

LONDON BOROUGH OF CAMDEN	WARDS: Belsize
REPORT TITLE Chalcots Major Works – Proposed Procurement Strategy (SC/2020/100)	
REPORT OF Director of Property Management	
FOR SUBMISSION TO Cabinet Member for Better Homes	DATE 11 November 2020
STRATEGIC CONTEXT The Council is committed to replacing the cladding, curtain wall and windows at the Chalcots estate to the highest standard of safety. The Council is engaging with residents during the conclusion of the design process, the procurement process and delivery of the work. In keeping with the Camden 2025 vision, the proposed work at the Chalcots estate is designed to keep residents safe, future proof homes in relation to ventilation and overheating, minimise the cost of future repairs and improve quality of life.	
SUMMARY OF REPORT Following on from the Cabinet decision on 13 May 2020 not to enter into contract with Wates Property Services Ltd to carry out the major works, this report sets out the proposed procurement strategy for the major works project at the Chalcots Estate. The proposed strategy reflects: <ol style="list-style-type: none"> 1. The Council’s requirements based on previous work and experience gained, 2. Insight into the current industry trends, and 3. A market engagement study, where views and feedback have been sought from contractors, through a number of engagement activities throughout the summer and during October 2020. The report is coming to the Cabinet Member because the Leader resolved at the Cabinet meeting on 13 May 2020 that the new procurement strategy for the major works at the Chalcots Estate be approved by the Cabinet Member for Better Homes. Contact Officer: Astrid Kjellberg-Obst, Project Director Astrid.kjellberg-obst@camden.gov.uk 020 7974 4462 5 Pancras Square London N1C 4AG	
RECOMMENDATIONS The Cabinet Member for Better Homes is asked to approve the procurement strategy for the major works at the Chalcots Estate, as set out at paragraph 2.5.1 of the report, so that the procurement process can commence.	

Signed: 

Date: 2 November 2020

1. CONTEXT AND BACKGROUND

- 1.1 This report sets out the proposed procurement strategy to secure the best all-round outcome for the major works project at the Chalcots Estate.
- 1.2 Camden's commitment to fire safety has resulted in a number of works on the Chalcots estate, including the removal of the previously installed cladding as well as the completion of the internal fire stopping works in individual flats and in the communal areas.
- 1.3 The major works consists of providing a new external building envelope to the five tower blocks, housing 717 households. This will include curtain walling, window replacement, a new cladding system, roof replacement and brickwork replacement at ground floor and first floor of the four tower blocks of similar design.
- 1.4 The work with Wates Property Services Ltd from January 2019 to February 2020, saw the development of a set of designs and specifications, including the proposed materials and finishes. The Council also carried out a successful full system test of the proposed cladding.
- 1.5 Following a detailed analysis, it was considered that the Wates "Best and Final Offer" for the project was not acceptable to the Council as it did not fully reflect the Council's design requirements for the Chalcots estate and as such it did not represent value for money.
- 1.6 The Council needs to determine the new procurement strategy so that the procurement process can commence as soon as possible and the delivery of works can progress in line with the proposed procurement timeline.
- 1.7 At its meeting held on the 13 May 2020, Cabinet resolved to:
 - i. Reject the Best and Final Offer submitted by Wates in March 2020
 - ii. Approve the commencement of a new procurement process for the Chalcots Major Works Project
 - iii. Delegate authority to the Executive Director Supporting Communities, in consultation with the Cabinet Member for Better Homes, to award the contract following the new procurement process.
- 1.8 At the same meeting, the Leader resolved to delegate authority to the Cabinet Member for Better Homes to approve the detailed procurement strategy for the new procurement process.

2. PROPOSAL AND REASONS

2.1 The recommended procurement strategy reflects:

- The Council's requirements based on previous work and experience gained
- Insight into the current industry trends
- A market engagement study, where views and feedback have been sought from contractors

2.2 The Council's Requirements

2.2.1 Having gone through a design and testing process, the Council is a well-informed client and is clear on its requirements. The Council is also clear which elements of the project can be made more flexible, for example the arrangements for access which can include scaffolding or the use of mast climbers, the packaging of the contract and the programme parameters in terms of timescale.

2.3 Industry Trends

2.3.1 The Government has made available funding for the remediation of a wider range of cladding systems, not just those using Aluminium Composite Materials. This new funding has a tight deadline with works to start before the end of March 2021. This means that many more cladding opportunities are coming to market and supply chain capacity will be tested.

2.3.2 This places additional emphasis on making sure the Council's procurement strategy is sensitive to contractor preference. Particularly as the Council will be inviting tenders in the latter part of 2020/21.

2.3.3 Other considerations relate to concerns regarding design liability and the Council needs to make sure its procurement route and conditions of contract do not deter contractors from bidding.

2.4 Market Engagement

2.4.1 The Council is keen to understand the contractor interest in the project and their perspective on delivery. The project team generated awareness about the project by engaging with frameworks and contractors and by issuing a Prior Information Notice (PIN) to advertise the project to the market.

2.4.2 A total of 12 contractors responded to the PIN and the Council also engaged with 3 frameworks to discuss the works and the approach to procurement. Three further contractors approached the Council directly to discuss the project. Engagement activity included virtual meetings and site visits. The questions focussed upon the route to market, contract type, programme preferences, delivery arrangements and supply chain considerations.

2.4.3 The market engagement was facilitated by the Council’s advisors, Arcadis, who analysed the responses and provided advice on the procurement strategy set out in this report.

2.5 Recommended procurement strategy

2.5.1 The recommended strategy is summarised below:

Aspect	Recommended strategy
Route to contract	An Official Journal of the European Union for procurement (OJEU) restricted procedure to improve market exposure.
Packaging	The four similar towers should form a single contract with Blashford placed in a separate contract.
Contract type for the four similar towers	Traditional procurement using the “Joint Contracts Tribunal (JCT) Standard Building Contract with Quantities 2016”, with a contractor design portion
Contract type for Blashford	Two stage Design & Build (D&B) with detailed employer’s requirements and based on further engagement with potential for a two stage traditional contract
Price/Quality Split	It is recommended that the evaluation uses a 60% quality and 40% price ratio. This is a deviation from the Council’s standard criteria and reflects the emphasis on making sure the Council can appoint the highest quality submission for this project.
Programme	Flexibility on programme length with indicative timescales between 22 and 25 months.

3. **OPTIONS APPRAISAL**

3.1 The following options were considered when developing the recommendations set out in paragraph 2.5.1.

Route to Market

3.2 There are two key routes to market, via an established framework or through an advertisement in the European Journal (OJEU). While frameworks offer speed of engagement, they also limit the range of contractors who can take part in the process. In this instance it was determined that an OJEU notice would allow the wide-ranging market engagement to continue and would maximise the number of contractors who can submit a tender.

Packaging

3.2 The Council previously placed all five towers into the same contract package. Whilst this offered an economy of scale, it became clear during the design process that Blashford has its own particular considerations and needs its own design solution. During market engagement it also became clear that contractors would prefer to focus on the four similar towers and Blashford as separate packages to make sure they each have their own dedicated team,

programme and approach to delivery. Further subdivision of the four similar towers into separate packages is not recommended as this would reduce the economy of scale and limit the ability to achieve a consistent approach. The recommended approach is therefore to place the four similar towers into one contract and to place Blashford into a separate contract.

Contract Type

- 3.3 The Council and its advisors considered three types of contract for this project:
- Single stage design and build
 - Two stage design and build
 - Traditional procurement (where the Council is responsible for the design)
- 3.4 The single stage design and build contract was not favoured by contractors during the engagement process, this is because it places all of the design risk with the contractor and it would limit the market response at a time when capacity is stretched.
- 3.5 Traditional procurement is recommended for the four similar towers as the design is at an advanced stage, there is therefore limited merit in passing this responsibility back to the contractor. The Council will take the design up to “Royal Institute of British Architects (RIBA) stage 4A”, which are detailed and validated designs to construction level and there will be a contractor design portion for those elements of the technical design that are more economic for the contractor to produce. There was widespread support for this procurement route during the market engagement and it is consistent with the recommendations of the Hackitt report for the refurbishment of higher risk residential buildings.
- 3.6 For Blashford, there is design work still to complete and there is complexity regarding the corner detail and how the new curtain wall will be constructed. This has led to the recommendation that the Council undertakes a two-stage procurement process for Blashford, which is the standard route when the design work has yet to be completed on a relatively complex project. The two-stage process would also allow for detailed specifications and project control based on clear requirements and terms and conditions. The market engagement confirmed that this would be an acceptable approach.

Other considerations

- 3.7 The Council considered a range of price/quality splits as part of the procurement strategy development. The recommended ratio of 60% quality and 40% price was found to be the optimum balance for this complex project. The Council needs to make sure the best approach to delivering works is secured for residents whilst also retaining competition on price.
- 3.8 Programme flexibility was a particular factor highlighted during market engagement and therefore the Council will offer some flexibility on programme

duration and sequencing as part of the tender. Being too prescriptive would potentially deter some contractors.

4. WHAT ARE THE KEY IMPACTS / RISKS? HOW WILL THEY BE ADDRESSED?

4.1 The key risks identified are listed below and include an overview on the relevant mitigation:

- **Contract type and Terms & Conditions** – the team has considered the market feedback, which is reflected in the proposed procurement strategy. The key risk mitigation is to carefully review scope, liabilities and roles among the project team and to define clearly risks and responsibilities for the contractor
- **Timelines** – it is important to progress the projects and start works as soon as possible to honour our commitment to our residents and to protect our assets. Obtaining planning application prior to tender will help to reduce lead in times for contractors. For the four similar blocks, going to market with a RIBA stage 4A design means a later tender date, but is offset by a shorter tender period and mobilisation period
- **Safe delivery of work** – it will be essential to consider Covid-safe methods of work should this remain a factor when the new contracts are in place
- **Resident perception** – it is critical to continue engaging with residents to keep them informed, explain the focus on quality and to involve them in the procurement and mobilisation process, particularly around the method of works once contractors are appointed
- **Blashford residents** – the team will engage specifically with residents at Blashford to reassure them that the procurement approach is to realise the best option for them and for the building and that the separate contract will help make sure we secure the right solution for their homes
- **Government funding** – The funding is secured for the refurbishment and is drawn down for each block when a contract is entered into. The MHCLG and the GLA are kept informed of when contracts are likely to be awarded
- **Value for Money** – The procurement strategy set out in this report will help make sure that the Council receives compliant tenders that meet its requirements.

5. CONSULTATION/ENGAGEMENT

5.1 The Council engages with all residents on the estate by sharing information and up-dates through regular letters, information screens in the lobbies, at webinars and through virtual meetings.

5.2 A full communications programme was arranged for the Summer to inform and engage residents about the reason for rejecting Wates' offer, the Cabinet decision and what this means for the major works on the estate. Further sessions were held with Tenant and Resident Association representatives of each block to share and explain the reason for the Council's window design.

Engagement sessions are being finalised by the Council's Planning application consultant for both Chalcots and neighbouring residents to share the planning application proposal prior to submission. Forthcoming engagement sessions include the procurement strategy and opportunities for residents to get involved.

- 5.3 Recent online engagement has been helpful in that the Council engaged directly with over 170 residents via webinars, where the Cabinet Member for Better Homes and the Project Director provided an overview on key themes, followed by a question and answer session. Responses are provided live to queries sent in prior to the webinar and to queries asked verbally or via the chat facility during the session. The feedback has been positive and residents have stated they feel the sessions are informative and interactive.
- 5.4 Understandably, residents are very disappointed about the delay. The Council has shared its approach to the current site demobilisation work and the team is progressing associated works such as window repairs, roof repairs, concrete wall repairs and the resolution of the recurring drainage issues. The Chalcots Quality Inspectors are leading on these and residents are kept up to date on the works being undertaken.
- 5.5 An engagement and communications plan is in development for the new procurement process and the Council will share this with residents to get their input.

6. LEGAL IMPLICATIONS

- 6.1 The proposed use of an OJEU restricted procedure procurement for the contract for the four similar towers will comply with Contract Standing Orders and applicable European Union procurement law. The procurement strategy is required to be approved by the Cabinet Member for Better Homes.

7. RESOURCE IMPLICATIONS

- 7.1 The report seeks approval for the proposed procurement strategy as detailed in 2.5.1 above from the Cabinet Member for Better Homes.
- 7.2 As reported at the 13 May Cabinet, the capital budget remaining for Chalcots in the capital programme is £90.1m at the beginning of April 2020.
- 7.3 The final tenders will need to be evaluated against the remaining budget available. Upon getting into contract, the Council remains eligible to draw down 80% of the MHCLG cladding grants. Each building has been allocated a certain amount which totals £80.6m. There will be a further report on the outcome of the tenders and the resource requirement.

MHCLG grant applications	£m
Bray	15.9
Taplow	16.4
Blashford	14.1
Burnham	16.7

Dorney	17.5
Total	80.6

8. ENVIRONMENTAL IMPLICATIONS

- 8.1 The proposed design will improve the energy efficiency and thermal comfort of homes. The new cladding system will include a 20cm thick “Rockwool” insulation layer and the specified glass reduces solar gain, reducing the risk of overheating within the flats. The invitation to tender will also include a specific question on environmental sustainability and emphasise the Council’s priorities in relation to reducing carbon emissions, improving air quality, and reducing, reusing and recycling waste.

9. TIMETABLE FOR IMPLEMENTATION

- 9.1 Further to the report to Cabinet in May 2020, it is noted that the commencement of the procurement process has changed for two main reasons:

- The Council received a third Best and Final Offer from Wates in May 2020, which required careful consideration and assessment, including by our commercial consultants who advised that this third offer reflected an improvement on the previous offer, but remained non-compliant. The engagement with the market could therefore only commence from July 2020
- Initial market engagement highlighted areas where further discussion with contractors was required. This led to further engagement including site visits

- 9.2 The revised procurement timeline is set out in Appendix 1. In brief, the Council would issue a tender for Blashford Tower in January 2021 and for the four similar towers, once the design and detailed pricing schedules are completed, in May 2021. Contract execution is estimated in August 2021 for Blashford and November 2021 for the four similar towers. Blashford has a later mobilisation date due to the nature of the two stage process.

- 9.3 The timelines are indicative and every effort will be made to improve on the key milestones set out in the appendix. The Council will keep residents informed of progress.

10. APPENDICES

- 10.2 Appendix 1 - Timelines

REPORT ENDS

Appendix 1 – Indicative Timelines

Activities	4 Similar Tower Blocks (JCT Traditional contract with RIBA Stage 4A Designs)	Blashford (Two stage D&B with RIBA Stage 3 Designs)
Finalise tender design documents to RIBA 4A for the 4 towers and RIBA 3 for two stage D&B for Blashford	March 2021	December 2020
Finalise pricing document and tender documents	May 2021	January 2021
Pre-qualification (SQ) process concludes	July 2021	April 2021
Tender returns due	September 2021	June 2021
Contract award	November 2021	August 2021
Pre-Contract Service Agreement with bid review (Stage One)	Not Applicable	Ends between February and April 2022
Lead in and enabling works	November 2021	April 2022
Installation works start	February 2022	July 2022
Indicative completion of works, subject to review with appointed contractor	From October 2023 (first block) to December 2023 (fourth block)	December 2023