

READING BOROUGH COUNCIL

REPORT BY DIRECTOR OF ENVIRONMENT AND NEIGHBOURHOOD SERVICES

TO:	POLICY COMMITTEE		
DATE:	30 OCTOBER 2017	AGENDA ITEM:	11
TITLE:	AWARD OF CONTRACT: REFURBISHMENT OF FLATTED BLOCKS AT HEXHAM ROAD		
LEAD COUNCILLOR:	CLLR ENNIS	PORTFOLIO:	HOUSING
SERVICE:	HOUSING PROPERTY SERVICES	WARDS:	WHITLEY
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**1. PURPOSE OF THE REPORT AND EXECUTIVE SUMMARY**

- 1.1 Reading Borough Council has committed to improving the Hexham Road Estate area in Whitley, by refurbishing 5 blocks of flats/maisonettes. All the work is funded from the Housing Revenue Account (HRA) covering the Council's housing stock.
- 1.2 The first phase of work at Rothbury Court was tendered in November 2013. Work commenced in April 2014 and was completed in August 2015 and Morris and Blunt Ltd were the successful tenderer.
- 1.3 The second phase, Kershope Court was tendered in June 2015 and work started in September 2015. This was also awarded to Morris and Blunt Ltd. Phase 3 of the project, Kielder Court was included as an extension to the contract subject to achieving certain performance criteria and agreeing a suitable uplift on tender prices in line with BCIS Tender Price Indices. Work began on 23 January 2017 and is due to complete in February 2018.
- 1.4 Works to refurbish the final two blocks, Redesdale Court and Denton Court, will go through a further OJEU compliant open tendering exercise to establish value for money. This report seeks delegated authority to award the contract further to the completion of the tender exercise.
- 1.5 Committee approval in 2014 authorised a total expenditure of £7m for the refurbishment of the 5 blocks. This report seeks additional capital expenditure approval of up to a further £750,000 for the programme of works across all phases to allow for cost inflation, some unforeseen works and revisions to project scope over the period (see paragraphs 9.1 and 9.2).

## 2. RECOMMENDED ACTION

- 2.2 That Policy Committee authorise the Director of Environment and Neighbourhood Services, in consultation with the Lead Councillor for Housing, to award a contract for the internal and external refurbishment of 27 properties at 1-55 (odd) Redesdale Court, Bamburgh Close, Reading, Berks RG2 7UD scheduled to commence in March 2018 and complete in April 2019 with an option to extend the contract to a further 27 properties at 92 - 144 (even) Denton Court, Hexham Road, Reading, Berks RG2 7UB, to commence in May 2019 and complete in June 2020, subject to a satisfactory tender evaluation exercise.
- 2.3 That Policy Committee approve additional capital expenditure of up to £750,000 in the Housing Revenue Account (further to the £7m spend approval in 2014) to fully fund all phases of the works.

## 3. BACKGROUND

- 3.1 The project is to carry out refurbishment works to the internal and external elements of 5 x 1960s blocks of flats and maisonettes in Hexham Road. The project deals with three main areas of the building:
1. Upgrading of the cladding systems and balcony appearance, including improvements to fire resistance (fire stopping at each floor behind the new cladding; infill of voids in the concrete service ducts throughout the building; replacement of medium density fibreboard (MDF) boxing to service pipes on escape routes with enhanced Class O fire resistance MDF board.)
  2. Refurbishment of components
    - Replacement of windows and doors
    - Replacement of kitchens and bathrooms
    - Re-wiring of flats
    - Installation of a communal TV system
    - Replacement of boilers with more efficient condensing, radiators and hot water storage cylinders.
  3. Upgrading of the thermal elements to improve tenant comfort - installation of wall insulation as part of cladding replacement.
- 3.2 As part of the annual Housing Revenue Account (HRA) budget setting process, capital funding to undertake the final phase of refurbishment at Hexham Road flats has been provided for in the 30 year HRA business plan and the annual capital programme. The original Committee approval in 2014 authorised a total expenditure of £7m for the refurbishment of the 5 blocks. Due to a range of factors it is expected that the total value of the project will exceed the £7m approved.

#### **4. THE PROPOSAL**

##### **The Current Position.**

- 4.2 The current contract was competitively tendered in June 2015 to internally and externally refurbish Kershope Court. A provision in the contract allowed for an extension to the contract based on the same rates priced in the specification and updated using the BCIS indices issued by the National Statistics Department of the Department of Trade and Industry. This provision in the specification was applied in 2016 and an uplift of 2.2% was applied to the 2015 tendered rates.

##### **Options Available.**

- 4.3 Tendering is now required to ensure compliance with OJEU regulations to complete the final two phases of the project. This will establish the lowest compliant price within price quality parameters and should introduce a wider base of contractors and allowing the Council to test the market place. Tenderers will be advised that the Council's current Low Wage policy expects the payment of the Living Wage rate set independently by the Living Wage Foundation and updated annually in the first week of November each year. The successful tenderer will be expected to pay a living wage in accordance with this policy to all staff working on Reading Borough Council contracts.

#### **5. CONTRIBUTION TO STRATEGIC AIMS**

- 5.1 To develop Reading as a Green City with a sustainable environment and economy at the heart of the Thames Valley: as noted above the refurbishment will improve thermal efficiency of properties and will reduce fuel costs for tenants.

#### **6. COMMUNITY ENGAGEMENT AND INFORMATION**

- 6.1 At the early stages of the project tenant consultation was undertaken in respect of the works to be included within the contract. Ward councillors have been briefed throughout the programme of works so that they are informed to respond to tenants' questions.
- 6.2 Tenant consultation has also been undertaken in choosing the elevation cladding pattern for the individual blocks. This has taken the form of an exhibition at the local Hexham Road Community Centre.
- 6.2 Previously, during the tender process tenant representatives have been engaged in the evaluation of the contractors tendering for the works via contractor assessment interviews. For this phase of the project tenants will be given the opportunity to have an input into contractor selection via contractor presentations/interviews should the initial tender assessment suggest a contractor that Reading Borough Council is not familiar with.

#### **7. EQUALITY IMPACT ASSESSMENT**

- 7.1 Under the Equality Act 2010, Section 149, a public authority must consider whether the decision will or could have a differential impact on: racial groups; gender; people with disabilities; people of a particular sexual orientation; people due to their age; people due to their religious belief.

An EIA is not applicable in this case.

## 8. LEGAL IMPLICATIONS

- 8.1 The works will be executed using the JCT Intermediate Building Contract 2011 and it will be necessary to enter into a contract with the Contractor.
- 8.2 All works carried out will be fully in accordance with the relevant Approved Documents of the Building Regulations, inspected at appropriate points.

## 9. FINANCIAL IMPLICATIONS

- 9.1 The value of the contract was originally expected to be covered by the capital expenditure approval for the improvement programme on Hexham Road Estate of £7m. However, due to inflation and increased project scope, costs have increased from the original estimates.
- 9.2 Scope was revised to include originally unforeseen works in later blocks as well as further items to improve tenant satisfaction with the overall project.
- 9.3 A review of the BCIS All-in Tender Price and General Building Cost Indices forecasts an increase in tenders from June 2015 to March 2018 of 3.25% and to April 2019 of 7.7% cumulative (March 2018 to April 2019 4.3%). Applying these inflation rates, the predicted budget estimate for the project is now £7.75m.
- 9.2 The table below sets out the actual and anticipated costs across all phases of work.

	Set Up	Completed Block 1	Completed Block 2	In progress Block 3	To tender Block 4	To tender Block 5	Total
<b>Refurbishment</b>	13,275	1,371,544	1,370,362	1,410,014	1,365,696	1,370,155	6,901,046
<b>Inflation Forecast</b>	-	0	0	30,171	44,571	105,599	180,341
<b>Statutory Fees &amp; Insurance</b>	0	2,550	2,550	2,549	2,559	2,559	12,766
<b>Property Services Fees</b>	-	107,000	56,300	82,500	82,500	82,500	410,800
<b>Decant</b>	18,124	40,738	49,164	45,000	45,000	45,000	243,027
<b>TOTAL</b>	<b>31,399</b>	<b>1,521,832</b>	<b>1,478,376</b>	<b>1,570,234</b>	<b>1,540,326</b>	<b>1,605,812</b>	<b>7,747,980</b>

## 10. VALUE FOR MONEY

- 10.1 The proposed tender exercise will test the market place and demonstrate the best value achievable for the project at the current time.

## 11. Risk Assessment.

- 11.1 As with all tender exercises, there is potential for higher prices to be submitted. Property Services are looking to mitigate this risk by carrying out an open tender exercise to allow the widest range of responses; in addition a forecasting exercise has been carried out to understand industry pressures through tender price inflation and it is confident that the final phase of the project will come in within the revised project budget of £7.75m