

**To:** City Executive Board

**Date:** 21st March 2013

**Joint Report of:** Head of Corporate Property and Head of Housing

**Title of Report:** CONTRACT AWARD – PROJECT MANAGEMENT AND MULTI-DISCIPLINARY DESIGN OF THE REFURBISHMENT OF THE COUNCIL'S FIVE TOWER BLOCKS

## Summary and Recommendations

**Purpose of report:** To request approval to award a contract to project manage, which incorporates consultation and a multi-disciplinary design function, the refurbishment of the Council's tower blocks.

**Key decision:** Yes

**Executive lead member:** Councillor Scott Seamons

**Policy Framework:** Meeting Housing Need

**Recommendation(s):** City Executive Board is asked to approve the award of a contract to E C Harris to project manage, including full consultation of all stakeholders, and multi-disciplinary design services, this key refurbishment project to the Council's tower blocks.

### **Appendices:**

Appendix 1 - Risk Assessment

Appendix 2 - Tender scores

### **1. Background**

- 1.1 Project approval to refurbish the Council's tower blocks was approved by the City Executive Board and Council in February 2012 as part of the HRA 2012/15 Capital programme budget approval process. This project also forms part of the HRA Business Plan.

- 1.2 The budget for the refurbishment is currently split over nine years.
- 1.3 Due to the complex nature and scope of the project, our current staff resources do not have the experience, capacity or time needed to undertake the management of this project.
- 1.4 The estimated costs exceeded the EU Procurement Regulations threshold and to ensure full compliance this tender has been advertised in accordance with the EU open tender process and advertised in the Official Journal of the European Union and the South East Business Portal.

## **2. Tender Process**

- 2.1 Fourteen businesses submitted tenders, five submissions were received from organisations with local offices.
- 2.2 In order to help assess the submissions and provide an element of challenge, the Council commissioned a Project Manager from Acivico, Birmingham City Council's Project Management team, to be part of the tender evaluation panel. Birmingham City Council has extensive experience of delivering tower blocks refurbishment programmes. Their input was extremely helpful to the Council's tender evaluation panel.
- 2.3 Tenders were evaluated in accordance with the Council's Procurement Strategy; 60% quality and 40% price. The Council received a number of high quality tender submissions that offered a comprehensive project management approach and competitive price. Due to the possible contract length the panel carried out a comprehensive assessment of each bidders ability to manage the project of the possible nine years. . EC Harris demonstrated their ability to offer the flexibility to manage this project over a variable period should the budget be available over a shorter period, a competitive fixed price and included arrangements for providing specialist support to increase the potential for environmental improvements. This process has resulted in the tender scoring identifying E C Harris as the preferred bidder to manage this project.

## **3. Scope of the Refurbishment Project**

- 3.1 The scope of the works to be included in this appointment is wide ranging and includes:-
  - Facilitating stakeholder meetings.
  - Reporting on options available, including financial assessments and carbon savings in the case of heating replacement.
  - Production of working drawings and full specification of works for the refurbishment works and mechanical and electrical services (M&E), including architectural input on the design of the façade.
  - Liaising with the Council's Procurement team for the main contractor tendering process, including evaluating tenders and making recommendations.

- Monitoring works on site, including the provision of a Clerk of Works and weekly reporting.
- Facilitating regular meetings with the Project Board and other stakeholders.
- Agreeing monthly valuations and final account with the contractor.
- Issuing variation orders as work proceeds.

#### **4. Legal implications**

- 4.1 This tender has been carried out in accordance with EU Procurement Regulations 2006.
- 4.2 It is proposed, in accordance with the tender documentation that EC Harris contracts with the Council using the NEC3 contract for professional services.
- 4.3 The contract will include EC Harris' responsibility for the full design and contract management of the works, right through to agreement of the final account. It is anticipated that the contract will commence in April 2013.
- 4.4 The NEC 3 Professional Services - Schedule B, has been chosen.
- 4.5 The solution includes:
- The flexible management of variations as our needs/requirements change;
  - Well defined 'limitations of liability'. Liability will be extended to **3 years** after completion of the whole of the services;
  - A 'Fair Payment' charter;
  - Defined Quality/Performance plans;
  - Public Liability Insurance containing an 'indemnity to principals' clause, in favour of the employer i.e. Oxford City Council;
  - An agreed approach to Dispute Resolution, including defined arbitration and adjudication procedures;
  - Upfront agreement to Price Adjustments for Inflation. The contract price will 'not' fluctuate in line with inflation, as the contract price has been fixed upfront.
- 4.6 Whilst this contract will formally document the legal agreement between the Council and EC Harris for the project management, consultation and multi-disciplinary design, a further contract will need to be awarded for the appointment of the main contractor. This will be subject to a separate tender and contract award.

#### **5. Financial Implications**

5.1 Because of the ongoing nature of this Capital project, budgets currently span nine years and will be subject to regular annual approvals by Council. The budget for 2012/13 is £50,000 which will be spent on initial Consultants costs. The overall budget within the HRA Business Plan for the nine years programme is £10m at today's prices, inflation has been included in the Business Plan. The current, still to be approved, profiled programme is as follows:-

<b>Activity</b>	<b>Years 1 - 5</b>					<b>Years 5 - 10</b>				
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>CAPITAL</b>										
<b>Tower Blocks</b>	50	500	1,500	1,500	1,500	1,500	1,500	1,500	450	0

5.2 Several clarification meetings have been held with E C Harris to ensure the Council has cost certainty for the project management over a nine year period. The agreed cost for the whole project based on the requirements is £678,160 (6.5% of the overall budget).

5.3 An analysis of the tender scores is provided in Appendix 2.

5.4 Leaseholders will be fully consulted in accordance with the Common hold and Leasehold Reform Act 2002, Section 151. Upon completion of the works they will be recharged their proportion of the costs. The Council is seeking Counsel's opinion on what costs the Council will be able to recover in this way.

## 6. Staffing Implications

6.1 Corporate Property Housing Projects surveyors do not have the necessary experience and there are not sufficient internal staff resources to undertake this project.

## 7. Environmental implications

7.1 Part of the brief for this project is for the project manager to research options and make recommendations, including financial appraisals, on heating the tower blocks and value for money options for improving the insulation. Achieving carbon reduction will be a major factor in these appraisals. E C Harris will use a specialist partner within the agreed price who has a track record in delivering these solutions.

## 8. Equalities impact

8.1 E C Harris The appointed consultant will be required to facilitate workshops for stakeholders to seek their views and to discuss the options available. These workshops will influence the final tender documents and specification of the refurbishment works.

8.2 E C Harris demonstrated in their tender their strength and approach to effective tenant liaison and provided evidence of how this had been successful in previous projects.

## 9. Level of Risk

9.1 A risk register is attached, Appendix 1.

**Name and contact details of author:-**

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## APPENDIX 1

### Report Risk Register – Tower Blocks Project Manager

Risk Score      Impact Score: 1 = Insignificant; 2 = Minor; 3 = Moderate; 4 = Major; 5 = Catastrophic Probability Score: 1 = Rare; 2 = Unlikely; 3 = Possible; 4 = Likely; 5 = Almost Certain															
No	Risk Description	Gross Risk		Cause of Risk	Mitigation	Net Risk		Further Management of Risk: Transfer/Accept/Reduce/Avoid		Monitoring Effectiveness				Current Risk	
1.	Delays cause increase in costs	I2	P2	Recommendations not approved, causing delays and supplier will not stand by price.	Mitigating Control: Keep supplier in touch with process. (M)	I2	P2	Action: Accept Action Owner: C Pyle Mitigating Control: Accept Control Owner: C Pyle	Outcome required: Approval Milestone Date: Mid March 2013	Q1	Q2	Q3	Q4	I	P
2.	Delays and increase in costs	2	2	Consultant (supplier) goes into administration	Mitigating Control: Approach next lowest consultant Level of Effectiveness: (M)	2	2	Action: Accept Action Owner: C Pyle Mitigating Control: Accept Control Owner: C Pyle	Outcome required: Approval Milestone Date:						
3.	Poor quality of work	I2	P2	Contractors poor performance	Mitigating Control: strong contract management procedures ensures early identification of faults (M)	I2	P2	Action: Accept Action Owner: C Pyle Mitigating Control: Accept Control Owner: C Pyle	Outcome required: Approval Milestone Date: April 2013	Q1	Q2	Q3	Q4	I	P
4.	Delays and increase in costs	2	2	Consultant capacity issues	Mitigating Control: seek compensation and approach next lowest tenderer. Level of Effectiveness: (M)	1	1	Action: Accept Action Owner: C Pyle Mitigating Control: Accept Control Owner: C Pyle	Outcome required: Approval Milestone Date:						

## APPENDIX 2

### List of Bidding Final Scores

Tenderer Name	Price score	Quality Score	Total Score	Place
Bidder 1	4	44.3	48.3	9
Bidder 2	40	26.4	66.4	3
Bidder 3	14	47.4	61.4	4
Bidder 4	8	41.5	49.5	8
Bidder 5	18	42.3	60.3	6
Bidder 6	14	46.6	60.6	5
Bidder 7	18	29.7	47.7	10
Bidder 8	16	30	46	11
<b>EC Harris (Bidder 9)</b>	<b>12</b>	<b>58</b>	<b>70</b>	<b>1</b>
Bidder 10	20	32.4	52.4	7
Bidder 11	32	36.3	68.3	2
Bidder 12	8	19.2	27.2	13
Bidder 13	10	34.6	44.6	12

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