed as suitable for social housing providers. The council has successfully procured eight major refurbishment projects (and various fire safety schemes) via this route in the last year, we have a good relationship with the SEC who understand our particular requirements. The previous tender exercises have generated a good breadth of interest which has in turn allowed a robust analysis of tenders to achieve and demonstrate value for money. The services offered to the council include:

- drafting tender documents (for client approval)
- seeking tenders through a secure portal (previous procurements via SEC have used Mytenders with the agreement of the Head of Procurement and a waiver has been sought to confirm for this opportunity)
- carrying out financial evaluation of tenders
- facilitating the technical/quality evaluation of tenders (assessment undertaken by client)
- preparing tender reports (these will still need to be approved through the Council's standard award process)
- issuing contract award letters
- option for preparation of contract documents

3.1.4 Option 4 – Procure a Council-owned set of frameworks

A proposal that the council establishes its own set of frameworks remains under consideration. However, the procurement of the long term repairs model has been a greater priority and resources from across the council have been directed to this major task. In addition, further information from the recently started stock condition survey programme would be beneficial to shape the needs of the service and the type of framework or contracts required for the longer term.

4. THE MARKET

- 4.1 The market for building contractors is well-developed. The SEC frameworks offer a breadth of potential contractors with extensive experience in the social housing sector.

PROCUREMENT STRATEGY

5. CONTRACT PACKAGE, LENGTH AND SPECIFICATION

- 5.1 The contract is a one-off tender for specific works at Maystar Estate W14 with an estimated programme of 52 weeks. A specification has been prepared by Baily Garner and initial drafts were shared and discussed with residents. The proposed form of contract is a JCT Intermediate Works with contractor design.
- 5.3 The proposed framework to be used is the Internal and Communal Works OJEU Ref 2019/S 078-184728 which was awarded 23/10/2019 and expires 22/10/2023. Specifically, it is proposed to use Lot 1b: Major Refurbishment over £1m. This Lot offers twelve contractors, all of whom have extensive experience in delivering social housing refurbishment projects.
- 5.4 It is proposed to invite expressions of interest from SEC-appointed contractors and conduct a mini-competition. The award criteria will be based on 60% Quality and 40% Price. Details of the evaluation criteria are provided at para 10.

6. SOCIAL VALUE, LOCAL ECONOMIC AND COMMUNITY BENEFITS

- 6.1 Social Value will be a part of the award criteria, making up 10% of the total quality assessment. The tender process will require bidders to provide details of their corporate social responsibility policy and how it will be implemented in Hammersmith and Fulham. In addition, contractors will be required to use local labour and apprentice schemes where possible and this will form part of the quality assessment criteria where permitted by the rules of the framework.
- 6.2. Officers will assess bidders' record in the creation of jobs or apprenticeships for local residents and work experience placements for local schools and colleges. Evaluation will consider bidders use of local suppliers.
- 6.3 The evaluation process will include questions on contractor's environmental policy such as how it has addressed its carbon footprint, it's approach to air pollution, how it minimises and controls waste and promotes recycling and energy efficiency.
- 6.4 Contractors will also be assessed on how they can engage with the local community e.g. by supporting local resident groups, clubs or charities.

7. OTHER STRATEGIC POLICY OBJECTIVES

- 7.1 The Housing Capital Programme provides the delivery mechanism for the council's strategic priority of ensuring that its housing stock is safe, sustainable, and well managed.

8. STAKEHOLDER CONSULTATION

- 8.1 There has been ongoing consultation with residents to explain the nature and scope of the works, programme, and broad timescales. Residents will receive further correspondence prior to work starting on site, updating them regarding the programme, the scope of works and the level of support in place for residents from officers within the Direct Delivery Team.
- 8.2 Leaseholders were not formally consulted on these procurement frameworks and they retain the right to nominate their own contractor during the first part of a two-stage consultation process.
- 8.3. Procurement regulations mean that a supplier cannot be added to an existing framework. If a leaseholder nominates an alternative contractor, and this supplier is not on one of the frameworks outlined in this report, the nominated contractor will be assessed for capability and capacity against the council's criteria. If the nominated contractor satisfies the criteria then the council will be required to undertake a wholly separate tender process.
- 8.4 All relevant Leasehold consultations before, during and after the tender exercise will be strictly adhered to in accordance with legislation and the Council's policy on consultation. A Notice of Intention (NOI) consultation notice will be sent out before tender and a Notice of Proposal (NOP) will be sent out once those tenders have come back in. This will include the two lowest bids from the tendering exercise. In addition, separate meetings will be held with leaseholders before works start on site.

9. PROCUREMENT PROCEDURE

- 9.1 It is proposed to use an established framework as set out above and conduct a mini-competition using a JCT Intermediate Works contract with contractor design.

10. CONTRACT AWARD CRITERIA

- 10.1 The contract will be awarded to the most economically advantageous Tender based on a combination of price and quality. Tenderers for the contract will be evaluated based on their Quality submission (Method statement) and Price (Commercial) submission, the ratio used will be 60% Quality and 40% Price. SEC has confirmed that the proposed quality/price ratio is within the parameters of their procurement framework.
- 10.2 For all tenders under the mini-competition process, there will be two stages to the evaluation of the quality criteria.
- 10.3 Stage 1 – Compliance: As part of the mini-competition process under a third-party framework, each Tender must achieve a minimum level of acceptability as defined by the compliance standards set out in the table 1 below. The Authority reserves the right to reject without further discussion any Tender which does not meet the compliance standards.

Table 1: Compliance

Compliance Standard	Rationale
Compliant and bona fide Tender	Each Tender shall be checked to ensure that there is no material breach of ITT conditions; that the Tender is complete; that there is no collusion or corruption or anti-competitive behaviour; and that all required information is provided.
Legal Acceptability	Each Tender shall be checked to ensure that there is no legal impediment to the Authority entering a contract with the successful Tenderer in the Authority's form e.g. conflict of interest.
Complete Tender	Each Tender shall be assessed as to whether the Tenderer has confirmed that it is able to provide the Services as detailed within the Service Specification.

10.4 Stage 2 – Quality award Criteria (Technical Envelope): Quality will be assessed based on a Tenderer's written submissions in the Technical Envelope to the award criteria as set out below in Table 3.

10.5 The scoring table is set out in Table 2 below. Each response to the award criteria will be marked out of a possible score of 10. The scoring will be based on the general principles and descriptions shown in Table 2 below. A Tender must score 4 or above for each of the criteria otherwise it may be rejected.

Table 2: Zero to 10 Marking Scheme

Score	Rating	Criteria for Awarding Score
0	Totally Unacceptable	No response or response completely fails to address all of the Council's requirements
1	Unacceptable	Very limited or vague response which fails to address key areas or meet key Council requirements, or the response received contains a large number of weaknesses or omissions in a majority of aspects
2	Poor	Limited or vague response that only meets some of the key Council requirements but with numerous material weaknesses or omissions and the Council has serious doubts about aspects of the response which gives rise to

		serious concerns, or inadequate information has been provided
3	Unsatisfactory	The response addresses a number of key Council requirements but is unsatisfactory in a number of material respects. The proposal contains some material weaknesses or omissions which give the Council some concerns
4	Fair	The response generally meets the key Council requirements but with some aspects which give the Council concern because either they are incomplete or contain minimal material weaknesses or omissions, or differ from the Council's requirement necessary to meet the criteria in at least one aspect
5	Satisfactory	The response addresses a majority of key Council requirements and is generally satisfactory but does not demonstrate any clear strengths
6	Generally Good	The response is generally good in all material respects but does contain some minor weaknesses or omissions. The proposal does, however, have at least one clear strength.
7	Strong	The response is of a good quality in all respects with good concepts and approaches, but contains a few minor weaknesses or omissions with a clear strength in a key area.
8	Very Good	High quality response with clear, coherent and high quality proposals that present a fully workable response with clear strengths in key areas, and any minor weaknesses or omissions which may be present in the response may be acceptable as offered
9	Outstanding	Very high quality, considered response with outstanding features in a majority of areas. A very strong response overall with no material weaknesses or omissions
10	Excellent	Exemplar response in all material respects. The response also demonstrates significant strengths and has no weaknesses or omissions

10.6 The Quality section of the Tender has sub-sections as follows:

Table 4: **Quality Criteria**

Section	Criteria	Weighting
1	Management Structure and Resources	10%
2	Planning, Programming and Resourcing of Works	25%
3	Quality Control	25%
4	Customer Care	15%
5	Health and Safety	15%
6	Social Value and Environmental Issues	10%
	Total	100%

10.7. After completing their individual scoring exercise, members of the evaluation team will meet and consider each Tender and a consensus on scoring for each Tenderer's responses to the award criteria will be reached.

10.8 If during the evaluation team's consensus meeting a Tender is scored 3 or less for a response to any of the award criteria the Tender may not be further considered.

10.9 For those Tenders which at the evaluation team's meeting score 4 or above for all responses to the award criteria the evaluation will proceed.

10.10 Each score for a response to an award criterion will be multiplied by the relevant sub-weighting to arrive at a weighted score. Weighted scores will be added together to produce a total score out of 100. The overall quality weighting will then be applied, 70% for consultancy services and 60% for works.

10.11 PRICE (COMMERCIAL ENVELOPE): The Tender with the lowest total sum will automatically score 100% of the price element in the Commercial Envelope. Thereafter each other Tender is compared against the lowest priced Tender in accordance with the following formula to arrive at a score to one decimal point:

$$(A \div B) \times C = X$$

Where:

A = the lowest submitted price of all Tenders

B = the total price submitted by Tenderer

C = the maximum percentage score i.e. 100%

X = the score for Price

10.12 Based on a notional figure of £60,000 for the lowest Tender price and using the formula set out in paragraph 10.11 above the Commercial Envelope score for price would be as set out below and then weighted by 30% for Consultancy Services and 40% for works:

TENDERER	PRICE	SCORE AWARDED (X)
1	£60,000 (A)	100%
2	£70,000 (B)	86%

3	£80,000 (B)	75%
4	£90,000 (B)	67 %

10.13 COMPILATION OF PERCENTAGES AWARDED FOR QUALITY AND PRICE

The percentages awarded to each Tender for the Price (Commercial Envelope) and Quality (Technical Envelope) elements of the evaluation are added together to arrive at the most economically advantageous Tender i.e. the Tender with the highest total percentage awarded.

PROJECT MANAGEMENT AND GOVERNANCE

11. PROJECT MANAGEMENT

- 11.1 The Assistant Director, Property and Compliance is the strategic lead for the housing capital programme. The Head of Capital Delivery will lead the operational team overseeing the appointed consultants and contractors.
- 11.2 The SEC will facilitate the tender process with officers from the Capital Delivery team evaluating tenders.
- 11.3 Regular project monitoring meetings will be diarised to report on progress to senior management.

12 INDICATIVE TIMETABLE

Milestone	Date
Approval of Procurement Strategy	29 May 2020
Issue Tender documents	8 June 2020
Tender return	20 July 2020
Evaluation complete	10 August 2020
Section 20 Notice of Estimates issued	31 August 2020
Section 20 Notice of Estimates expiry	5 October 2020
Observations responded to	12 October 2020
Contract award report approval (subject to S20)	18 September 2020
Award Notification	13 October 2020
Standstill ends	23 October 2020
Letter of Acceptance	26 October 2020
Start on site	23 November 2020
Completion on site	22 November 2021

13. CONTRACT MANAGEMENT

- 13.1 The Head of Capital Delivery will manage the relationship with Baily Garner the consultants appointed for the housing capital programme. Baily Garner will have the role of contract administrator the works contract and will be responsible for issuing all instructions, variations, notices etc. to contractors.

The appointed Quantity Surveyor will provide cost control and valuation of works.

13.2 A suite of KPIs will be used to monitor, measure and report on the performance of both consultants and contractors. Example KPIs will include:

- Resident satisfaction of contractor performance
- Defects – condition of each property/block in respect of number of defects at the point of handover
- Safety (Main Contractor) – number of reportable accidents each month; average number of people on site
- Construction time taken within properties
- Percentage of properties completed to programme
- Time to produce pre-construction cost information
- Predictability of cost
- Environmental impact, control of waste, noise, dust during construction process
- Local labour and training
- Time to complete scope of works and outline specification (Multi-disciplinary consultant)
- Time to complete final account (Quantity Surveyor)
- Time to produce health and safety files (Multi-disciplinary consultant)
- Client satisfaction