
REPORT FOR: CABINET

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| Date of Meeting: | 17 th November 2016 |
| Subject: | Procurement of Kitchen & Bathrooms for 17/18 Housing Capital Programme |
| Key Decision: | Yes |
| Responsible Officer: | Lynne Pennington, Divisional Director of Housing Services |
| Portfolio Holder: | Councillor Glen Hearnden, Portfolio Holder for Housing |
| Exempt: | No |
| Decision subject to Call-in: | Yes |
| Wards affected: | Harrow, Harrow Weald, Pinner |
| Enclosures: | Gateway 1 Procurement reports as per appendix |

Section 1 – Summary and Recommendations

This report asks Cabinet for authority to go to the market and procure 3 contractors to deliver Kitchen & Bathroom refurbishments across various wards in the borough, as part of the 17/18 Housing Capital Programme. The current Housing framework for Kitchen & Bathrooms expired in July 2016. For the 2017/18 programme of Kitchen & Bathrooms it is intended to split the new contract into 3 lots (East, West and Central).

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. Give authority to officers to undertake a procurement process for 3 contractors to deliver Kitchen & Bathroom refurbishments on the 17/18 Housing Capital Programme.
2. Delegated authority to award and to arrange the execution of contracts with the successful tenderer to the Corporate Director of Community, following consultation with the Portfolio Holders for Housing and Finance and Major Contracts.

Reason: (For recommendations)

Due to the estimated value of the project detailed above Cabinet authorisation is required in order 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 4 year programme agreed by Cabinet in February 2015. There are a number of projects on the 17/18 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.

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 Major Contracts 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 £2.3m, 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 current 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 5 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.

Again, this framework option may be considered after trailing the SME route.

d) Do nothing

The option to do nothing comes with inherent risks to 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 3 lots

This proposal is to advertise an open tender that has 3 separate lots 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:

- 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 4 years but under the name of a larger contractor.

Option (e) is the preferred procurement route and LBH is seeking to actively help SME's tender for this project by holding a supplier training day in November 2017. It is envisaged that LBH will trial this procurement route for one year. Following the trial a review will be carried out again on the best option for future kitchen and bathroom programmes.

3.0 Background

3.1 The individual project is included on the 4 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 3 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 the SME's for this opportunity. . 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.

7.0 Legal Implications

7.1 The value of these procurements is below the financial threshold requiring a tender procedure that complies with the Public Contracts Regulations 2015 so there is no requirement to advertise in OJEU or to follow one of the prescribed procedures.

7.2 The procurement will comply with the Councils Contract Procedure Rules

8.0 Financial Implications

8.1 The project is included in the 4 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 value of the contract is £2,300,000, including relevant fees. The term of the project will be for a period of 1 year commencing in 2017 and the works will be split geographically across Harrow into 3 Lots with an estimated value of £750k per lot .These will be raised as 3 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 and leaseholders 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 and leaseholders –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

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| Name: Sharon Daniels | <input checked="" type="checkbox"/> | on behalf of the Chief Financial Officer |
| Date: 14/10/2016 | | |
| Name: Stephen Dorrian | <input checked="" type="checkbox"/> | on behalf of the Monitoring Officer |
| Date: 13/10/2016 | | |

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| Ward Councillors notified: | Yes, through consultation events |
| EqIA carried out: EqIA cleared by: | NO, but an initial Equality Impact Assessment was carried out for the whole Capital Programme(see above). |

Section 4 - Contact Details and Background Papers

Contact: Rukshan Kariy,
Project Manager, Asset Management
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Background Papers:
None

**Call-In Waived by the
Chairman of Overview
and Scrutiny
Committee**

*(for completion by Democratic
Services staff only)*

NOT APPLICABLE
(call in applies)