
REPORT FOR: CABINET

Date of Meeting:	15 February 2018
Subject:	Procurement of Kitchens and Bathrooms for 2018/19 Housing Capital Programme
Key Decision:	Yes
Responsible Officer:	Nick Powell, Divisional Director of Housing
Portfolio Holder:	Councillor Glen Hearnden, Portfolio Holder for Housing and Employment
Exempt:	No
Decision subject to Call-in:	Yes
Wards affected:	Stanmore, Harrow Weald, Wealdstone, Belmont, Marlborough, Headstone North, Hatch End, Headstone South, Kenton West, Greenhill
Enclosures:	Gateway 1 Procurement reports as per appendix

Section 1 – Summary and Recommendations

This report seeks Cabinet approval to go to the market and procure two contractors to deliver Kitchen & Bathroom refurbishments across various wards in the borough, as part of the 2018/19 Housing Capital Programme. This approach is based on the success of the Kitchen & Bathroom trial carried out in 2017/18 to award three separate Lots to attract local SME's to tender. For the 2018/19 programme of Kitchen & Bathrooms it is intended to split the new contract into two Lots, with the option to extend for a year.

This procurement route should give SME's fair access to the opportunity to tender. It is therefore hoped that the approach will encourage small and medium sized enterprises (SME's) to participate. The London Borough of Harrow recognise that it is vital that SMEs are successful in winning public sector construction contracts as they employ local people including apprenticeship schemes, and they also typically spend money with local suppliers.

Recommendations:

Cabinet is requested to:

1. Grant approval for officers to undertake a procurement process for the selection of two contractors to deliver Kitchens & Bathrooms refurbishments for one year commencing in June 2018 on the 2018/19 Housing Capital Programme with the option to extend for a further year for both Lots.
2. Delegate authority to award and to arrange the execution of contracts with the successful tenderer(s) to the Corporate Director of Community, following consultation with the Portfolio Holders for Housing and Employment and Finance and Commercialisation.

Reason: (For recommendations) £2.2m (aggregate value) split across 2 Lots

Due to the estimated value of the project detailed above (and the possibility of one year's contract extension) is required in order Cabinet authorisation to comply with the Council's Contract Procedure Rules.

Section 2 – Report

1.0 Introduction

1.1 The Housing Capital Programme is now detailed on a four year programme agreed by Cabinet in February 2015. There are a number of projects on the 2018/19 programme that will take several months to deliver. To enable these projects to be delivered in year it is necessary to commence procurement as soon as practical so that works can start on site as early as

possible in the new financial year. This programme forms part of the wider capital programme going forward for 2018/19.

1.2 Cabinet approval is required to begin the process of procuring contractors for all projects with an estimated value in excess of £500k.

1.3 Cabinet is asked to delegate authority to award and to arrange the execution of a contract or contracts with the successful tenderer(s) to the Corporate Director of Communities, in consultation with the Portfolio Holders for Housing and Finance and Commercialisation because of the tight timescale for this procurement exercise.

2.0 Options considered

2.1 The procurement options considered were as follows:

a) Open tender and award to 1 provider

Engaging in an open tender in this instance would allow for wider competition. However with the total contract value standing at £1.1m, it is probable that we would attract large scale contractors who would more than likely sub-contract the project. The larger supplier is likely to have increased preliminary costs and while they subcontract the project, they would still maintain relatively high profit and overhead costs.

The previous Harrow Framework for Kitchen & Bathrooms was awarded to large suppliers. All the programmes that were let under this framework, were all sub-contracted by the main contractor. While each programme was delivered, it showed that the Housing Team had to manage the sub-contractors while also paying a premium to the main contractors.

This proposed option would not encourage some of our smaller local SME's to tender.

b) Setting up another framework

This would be a time consuming process that would require OJEU notification. The Kitchen & Bathrooms Framework set up in 2012 resulted in five larger scale contractors awarded onto it. It is likely that if it was tendered again, similar size suppliers would be successful onto the framework. Once a framework has been awarded, the suppliers are fixed and no other suppliers can be added to the framework.

The 2012 framework has now expired and this allows LBH the option to explore alternative procurement by trialling the SME route for one year. The framework option may be considered after this year.

c) Accessing other Frameworks e.g. LHC

Framework suppliers are based on regional Lots, enabling companies of all types to apply, from small local suppliers to large multi-nationals. The frameworks are OJEU tendered and drawing from them can be a relatively quick process. However, again we would attract similar suppliers as b) above.

d) Do nothing

The option to do nothing comes with inherent risks to the delivery of the capital programme. Failure to deliver the programme will result in further deterioration of kitchens, bathrooms and a possible Health and Safety breach if electrical upgrades are neglected by the Council.

e) One open tender with 2 Lots (with the option to extend)

Based on the success of the 2017/18 trial to attract SME's by offering smaller packages of work, this proposal is to advertise an open tender that has 2 separate Lots and the option of an extension with the hope to attract local SME's. By having the tender split into Lots it allows for SMEs to tender as the main contractor which is the preferred approach for LBH. The benefit of an SME firm acting as the principal contractor are numerous and include:

- £750k savings from the 2017/18 programme against the initial budget forecast of £2.2m.
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- The three contractors achieved a customer satisfaction score of 93% against a benchmark figure of 90% for 2017/18 Kitchen and Bathroom programme.
- Local firms create local employment opportunities and other local economic benefits.
- Small firms are responsible for the majority of apprenticeship training in the construction industry.
- Local firms understand where to source local materials and are not required to travel long distances, meaning that there are both economic and environmental benefits to be gained from using smaller, local businesses.
- It is also advantageous in terms of reduced transactional costs such as preliminary rates, sub-contacting costs.
- There are a number of SME's contractors that have been carrying out this work for Harrow over the last four years but under the name of a larger contractor.
- The option of an extension will be based on Key Performance Indicators. The option to do so will further encourage SME's to tender for the package of works and offer the inherent advantage of stability, growth and sustained local employment.
- Extensions will also give the added benefit to Harrow of less downtime in future procurement and office costs and the opportunity to renegotiate rates. Whilst also allowing for an established contractor to further improve on their quality of delivery and standards.

Option (e) is the preferred procurement route and LBH is seeking to actively help SME's tender for this project. The 2017/18 procurement of SME's proved to be extremely successful, saving £750k) and the use of smaller contractors is in line with Harrow's values.

In addition to the points mentioned above smaller contractors were more responsive to instructions and works were found to be of a very high quality whilst still displaying innovation (one of the contractors gave electronic tablets to residents so that they could track progress and liaise more closely with the contractor).

3.0 Background

3.1 The individual project is included on the four year Housing Capital Programme. Details of the project, the tendering process, evaluation criteria, timescale and financial implications are included in the Gateway report at Appendix 1.

4.0 Performance Issues

4.1 The new contractors will be managed effectively from mobilisation, and performance statistics. These will be reviewed on a monthly basis and monitored through a combination of regular site visits and formal meetings. This will ensure that any concerns raised can be rectified promptly.

4.2 In addition we intend to form monthly project groups, inviting residents and Members to support the management and monitoring of the schemes throughout their implementation.

5.0 Environmental Implications

5.1 It is the intention that the delivery of any contract will contribute to the Council's objectives around social, economic and environmental sustainability. We want to do all we can to ensure that we support Harrow's economy by buying locally wherever practical and maximise opportunities for local people in employment and training. The project will ensure that tenderers provide detailed information about their contribution to the environment and sustainability. We also require bidders to sign up to the Considerate Contractor Scheme

5.2 Specific requirements on social, economic and environmental matters will vary according to the value and duration of each contract and are detailed in the appendices.

6.0 Risk Management Implications

The risks are included on the Directorate Risk Register as part of the wider capital programme delivery

There is no separate Risk Register in place yet, but one will be developed for the project once contractors have been procured.

6.1 The risks relating to the delivery of the capital programme are included in the Housing Risk Register which contains overarching risks in relation to delivery of the Capital Programme. Specific risks will be monitored on the project as it moves forward.

6.2 There is a potential outcome that a single contractor could come in with the lowest price for all 2 Lots, however as it is the Council's priority is to engage with local providers, we are limiting the number of Lots a contractor can win so that we can attract SME's for this opportunity. The Asset Management team can now confirm that by engaging with SME's, this has ultimately resulted in reduced transactional costs such as preliminary rates and sub-contracting/supply chain costs.

7.0 Legal Implications

7.1 The value of these procurements falls below the financial threshold for works contracts and so whilst strict adherence of the Public Contract Regulations 2015 is not required for the running of this tender procedure, the Council must ensure it complies with the with the general treaty principles of equal treatment, transparency, mutual recognition and proportionality.

7.2 The award of the contract will comply with the Councils Contract Procedure Rules.

8.0 Financial Implications

8.1 The project is included in the four year capital programme for which funds are set aside in the HRA business plan for the delivery of the external improvements over the next 30 years. The contract will be entirely funded from the HRA.

8.2

The planning estimated annual value of the contract is £1,100,000, including relevant fees. The term of the project will be for a period of 1 year commencing in June 2018 and the works will be split geographically across Harrow into 2 Lots with an estimated value of £500k per Lot, with an option to extend for a year (at £1,100,000) based on the contractor's performance. These will be raised as 2 separate contracts.

9.0 Equalities implications / Public Sector Equality Duty

9.1 The procurement exercise is designed to deliver existing policies and strategies maintaining the current level of equality in service provision. The project will be very clear on the equalities related duties on contractors, given the wide range of needs of our customers.

9.2 An initial Equality Impact Assessment has been prepared for the delivery of the overall Housing Capital Programme. This identified no need for a full assessment at this stage because it did not identify any potential for unlawful conduct or disproportionate impact. All opportunities to address diversity, particularly vulnerability for all tenants will be addressed through the contract specification and ensure residents receive the same service regardless of, but taking into account specific needs. We will address these in our tendering documents and processes. The assessment will be updated as the project moves forward.

10.0 Council Priorities

10.1 The Council's vision:

Working Together to Make a Difference for Harrow

This report incorporates the administration's priorities to:

- Making a difference for the most vulnerable
- Making a difference for communities
- Making a difference for local businesses and SME's
- Making a difference to families

10.2 Projects on the Housing Capital Programme are provided to some of the Council's tenants - many of whom are vulnerable. All are targeted to improve the quality of the housing stock and the environment in which our tenants live.

10.3 Specifications for all contracts will ensure that the successful contractor is equipped to provide a high level of customer service to all our residents. In addition every effort will be made to ensure that local businesses are encouraged to submit tenders and that added social value to support communities will be a part of the evaluation process.

Section 3 - Statutory Officer Clearance

Name: Tasleem Kazmi	<input checked="" type="checkbox"/>	on behalf of the Chief Financial Officer
Date: 15 January 2018		
Name: Sarah Inverary	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: 12 January 2018		

Ward Councillors notified:	Yes, through consultation events
EqIA carried out:	YES
EqIA cleared by:	An initial Equality Impact Assessment was carried out for the whole Capital Programme.

Section 4 - Contact Details and Background Papers

Contact: Ben Curling,
 Project Manager/Quantity Surveyor,
 Asset Management
 0208 424 1800
Ben.Curling@harrow.gov.uk

Background Papers:
 None

Call-In Waived by the Chairman of Overview and Scrutiny Committee	NOT APPLICABLE <i>[Call-in applies]</i>
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Procurement Gateway One - Authority to Procure

This report is required for:

- All procurement intentions valued at between £100,000 and £499,999 and presented to and approved by the Directorate Procurement Board.
- Approval by the Commissioning & Commercial Board if details on the procurement strategy and evaluation criteria were not included in any prior report approved by Cabinet.
- Approvals of all Gateway 1 reports are required by the Cabinet Member, Finance and Commercialisation.

Please do not use this report template for procurement intentions valued at £500,000 and above. Procurement at this value threshold requires Cabinet approval. If you required further guidance and/or support please refer to the Contract Procedure Rules or contact the Commercial, Contracts & Procurement team.

Project Details

Name of Procurement		HAM 0101 – Kitchen & Bathroom refurbishment 2018/19
New Procurement or Renewal		New
Sponsor	Name	Ben Curling
	Job title	Project Manager/ QS
	Team	Housing
	Directorate	Communities
Project Manager name and number		Ben curling – Ext. 2800
Annual value of proposed contract		£1,100,000.00
Aggregate value of proposed contract (Including any extension options)		£2, 200,000.00 Single Contract – awarded over 2 Lots with estimated value of £550k per Lot (inclusive of the option to extend for an additional year for each Lot 1+1yrs)
Proposed contract term (including any extension options)		38 weeks per Lot with an option to extend for 38 weeks per Lot (based on KPI and VFM)
Governance:		
Has an EQIA been completed?		Yes (forms part of the Housing Capital Programme EQIA)
Name of procurement officer [on behalf of the Director for Procurement] clearing the report:		<i>Name:</i> Jessica Covey
Cleared by Finance Business Partner		<i>Name:</i> Tasleem Kazmi
Cleared by Legal		<i>Name:</i> Sarah Inverary

Cleared by DPB	<i>Date of Meeting where Cleared:</i>
Portfolio Holder (PH) consulted prior to DPB	Yes / No <i>Name of PH:</i> <i>Date(s) Consulted:</i>
Portfolio Holder for Finance & Commercialisation consulted prior to DPB	Yes / No <i>Name of PH:</i> <i>Date(s) Consulted:</i>
All officers involved in the procurement of a service must complete a confidentiality and declaration of interest form at the outset of the commissioning / procurement project.	<i>I Declare that this has been done and all completed forms are lodged with the procurement team.</i> Yes / No

1.0 Objectives

Following on from the expiry of the Capital Projects Framework developed in 2012, and in conjunction with the Local Government Act 2000, The London Borough of Harrow is keen to move in new direction and engage with local small and medium enterprises (SME's) recognising that they are a powerful engine for local economic growth.

This was achieved last year, through the award of 3 separate Lots to deliver the Better Homes Kitchen, Bathroom and Electrical rewire refurbishments across various addresses in the London Borough of Harrow. Based on the success of this approach, the intention is to take this procurement strategy further with 2 Lots this year and offer the opportunity to extend for one additional year.

Contractors are open to bid for each of the 2 Lots, but can only be awarded 1; therefore 2 different suppliers will be carrying out works across the borough. It is hoped that this will encourage competitive tendering amongst local SME's although LBH recognise that large firms will still be able to tender for the project.

The works package to be delivered includes:

Lot 1: 59 kitchens, 46 bathrooms

Lot 2: 77 kitchens, 64 bathrooms

2.0 Savings & Essential Spending

2.1 This contract will be competitively tendered online through London Tenders portal. Tenders will be selected through a point system covering three categories: Quality/ Technical, Social Value and pricing. The proportional split is 30%, 10% social value and 60% accordingly.

2.2 The funding stream for this contract will come from the HRA capital account.

2.3 The works are essential for kitchen and bathroom upgrades and overall stock maintenance.

Failure to deliver the programme will result in further deterioration of kitchens, bathrooms and a possible Health and Safety breach if electrical upgrades are neglected by the Council.

3.0 Benefits

There will be 2 medium size JCT contracts with specialist elements in the works package and it is therefore expected to be suited to SME's and smaller contractors which should potentially stimulate a greater number of returned tenderers with stronger competition in the ITT e-tender to give the best current market price.

The utilisation of smaller local companies contributes positively to economic and sustainability agendas can provide training and employment opportunities, and a range of derivative social benefits. It is also advantageous in terms of reduced transactional costs such as preliminary rates as many of the smaller local contractors may have their own operational facilities in which they can work out of.

We aim to extract as much local benefit from this scheme as we can. This has included previous presentations to local businesses to encourage local contractors to tender for our 2017/18 Housing capital Programme. As a result of feedback from this event and the 2017/18 projects, we will be offering the opportunity to extend the contracts for an additional year to encourage SMEs to grow and employ a larger local workforce with the added stability and longevity of awarded works.

Other sustainability initiatives including encouraging recycling and carbon foot print for site energy through targets will be set within the ITT criteria together with other sustainability KPI indicators.

Customer satisfaction for the proposed works will be recorded against given KPI targets.

4.0 Critical Success Factors and Dependencies

The procurement process needs to be open and transparent to ensure that contracts are awarded fairly and on merit, whilst offering Harrow the best value for money. Harrow Council aims to improve the process and better support local businesses and introduced supplier open day training sessions and guidance to help SMEs better understand the procurement process. This was done in coordination with our colleagues in procurement.

5.0 Social Value Considerations

This project is to be procured by open tendering, it is hoped the scale, value and nature of these works would attract contractors within a 15-mile radius more able to use local supply chains and sub-contractors.

It is expected this will encourage local contractors to be involved in the bidding process. Local contractor involvement is more likely to bring with it a greater proportion of staff living locally.

Social value will be included as part of the evaluation criteria for this project. Tenders will be asked to provide details of their commitments to social value through the delivery of this contract with consideration to the councils sustainable procurement policy that commits the Council and its supply chains to deliver a set of principles that improve the sustainability of the Council, our supply chains and the community that we serve

6.0 Change and Risk Management

Utilising an e-tendering process provides an audit trail of decision making and analysis. The tender documentation and tender responses are stored on a centralised internet hub and so this makes it easier for any HAM team member or procurement services to pick up and continue with the ITT evaluation process in the Project Managers absence.

There is a potential outcome that a single contractor could come in with the lowest price for all 2 Lots, however as it is the Council's priority to engage with local providers, we are limiting the number of Lots a contractor can win to a single Lot. It is the Asset Management's teams hope that by engaging with SME's, this will ultimately result in reduced transactional costs such as preliminary rates and sub-contracting/supply chain costs.

Having 2 separate contractors in the borough delivering similar contracts offers Harrow the opportunity to directly compare performance and spread its risk of delivery failure. With either contractor able to absorb additional programming if the other shows signs of failure.

Financial health checks will be part of the stringent procurement process on the e-tendering portal.

There will be an increased need for resourcing by the Council in terms of the project management team. It is envisaged that 1 Project manager will manage the 2 Lots along with 2 Clerk of Works and 2 RLO's.

A large degree of support will need to be offered to SME's and smaller contractors should they be successfully appointed in terms of resident communication and KPI data collection. However given the Asset Management teams' track record in terms of managing larger scale contractors, this should not pose any issues and save on third party resource costs, such as further Resident Liaison Officers.

7.0 Procurement Options and Evaluation Criteria

7.1 The recommended approach to market for this procurement is to carry out an open tender process. The procurement will be advertised on the London Tender Portal and on Contracts Finder which is expected to attract suppliers interested in bidding for this contract.

7.2 Bidders will be measured in both their quality and commercial submissions, with a quality weighting of 30%, social value of 10% and commercial weighting of 60%. The Most Economically Advantageous Tender will be recommended for award of the contract.

The anticipated ITT evaluation is shown below and will be confirmed during the development of the ITT documents:

- Quality 30%
- Social Value 10%
- Cost 60%

8.0 Legal Comments and Clearance

The value of these procurements falls below the financial threshold for works contracts and so whilst strict adherence of the Public Contract Regulations 2015 is not required for the running of this tender procedure, the Council must ensure it complies with the with the general treaty principles of equal treatment, transparency, mutual recognition and proportionality.

The award of the contract will comply with the Councils Contract Procedure Rules.

9.0 Contract Management

The proposed contract to be used is JCT Intermediate Building Contract 2011 with contractor's design which accommodates detailed contractor / manufacturer design of the proposed Kitchens in conjunction with the Council's LHC approved kitchen supplier 'Symphony'.

The contract will be managed by holding monthly progress meetings which will measure actual physical and financial progress against projected spend.

The Contract Review form will be completed every month with the contractor input. This measures the outcomes, outputs and performance of the contract.

Project managers will attend a monthly capital/contract challenge sessions with the Planned Investment Manager and Finance Staff.

Capital/Contract Information is reported regularly to Departmental Contracts Board.

10.0 Recommendations

That permission is sought to compile the specification and drawing documentation for the tendering process.

That Permission is granted to tender into the enveloping and external works through an open ITT route using the e-tendering system.

That permission is granted to Housing Asset Management to enter into contract with the 2 successful contractors.

Approvals

I have seen this report and approve it for onward submission to the Directorate Procurement Board:

Signature _____

Date _____

(Nick Powell)

Divisional Director Housing

I approve the above recommendations:

Signature _____

Date _____

(David Woosey)

Chair of Directorate Procurement Board

Signature _____

Date _____

(Tom Whiting)

Chair of Commissioning and Commercial Board [for Values above £500,000 only]

[No further signatures are required at the Gateway 1 stage. The scheme of delegation does not apply at this stage. All other clearances must be recorded in the table at the front of this gateway template.]