

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Councillor Frances Umeh, Cabinet Member for Housing and Homelessness

Date: 28 September 2023 (CAB 20 September 2023)

Subject: Award of contract for the major refurbishment of West Kensington Estate towers (Churchward House, Fairburn House, Desborough House, Lickey House, Sharnbrook House) W14

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

Responsible Director: Jon Pickstone, Strategic Director for Economy

SUMMARY

This report seeks approval to award a contract for the major refurbishment of five tower blocks forming part of the West Kensington estate W14. The scheme was included in the Procurement Strategy approved by Cabinet on 22nd December 2022, which identified sites for investment during the period 2023-2025.

The West Kensington Estate is a mixed development built between 1972 and 1974. The council manages 604 homes on the estate comprising a mixture of towers, walk-up blocks, and terraces of houses. This project is confined to 385 flats in the five towers, namely the conjoined eleven-storey blocks Churchward House and Fairburn House; the conjoined ten-storey blocks Desborough House and Lickey House; and the standalone nine-storey block Sharnbrook House.

The main issue the project is seeking to address is to renew the existing windows, which at 30 years old have reached the end of their service life. Other works to the building fabric include renewal of roof coverings with improved insulation and concrete and brickwork repairs to ensure homes are safe, secure and wind and weathertight. Further, in line with the Council's carbon reduction and fire safety targets, the project also includes wall insulation measures, the installation of a domestic sprinkler system, the installation of a new fire alarm system, and improvements to the mechanical extract system. The overall package of works is expected to improve thermal comfort, reduce energy consumption, and reduce the risk of condensation, damp and mould.

In accordance with the approved procurement strategy, the contract has been procured via a call off from the South East Consortium's ("SEC") suite of public sector frameworks, using a mini-competition process in accordance with the competition requirements set out in the Council's Contract Standing Orders ("CSOs").

RECOMMENDATIONS

1. To note that Appendices 1-4 are not for publication on the basis that they contain information relating to the financial or business affairs of any particular person (including the authority holding that information) as set out in paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).
2. That the Cabinet Member for Housing and Homelessness approves the appointment of Mulalley and Company Ltd via the South East Consortium Internal and External Works Framework Lot 1b (Major Refurbishment over £1m) (“SEC Framework”), to undertake major refurbishment works to West Kensington estate towers W14 for a sum of £12,433,018. The project is expected to start on site on 20 November 2023 with an estimated completion date of 2 December 2024.
3. That the Cabinet Member for Housing and Homelessness approves the contingency sum detailed in exempt Appendix 3 to deal with any unforeseen works that may arise during the delivery of the project.
4. That the Cabinet Member for Housing and Homelessness notes that the formal award of the contracts will not be made until completion of consultation with affected leaseholders under Section 20 of the Landlord and Tenant Act 1985.
5. To note that this report has been assured by Contracts Assurance Board on 20th September 2023 and the recommendations have the support of the Departmental Management Team including the Director of Housing and the Assistant Director, Residents and Building Safety.

Wards Affected: West Kensington

Our Values	Summary of how this report aligns to the H&F Values
Building shared prosperity	The proposed works will improve and maintain the standard of council homes, thus supporting the council in its strategic function as a social housing landlord of providing the opportunity of a decent home to its residents. Housing is a prime influence on quality of life, life expectancy, opportunities for work, education, leisure etc. It is critical to economic development, educational achievement, public health, and community cohesion.
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 fully consulted during the preparation of schemes, and this will continue through to progression to site, and final delivery. The consultation will continue post-award to include site set-up arrangements and further information on the delivery stage. Residents will be balloted to confirm preferred communal redecorations.
Being ruthlessly financially efficient	The project has been competitively tendered and will be 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.
Taking pride in H&F	The evaluation criteria have required contractors to give details of their approach to energy consumption, use of sustainable materials, transport plan, site waste management, and noise pollution.
Rising to the challenge of the climate and ecological emergency	The works include various proposals in line with the council's climate change targets including new A-rated double-glazed windows with solar control coating; improved roof insulation; cavity wall insulation; and insulated render system to external to masonry panels.

Financial Impact

The report seeks approval to appoint Mulalley and Company Ltd for a 54 week contract (inclusive of 2 week shutdown) for 20 November 2023 to 2 December 2024 at a total cost of £12.433m (plus contingency).

The works will be funded by unallocated budgets within the HRA 4-Year Capital Programme including Windows, Climate Emergency and Other Future Works.

The works are anticipated to be fully capital in nature as they are expected to improve asset quality and extend lifespan.

A Credit Safe Report was run for Mulalley & Co Limited on 12/09/2023 that provided a risk score of 91, well above the Council's minimum of 50, and an annual contract limit of £48.500m. This is more than sufficient for the contract value detailed in this report.

Furthermore, the service will ensure invoicing is done in arrears of works completed and Finance colleagues will assist in tracking spend to ensure it is in line with Chartered Institute of Public Finance and Accountancy (CIPFA) Capital Guidance and within the contract limit.

The costs relating to leaseholders' homes will be recovered from leaseholders under the Section 20 process.

Implications prepared by: Llywelyn Jonas, Principal Accountant – Housing Capital, 12/09/2023

Verified by: Danny Rochford, Head of Finance (Economy and Housing Revenue Account), 12/9/23

Legal Implications

The Council has a duty to maintain its housing stock as part of its functions as a local housing authority under the Housing Act 1985. It therefore has the legal power to undertake these works of refurbishment.

The value of the contract for the works means that it is a “public works contract” for the purposes of the Public Contracts Regulations 2015 (PCR) since it is above the relevant threshold (£5,336,937.00). The Council is therefore obliged to procure the works in accordance with the advertising and competition requirements set out in the PCR.

The procedure followed was a mini-competition under the South-East Consortium framework agreement. The framework was let under the PCR and the Council is permitted to call-off contracts under the terms of the agreement. The requirements of the PCR have therefore been met.

These are high value contracts for the purposes of the Council's Contract Standing Orders. The use of a suitable framework agreement is a compliant method of procuring contracts of this value and the SEC framework is suitable for this purpose. The procurement has therefore been undertaken in accordance with CSO 18.

Some of the works will be undertaken to properties belonging to leaseholders. In order to be able to recharge the owners the Council needs to undertake the process of consultation as required by the Landlord and Tenant Act 1985 and the Service Charges (Consultation Requirements) (England) Regulations 2003. This is detailed in paragraph 27 below and will need to be done and observations considered before the contracts are signed.

The award of these contracts is a “key decision” for the purposes of Article 12.3 of the Council's constitution. As required, the relevant details of the proposed award were advertised on the Council's website on 14 June 2023.

Implications prepared by: Joginder Bola, Senior Solicitor (Contracts & Procurement), 29/08/2023

Background Papers Used in Preparing This Report

NONE

DETAILED ANALYSIS

Reasons for Decision

1. A procurement strategy for this project was approved by Cabinet in December 2022.
2. The decision above is required to appoint the successful contractor to carry out the works required in these properties.

Property

3. The West Kensington Estate is a mixed development built between 1972 and 1974 on the site of railway sidings following a land transfer from British Rail. The council manages 604 homes on the estate comprising a mixture of towers, walk-up blocks, and terraces of houses. This project constitutes the initial phase of works to the estate and is confined to 385 flats in the five towers, namely the conjoined eleven-storey blocks Churchward House and Fairburn House; the conjoined ten-storey blocks Desborough House and Lickey House; and the standalone nine-storey block Sharnbrook House.
4. A future phase to include works to the medium-rise blocks (Marchbank Road and North End Road) is in the early stages of development. It should be noted that the medium-rise blocks had windows replaced in 2010/11.
5. A pilot scheme for the retrofit of the houses on the estate is currently on site and will inform the roll-out of works to the rest of the terraces over the next 2-3 years.
6. The tower blocks are constructed of reinforced concrete frames with a brickwork facade and masonry infill panels below some windows. They have flat asphalt roofs, each renewed between 1999 and 2001, and double-glazed aluminium windows dating from circa 1990. The lifts benefited from a partial upgrade in 2015. New FD60 flat doors and communal doors have recently been installed to each block and the spandrel panels and windows to the central core of the four taller blocks have been replaced. Projects to upgrade the communal and emergency lighting with LED units and install new door entry systems have also been completed.

Proposals

7. The Council is required to maintain its housing stock in good repair, providing quality homes that are safe and secure and meet tenant aspirations.

8. The five towers at West Kensington Estate were included in the Procurement Strategy approved by December 22 Cabinet, which identified sites for investment during the period 2023-2025.
9. The main issue the project will address is the existing windows, which at 30 years old have reached the end of their service life. Other works to the building fabric include renewal of roof coverings with improved insulation and concrete and brickwork repairs to ensure homes are safe, secure and wind and weathertight. Further, in line with the Council's carbon reduction and fire safety targets, the project also includes wall insulation measures, the installation of a domestic sprinkler system, and improvements to the mechanical extract system. The overall package of works is expected to improve thermal comfort, reduce energy consumption, and reduce the risk of condensation, damp and mould.

Tender Process

10. In accordance with the approved strategy, the procurement has been undertaken through the SEC framework by way of a mini-competition under the Internal and External Works framework Lot 1b (major refurbishment works over £1,000,000).
11. Expressions of interest were sought from the eleven suppliers on the framework with eight asking to be included in the process. An invitation to tender was published on the CapitalEsourcing portal on 24 May 2023 with an original closing date of 5 July 2023, extended to 21 July 2023. Tender submissions were received from four suppliers.
12. The tender appraisal panel evaluated all submissions in accordance with the mini-competition set out in the Invitation to Tender ("ITT") 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.
13. The table below sets out the scores achieved by each supplier as assessed by the evaluation panel. Further scoring information is provided at exempt Appendix 1.

Overall Ranking	Contractor	Value of tender	Price Score	Price Rank	Quality Score	Quality Rank	Total Weighted Score
1 st	Mulalley and Company Ltd	£12,433,018.00	90.40	2nd	77.33	1st	82.559
2 nd	Tenderer 2	£13,286,387.05	84.60	4th	77.24	2nd	80.183
3 rd	Tenderer 3	£11,240,021.18	100.00	1st	66.92	4th	80.151
4 th	Tenderer 4	£12,811,067.85	87.74	3rd	73.40	3rd	79.135

14. Based on the evaluation process carried out in accordance with the approved procurement strategy and Invitation to Tender, officers therefore recommend acceptance of the tender submitted by Mulalley and Company Ltd.

Equality Implications

15. 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.

Risk Management Implications

16. A risk register will be maintained by the contract administrator for this project 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. The project has been tendered via a competitive procedure which 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. The contract will not be awarded until the section 20 consultation with leaseholders has been concluded, which mitigates the risk of the Council not being able to bill leaseholders for their share of the cost of the works.

Implications verified by: David Hughes, Director of Audit, Fraud, Risk and Insurance, 14 September 2023

Climate and Ecological Emergency Implications

17. A retrofit feasibility was completed by Baily Garner consultants in October 2022. The aims were to produce options to achieve:
 - improved functionality, usability and durability of buildings;
 - improved comfort, health and well-being of building occupants and visitors;
 - improved energy efficiency, leading to reduced fuel use, fuel costs and pollution, and;
 - reduced environmental impacts of the buildings.
18. The scope of works follows the recommendations of the feasibility study by adopting a fabric first approach incorporating measures to reduce both heat loss and the demand for heat. These measures include the installation of A-rated double-glazed windows; the application of solar control coating to windows to temper the sun's heat and glare; mineral fibre insulation to cavity brickwork; external wall insulation system to solid masonry panels below windows; new roof coverings with improved insulation to achieve U-values in line with Building Regulations; improved ventilation with new domestic extractor fans and a centralised mechanical extract system.
19. Post-completion assessments will be undertaken to all archetypes but the proposed measures are expected to raise the average Energy Performance Rating from a C to a B.

Verified by: Jim Cunningham, Climate Policy & Strategy Lead, 1st September 2023

Local Economy and Social Value Implications

20. It is a requirement that all contracts awarded by the council with a value above £100,000 provide social value commitments that are additional to the core services required under the contract. These commitments must amount to at least 10% in value of the price of the contract proposed. In addition, the evaluation of social value should account for a weighting of 10% of the overall score from a procurement strategy agreed by CAB prior to 1/4/23.
21. The Procurement Strategy was agreed 5 December 2022 and Social Value accounted for 10% of the overall score of the bids.
22. Mulalley proposed social value with a proxy financial value that is 10.4% of the contract price. The main contributions will be training and employing local residents on the contract and using local businesses in the supply chain of the contract.
23. It is recommended that the commissioner works with the Legal Service to ensure appropriate social value clauses are included in the contract so that the council can enforce its right to financial remedies if social value commitments are not delivered.

Implications verified by: Paul Clarke, Social Value Officer, 31 August 2023

Procurement implications

24. The results of the evaluation process (ITT_17044) have been verified against the e-tendering system.
25. A contract shall be created in the contracts register and a signed copy of the contract uploaded, to ensure compliance with statutory transparency requirements.
26. Contract Award Notices shall be published via capitalEsourcing.

Implications verified by: Waheeda Soomro, Commercial Manager, Commercial & Procurement 8 September 2023

Digital Services Implications

27. IT Implications: no direct IT implications are considered to arise from this report as it seeks approval to award a contract for the refurbishment of various council-owned residential properties. Should this not be the case, for example, by requiring new systems to be procured or existing systems to be modified, Digital Services should be consulted.

28. IM Implications: A Data Privacy Impact Assessment (DPIA) 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.
29. Mulalley and Company Ltd will be expected to have a Data Protection policy in place and all staff will be expected to have received Data Protection training.
30. Any contracts 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: Cinar Altun, Digital Strategy Lead, Digital Services
06.09.2023*

Consultation

31. 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 Capital Delivery Team.
32. There are a total of 50 leaseholders across the five blocks and they have been notified in accordance with statutory consultation legislation. Notices of intent were sent out on 4 November 2022 and expired 9 December 2022. The Notices of Estimate will be issued during September 2023 with a 35-day consultation period. The contract will not be issued until expiry of the Section 20 notice period and the satisfactory conclusion of any observations received.
33. The total estimated charges to leaseholders based on the recommended contract sum plus contingency and internal management fees is £1,403,205. Further details are shown in Appendix 2.
34. The council offers a range of repayment options to leaseholders with extended interest free periods for those facing higher bills.

LIST OF APPENDICES (ALL EXEMPT)

- Appendix 1: Details of tender analysis
- Appendix 2: Details of estimated leaseholder recharges
- Appendix 3: Risk Register Contingency Amounts
- Appendix 4: Elemental breakdown of works and costs