

<b>Item No.</b>	<b>Classification:</b> Open	<b>Date:</b> 20 July 2016	<b>Meeting Name:</b> Strategic Director of Finance and Governance
<b>Report title:</b>		<b>Gateway 2 - Contract Award Approval</b> Garage minor works and maintenance contract	
<b>Ward(s) or groups affected:</b>		Tenants of council owned garages	
<b>From:</b>		Service Charge Construction Manager	

## RECOMMENDATIONS

1. That the Strategic Director of Finance and Governance approves the award of the garage minor works and maintenance contract to PRB Estates Ltd in the estimated sum of £1,000,000 per annum for a period of 4 years giving a total estimated contract value of £4,000,000.
2. That the Strategic Director of Finance and Governance notes that as per paragraph 40 below, a contingency budget of £100,000 has been allowed for technical and other related associated costs, giving a total scheme value of £4,100,000.

## BACKGROUND INFORMATION

3. The planned procurement strategy was the subject of a Gateway 1 report approved on 29 September 2015. The approved competitive tendering procurement strategy was followed.
4. This is a **Key Decision**
  - The estimated cost of the contract is £4m (which aligns with the existing base budget provision) for a period of 4 years.
  - There is no specific extension built into the contract.
  - The contract price is not index linked.
5. It should be noted that since the start of this procurement process, the service charge construction and garage teams have under the senior management reorganisation been transferred from the former Housing and Community Services Department to the Finance and Governance Department.
6. There have been delays to the original project plan due to the following:
  - a. A benchmarking exercise was conducted as the Traded Services division of Environment and Leisure (TS) requested to be included in the procurement exercise after it had begun. All bidders were notified of this delay in the process and TS were requested to return its submission on 24 December 2015.
  - b. Following evaluation of the tenders and prior to feedback being given, a claim was made that TUPE applied to this procurement. Correspondence was entered into with that bidder as no reference was made to this in their original tender submission. This was resolved by way of letter dated 3 May 2016 from the bidder not wishing to pursue the matter any further.

## Procurement project plan (Key decisions)

Activity	Completed by/Complete by
Forward Plan for Gateway 2 decision	16/05/2016
Approval of Gateway 1: Procurement Strategy Report	27/07/2015
Issue Notice of Intention	N/A
Invitation to tender	09/10/2015
Closing date for return of tenders	09/11/2015
Completion of evaluation of tenders	10/02/2016
Issue Notice of Proposal	N/A
DCRB Review Gateway 2: Contract award report	02/06/2016
Notification of forthcoming decision – five clear working days	20/07/2016
Approval of Gateway 2: Contract Award Report	28/07/2016
Scrutiny Call-in period and notification of implementation of Gateway 2 decision	29/07/2016
Contract award	08/08/2016
Add to Contract Register	08/08/2016
TUPE Consultation period (if applicable)	N/A
Place award notice in Official Journal of European (OJEU)	N/A
Publication of award notice on Contracts Finder	08/08/2016
Contract start	08/08/2016
Contract completion date	07/08/2020
Contract completion date – if extension(s) exercised	N/A

## KEY ISSUES FOR CONSIDERATION

### Description of procurement outcomes

7. The procurement will ensure that the council is able to meet its repairing obligations to its stock of 8,602 garages. In addition, this will safeguard and enhance the garage sites' valuable revenue generation capacity.
8. The proposed works comprise of:
  - Structural repairs and maintenance to garages
  - Periodic garage site refurbishment and upgrade projects

## Key decisions

9. This report deals with a key decision.

## Policy implications

10. Works carried out under this contract may have building control and planning implications, depending on scope. PRB Estates Ltd will be required to liaise with the council to ensure that all obligations with respect to planning and building control are strictly adhered to.

## Tender process

11. As outlined in the Gateway 1 report approved on 29 September 2015, contract standing orders (CSOs) require a minimum of 5 contractors to be invited to tender from the council's works Approved List. Five contractors were invited to tender for these works all taken from the general works category of the council's works Approved List. The tenders were issued on 9 October 2015 with instructions to return a completed tender by 1pm on 9 November 2015.
12. No nominations were made by leaseholders.

## Tender evaluation

13. 4 tenders were returned to 160 Tooley Street on or by 1pm on 9 November 2015 and were opened on 12 November 2015. One contractor, did not return a tender as they declined to tender by phone. No reason was given.
14. These tenders were evaluated on the basis of M.E.A.T (most economically advantageous tender) using a weighted model of 60:40 price and quality as approved in the Gateway 1 report.
15. The tender pricing evaluation process was undertaken by officers from the commercial team. The quality evaluation process was assessed individually by the Procurement Manager and Procurement Officer from the council's asset management division, the Service Charge Construction Manager and staff from the garages team and former specialist housing services division.
16. Tenderers were required to provide information to support their quality submission. The quality assessment was weighted in relation to the level of importance put upon each criterion and is detailed in the Tender Evaluation Methodology attached (Appendix 1). The results of the quality assessment are summarised in a table in paragraph 19.
17. Tender price scores were as follows

Contractor	Price score
Tender 1	50.32
Tender 2	60.00
Tender 3	49.94

Tender 4	54.95
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18. All priced documents submitted were checked for arithmetical errors, qualifications and general compliance with the tender requirements by the council's commercial team. None of the tenders received contained arithmetical errors or qualifications.

19. The summary results of the quality evaluation is shown in the table below:

Evaluation Criterion	Tender 1	Tender 2	Tender 3	Tender 4
Method Statement 1:	8	7	13	15
Method Statement 2:	43	32	56	70
Method Statement 3:	15	8	14	15
Method Statement 4:	15	8	10	14
Total Quality Score	81	55	93	114
Weighted Score	21.30	13.60	23.90	28.10

20. The summary results of the evaluation are shown in the schedule below:

Summary of Scoring				
Position	Company	Quality	Price	Total
1	Tender 4	28.10	54.95	83.05
2	Tender 3	23.90	49.94	73.84
3	Tender 2	13.60	60.00	73.60
4	Tender 1	21.30	50.32	71.62

21. As noted in paragraphs 11 and 12 above, a benchmarking exercise was conducted with TS using the same evaluation process. This gave the scoring below:

Benchmarking Exercise				
Position	Company	Quality	Price	Total
	TS	22.70	54.09	76.79

22. Five contractors were invited to tender for the works, 4 tender submissions were received, and 1 contractor declined to tender. The council considers that the market was adequately tested. The cost/quality evaluation concludes that Tender 4 (PRB Estates Ltd) offers the most economically advantageous compliant tender. It is therefore recommended for the acceptance of the tender submitted by PRB Estates Ltd in the estimated sum of £4,000,000.

23. Due to the time elapsed from tender opening, PRB Estates Ltd were asked to confirm that they would stand by their price. This was confirmed in writing on 26 May 2016.

#### Plans for the transition from the old to the new contract

24. Not applicable.

#### Plans for monitoring and management of the contract

25. The day to day management of the contract will be handled by the garages team with technical support provided by asset management division's commercial team. Further financial monitoring will also be carried out by the commercial team. There is a provision for consultancy services to be obtained for larger or more complex works under the council's framework agreement if necessary, but this does not form part of the current procurement.
26. Quality is to be monitored by the garages team, with technical support provided by the commercial team. The garages team will be responsible for holding regular meetings with contractors.
27. Resident liaison, feedback and complaints will be handled by the contractor in the first instance, with support from the garages team and other council staff as appropriate. The contractor will provide dedicated facilities in this regard and this provision has been assessed as part of the quality scoring.

#### **Identified risks for the new contract**

28. Specific risks identified, impact, likelihood and mitigation controls for this contract are outlined below:

<b>Risk</b>	<b>Impact</b>	<b>Probability</b>	<b>Mitigation</b>
Poor performance or poor quality workmanship.	Medium	Low	Regular meetings to review performance scheduled from the outset.  Establish processes of quality control and works inspections before sign off.
Company goes into liquidation, administration or ceases trading.	High	Low	A performance bond will be obtained and the council will re-tender the works if necessary.  Credentials and financial stability of tenderers are checked as part of the tender process.

#### **Other considerations (For Housing Department works contracts only)**

29. None identified.

## **Community impact statement**

30. The impact of awarding the proposed contract will largely be confined to tenants and prospective tenants of the council's garage stock, who should see a more reliable service and an increased availability of garage sites. However, estate residents in general may also benefit from additional environmental and security improvements as a consequence of the refurbishment of garage sites, particularly where closed off or abandoned sites are brought back into use.

## **Sustainability considerations**

31. The Public Services (Social Value) Act 2012 requires the council to consider a number of issues including how what is proposed to be procured may improve the economic, social and environmental well-being of the local area. These issues are considered in the following paragraphs which set out economic, social and environmental considerations.

### **Economic considerations**

32. No specific economic considerations have been identified. Financial implications are given below.

### **Social considerations**

33. The council is an officially accredited London Living Wage (LLW) Employer and is committed to ensuring that, where appropriate, its contractors and sub-contractors pay staff at a minimum rate equivalent to the LLW rate. The Gateway 1 report approved on 29 September 2015 confirmed, for the reasons stated in that report, payment of LLW was an appropriate and best value requirement for this contract. PRB Estates Ltd has confirmed that they meet the LLW requirements. Following award, quality improvements and costs implications linked to the payment of LLW will be monitored as part of the contract review process.

### **Environmental considerations**

34. All recyclable packaging is to be set aside and disposed of via a recycling centre.
35. PRB will be issued with the council's current asbestos register and required to comply with the council's policy on asbestos.
36. Dust emissions will be controlled under agreed conditions.

### **Market considerations**

37. PRB is a locally based contractor for the provision of building refurbishment and maintenance works to the public sector.

### **Staffing implications**

38. There will be no substantial impact on council staff as a consequence of implementing this contract. The council's garages team is already organising repairs and upgrades to garages sites on an ad-hoc basis.

## Financial implications

39. The contract will be resourced from within the base budget of £1.4m pa for garage repairs and maintenance. This annual budget is allocated from 1 April 2016 for this purpose.
40. The table below outlines the expected spend profile over the next four years for this work. A small contingency budget has been allowed for possible external technical / design fees related to individual larger refurbishment projects.

	2016/17	2017/18	2018/19	2019/20	Total
Works	£1,000,000	£1,000,000	£1,000,000	£1,000,000	£4,000,000
External Fees	£25,000	£25,000	£25,000	£25,000	£100,000
Internal Fees	n/a	n/a	n/a		
Total					£4,100,000

## Investment implications

41. None identified.

## Legal implications

42. In line with the requirements of contract standing orders, this report confirms that tenders were invited from contractors from the general works category of the council's Approved List and that adequate financial provision to fund the expenditure associated with the delivery of this project is set out in the financial and investment implications of this report. There are no other specific legal implications arising at this stage.

## Consultation

43. Resident liaison arrangements will be put in place by the contractor and coordinated with the existing council garages team. In the event work to garages may have leaseholder involvement, separate consultation arrangements will be made.

## Other implications or issues

44. None identified

## SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

### Strategic Director of Finance and Governance

45. Financial implications are contained within the main report. As the estimated value of this contract is below the EU threshold for works a formal concurrent is not required.

### Head of Procurement

46. As the estimated value of this contract is below the EU threshold for works a formal procurement concurrent is not required.

**Director of Law and Democracy**

47. The legal implications are contained within the main report. At this value, no legal concurrent is required.

**Director of Exchequer (for housing contracts only)**

48. The estimated value of this contract is below the EU threshold for works and therefore a formal concurrent is not required.

**FOR DELEGATED APPROVAL**

Under the powers delegated to me in accordance with the council's Contract Standing Orders, I authorise action in accordance with the recommendation(s) contained in the above report.

Signature .....

Date 28.7.16

Designation STRATEGIC DIRECTOR OF FINANCE + GOVERNANCE

**BACKGROUND DOCUMENTS**

Background documents	Held At	Contact
Contract File	160 Tooley Street, London SE1 2QH	Louise Turff

**AUDIT TRAIL**

Lead Officer	Louise Turff, Service Charge Construction Manager		
Report Author	Leon Boardman, Project Officer		
Version	V11 final		
Dated	20 Jul 2016		
Key Decision?	Yes		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
Officer Title	Comments Sought	Comments included	
Strategic Director of Finance and Governance	Yes	Yes	
Head of Procurement	Yes	No	
Director of Law and Democracy	Yes	No	
Director of Exchequer (for housing contracts only)	Yes	No	



Cabinet Member	No	No
<b>Contract Review Boards</b>		
Departmental Contract Review Board	Yes	Yes
Corporate Contract Review Board	No	No
<b>Cabinet</b>	No	No
<b>Date final report sent to Constitutional/Community Council/Scrutiny Team</b>	28 Jul 2016	