

S159: Millbank Estate Major Works Resident Consultation Meeting Service Provider's Proposals



City of Westminster

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Blocks Included

- Gainsborough House 1 & 2
- Wilkie House
- Morland House
- Maclise House
- Mulready House
- Millais House
- Reynolds House 1 & 2
- Hogarth House

Works Included

- External Repairs, Refurbishment, Lighting (including emergency lighting) and lateral mains replacement works. Fire Safety Works including Fire Rated Doorsets to Communal Areas and Tenanted Properties.
- The full scope of works is described within the Service Provider's Proposals.

S159: Millbank Estate Major Works

Background

- A similar Major Works project was previously tendered in July 2016 using CityWest Homes' traditional tendering procurement route. However, due to numerous risks associated with the contract resulting from the options which were returned from the market, the need arose to revisit the procurement of this project.
- WCC are mindful of Leaseholders concerns surrounding this and the subsequent increases in costs.

Reasons for the abandonment of the Traditionally Procured Project

- Due to poor quality tender documentation, the tender bids were difficult to compare as they were not priced on the same basis.
- The lowest bids were submitted by Breyer and Mitie.
- WCC had experienced poor performance from Breyer on other projects. Regulations prevented contractor exclusion for previous poor performance but, ultimately, both bids were deemed to be non-compliant by WCC's Procurement Team.
- Any 're-price' by Mitie was also considered to be at risk of challenge.
- As a result of the above, it was concluded that the most efficient way to deliver this scheme would be through United Living under the Term Partnering Contract.

S159: Millbank Estate Major Works

Problems with Traditional Procurement

- Regulations prevented contractor exclusion for previous poor performance.
- Projects were individually procured on a competitive basis meaning contractors had no incentive to invest in WCC or develop professional working relationships.
- Contractor performance was inconsistent, with projects often late and/or poor quality/and over budget.
- Relationships with contractors were confrontational and typically resulted in claims for extended preliminaries for delays (or LAD's).
- Emphasis on low price at Tender Stage, but costs often much higher at Final Account stage.
- Resulted in more staff time, meaning higher costs for Leaseholders.

Objectives of Partnering

In February 2018, WCC entered into a 10-year Term Partnering Contract with United Living (South) and Axis Europe (North).

- Reduce combined procurement and contract administration costs.
- Avoid successive tendering, procurements and waste across the programme.
- Improve accuracy of programming pre and post contract.
- Establish a relationship with contractors driving consistent performance across the programme.
- Maintain transparency with leaseholders.

S159: Millbank Estate Major Works

Scope of Works Comparison

| Works Component | Mitie Tender | United Living SPP |
|------------------------------|--------------|-------------------|
| Access Requirements | Included | Increased Scope |
| External Decorations | Included | Increased Scope |
| Internal Decorations | Included | Included |
| Communal Flooring | Included | Included |
| Window Repairs | Included | Increased Scope |
| Doors - Timber | Included | Increased Scope |
| Stack and Parapet Repairs | Included | Included |
| Roofing | Included | Included |
| Brickwork Repairs | Included | Included |
| Door Entry System | Included | Included |
| Communal External Areas | Included | Included |
| Asbestos | Included | Increased Scope |
| FRA | Included | Increased Scope |
| Misc inc. BWIC | Included | Increased Scope |
| Lateral Mains Replacement | Not Included | Included |
| LD2 Fire Alarms | Not Included | Included |
| Drainage | Not Included | Included |
| Provisional/Contingency/Risk | Not Included | Included |

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Scope of Works

- The scope of works has changed significantly since the previous tender exercise:
- The electrical scope of works has increased to include for the renewal of lateral mains into each property;
- The scope of fire safety works have increased in terms of number of fire doors included (without increasing costs as UL rates are more competitive);
- The scope of scaffold works has been expanded to include for staircase towers, weekly inspections and pavement licenses and alarms;
- External common areas, asbestos and drainage works have been added to the scope.
- As a result, there's no basis to compare the Mitie and United Living tenders.

S159: Millbank Estate Major Works

Costs

- The Client Brief Budget was derived from the information gathered from the 2016 Tender Procurement.
- **Client Brief Works Budget £3.9M**
- **United Living Project Costs £5.6M**

S159: Millbank Estate Major Works

Cost Comparison

| Work Element | United Living SPP Costs | Client Brief Budget | Variance | % | Pricing Methodology |
|-----------------------------------|-------------------------|---------------------|-------------|------|------------------------------|
| Access Requirements | 796,236.49 | 479,499.48 | 316,737.01 | 66% | Business Cases |
| External Decorations | 297,455.79 | 179,268.72 | 118,187.07 | 66% | Priced NHF at tendered rates |
| Internal Decorations | 214,963.29 | 169,320.09 | 45,643.20 | 27% | Priced NHF at tendered rates |
| Communal Flooring | 136,502.70 | 97,754.43 | 38,748.27 | 40% | Priced NHF at tendered rates |
| Window Repairs | 615,582.48 | 299,952.81 | 315,629.67 | 105% | Business Cases |
| Doors - Timber | 478,727.00 | 503,667.22 | -24,940.22 | -5% | Business Cases |
| Roofing | 162,168.42 | 98,690.21 | 63,478.21 | 64% | Priced NHF at tendered rates |
| Stack and Parapet Repairs | 40,640.60 | 44,596.66 | -3,956.06 | -9% | Priced NHF at tendered rates |
| Brickwork and Concrete Repairs | 256,470.00 | 181,213.41 | 75,256.59 | 42% | Business Cases |
| Door Entry System | 154,500.00 | 111,168.60 | 43,331.40 | 39% | Business Cases |
| Electrical | 649,855.00 | 915,647.44 | -265,792.44 | -29% | Business Cases |
| Communal External Areas | 14,873.41 | 19,859.71 | -4,986.30 | -25% | Priced NHF at tendered rates |
| Asbestos | 47,300.00 | 16,878.00 | 30,422.00 | 180% | Provisional Sums* |
| FRA | 83,500.00 | 59,196.73 | 24,303.27 | 41% | Provisional Sums* |
| Drainage | 137,100.00 | 25,971.54 | 111,128.46 | 428% | Provisional Sums* |
| Misc incl BWIC | 33,500.00 | 5,198.00 | 28,302.00 | 544% | Provisional Sums* |
| Provisional Sums/Contingency/Risk | 91,800.00 | - | 91,800.00 | | General Contingency* |

*Provisional items will only be expended if required, and at the explicit instruction of WCC.

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S159: Millbank Estate Major Works

How can WCC be sure that United Living's costs represent Value for Money to the Council and to Leaseholders?

- Any element of work that has been priced using NHF (National Housing Federation) Rates represents Value for Money as these rates were sought in a competitive tender procurement for the TPC (Term Partnering Contract) in 2017. Leaseholders were formally consulted in relation to this.
- Where United Living have priced any element of work that has been priced using Business Cases, they are required to present a number of sub-contractor quotations. In effect an 'open book' contract in the interests of transparency.
- United Living's Variable Profit is limited to 2% and is directly linked to their performance (i.e. resident satisfaction, finishing on-programme, completing on-budget, Health & Safety, etc.)
- It should also be noted that the TPC provides for what are in effect 'worst case scenario' costs, the opposite to the tendering basis upon which the Mitie tender was carried out which was an emphasis on award to lowest prices.

S159: Millbank Estate Major Works

Other Points of Interest

- Scaffolding – The cost increases can be attributed to the additional items now included for within the scaffold scope not previously allowed as noted previously, without which UL's costs would be within 10% of CB budget and less than Mitie's prices.
- Window Repairs - extent of window repairs increased by 186% following tender survey of the estate and the detailed survey of windows, which highlights the issue with the previous documentation.
- Trades where savings have been offered over CB budget and/ or Mitie prices include chimney repairs, door entry system, electrical works and common external works.
- Preliminary costs have increased due to the increased quantity of window repairs required, so the duration of the construction programme increased from a 50-week programme at Client Brief stage to 103 weeks at SPP stage. This has had a consequential impact upon the associated preliminary costs but, in conjunction with United Living, we continue to explore the possibility to reduce this.

S159: Millbank Estate Major Works

Works Methodology

- Once scaffold has been erected and access is available, each and every window will be jointly surveyed by WCC and UL in order to agree the extent of repairs.
- The location of all repairs will be recorded.
- WCC's Quality Management team (in conjunction with MEMO) will undertake inspections at every stage of repair (i.e. cut outs, repairs, decorations)
- The Contractor will only be permitted to continue to the next stage if the Quality Manager is satisfied.
- Photographic records will be taken throughout the process.
- In the interests of transparency, all information can be made available to Leaseholders upon request.