

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Jon Pickstone, Strategic Director of Economy

Date: 30/06/2022

Subject: Procurement Strategy for construction of a new community centre at Linacre Court W6

Report author: Vince Conway, Senior Programme Manager, Capital Delivery

Summary

This report seeks approval of a procurement strategy proposing a limited competitive tendering procedure to source a supplier to carry out the construction of a new community hall at Linacre Court W6. This follows the unsuccessful outcome of an open tender process approved in a previous strategy.

Recommendation

1. That the Strategic Director of Economy, in consultation with the Cabinet Member for Housing, approves the procurement strategy proposing a limited competitive tendering procedure to source a supplier for the construction of a new community hall at Linacre Court W6. The project budget is £327,000 and estimated contract period will be 40 weeks.
 2. That the Strategic Director of Economy approves a virement of £31,000 from the uncommitted Compliance Concrete/Structural works Contingency so that the procurement costs of £327,000 can be fully funded from the relevant project budget within the HRA Asset Management Compliance Strategy and Capital Programme.
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Ward Affected: Avonmore

Our Values	Summary of how this report aligns to the H&F Values
Building shared prosperity	The new building is consistent with objectives within the Local Plan creating access to good quality community spaces, services, amenities and infrastructure that accommodate, encourage and strengthen communities,

	increasing active participation and social integration, and addressing social isolation.
Creating a compassionate council	The new building will be a multi-use community facility used to support a wide range of local activities including TRA business, childcare provision, food banks, support for vulnerable citizens, and hosting social and recreational clubs.
Doing things with local residents, not to them	The project has been initiated by and developed with the Linacre Court Tenants and Residents Association with additional input from both current users of the existing inadequate facility and prospective users of its proposed replacement.
Being ruthlessly financially efficient	The project will be competitively tendered with bids assessed using most economically advantageous criteria. The successful bid will generate a minimum 10% social value in line with council policy.
Taking pride in H&F	The project includes significant landscaping of the area surrounding the new centre to provide a safe, pleasant and functional setting. The building will be screened by attractive trees and shrub planting. The suite of potential suppliers will be compliant with ISO 14001:2015 Environmental Management Systems (EMS) to control and reduce their environmental impacts throughout the works and other activities associated with the contract.
Rising to the challenge of the climate and ecological emergency	The new building will conform to all current standards for energy efficiency including insulated roof and walls, A-rated double-glazed/triple-glazed windows, and a low carbon or renewable heating and hot water system.

Financial Impact

The HRA Asset Management Compliance Strategy and Capital Programme latest approved budget contains an allocation of £296,326 for the works covered by this report. This allocation was based on the cost estimates for the previously considered prefabricated unit. Paragraph 5 of this report below provides an updated estimate of

budget requirement at £327,000 for the purpose-built new building that is now being proposed, which leaves a budget gap of £30,674.

The Asset Management Team in consultation with the Capital Direct Delivery team (whose budget management this scheme comes under) have agreed to propose a budget virement for the shortfall to this scheme from the currently uncommitted budget for Compliance Concrete/Structural works Contingency. Upon approval of this procurement strategy, the revised budget will be included in the next HRA Asset Management Compliance Strategy and Capital Programme monitor for approval by the Cabinet.

At the time of a proposed award of contract to the selected contractor, their credit and financial health check will be carried out and the outcome reported in the finance implications section of the award report.

Although there are no immediate revenue implications directly arising from this report, revenue budgets will need to be created once the new building has been completed and appropriate authority sought to enable this. In common with other TRA (Tenants and Residents Association) halls and rooms on council housing land, it is expected that the new hall will be run by the TRA under licence for community use and not for business-purposes. On this basis, the hall is expected to be exempt from business rates.

When the TRA sign the licence, they will be responsible for paying utility bills and for other services to the premises. However, it is possible that there may be other running costs that fall outside of the licence such as repairs-related costs including ongoing repairs, intruder alarms and fire safety systems. These will need to be factored into budgets at the appropriate time and financial planning forecasts where significant.

Implications provided by: Danny Rochford, Head of Finance (Economy)

Verified by: Emily Hill, Director of Finance dated 8 June 2022

Legal Implications

The Council has power to provide a community hall as part of its functions as a local housing authority under the Housing Act 1985.

The proposed works are below the threshold for a public works contract under the Public Contracts Regulations 2015. The Council is therefore not obliged to undertake the competition and advertising procedures set out in those regulations.

This is a high value under the Council's Contract Standing Orders. The proposed procurement strategy is in accordance with the requirements of CSO19.1.

The JCT Intermediate Works Contract is suitable for this project.

Verified by: John Sharland, Senior solicitor (Contracts and procurement)

Dated 20 May 2022

Background Papers Used in Preparing This Report –

None

DETAILED ANALYSIS

Background

1. Linacre Court is an eighteen storey tower block constructed in 1965 providing 69 flats, 16 of which have been sold under the right to buy. The block is situated on Great Church Lane adjacent to the A4 at the eastern end of the Hammersmith flyover. It is managed by the South Hammersmith housing management area and is in Avonmore ward.
2. The Linacre Court Tenants and Residents Association is currently using a small converted WC on the ground floor of the tower. This is not fit-for-purpose, with inadequate space and facilities for the services currently provided and restricting the potential for additional services in the future.
3. Officers have looked at various options with residents and concluded that a new purpose-built building would best serve the needs of residents and the wider community. There is ample space for a new building to the west of the block and the project also provides an opportunity to enhance the estate environment.
4. In summary the completed project will provide a modern, high quality facility that makes a positive contribution to the Linacre Court estate and the surrounding urban environment.

Budget estimate

5. John Rowan and Partners have compiled a pre-tender estimate for the specified works of £292,000, inclusive of a contingency of £28,000. Adding consultant fees of £25,000 and specialist fees (e.g. building control, planning, arboricultural services) of £10,000 results in a total budget requirement of £327,000.

Reasons for Decision

6. The decision above is required to proceed with a tender process to appoint the contractor to carry out the works.

Contract Specifications Summary

7. The contract entails the construction of a single storey building for use as a community centre with landscaping to the immediate surrounding area.
8. The proposed form of contract is a JCT Intermediate Works with Contractor Design for the mechanical and electrical portion.
9. The contract will be a one-off with an estimated construction period of 40 weeks followed by a 12 month defects period.

Procurement Route Analysis of Options

10. **Option1 – Do Nothing:** The existing facility is not fit for purpose and therefore doing nothing is not an option.
11. **Option 2 – Use existing South East Consortium framework:** This was the original preferred option using the SEC's New Build Framework as it offered a quicker route to pre-selected suppliers already assessed as suitable for social housing providers. However, on seeking initial expressions of interest only two of the eight suppliers on the framework responded with confirmation of their interest. Officers considered this was an insufficient pool and there was no guarantee that even two bids would be received.
12. **Option 3 – Carry out an open tender:** This option has been pursued unsuccessfully. A tender opportunity was published on capitalesourcing on 9th January with a return date of 3rd March, allowing six weeks for suppliers to submit a bid. Although 27 suppliers viewed the opportunity only one bid was received which was more than double the estimate. The appointed consultants, John Rowan and Partners, reviewed the pricing document and concluded that there were no significant arithmetical errors. JRP stood by their pre-tender estimate.
13. **Option 4 – Carry out a limited tender:** This is now the preferred option. It is proposed to invite bids from a minimum of six suppliers, including the unsuccessful bidder at the last tender. The aim is to create a true competition, ideally more than three tenders received. Officers propose to approach suppliers from the following sources:

Source	No. Potential Suppliers	Reason
Previous bidder	1	Has previously bid and should be invited to do so again

H&F Local Supply Chain Project	5	This is a business support project aimed at local SMEs in the construction and property maintenance sectors. MTW Consultants Ltd deliver this service for the council and have provided a list of local suppliers which officers consider will be suitable.
SEC New Build Framework suppliers	2	To inform the original procurement strategy H&F sought expressions of interest from suppliers on the SEC's New Build Framework. Only two suppliers responded so this option was not pursued further. It now seems appropriate to invite the two suppliers that originally expressed an interest.
SEC Major refurb Framework suppliers	2	Two suppliers who have successfully delivered larger projects in recent years may be interested.

Market Analysis, Local Economy and Social Value

14. The market for building contractors is well-developed.
15. All bidders will be required to submit a Social Value offer generating a minimum 10% social value. They will be asked to complete a Themes and Outcomes Measures Questionnaire, which will be evaluated and scored by the Social Value Portal. Commitments on social value are contractual obligations and delivery will be monitored by the contract manager, with the support of the Social Value Portal with penalties clauses applied where the overall value is not achieved.

Risk Assessment and Proposed Mitigations

16. The evaluation process will ensure that contractors have the necessary financial standing, insurances, and health and safety qualifications to complete this project.

Timetable

17. The estimated timetable of the competition process through to contract commencing is as follows:

Urgent Key Decision Entry (Strategy)	19 May 2022
Contracts Assurance Board (Strategy)	8 June 2022
SLT/Cabinet Member Sign off (Strategy)	29 June 2022
Call-in expiry	6 July 2022
Confirm expressions of interest	22 July 2022
Launch Tender	25 July 2022
Closing date for clarifications	22 August 2022
Closing date for submissions	5 September 2022
Evaluation of Tenders	3 October 2022
Key Decision Entry (Award)	September 2022
CAB (Award)	5 October 2022
SLT/Cabinet Member (Award)	6 October 2022
Find a Tender Service Contract Award Notice	12 October 2022
Contract engrossment	October 2022
Contract mobilisation and implementation	October 2022
Contract Commencement date	November 2022

Selection and Award Criteria

18. The contract will be a one-off tender for works identified in the specification provided by John Rowan and Partners, the construction consultants appointed to the project. The proposed form of contract is a JCT Intermediate Works with contractor design for the mechanical and electrical portion.
19. The contract will be awarded to the most economically advantageous Tender based on a combination of price and quality. Tenderers for each 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.
20. Under the open tender process, there will be two stages to the evaluation of the quality criteria.
21. Stage 1 – Compliance: Each Tender must achieve a minimum level of acceptability as defined by the council's 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.

Compliance Standard	Rationale
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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.

Table 1

22. 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 set out in the sub-sections in Table 2 below.

Section	Criteria	Weighting
1	Management Structure and Resources	10%
2	Planning, Programming and Resourcing of Works	20%
3	Quality Control	23%
4	Customer Care	20%
5	Health and Safety	10%
6	Social Value	17%
	Total	100%

23. 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 5. 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 Scoring Scale		
Score	Rating	Criteria for Awarding Score
0	Unacceptable (fail)	The response provides no information, or information is omitted so there is insufficient evidence to support the proposal to allow the Council to evaluate, or information provided is fundamentally unacceptable and/or wholly unsatisfactory. It provides no, or very little, evidence that the outcomes will be delivered to an acceptable required standard.

Table 2 Scoring Scale		
Score	Rating	Criteria for Awarding Score
1	Poor (fail)	The response has significant omissions and/or few areas are clearly addressed and there are serious and/or many concerns and/or it provides insufficient evidence or little/no confidence that the outcomes will be delivered to an acceptable standard.
2	Fair	The response does not address all of the elements of the question or it provides unsatisfactory evidence that the specified requirements will be met. There are some concerns and it does not provide confidence that all the outcomes will be delivered to an acceptable standard.
3	Satisfactory	The response addresses the required elements of the question. It provides evidence that the specified requirements will be met. There are some minor concerns and the proposal provides confidence that delivery of the outcomes will be to an acceptable standard.
4	Good	The response clearly addresses all the required elements of the question. It provides evidence that the specified requirements will be met in full. There are no concerns and the proposal provides confidence that delivery of the outcomes will be to a good standard.
5	Excellent	The response sets out a robust solution (as for a 4 score – above) and, in addition, provides or proposes additional value in substance and outcomes in a manner acceptable to the contracting authority; provides full confidence as to the relevant ability, understanding, expertise, skills and/or resources not only to deliver the requirements, but also offering added value. Low/No risk solution for the contracting authority

24. 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.
25. 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 of 60% will then be applied.
26. Stage 3 – 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

Contract Management

27. The Assistant Director for Residents and Building Safety 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.
28. The Head of Capital Delivery will manage the relationship with John Rowan and Partners, the multi-disciplinary consultants appointed for this project. JRP will have the role of contract administrator for the works contract and will be responsible for issuing all instructions, variations, notices etc. to contractors. JRP will also provide Quantity Surveyor services including budget estimate, detailed cost plans, cashflow forecasts, valuation of works, issue of interim contractor payments, and preparation of the final account.
29. Regular project monitoring meetings will be diarised to report on progress to senior management.

Equality Implications

30. 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.
31. The proposals will have positive impact by providing a multi-use community facility available to support a wide range of local activities.

Risk Management Implications

32. A risk register will be maintained by the contract administrator with appropriate contingency measures in place for any identified risks. Robust project controls and monitoring will be maintained throughout the programme of works to ensure timely delivery, within the financial envelope and to the quality standards specified. Carrying out a competition for the works will help to

demonstrate that value for money is secured through the project, which is in line with council objective of being ruthlessly financially efficient.

Implications verified by: David Hughes, Director of Audit, Fraud, Risk and Insurance, tel: 07817 507 695, 20 May 2022

Procurement Implications

33. The Head of Procurement has advised in the preparation of this strategy. Given the unsuccessful outcome of the open process and the insufficient level of interest shown via the framework the limited competition option is considered most likely to secure best value.
34. The procurement exercise must be carried out on Capital Esourcing and the resulting signed contract must be saved onto this system at the end of the exercise.

Implications verified by: David Von Ackerman, Head of Procurement and Commercial – Interim, 07759 044313, 25 May 2022

Ecological Emergency Implications

35. A Climate Implications Toolkit has been completed and there are no obvious negative impacts but some clarifications were sought on various aspects where positive impacts might be enhanced, particularly around heating source. In response, the project team have advised that the heating and hot water system comes under the contractor design portion of the specification. Contractors will be required to provide a solution in accordance with the design guide issued by the London Energy Transformation Initiative (LETI) which requires heating and hot water generation to be fossil fuel free.
36. The new building will conform to current standards for energy efficiency including fully insulated roof and walls, A-rated double-glazed windows to the north and south elevations and a triple-glazed system to the south and west elevations. All appliances installed as part of the fit-out will be A-rated.

Implications verified by: Robert Kyle, Project Manager - Climate Emergency 07960 470125, 20 May 2022

Local Economy and Social Value Implications

37. The social value assessment in this procurement strategy is in line with the Council's requirement, 10% overall is included in the quality questions.

38. Bidders will be required to register on Social Value Portal to enter social value quantitative responses. The Successful Bidder is responsible for paying the Social Value Portal Management Fee for the term of the Contract.
39. It is recommended the project lead work closely with H&F Social Value Officer and the contractor to agree on a delivery plan, soon after the award. It is advisable the Commissioner will work closely with Legal Services to ensure appropriate social value clauses are included in the contract, so that the Council can enforce its right to compensation if social value commitments are not delivered.

Implications verified by: Paul Clarke, Economic Development Officer, 20 May 2022

Consultation

40. There has been detailed consultation with residents via the Linacre Court TRA who have provided valuable contributions to the feasibility and options appraisal. Wider public consultation has been completed via the planning process.

Digital Services and Information Management Implications

41. IT Implications: No IT implications are considered to arise from the proposal in this report. Should this change, Digital Services should be consulted.
42. IM Implications: A Privacy Impact Assessment will need to be completed to ensure all potential data protection risks arising from this proposal are properly assessed with mitigating actions agreed and implemented.
43. The supplier appointed as a result of this report will be expected to have a Data Protection policy in place and all staff will be expected to have received Data Protection training.
44. Any contract arising from this report will need to include H&F's data protection and processing schedule which is compliant with Data Protection law.

Implications verified by: Tina Akpogheneta, Interim Head of Strategy and Strategy lead, Digital Services, tel 02087535748.

Property Implications

45. The new community hall will be added to the HRA asset register on completion. Following the passing of the 12 month defects liability period future maintenance will be carried out by the council's DLO and specialist mechanical and electrical contractors as appropriate.