

## LONDON BOROUGH OF HAMMERSMITH & FULHAM

**Report to:** Strategic Director for Economy, in consultation with the Cabinet Member for Housing and Homelessness

**Date:** 21/03/24

**Subject:** Procurement Strategy for a works contract for spandrel panel replacement and associated works on four high-rise blocks

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

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### SUMMARY

Approval of this procurement strategy is required to enable the continuation of a programme to replace insulated panels forming part of the external walls of buildings, either fixed to masonry or incorporated into window frames. The intent of such panels is to provide thermal insulation and aesthetics but, in some cases, whilst units will have been compliant with Building Regulations at the time of installation, the fire safety of these panels cannot be guaranteed. In such cases the replacement with A1-rated units is the appropriate course of action.

This procurement strategy relates to package 5 of a five-part package to replace panels on 26 council owned residential blocks. The blocks in package 5 are: Herbert Morrison House, Jepson House, 9-67 Muscal House, and Standish House.

The pre-tender estimate for the works is included in exempt Appendix 1.

This report has been assured by Contracts Assurance Board on 6 March 2024 and the recommendations have the support of the Departmental Management Team including the Director of Housing and the Assistant Director, Residents and Building Safety.

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### RECOMMENDATIONS

1. To note that Appendix 1 is not for publication on the basis that it contains information relating to the financial or business affairs of any particular person (including the authority holding that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 Strategic Director for Economy, in consultation with the Cabinet Member for Housing and Homelessness, approves the procurement strategy to source a suitably experienced contractor via the South East Consortium Fire Safety Framework (External Fire Protection) ("SEC Framework") to undertake spandrel panel replacement and associated works to four tower blocks. The contract is expected to be for 56 weeks, with an estimated start date of 23 September 2024 and completion in October 2025.

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**Wards Affected:** Ravenscourt, Fulham Reach, Lillie, Sands End

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<b>Our Values</b>	<b>Summary of how this report aligns to the H&amp;F Values</b>
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 will be fully consulted during the preparation of schemes, their progression to site, and final delivery. Officers and appointed consultants will ensure that residents are properly informed about decisions affecting their homes and, where necessary, specific feasibilities and impact assessments will be undertaken. 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 from the client team to ensure quality standards and value for money.
Taking pride in H&F	The tender evaluation will consider the project's environmental impact including reviewing contractors' 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 priority for this scheme is to replace potentially combustible panels in line with the Council's fire safety policy. However, the new panels will be A1-rated and insulated with a mineral wool core to current Building Regulation standards.

## Financial Impact

This report is not intended to approve budgets but is seeking approval of the procurement strategy. A further report will be required to approve the appointment of a contractor, and this will set out all the financial implications for the Housing Revenue Account and the Housing Capital Programme.

*Completed by: John Loveday, Principal Accountant Capital (HRA), 27/02/2024*

*Verified by: Danny Rochford, Head of Finance (HRA and Economy), 28/2/24*

## Legal Implications

This report recommends a procurement strategy for approval by the SLT Member for a contract for spandrel panel replacement and associated works to four tower blocks. The strategy proposes using the South East Consortium Fire Safety Framework (External Fire Protection) ("SEC Framework") Lot 3. It is proposed to carry out a mini-competition which is permissible under the Framework. Using the Framework complies with the Public Contract Regulations 2015 and the Council's Contract Standing Orders.

The decision is a Key Decision (see Article 12 of the Constitution) and the report must be submitted to Committee Services for publication on the Council's website.

The appropriate decision maker is the SLT Member.

*Angela Hogan, Chief Solicitor (Contracts and Procurement) 22<sup>nd</sup> February 2024*

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## Background Papers Used in Preparing This Report

None

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## DETAILED ANALYSIS

### Reasons for Decision

1. This procurement strategy is submitted for approval by the Strategic Director, in consultation with the Cabinet Member, in accordance with paragraph 18 of Contract Standing Orders (‘CSOs’).
2. Approval of the strategy will allow officers to initiate a tender process to secure an appropriate contractor to carry out these essential works.

## **Background**

3. In October 2018, following the Grenfell tragedy, the then Ministry of Housing, Community and Local Government (MHCLG) issued ‘Advice Note 19’ to all owners of buildings 18 metres in height or above. The Note related to ‘Spandrel Panels’, which are insulated panels forming part of the external wall of some buildings. The panel can be fixed to masonry or incorporated into window frames. The intent of such panels is to provide thermal insulation and aesthetics. ‘Advice Note 19’ requires owners to establish locations where such panels have been fitted, establish fire safety and if the latter point cannot be ascertained, replacement is noted as the most relevant course of action.
4. The Council assessed spandrel panels in accordance with the guidance issued by MHCLG through ‘Advice Note 19’. As part of the assessment of risk, the Council appointed CS Todd and Associates to independently review relevant risk factors to determine blocks with a higher risk.
5. Following this, the Council appointed Baily Garner to undertake a detailed review of the spandrel panels in all 26 blocks that were noted as having some form of insulated panel. Baily Garner produced a specification and a cost estimate for the replacement of panels on the identified blocks.
6. Following the site assessment, Baily Garner demarcated the blocks into High, Medium and Low risk, which provided the Council with a prioritised programme of works.
7. Five packages of works have been formed. Package 1 is complete, whilst Packages 2, 3 and 4 are progressing on site. This report concerns Package 5.

## **Property and proposed works**

8. The subject blocks within Package 5 are four towers providing a total of 222 homes.
9. Herbert Morrison House is an 18-storey tower constructed as part of the mid-1960s extension to Clem Attlee Court and provides 68 homes, seven of which are leased. It is in Lillie ward and the Fulham North housing management area. Proposed works include the replacement of spandrel panels to window units to the central core & balcony areas with non-combustible class A1 rated panels, including making good to decorations and finishes where required.
10. Built in 1964, Jepson House is an 18-storey tower on the Bulow Estate in Sands End and provides 67 homes, 14 leased. The block is situated in Sands

End ward and South Fulham housing management area. Works comprise the replacement of spandrel panels to window units where present in flats and balcony areas with non-combustible class A1 rated panels, including making good to decorations and finishes where required. Works also include the replacement of louvres on ground floor with new aluminium framed louvre sets.

11. 9-67 Muscal House is a 12-storey tower built circa 1972 as an addition to the Field Road/Margravine estate, providing 59 homes of which 15 are leasehold. It is in Fulham Reach ward and the Fulham North housing management area. Proposed works include the replacement of spandrel panels to window units to stair core with non-combustible class A1 rated panels, including making good to decorations and finishes where required.
12. Standish House is an eight-storey mansion-type block built in 1972 on the northern end of King Street. There are commercial premises on the ground floor with 28 flats (seven leased) arranged over the first to seventh floors. The Council is not the freeholder of the property but has a full repairing long lease. The block is in the Ravenscourt ward and South Hammersmith housing management area. The scope of works includes the removal of existing windows and spandrels panels located to the central core, and installation of new non-combustible double glazed aluminium framed windows and new non-combustible A1 rated aluminium composite spandrel panels.

### **Contract Specifications Summary**

13. The contract will be a one-off tender for the replacement of spandrel panels and associated works to four tower blocks as detailed above. Specifications have been prepared by Baily Garner and proposals agreed with planning and building control officers. Baily Garner will take on the role of Principal Designer for the contract in accordance with the requirements of Building Regulations and Construction Design Management (“CDM”) Regulations.
14. The proposed form of contract is a JCT Intermediate Works contract with contractor design.

### **Procurement Route Analysis of Options**

15. **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.
16. **Option 2 – Carry out an open tender.** This would lengthen the process so is not a preferred option. Advantages of using South East Consortium are provided under Option 3.
17. **Option 3 – Use existing South East Consortium (SEC) Framework.** This is the preferred option. The SEC provides a selection of compliant frameworks and offers a quicker route to pre-selected suppliers already assessed as suitable for social housing providers. The SEC’s Fire Safety framework FTS / OJEU Ref: 2021/S 000 010162 was awarded on 24 January 2022 and expires

on 23 January 2026. It includes specific lots for various workstreams and the proposal is to use the External Fire Protection lot which encompasses all external fire protection work and other associated works that form the external envelope to a building. The Council has successfully procured several major refurbishment and fire safety schemes via this route in the last few years and has a good working relationship with the SEC. 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 proposed Lot is designed to encompass all external fire protection work and other associated works that form the external envelope to a building. This Lot is designed to allow Clients to conduct single or multiple work streams in relation to external fire protection and other capital works that will need to be carried out at the same time. As the Council is a member of the South East Consortium the framework is free to use. Instead, a levy of 1.5% is payable to the SEC by the successful contractor once a call off contract is awarded.

### **Market Analysis, Local Economy, and Social Value**

18. The market for building contractors is well-developed. The SEC's Fire Safety framework offers a breadth of potential contractors with extensive experience in the social housing sector and a record of delivering compliant fire safety works. There are eight contractors on the recommended framework, making a good response likely. Expressions of interest will be sought prior to initiating the tender process. If insufficient interest is generated, an alternative route to market will have to be considered, which may require a new procurement strategy.
19. Suppliers will be required to provide robust proposals to deliver added value as part of their bids in line with the Council's Sourcing Strategy.

### **Risk Assessment and Proposed Mitigations**

20. The proposed procurement approach is considered straightforward and low risk in that the contract will be tendered using a selection of pre-qualified suppliers appropriately resourced for the works in hand. The framework has been established specifically for social housing providers and all suppliers appointed have extensive experience of working in the sector. The tender opportunity will make clear that the successful contractor will be required to demonstrate their ability to deliver high quality works for best value whilst embracing the Council's commitment to keeping residents at the heart of everything we do. The competitive process will increase the likelihood of achieving and demonstrating value for money.
21. The JCT form of contract is clear in its definition of roles and responsibilities meaning disputes and misunderstandings can be avoided, thus preventing delays, poor workmanship, financial losses, and potential lawsuits.

## Timetable

22. Please include an estimated timetable of the competition process through to contact commencing.

Key Decision Entry (Strategy)	22 December 2023
Contracts Assurance Board (Strategy)	6 March 2024
Strategic Director Sign off (Strategy)	21 March 2024
Mini-competition launched	27 March 2024
Closing date for clarifications	29 April 2024
Closing date for submissions	8 May 2024
Evaluation of Tenders	5 June 2024
Key Decision Entry (Award)	5 June 2024
CAB (Award)	10 July 2024
Strategic Director (Award)	24 July 2024
Contract Award Notice	31 July 2024
Contract engrossment	29 August 2024
Contract mobilisation and implementation	2 September 2024
Contract Commencement date	23 September 2024

## Selection and Award Criteria

23. The proposed 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. SEC has confirmed that the proposed quality/price ratio is within the parameters of their procurement framework and that the council can decide on the sub-criteria to be adopted, including Social Value.
24. Under the mini-competition process, there will be two stages to the evaluation of the quality criteria.
25. 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.

**Table 1: Compliance**

<b>Compliance Standard</b>	<b>Rationale</b>
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 set out in the specification

26. The Authority reserves the right to reject without further discussion any Tender which does not meet the compliance standards.
27. 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 2.

<b>Table 2: Award Criteria</b>		
<b>Section</b>	<b>Criteria</b>	<b>Weighting</b>
1	Management Structure and Resources	5%
2	Planning, Programming and Resourcing of Works	20%
3	Quality Control	20%
4	Customer Care	15%
5	Sustainability	10%
6	Health and Safety	10%
7	Social Value	20%

28. After completing their individual scoring exercise, members of the evaluation team – consisting of council officers and the appointed consultants - will meet and consider each Tender to reach a consensus on scoring for each Tenderer's responses to the award criteria.
29. 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.
30. Stage 3 – Price (Commercial Envelope). Tenderers will complete a detailed price matrix based on the specification. 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 final score 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

31. Finally, the total weighted quality and price scores will be combined with the highest scoring tender being recommended for award.

## **Contract Management**

32. 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.
33. The Head of Capital Delivery will manage the relationship with the multi-disciplinary consultants appointed for each project. The consultant will have the role of contract administrator for the works contract and will be responsible for issuing all instructions, variations, notices etc. to contractors. They 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.
34. The Council directly employs Project Managers to oversee the consultants and project-specific clerk of works to monitor progress and quality of works on site.
35. Regular project monitoring meetings will be diarised to report on progress to senior management.
36. The quality criteria include an assessment of the contractor's management structure and resources, and they will be required to demonstrate they have an appropriate level of contract and site management.
37. A suite of KPIs will be developed to monitor, measure and report on the performance of the contract and are expected to include:
  - Resident satisfaction of contractor performance
  - Defects – condition of each property/block in respect of number of defects at the point of handover
  - Safety – number of reportable accidents each month;
  - 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
  - Delivery on Social Value

## **Equality Implications**

38. An Equality Impact Assessment has been completed. 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**

39. There is a management risk that the disparate nature of the project will lead to project and risk control issues. To mitigate this a risk register will be defined, agreed, and maintained by the contract administrator.
40. To further mitigate project control issues, robust project controls and monitoring will be maintained throughout the programme of works to ensure timely delivery, this shall include a communication plan, monthly project reports to an agreed template and supporting change controls.
41. There is a reputational risk to the council that the installation or replacement insulated panels may be viewed as cladding leading to a public perception of a fire risk. To mitigate this risk it is vital that residents are fully informed on the nature and requirement for the changes as well as the progress of the project.

*Jules Binney, Risk and Assurance Manager, 22/02/2024*

## **Climate and Ecological Emergency Implications**

42. The main aim of this project is to address potential fire safety issues on the blocks. However, the new panels will also improve the thermal performance of the external walls. This is measured in terms of heat loss expressed as a U-value, the lower the U-value, the more effective the material is at preventing heat transfer. The replacement spandrel panels will be A1-rated with a mineral wool insulated core and will achieve a U-value of 1.6W/(m<sup>2</sup> K) which is an improvement on the building regulations requirement of 1.8W/(m<sup>2</sup> K).

*Hinesh Mehta, Assistant Director of Climate Change 26/02/24*

## **Local Economy and Social Value Implications**

43. It is a requirement that all contracts let by the Council with a value above £100,000 propose and commit to social value contributions that are additional to the core services required under the contract. These contributions must amount to at least 10% in value of the price of the contract proposed.
44. Paragraph 2 specifies that this will be a competitive tender. The social value proposal should account for 20% of the quality score for each bidder. Compliance with this approach is detailed in paragraph 27.

45. It is recommended that the commissioner works closely with Legal Services to ensure appropriate social value clauses are included in the contract, so that the council can enforce its right to remedies if social value commitments are not delivered.

*Paul Clarke, Social Value Officer, 21/2/24*

## **Consultation**

46. 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.
47. There are a total of 43 leaseholders across the four blocks. The replacement spandrel panels are not being recharged to leaseholders.

## **LIST OF APPENDICES**

EXEMPT Appendix 1