

To: City Executive Board
Council

Date: 11 June 2015
20 July 2015

Report of: Head of Housing and Property Services

Title of Report: Tower Block Refurbishment Project

Summary and Recommendations

Purpose of report: To request approval to increase the project budget and reconfirm delegated authority to the Executive Director, Regeneration and Housing in consultation with the Heads of Finance and Law and Governance, to be able to appoint and award the contract to the preferred principal contractor.

Key decision No

Executive lead member: Councillor Scott Seamons, Board Member for Housing

Policy Framework: Meeting Housing Need

Recommendations: That the City Executive Board:

- 1) Recommend that full Council approve an additional budgetary provision within the HRA Capital Programme of £1.750m, funded as detailed at paragraph 19, so that the revised total project budget envelope for the Tower Block Refurbishment Scheme is £20.108m
- 2) Reconfirm the authority delegated to the Executive Director - City Regeneration, in consultation with the s151 Officer and the Monitoring Officer, to appoint and award the contract to the preferred principal contractor in accordance with the competitive tender process undertaken.

Appendices

Appendix 1 Tower Project Board Report - Not for Publication

Appendix 2 External Consultant Technical Report - Not for Publication

Appendix 3 Risk Register

Appendix 4 Equalities Impact Assessment

Background

1. As part of the Council's investment plan and Housing Revenue Account (HRA) business plan, refurbishment and modernisation works are planned for the Council's five high rise residential tower blocks giving them an exceptional quality of finish and a further useful life of at least 30 years. The project's scope of work includes the repair of the building fabric, renewal of inefficient heating systems, thermal improvements by installation of new insulation and external windows, installation of a comprehensive fire mitigation system, recycling enhancements, improved entrances and landscape works to enhance the overall environment.
2. Project approval to refurbish the Council's tower blocks was given by Council in February 2015 as part of the HRA 2012-15 capital programme.
3. Approval for the project budget envelope was provided by CEB in July 2014, namely £18.358m, prior to competitive tendering through the Homes and Communities Agency (HCA) Framework. CEB approved the scope of works and tender process at the same meeting.
4. Following informal and formal bidders days with contractors from the HCA framework, all 25 contractors were invited to make an expression of interest. Seven replied and expressed an interest.
5. As part of contractor selection, the seven contractors were subsequently invited to submit responses to a sifting brief that was relevant to the project demonstrating their:
 - a. Experience
 - b. Community consultation and resident liaison
 - c. Phased construction capabilities, and
 - d. Sustainability and whole life costing approach
6. Following evaluation of the sifting brief submissions by OCC officers and external consultants, a preferred shortlist of contractors were selected and invited to tender.
7. In October 2014 the project board supported the recommendation of the project team to take the following five contractors through to tender stage:
 - a. Keepmoat Ltd
 - b. Lovell Partnerships Limited
 - c. Seddon Group Limited
 - d. Wates Living Space
 - e. Willmott Dixon Holdings Limited
8. The invitation to tender (ITT), based on HCA templates and supplemented by the Council's standard documents and comprehensive project documentation, was issued to contractors on 3 November 2014.

9. On 16 February 2015, three contractors submitted completed ITT documentation. These were then assessed and verified by OCC officers and external consultants.
10. As part of the extensive evaluation process to achieve the most competent contractor and deliver value for money, all bids were assessed for quality (being 60% of the overall score) and price (being 40% of the overall score). The internal OCC Project Team, external consultants and a number of tower block residents were part of this process which included a two stage scoring process, two interviews for each bidder, technical assessment and numerous clarifications.
11. All points of clarification were confirmed in writing by the bidders and were used by the evaluation panel to assign final scores at a meeting on the 25 March 2015. The results (see appendix 1) were submitted to the project board in April 2015.
12. Subject to CEB and Council approval, the Contract is proposed to be let in August 2015; the Contractor's technical design will extend through to the end of 2015 and works planned to commence in January 2016.

Legal Issues

13. It is proposed in accordance with the HCA Framework, that the Principal Contractor will be appointed under a JCT Design and Build fixed price contract.
14. The Contract includes the standard City Council variations incorporating requirements for equality, compliance with Council policies etc. The contract will be managed by the External Project Manager, E C Harris.

Financial Issues

15. As part of the feasibility and design stage of the project, the external consultants were asked to prepare and update cost estimates of the proposed works. Their cost estimates were based on historic projects and data from the Building Cost Indices Service applicable to the design. Following the competitive tender stage, contractors' submissions for their preliminary costs which include items such as scaffold, site welfare, transport, compounds and risk items etc. exceeded those envisaged by proven historic data (see Appendix 2, item 3.1.8, page 17). Details of the increased proportional costs are commercially sensitive however an analysis implies that site specific challenges of Hockmore Tower, the risk born by the contractor on a design and build contract and an upward trend in build cost over the coming period have, we believe, led to prices above original estimates.
16. As the tender returns exceed the forecast build spend, the current financial envelope of £18.358m is insufficient to deliver the proposed scheme.

17. The ability to therefore appoint the Principal Contractor by delegated authority of the Executive Director -City Regeneration as agreed at July 2014 CEB, has not been possible.
18. To deliver the scheme,an additional £1.750m budgetary provision is now required. Even though this is a fixed price contract it is considered prudent to provide an appropriate risk based contingency allowance and this is included within this additional budget figure.This will be used if needed to cover unforeseen costs and works over the duration of the remaining three years of the project. This would increase the total budget approved for the scheme from £18.358m to £20.108m.
19. Members should note that the Council advised tenderers that the budget for the project was in effect, profiled evenly across the main construction years, namely 2015/16, 2016/17 and 2017/18 as per the budget report approved by Council on 18 February 2015. The main reason for this is due to the project's financing. Effectively, it is predominately revenue contributions from the HRA i.e. tenants rent that is funding the project over the 3 yearsconstruction phase. As Members have agreed a reasonable but affordable rent increase strategy over the next few years towards convergence, available annual resources for the Tower Block project was therefore to be received evenly. However, it is envisaged that the actual spend may not be in accordance with this initial profile, therefore it is proposed that discussions are undertaken with the preferred bidder to smooth anticipated annual spend to within levels more in line with available resources. This is believed to be achievable without the need to use temporary borrowing.The additional £1.750m is suggested to come from the following sources;
 - Early indications are that HRA efficiencies and underspends associated with both the revenue and capital programme during the 2014/15 financial year are forecast to have generated around £0.950m. This is after setting aside resources to meet known capital commitments carried forward to future financial years.
 - Reducing HRA fund balances down to £3.9m. This will generate £100k and is in line with the budgeted position approved by Council In February 2015.
 - Utilising £700k of unallocated Section 106 affordable housing contributions towards the Council's new build programme.
20. Funding is also available from Salix and Salix Plus held by the Council in respect of replacement of communal LED lighting, photovoltaic panels and energy efficient improvements to the lifts in each block. The costs of these works are included in the current estimated total scheme cost referred to above.
21. The tender process has also required bidders to look to lever ECO funding for some of the energy saving measures such as insulation.The

cost of the project has made no allowance for this external funding but if such is available, this saving will be passed to the Council.

Environmental Impact

22. The scheme in all technical aspects has considered the mitigation of environmental impact and is incorporating a range of energy saving measures and greener products.
23. A target of A-rated materials has been set as part of the Performance Specification and the design team (in conjunction with Oxford City Council's Energy Efficiency Advisors) have specified energy-efficient lighting, lift systems, photovoltaic panels etc, where at all possible.

Equalities Impact

24. As part of the evaluation process, contractors were assessed and challenged for their commitments to use local contractors and supply chains. As part of this scheme, the project team have received enquiries from numerous companies and groups in and around Oxford expressing an interest in the scheme; these details including those of OCC Direct Services were provided to the contractors tendering for this project. Through contractor's commitments to create additional local employment, work placements, training and utilizing local supply and labour chains, added value to the City as a whole is will be achieved through this project.
25. The appointed Principal Contractor will facilitate workshops for stakeholders and residents to seek their views and discuss options for aspects of the scheme. These workshops will influence the final installation of services to best suit the stakeholders' requirements.
26. Significant consultation and resident engagement including leaseholders have already been undertaken by the City Council and Principal Consultants E C Harris. The residents have and continue to engage in the design and tender evaluation process, with up to 75% of tower residents providing opinion and guidance on the scheme. This guidance has directly influenced the design and selection of the contractor to ensure that the property, following the refurbishment works, is fit-for-purpose for all stakeholders concerned.

Name and contact details of author:-
Name Mr Jack Bradley
Job title Project Lead for the Tower Block Refurbishment Scheme
Service Area / Department Housing
Tel: 01865 252 440 e-mail: jbradley@oxford.gov.uk

Appendix 4 - Initial Equality Impact Assessment

1. Within the aims and objectives of the policy or strategy which group (s) of people has been identified as being potentially disadvantaged by your proposals? What are the equality impacts?

As part of the PQQ process to enable contractors to be accepted on to the HCA framework, the contractors must show due regard and competence in complying with the Equality Act 2010.

Oxford City Council places additional onuses on the contractor as part of the competitive tendering process and contract documents to ensure equality is achieved.

2. In brief, what changes are you planning to make to your current or proposed new or changed policy, strategy, procedure, project or service to minimise or eliminate the adverse equality impacts?

Please provide further details of the proposed actions, timetable for making the changes and the person(s) responsible for making the changes on the resultant action plan

A review has been undertaken by the Oxford City Council Procurement project team member of the procedures and clauses contained within the proposed tender and contract documents to ensure compliance with the Equality Act 2010; all were found to be suitable.

3. Please provide details of whom you will consult on the proposed changes and if you do not plan to consult, please provide the rationale behind that decision.

Please note that you are required to involve disabled people in decisions that impact on them

All residents have been and will continue to be consulted in regard to the works. Particular attention has been provided towards disabled and at risk groups or individuals. Oxford City Council constantly updates details of persons who may require additional assistance, this data has been provided to the principal contractor to enable his management of risk. Updated data will be provided following appointment of the contractor to enable consultation and coordination with those groups or individuals.

4. Can the adverse impacts you identified during the initial screening be justified without making any adjustments to the existing or new policy, strategy, procedure, project or service?

Please set out the basis on which you justify making no adjustments

Proposed works and coordination between parties can and will ensure that the appointed Contractor will be able to comply with the Equality Act 2010 as part of their routine and experienced handling of projects of this nature. Contractor are experienced in matters of this kind.

5. You are legally required to monitor and review the proposed changes after implementation to check they work as planned and to screen for unexpected equality impacts.

Please provide details of how you will monitor/evaluate or review your proposals and when the review will take place

No changes are proposed to the existing policy, strategy, procedures or service as part of this scheme.

Lead officer responsible for signing off the EqIA: Mr Jack Bradley

Role: Project Lead for the Tower Block Refurbishment Scheme

Date: 17.04.15