

BOROUGH OF KETTERING

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Report Originator	John Conway Head of Housing	<i>Fwd Plan Ref No:</i> A17/064	
Wards Affected	Pipers Hill	14 th November 2018	
Title	HOMES FOR THE FUTURE - AWARD OF CONTRACT FOR HAMILTON HOUSE AND PROJECT OUTTURN FOR MONTROSE HOUSE		

Portfolio Holder: Councillor Mark Rowley

1. PURPOSE OF REPORT

- 1.1 To award a contract for the refurbishment of Hamilton House sited on the junction of Central Avenue and Windmill Ave Kettering, as part of the Homes for the Future programme.
- 1.2 To recommend to Full Council a variation to the 2018/19 HRA capital programme in the light of the out-turn expenditure relating to the refurbishment of Montrose House.

2. INFORMATION

- 2.1 Kettering Borough Council's flagship housing refurbishment project, Homes for the Future, aims to improve existing older council housing so that it continues to be fit-for-purpose, easy-to-let and require lower maintenance over the long term. For our customers, Homes for the Future offers warmer, safer and more energy-efficient homes. To date, a total of 46 homes have been refurbished under the Homes for the Future programme.
- 2.2 Works to the first block at Hampden Crescent, Montrose House, was completed in August 2018 and the block now provides 18 fully refurbished and energy efficient homes. The second block of flats, Hamilton House, currently contains 11 three bedroom flats which were originally constructed in the late 1920's. Hamilton House is amongst the oldest properties in the Council's housing stock and requires refurbishment so it can continue to provide 18 high-quality, affordable homes for the long term.

3. PROCUREMENT PROCESS

- 3.1 A total of four contractors, all of whom were registered on the Contracts Finder procurement portal, were invited to tender for the project. Two of the contractors had previously completed work for the Council.
- 3.2 The procurement strategy for this project involved a three stage tender process:
 - 3.2.1 **Stage 1 – Pre-qualification / financial viability – Pass/fail criterion**

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The contractors were asked to submit three years' financial accounts, which were analysed by an external company and subjected to a financial assessment by council officers. Following analysis of their accounts, all contractors were found to be viable at the point of assessment and were permitted to move to the next stage of the process.

3.2.2 Stage 2 – Cost – 60% weighting

The contractors submitted priced schedules and were given a score on the basis of their schedules with the contractor submitting the lowest price being awarded a maximum score of 60 points and the remaining contractors being awarded a score reflecting the differential between their price and the lowest price.

3.2.3 Stage 3 – Quality assessment – 40% weighting

All four contractors were required to submit a quality statement which addressed specific questions, relating to management and control of the project, liaison with the Council and local residents, health and safety, and disposal of waste materials. Members of the tender panel marked the contractors out of a total of 40 points, based on their answers to the seven questions.

3.3 The final scores for the contractors who progressed through the three-stage procurement process are set out in **Table 1** below. Contractor B was assessed as being financially viable and having the highest score overall for cost and quality, 93.88. Accordingly, it is recommended that the Council award the contract for the refurbishment of Hamilton House to Contractor B.

Table 1: Overall Assessment of Contractors

Contractor	Rank	Tender price	Price Score	Quality Score	Total Score	Rank
A	4	£1,500,044.00	60.00	7.75	67.75	4
B	1	£1,653,058.33	53.88	40.00	93.88	1
C	3	£1,532,123.23	58.72	16.25	74.97	3
D	2	£1,525,490.91	58.98	28.00	86.98	2

4. POLICY IMPLICATIONS

4.1 Around 28% of the 3,745 local authority homes within the borough were built before 1945 and have an average age of 83 years. It is essential that, over the long term, our older housing stock continues to meet local housing needs, remains easy-to-let, energy efficient and generates an income stream for the Housing Revenue Account. Accordingly, the Homes for the Future project is a

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key component in the Council's Housing Strategy 2015-2020 as it will enable the Council to ensure that older council housing will continue to play a valuable role within the local housing market over the years to come.

5. CONSULTATION AND CUSTOMER IMPACT

- 5.1 The Council has consulted extensively with the Tenants Forum and a member of the Tenants Forum participated in the contractor assessment process. Tenant representatives have been supportive of the Homes for the Future project and provided positive feedback on the works at Montrose House during the recent Tenants Forum Housing Tour.

6. FINANCIAL RESOURCE IMPLICATIONS

6.1 Hamilton House

- 6.1.1 The projected costs of this project are set out in **Table 2**:

Table 2: Breakdown of Project Costs for Hamilton House

	£
Works	1,653,058.33
District heating system	250,000
Salaries	40,000
Architect fees	30,000
Decant costs	131,000
Total estimated cost	2,104,058.33

- 6.1.2 Subject to Council approval, the contract is planned to commence on site in April 2019 and works will be complete by the end of March 2020. The bulk of expenditure will therefore be incurred in 2019/20 although several items such as the purchase of leasehold flats within the block, and decant costs have already been paid for. The HRA capital programme for 2019/20 currently contains provision for Hamilton House of £700,000 in 2018/19 and £1,000,000 in 2019/20. This was based on indicative cost estimates prior to the tender process taking place. As the tender prices received are broadly comparable with the outturn for Montrose House, the recommended tender is considered to be realistic and reflective of the scale of works required to the block. Based on the costs contained in the recommended tender, this project now requires additional provision of £404,000 to be made within the indicative HRA capital programme for 2019/20. The current provisions and revised estimates are set out in **Table 3** overleaf:

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Table 3: Capital Programme provision for Hamilton House

Capital Programme	Current Budget Provision	Revised Estimate	Variance
2018/19	700,000	700,000	0
2019/20	1,000,000	1,404,000	404,000
TOTAL SCHEME	1,700,000	2,104,000	404,000

6.2 Montrose House

6.2.1 The contract for the refurbishment of the first block at Hampden Crescent, Montrose House, commenced in January 2017 and works were completed in August 2018. Residents are now moving into their new homes and have expressed their delight with their new homes. The Montrose House project has met its primary objectives in that it:

- provides 18 one and two bedroom apartments for local people, in line with the priorities of the Housing Strategy 2015-20;
- increases the stock of wheelchair accessible homes for people with mobility problems;
- ensures that some of the oldest council housing in the Borough meets the 'Homes for the Future' standard and will provide warm, secure homes over the long term;
- provides a warm and energy efficient home environment for residents with low fuel costs;
- creates a safer, more attractive neighbourhood with lower levels of anti-social behaviour;
- improves the aesthetic appearance of an important gateway to Kettering; and
- generates additional income for the Housing Revenue Account.

6.2.2 During the course of the contract, a need for additional works was ascertained. These works comprised:

- Enhancements to the specification in order to reduce maintenance liabilities and minimise long term revenue costs
 - Installation of structural steelwork to support the roof
 - Application of new plastering throughout the block rather than the patch plastering which was originally planned;
 - Installation of photo voltaic panels on the roof to provide lighting in the communal areas.
 - Purchase of data monitoring equipment for the heating system

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- Items which were identified after demolition and opening-up works had taken place, and which could not have been reasonably foreseen beforehand.
 - Installation of steel lintels above window openings as the original lintels were found to be inadequate
 - Re-levelling of the first and second floors as the floor level was found to vary in different parts of the block
 - Construction of sleeper walls to support the new flooring on the ground floor

- A number of items in the original specification for the project, which was produced by a consultant architect, had been omitted in error and some other items had been incorrectly designed. As a result, the appointment of the consultant was terminated, additional surveys were undertaken and the specification was revised at additional cost.

6.2.3 The works outlined above resulted in an additional cost of approximately £480,000 to the project. This is set out in **Table 4**.

Table 4: Breakdown of Project Costs for Montrose House – Block A

	Budget £	Out-turn £	Variance £
Construction works	1,622,000	1,911,201	289,201
District heating scheme	175,000	279,919	104,919
Salaries	93,000	117,496	24,496
Architect fees	10,000	71,136	61,136
Total estimated cost	1,900,000	2,379,752	479,752
Financed By			
Existing Revenue Contributions / Capital Receipts	(1,900,000)	(1,900,000)	0
Additional Capital Receipts		(479,752)	(479,752)

6.2.4 The additional cost of the works to Montrose House can be met by utilising Additional Capital Receipts held in the HRA received from the sale of the Rockingham Road Properties. The outturn variations require additional budget of £480,000 in 2018/19 as set out in Table 4.

7. HR IMPLICATIONS

7.1 There are no human resources implications arising from this project, which is being managed within existing staff resources.

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8. LEGAL IMPLICATIONS

- 8.1. Procurement activity has to comply with the law relating to procurement by public authorities and the Council's own contract regulations. It will be necessary to enter into a contract with the successful contractor.
- 8.2 In relation to the defects to the original specification which are discussed in paragraph 6.2.2, a proportion of the consultant's fees was withheld by the Council. Legal advice was also taken but due to the relatively small financial loss incurred it would have been of limited benefit for the Council to take legal action.

9 RECOMMENDATION

The Executive Committee is asked to:

- a) accept the tender from Contractor B in the sum of £1,653,058.33 to undertake Homes for the Future works to Hamilton House subject to Full Council approving a variation to the HRA capital programme as set out in paragraph 6.1.2.
- b) delegate authority to the Head of Democratic and Legal Services in consultation with the Head of Housing to conclude and sign the contracts with Contractor B.
- c) recommend that Full Council approve budget variations set out in 6.1.2 and 6.2.3 to facilitate the works at Montrose and Hamilton House.

Background Papers:

Title of Document: N/A
Date: -
Contact Officer: John Conway

Previous Reports/Minutes:

Ref: N/A
Date: -