



Report of Head of Strategy and Investment (Property and Contracts)

Report to Director of Resources and Housing

Date: 9th August 2019

Subject: Tender evaluation results and proposed award of contract for repair and improvement works to the Appletons and Saville Green high rise housing blocks.

Are specific electoral wards affected?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
If yes, name(s) of ward(s):	Burmantofts & Richmond Hill
Has consultation been carried out?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Will the decision be open for call-in?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
If relevant, access to information procedure rule number: 10.4 (3) Information relating to the financial or business affairs of any particular person (including the authority holding that information).	
Appendix number: Appendix 1	

Summary

1. Main issues

- The Council has undertaken a competitive procurement exercise for the delivery of repair and improvement works to 4 high rise housing blocks. These are Appleton Close, Appleton Court, Appleton Square and Saville Green, in the LS9 district of Leeds.
- This report seeks the decision to enter into a Design Services Agreement (DSA) contract with the identified preferred contractor. As a two stage process this first stage finalises all design and costs of the works.
- Following the design period the award of the construction contract will be a separate decision.
- Construction works are planned to commence on site from July 2020. Works include enclosed private balconies, replacement of stairwell curtain walling to all four blocks, creation of secure storage facilities in each block from the first floor and above for the 3 bed flats (excepting 1 block that will have additional storage starting from the second floor), repairs to concrete and other externally exposed elements, and painting and decorating of the communal areas and external facades.
- This scheme is part of the Housing Leeds capital refurbishment programme 2018 – 2019 to 2020 – 2021, and supports the delivery of the city's high rise strategy, making these blocks safer and better for residents including families with children.

2. Best Council Plan Implications (click [here](#) for the latest version of the Best Council Plan)

- The scheme will contribute to the Best Council Plan outcomes of everyone living in good, quality affordable homes within clean and well cared for places; and for everyone to be safe and feel safe.
- This work is strongly aligned with the Best Council Plan Housing priorities.

3. Resource Implications

- The proposed value of the DSA is for £252,998.27 with the estimated total budget for the scheme £4million.
- The scheme including DSA and Construction Contracts will be funded from the Housing Revenue Account (HRA). The first substantial spend on this project will be in the 2020/21 financial year. Adequate provision exists within the Housing Leeds Capital Programme to cover the associated costs of the DSA, in May 2019 authority to spend was secured for up to £1m of costs.

Recommendations

It is recommended that the Director of Resources and Housing

- a) approves the award of the Design Services Agreement contract for repair and improvement works to the Appletons and Saville Green high rise housing blocks to Kier Services Limited for the sum of £252,998.27. This initial sum will cover the DSA contract stage, where the construction design and costs will be developed.
- b) notes that it is estimated construction will start on site July 2020 and last for 14 months. The estimated total contract value is £4million.
- c) recognises that Appendix 1 should be designated as exempt from publication.

1. Purpose of this report

- 1.1 The purpose of this report is to document in detail the procurement processes undertaken, including how tenders were evaluated, to identify the preferred contractor to be appointed for the delivery of repair and improvement works to Appleton Close, Appleton Court, Appleton Square and Saville Green high rise housing blocks.
- 1.2 To obtain approval from the Director of Resources and Housing to award the Design Services Agreement contract for this scheme to Kier Services Limited.

2. Background information

- 2.1 A Key Decision was taken by the Director of Resources and Housing in May 2018 to approve the procurement strategy and the overall scope and budget for this scheme. A link to the published report is also in the background documents at 7.1.
- 2.2 This project is to deliver, repair, maintenance and improvement works to the Appletons and Saville Green high rise housing blocks. These are four high rise housing blocks located in LS9, north of the A64 road in the east Leeds ward of Burmantofts and Richmond Hill. Each block is 10 storeys high and of Wimpey linear design, with 6 flats to each storey (excepting the ground floor of Saville Green which has 5 flats) totalling 239 flats.
- 2.3 There are 5 leasehold flats in total, of which two are owner-occupiers. Leaseholders will be charged for the works, in line with Council policy.
- 2.4 This scheme is linked to recommendations from the city's High Rise Strategy identifying certain measures to improve blocks that currently house a large number of households with children, and responding to site specific requirements and the needs for certain repair and maintenance works.
- 2.5 Subject to the agreement of the tender price for the construction phase as part of the DSA and subsequent award of contract, it is anticipated the construction contract will commence July 2020. There will be no option to extend the contract.

3. Main issues

- 3.1 An initial tender was issued 18th June 2018 as a call off from the Efficiency North Framework under a tender process with an initial DSA followed by a JCT 2011 Intermediate Contract with Design. Three contractors' submitted tenders, however following evaluation it was decided not to proceed with any of the tenders submitted as they did not meet our requirements. As a result we undertook a thorough review of the design and technical documentation with our consultants, including creation of a design statement.
- 3.2 Given the delay we also reviewed the original procurement route options appraisal, as the framework was coming to an end and the expected costs had reduced below EU threshold. As part of this expressions of interest were sent in March 2019 to external frameworks (Yorbuild and Efficiency North), however neither produced sufficient interest and therefore could not demonstrate meaningful competition and value for money. Therefore an administrative decision was taken to procure using contractors on Constructionline - a Government approved contractor list. This

provided competition, and enabled us to engage all companies who had expressed an interest already.

- 3.3 The revised tender and contract documents were issued on 22nd March 2019 to 6 bidders. This was via YORtender and a formal two stage process, whilst continuing to use a DSA, and JCT 2011 Intermediate Contract with Design, as previously.
- 3.1 Due to capacity issues and not being able to commit to the works required both in the DSA and construction phase two contractors decided not to submit a bid and made the Council aware via YORtender.
- 3.2 The four remaining contractors expressed their interest to tender for the works and as such were invited to a bidder's day meeting held on the 17th April 2019. This allowed contractors the opportunity to ask any questions relating to the site, tender documents and any further information needed to submit their tender. All questions that came out of the bidder's day were responded to within two days.
- 3.3 The initial tender return date was 15th May 2019 however due to a large number of queries being raised, this return date was extended to 22nd May 2019. This allowed bidders to receive further clarification on any answers that were issued as well as ensure that all bidders had adequate time to take into account this information as part of their bids.
- 3.4 To ensure the Council was operating in an open and transparent way questions and answers were circulated to all bidders.
- 3.5 Tenders were received from ENGIE Regeneration Limited, Mears Limited, Henry Boot Construction and Kier Services Limited.
- 3.6 The 4 received bids were evaluated using a 70% price, 30% quality split, and the approach overseen by procurement officers.
- 3.7 The quality element of the submission was assessed and scored individually by a core panel consisting of Planned Works Team Leaders and Technical Officers, before coming together to arrive at a consensus score. Additional support from consultees included that from Employment and Skills, and from the council's technical consultant partner NPS. Tenderers were asked to respond and submit information to the 7 quality questions covering the areas set out below. The scoring criteria for quality included:
 - Contractor's team and expertise – max 40 points
 - Stakeholder engagement during design – max 50 points
 - Health and Safety – max 40 points
 - Resident communication and engagement – max 40 points
 - In house, subcontractor and supply chain management – max 50 points
 - Risk Management – max 50 points
 - Employment and Skills – max 30 points
- 3.8 One submission failed to attain the minimum threshold of 30 points in relation to one of the quality criteria, in addition they did not pass the overall minimum quality threshold.
- 3.9 Price was assessed by Property and Contracts quantity surveyors. Full details of this price evaluation can be found in the Tender Analysis Report (Appendix 1).
- 3.10 The summary of the evaluation scores are:

Organisation	Price Score (max 700)	Quality Score (max 300)	Total Score
Kier Services Limited	617.88	252.00	869.88
ENGIE Regeneration Ltd	585.95	224.00	809.95
Henry Boot	11.86	222.00	333.86
Mears Limited	Did not meet minimum quality threshold		

3.11 As a result the preferred contractor is:

- Kier Services Limited.

3.12 The evaluation process includes due diligence work. Prices from Kier have been checked against a Pre-Tender Estimate to ensure their prices submitted covered the works required in the DSA contract stage.

3.13 A contract management plan (CMP) has been developed that sets out how the contract will be administered and executed. This includes the requirements of performance expected from the contractor, communication frequency and methods, mobilisation and identification of risks and benefits.

3.14 Indicative future timescales are:

- Kick off meeting – mid September 2019
- Design development and further resident and ward member consultation – from October 2019 to January 2020
- Contractor submits planning application – by end February 2020
- All design, plans and costs agreed – May 2020
- JCT Construction contract awarded – June 2020
- Contractor starts on site – July 2020
- Contractor ends on site – late September 2021

4. Corporate considerations

4.1 Consultation and engagement

4.1.1 Early on in the project a number of tenant consultation and involvement sessions took place, including local resident consultation activity during the October 2017 half term, engagement with the Tenant and Residents Association, and with local Ward Members. Resident's views have shaped the scope and design of the scheme.

4.1.2 The five leaseholders have been informed of the preferred contractor and have received the appropriate correspondence in line with national guidelines. The statutory leaseholders' consultation period ended 8 August – no comments were received.

4.1.3 This project and procurement has been undertaken with procurement colleagues. In addition legal colleagues in the Procurement and Commercial Services Team (PACS) have been consulted on this report.

4.1.4 During the DSA period we will continue to engage residents and local Ward Members on, working with the contractor as they develop designs.

4.2 Equality and diversity / cohesion and integration

4.2.1 An Equality, Diversity, Cohesion and Integration (EDCI) screening and impact assessment was completed and published with the May 2018 key decision report.

4.2.2 This project will have an overall positive impact on equality, diversity and cohesion. For example, the planned works will promote health and well-being of residents e.g. enclosing the private balconies and installation and provision of secure storage facilities will allow residents internal storage space. This could mean a significantly less investment may be needed in the future.

4.3 Council policies and the Best Council Plan

4.3.1 This procurement has been undertaken with openness, transparency and fairness throughout. This project has been procured in line with the councils Contract Procedure Rules.

4.3.2 This work is strongly aligned with the Best Council Plan Housing priorities, and our ambitions to:

4.3.2.1 have housing of the right quality, type, tenure and affordability in the right places

4.3.2.2 improve housing quality and standards

4.3.2.3 enhancing the city and achieving growth in Leeds

4.3.3 Linked to the Inclusive Growth agenda, one of the evaluation criteria was in relation to bidders employment and skills offer – from job and apprenticeship opportunities to works experience. Appendix 1 notes additional information on this for the preferred contractor.

Climate Emergency

4.3.4 The addition of an enclosed balcony to each property would improve energy efficiency. The design will be developed during the DSA period, where activities are expected to include thermal modelling.

4.3.5 The housing blocks already have external wall insulation however as part of the planned repairs and improvements the external concrete render will be repaired and this will re-provide insulation to the flats.

4.3.6 These blocks are also benefitting from a District Heating scheme (Leeds Pipes). The combined works will support improved energy efficiency and reduced fuel poverty, for residents of the Appletons and Saville Green high rise properties.

4.4 Resources, procurement and value for money

4.4.1 The project team had consistency throughout the procurement process with representation from Housing Leeds and the Procurements team.

4.4.2 The procurement process has been carried out in an open and transparent manner in line with the Contract Procedure Rules. It has been ensured that competition was sought to identify best value throughout the contract term.

- 4.4.3 Due diligence was undertaken on price to ensure that the contract value is realistic and offers value for money. The Property and Contracts Quantity Surveying team have carried out analysis of all prices submitted by contractors to ensure current market rates for the works are reflected. Further due diligence will be carried out during the DSA to ensure the balcony design and planned construction related costs reflect value for money for the council and leaseholders.
- 4.4.4 Within the DSA agreement there is also a price threshold for the Construction Contract.
- 4.4.5 The contractor will have specialist skill, technical expertise and knowledge that will ensure all works are completed with regards to Health and Safety and environmental consideration. The DSA will operate on the agreed tender price with clear costs and ways of working laid out during the tender process.
- 4.4.6 The scheme including DSA and Construction Contracts will be funded from the Housing Revenue Account (HRA) Housing Leeds Refurbishment programme. The first substantial spend on this project will be in the 2020/21 financial year. Adequate provision exists within the Housing Leeds Capital Programme to cover the associated costs of the DSA, in May 2019 authority to spend was secured for up to £1m of costs.

4.5 Legal implications, access to information, and call-in

- 4.5.1 This report is a Significant Operational Decision and not subject to call in. It is a subsequent decision of the key decision to undertake the procurement.
- 4.5.2 The tenders have been evaluated in accordance with the evaluation criteria set out in the tender documents and therefore, provided the works are still required and affordable, the preferred contractor should be appointed. Thus, in making the final decision, the Director of Resources and Housing should be satisfied that this contract represents best value for the Council.
- 4.5.3 Leaseholders have been consulted, as noted in section 4.1.
- 4.5.4 The information in Appendix 1 of this report has been identified as exempt/confidential under the Access to Information Rules 10.4 (3). The public interest in maintaining the exemption in relation to the confidential Appendix outweighs the public interest in disclosing the information and financial details which, if disclosed would adversely affect the business of the Council and the business affairs of a number of individual companies.
- 4.5.5 Following award of the DSA contract, as this is a two stage tender a subsequent decision report will be completed regarding the construction contract award.
- 4.5.6 In making their final decision, the Director of Resources and Housing should note the above comments and be satisfied that the course of action chosen represents best value for the Council.

4.6 Risk management

- 4.6.1 A risk register for the project is in place and has been managed throughout this procurement process to mitigate risks. The project team will continue to monitor the identified risks and consider any new risks moving forward through contract award and mobilisation.
- 4.6.2 Notable risks are:

- a) The **financial situation of the preferred contractor**. Kier Service Limited is under overall ownership of its ultimate parent company Kier Group PLC, who have made public statements to shareholders and others regarding their financial situation and a profit warning has been issued. They have also noted the steps they are taking to mitigate their own risks as a company. If their financial situation worsens they may be unable to complete the DSA contract and/or subsequent construction contract. As with our due diligence on any contractor at present, we are carrying out actions to mitigate financial risk and ensure that procedures are in place to mitigate our risks – for example weekly monitoring of the credit safe reports and liaising with legal colleagues to review the payment terms and clarify the clauses. Our actions are in line with Cabinet Office advice that recommends a Business as Usual approach with Kier. Additionally, we are also following the Council's new financial guidance in line with Contract Procedure Rule 11.7. Due diligence additional information is noted in Appendix 1.
- b) The **views of different stakeholders on scope and design of the works may not be compatible** and this could impact on the progress and timescales of the DSA. For example, local residents may not agree with the designs to be proposed by the contractor. There has been close engagement within Housing Leeds and meetings with local Ward Members, and early consultation with local residents. Further consultation is planned during the DSA stage involving the contractor, and Ward Members and residents.
- c) The **contractor design may be in line with our requirements, but not be viable due to significant adverse effects on the internal environment of the flats**. For example loss of daylight, ventilation and overheating. This could potentially result in a different design or abortion of the project. This will be mitigated by the formulation of a robust contract management plan and ensuring regular meetings take place between the council, NPS (council's technical consultant partner), the lead Contractor and its designer to ensure any negative possible impacts can be minimised.
- d) The **construction costs exceed estimates and the available budget**. This will be mitigated by good contract management and close monitoring of the budget during the DSA period. In addition the DSA includes an affordability threshold of £4m for the construction contract, enabling consideration of feasibility and abortion of the project if costs escalate.

5. Conclusions

- 5.1 The procurement process undertaken has been in accordance with the Council's Contracts Procedure Rules, with full guidance and support from the procurements team.
- 5.2 Following the tender evaluation of all 4 bids the preferred contractor has been identified as Kier Services Limited. This has taken into consideration both quality and price submissions and therefore Kier Services Limited has proved to be the most economically advantageous for this scheme.

6. Recommendations

It is recommended that the Director of Resources and Housing

- 6.1 approves the award of the Design Services Agreement contract for repair and improvement works to the Appletons and Saville Green high rise housing blocks to Kier Services Limited for £252,998.27. This initial sum will cover the DSA contract stage with construction costs to be provided in a subsequent report regarding the construction contract award.
- 6.2 notes that it is estimated construction will start on site July 2020 and last for 14 months. The estimated total contract value is £4million.
- 6.3 recognises that Appendix 1 should be designated as exempt from publication.

7. Background documents¹

- 7.1 [Key Decision Report: May 2018 - Approval to undertake a procurement for repair and improvement works to the Appletons and Saville Green high rise housing blocks.](#)

8. Appendices

- 8.1 Appendix 1 - Tender Analysis Report (confidential)

¹ The background documents listed in this section are available to download from the council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.