

Report for: **Cabinet**

Date of Meeting:	25 th May 2023
Subject:	Procurement of Kitchens & Bathrooms Refurbishment and Procurement of Windows & Doors Renewal
Key Decision:	Yes - procuring the service will exceed the threshold of £500k
Responsible Officer:	Dipti Patel - Corporate Director of Place David McNulty - Divisional Director of Housing
Portfolio Holder:	Councillor Mina Parmar - Portfolio Holder for Housing
Exempt:	No, except for appendices 1,2,3,4,5,6 & 7 which are exempt by virtue of Paragraph 3 of Schedule 12A of the Local Government Act 1972 because they contain information relating to the financial & business affairs of the Council
Decision subject to Call-in:	Yes
Wards affected:	All Wards
Enclosures:	Appendix 1 – Draft ITT Kitchens & Bathrooms Refurb (Exempt) Appendix 2 – Articles of Agreement - JCT ICD Kitchens and Bathrooms (Exempt) Appendix 3 – Kitchen & Bathroom Specification Pricing 23-25 (Exempt) Appendix 4 – Draft ITT Windows & Doors Renewal (Exempt) Appendix 5 – Articles of Agreement - JCT ICD Windows and Doors (Exempt) Appendix 6 – Schedule of Works - Windows and doors 2023-25 (Exempt) Appendix 7 – 3-Year Capital programme (Exempt) Equalities Impact Assessment

Section 1 – Summary and Recommendations

This report requests Authority from Cabinet to procure 2-year capital programmes, with the option to extend for 1 further year, for Kitchen & Bathroom refurbishments and Windows & Doors renewals across various wards in the borough, as part of the HRA (Housing Revenue Account) Capital Programme using the open tender procedure.

This approach would attract local Small and Medium Enterprises (SMEs) and specialist contractors to tender for either the Kitchen & Bathroom or Windows & Doors programme in two separate 2-year procurements, 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 SME's to participate.

The London Borough of Harrow recognise that it is vital that SME's are given the opportunity to be successful in winning public sector construction contracts as they employ local people including apprenticeship schemes, and they also typically spend money with local suppliers and other businesses in the local economy.

We are also seeking delegated authority to award contracts following the outcome of the procurement process.

Recommendations:

Cabinet is requested to:

1. Grant approval for officers to undertake procurement processes for the selection of two contractors to deliver Kitchens & Bathrooms refurbishments and Windows & Doors renewals for 2 years on the 2023/24 & 2024/25 Housing Capital Programmes with the option to extend for a further year for both Lots. The combined value of the Kitchens & Bathrooms Programmes is £2.613M and Windows & Doors Programmes is £1,848M funded from HRA capital resources in financial years 23/24 and 24/25.
2. Approve the commencement of procurement processes to identify suitable providers to deliver both programmes via an open tender process.
3. Delegate authority to the Corporate Director for Place, following consultation with the Portfolio Holder for Housing, to make any changes required to the tender documents following approval.
4. Approve the tender documents

5. Delegate authority to award and appoint contractors to both procurements and arrange the execution of contracts with the successful tenderers to the Corporate Director of Place, following consultation with the Portfolio Holders for Housing and Portfolio Holder for Finance and Human Resources and the Director of Finance.

Reason: (For Recommendations) Cabinet authorisation is required to comply with the Council's Contract Procedure Rules and Financial Regulations, due to the aggregate estimated value of the potential contracts.

Section 2 – Report

1.0 Introduction

- 1.1 The Council are about to embark on a 3-year Housing Capital Programme. As such the Council are looking to procure a two-year programme for Kitchen & Bathroom refurbishments and Windows & Doors renewals with an option to extend for a further year based on performance.
- 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 These programmes will run as 2 separate procurements as they are both individually specialist contracts. It is intended to procure through the open market to achieve additional value for money using the London Tenders Portal.
- 1.4 The aim of the Kitchens & Bathrooms Refurbishments is to bring homes with kitchens or bathrooms that are over 20 or 25 years old respectively up to and surpassing the Decent Homes Standard which is currently 25 & 30-year cycles respectively.
- 1.5 The aim of the Windows and Doors project is to deliver renewals to various addresses across the London Borough of Harrow. The result of this will be better energy efficiency and lower fuel bills for our residents along with better fire security. The addresses form a programme of works which has come from the Data & Planning team following stock condition analysis.
- 1.6 As the Council has prioritised Compliance works, we are now in a downcycle of Decent Homes investment for key elements of disrepair. In order to rectify this, much more investment is required for Decent Homes elements including kitchens, bathrooms, windows & doors.

2.0 Options Considered

2.1 **Option 1: Separate Open tenders for years 2023/24, 2024/25 and 2025/26 for each contract.**

Engaging in annual open tenders in this instance would result in 6 individual time-consuming procurements and internal governance processes. This could also result in 3 different contractors being nominated for Kitchens & Bathrooms refurbishments and Windows & Doors Renewals respectively, therefore resulting in being more susceptible to price increases and no continuation with client/contractor relationship building.

2.2 **Option 2: Tendering Kitchen & Bathrooms and Windows & Doors together on a 2-year programme with an option to extend for 1 further year.**

This would attract large scale contractors that would sub-contract the works and programmes would be subject to high preliminary costs and management fees. The council believes it would be more beneficial to tender each of these workstreams separately to attract specialist contractors and ensure best value is achieved.

2.3 **Option 3: Do nothing.**

This would mean kitchens, bathrooms, windows and doors would fall into disrepair and compromise residents' Health & Safety. This would mean an increase in revenue/repair costs and complaints from residents.

2.4 **Option 4: To undertake 2 separate procurement processes for the selection of 2 contractors to deliver Kitchens & Bathrooms refurbishments and Windows & Doors renewals for 2 years in the 2023/24 & 2024/25 Housing Capital Programmes with the option to extend for a further year for both procurements.**

This would attract specialist local SMEs for each procurement, offer a continuation in standards and increased Value for Money for each programme. The decision to take the options to extend can be made after monitoring the contractors' performance and KPIs.

2.5 The recommended option is **Option 4: To undertake 2 separate procurement processes for the selection of 2 contractors to deliver Kitchens & Bathrooms refurbishments and Windows & Doors renewals for 2 years in the 2023/24 & 2024/25 Housing Capital Programmes with the option to extend for a further year for both procurements.** Both contracts are to be procured via the open tender process. The advantage of longer-term contracts would be to build relationships with single contractors obtaining value for money as opposed to separate year on year procurement which can incur delays and result in different contractors delivering to different standards.

3.0 Background

3.1 Kitchens & Bathrooms

As they are all tenanted properties none of the properties on these programmes are subject to Section 20 of Landlord & Tenant Act 1985 (as amended) processes.

3.2 Harrow aims to replace kitchens and bathrooms every 25 years and 30 years respectively based on decent homes guidance, stock condition surveys and repairs referrals. We have a fully validated stocklist of circa 372 properties over the next 2 years with a further circa 214 properties in year 3.

Elements	2023/24	2024/25	2-Year Programme Total	Option to extend 2025/26
Kitchens	56	103	159	132
Bathrooms	59	53	112	51
Separate WCs	31	70	101	31
Total Units	146	226	372	214

3.3 The kitchen upgrade will be using Symphony kitchens, who we have been in a successful partnership for over 10 years through the LHC Framework. They provide one of the highest specifications which include options such as larder units to residents. They also take part in resident consultation open days where resident can come and pre-select their kitchen choices & colours and book their surveys.

3.4 Besides bringing our homes to surpassing the Decent Homes Standard, the added benefits to carrying out Kitchen & Bathroom refurbishments is that residents are identified that may need a shower instead of a bath at consultation Referrals are then made to our Adaptations Team. The Kitchen & Bathroom programme will also involve electrical testing which will supplement our EICR (Electrical Installation Condition Report) programme following the notice from the Regulator of Social Housing in March 2023.

3.5 Windows and doors

As they are all tenanted properties none of the properties on these programmes are subject to Section 20 of Landlord & Tenant Act 1985 (as amended) processes.

3.6 The aim of Windows and Doors renewal programme is to increase the energy efficiency of our homes and lower fuel bills for our residents along with better security. We have a fully validated stocklist of 440 properties over the next 2 years with a further circa 250 properties in year 3.

Table 3.6a – Windows & Doors Units				
Elements	2023/24	2024/25	2-Year Programme Total	Option to extend 2025/26
Window & Door Programme -Including properties on the SHDF Decarbonization Fund programme	190	250	440	250

- 3.7 Our windows specification stipulates we use A-rated windows to provide a high degree of energy efficiency for our residents. This has become more prevalent with the continued cost of living crisis.
- 3.8 Added benefits of carrying out windows and doors renewals would be increasing the EPC rating of our properties and preparing them for the Decarbonization works planned the Harrow and national Net-zero agenda through the Social Housing Decarbonization Fund Grant works. Homes would also have increased ventilation as the new windows will have trickle vents. This will make them less susceptible to damp and mould hereby improving the health and well-being of our residents.
- 3.9 The SHDF (Social Housing Decarbonisation Fund) segment of Windows and Doors has the option to be contract managed by the approved SHDF delivery partner as per the SHDF Decarbonization Fund Wave Cabinet Report.
- 3.10 The Tender exercise for both procurements will follow Harrow's standard weighting of:
Price/Commercial – 60%, Quality/Technical – 30%, Social Value, 10%

4.0 Performance Issues

- 4.1 The new contractors will be managed effectively from mobilisation through each project, by the Planned Investment Team. Performance statistics will be reviewed monthly and monitored. Effective and regular communication between the contractors and the Council whilst works are underway will ensure progress with delivery.
- 4.2 The works will be covered for a DLP (Defects Liability Period) for 1 year from commission. Our in-house Clerk of Works will be inspecting works on completion to ensure any snagging is carried out straight away. If the contractor encounters any repairs out of the scope of works, they will notify the Contract Administrator and we will either instruct the contractor to carry out the repair or refer to our term contractor or specialist depending on urgency and/or type of works.
- 4.3 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.

4.4 KPI Suite

- 1) **Client/resident Satisfaction:** Target min 90%
- 2) **Cost Predictability:** monthly analysis of projected Final Account against Contract Sum and Actuals monthly valuations against forecast cash flows: Target: within 10% of forecast.
- 3) **Quality:** Properties offered to the client as completed: Target 85% no defects. Individual Properties: 5% reduction for every 3rd defect. Max 5-defects per Property. 10% reduction per defect over 5 defects.
- 4) **Time Predictability:** Monthly analysis of Actual time against original submitted programme. Target 90% delivery against contract period allowing for any issued contract extensions of time.
- 5) **Safety:** Record all site safety incidents or 'near misses' and RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations) Incidents. Target 100% no incidents

5.0 Environmental Implications

- 5.1 It is the intention of the Asset Management Team that the delivery of all contracts will contribute to the Council's objectives around social, economic, and environmental sustainability. We aim 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 contract specification will ensure that tenders provide detailed information about their contribution to the environment and sustainability and by looking for a framework of contractors we hope to procure small, local contractors who will be better placed to employ a local workforce.

6.0 Risk Management Implications

- 6.1 The risks relating to the delivery of the Capital Programme will be 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 In addition risks are identified and monitored for each individual project undertaken within the service. The contractors are responsible for completing a risk assessment.

Risks included on corporate or directorate risk register? **No**

Separate risk register in place? **Yes**

The relevant risks contained in the register are attached/summarised below.
Yes

The following key risks should be considered when agreeing the recommendations in this report:

Risk Description	Mitigations	RAG Status
If the recommendations are not accepted many Harrow properties will fail to meet the Decent Homes standard	<ul style="list-style-type: none"> ▪ Acceptance of the recommendations in this report will mitigate this risk 	GREEN
If the recommendations are not accepted there will be an increase in tenant dissatisfaction and complaints, disrepair claims and repair costs	<ul style="list-style-type: none"> ▪ Acceptance of the recommendations in this report will mitigate this risk 	GREEN
Materials shortages and cost and delivery issues increase costs on the contract	<ul style="list-style-type: none"> ▪ We will secure assurance on costs by having a 2-year contract in place with contractors and ensure programmes are turned around efficiently to avoid any delays which could aggravate inflation pressures. ▪ We will pre-order materials where we can 	AMBER
The procurement process is not undertaken properly in compliance with Public Procurement Regulations and the Council's Contract Procedure Rules and Financial Regulations	<ul style="list-style-type: none"> ▪ We will work closely with the Council's procurement team throughout the procurement to ensure compliance ▪ We will use open market procurement routes as permitted by the Public Contract Regulations 2015. ▪ The Tender exercise for both procurements will also follow Harrow's standard weighting of: Price/Commercial – 60%, Quality/Technical – 30%, Social Value, 10% 	GREEN
Specialist contractors are not attracted to the work during the procurement of the contract and these contractors are required for project success	<ul style="list-style-type: none"> ▪ By tendering to the 'Open Market tender' and listing the elements of work specific to the project in the ITT Kitchen & bathroom and Windows & Doors contractors will be sourced. 	GREEN

Risk Description	Mitigations	RAG Status
	<ul style="list-style-type: none"> ▪ Contactors will be experienced and have knowledge in delivering in these areas of work. 	
<p>Arrangements for contract management are not adequate or effective leading to poor quality work and delays on the contract</p>	<ul style="list-style-type: none"> ▪ Contractors will be overseen and managed by the Planned Investment Team ▪ Contracts are adequately resourced internally and also inspected and quality assured by a dedicated Clerk of Works. ▪ Performance statistics will be reviewed monthly and monitored ▪ There will be effective and regular communication between the contractors and the Council whilst works are underway to ensure progress with delivery. ▪ We intend to form monthly project groups, inviting residents and Members to support the management and monitoring of the schemes throughout their implementation. ▪ Works are covered for a DLP (Defects Liability Period) for 1 year from commission. 	<p>GREEN</p>

7.0 Procurement Implications

- 7.1 The estimated value of this procurement is below the financial threshold for Works contracts. Any procurement arising from this report will be advised on and supported by the procurement team and will be conducted in compliance with the Public Contract Regulations [as amended] and the Contract Procedure Rules.
- 7.2 Bidders will be required to provide technical and commercial submissions, with all Tenders being evaluated for both their technical and commercial suitability in relation to the Authority's Requirements.
- 7.3 The proposed procurement process will be the open tender procedure; this will allow for bids from local SMEs and specialist contractors. Bidders will be measured on both their quality and commercial submissions. The Most Economically Advantageous Tender will be recommended for award of the contract.

8.0 Legal Implications

- 8.1 The total estimated value (including VAT) of each programme is below the financial threshold for public works under the Public Contracts Regulations 2015 (currently £5,336,937). Therefore, the main provisions of the Public Contracts Regulations do not apply to the respective procurement exercises. The Procurement team have however indicated that an open tender procedure in accordance with the Public Contracts Regulations and the Council's Contract Procedure Rules will be carried out.
- 8.2 This will ensure that a robust, fair, transparent and non-discriminatory competitive process is conducted, to select contractors who have demonstrated good technical ability, good financial standing, with solutions that will provide value for money.
- 8.3 As the estimated value of each programme is above £500,000, approval to procure must be obtained by way of a Cabinet Report, as required under the Council's Contract Procedure Rules *Table 1 Authorisation and Acceptance Thresholds*.
- 8.4 The proposed renewal programmes will help contribute to the achievement of the Council's social, economic and environmental objectives and will ensure that the quality of the Council's housing stock is in line with Decent Homes Standards.
- 8.5 HB Public Law will assist with the preparation of the works contracts and will ensure that they are executed in accordance with the Council's Contract Procedure Rules on signing and sealing.

9.0 Financial Implications

- 9.1 The total estimated expenditure of the 2-Year Kitchens & Bathrooms Programme is £3.01M and the 2-Year Windows & Doors Programme is £2.13M. The total 2-year expenditure of £5.143M will be funded from HRA planned investment capital programme budgets of £8.428m in 2023/24 and £8.428m 2024/25.
- 9.2 The extension option of year, if taken, is estimated at £1.976M for Kitchens & Bathrooms and £1,211M for Windows & Doors. The estimated total expenditure of £3.187M funded from the 2025/26 planned investment capital programme budget of £8.428m.
- 9.3 The tables below set out the profile of the expenditure across years and estimated costs against expenditure categories.

10.3a Table 1: Kitchen & Bathrooms Finance				
Kitchens & Bathrooms (K&B)	Spend 2023-24	Spend 2024-25	2-Year Programme Budget	Option Extension Year Spend 2025-26
	£	£	£	£
Works	896,000	1,716,500	2,612,500	1,716,500
Client Contingency 5%	45,000	85,500	130,500	85,500
Asbestos Surveys & Removals	40,000	80,000	120,000	80,000
Staffing	50,000	90,000	140,000	90,000
CDM – Construction Design Management Fee	3000	3000	6000	3000
Legal	500	500	1000	500
Total Kitchen & Bathrooms	1,034,500	1,975,500	3,010,000	1,975,500

10.3b Table 2: Windows & Doors Finance				
Windows & Doors (W&D)	Spend 2023-24	Spend 2024-25	2-Year Programme Budget	Option Extension Year Spend 2025-26
Element	£	£	£	£
Works	798,000	1,050,000	1,848,000	1,050,000
Client Contingency 5%	40,000	52,500	92,500	52,500
Asbestos Surveys & Removals	30,000	40,000	70,000	40,000
Staffing	50,000	65,000	115,000	65,000
CDM – Construction Design Management Fee	3,000	3,000	6,000	3,000
Legal	500	500	1,000	500
Total Windows & Doors	921,500	1,211,000	2,132,500	1,211,000
<u>Total K&B plus W&D</u>	1,956,000	3,186,500	5,142,500	3,186,500

9.4 There are no implication on the General fund as a result of these procurements.

10.0 Equalities implications / Public Sector Equality Duty

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

10.2 An initial Equality Impact Assessment has been prepared for the delivery of the Home Improvement Agency. 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 and the individual needs of applicants be addressed through the contract specification and ensure residents receive the same service regardless 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.

11.0 Council Priorities

- **A council that Puts Residents First**
- **A Borough that is Clean and Safe**
- **A place Where Those in Need are Supported**

11.1 We'll be improving the homes of residents and achieving our decent homes standard

11.2 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.

11.3 Increasing energy efficiencies with window & door upgrades, carrying out EICRs to homes. Identifying all vulnerable residents on the programme and putting resident's needs first while undertaking the works. Work in tandem with the Adaptations Team by making any necessary changes prior to referring residents identified to need adaptations.

Section 3 - Statutory Officer Clearance

Statutory Officer: Tasleem Kazmi

Signed on behalf of the Chief Financial Officer

Date: 09/05/2023

Statutory Officer: Sonia Kounasso

Signed on behalf of the Monitoring Officer

Date: 05/05/2023

Chief Officer: Dipti Patel

Signed off by the Corporate Director

Date: 11/05/23

Procurement Officer: Daniel Rinn

Signed on behalf of the Head of Procurement

Date: 05/05/2023

Head of Internal Audit: Neale Burns

Signed on behalf of the Head of Internal Audit

Date: 10/05/23

Has the Portfolio Holder(s) been consulted? Yes

Mandatory Checks

Ward Councillors notified: NO, as it impacts on all Wards. During consultation relevant Ward Members impacted by the project will be notified.

YES - An overarching EQIA was undertaken for the programme Directorate Equality Task Group.

EqIA cleared by: Jennifer Rock (12/05/23)

Section 4 - Contact Details and Background Papers

Contact: Simbarashe Manjonjori, Interim Planned Investment Manager, Simbarashe.Manjonjori@harrow.gov.uk, tel. 07927 548395

Background Papers: None

Call-in waived by the Chair of Overview and Scrutiny Committee - NO