

Report title

West Hampstead Cottages Refurbishment

Report to

Commissioner's Board
Fire and Resilience Board
London Fire Commissioner

Date

19 June 2019
02 July 2019

Report by

Assistant Director, Technical and Commercial Services

Report number

LFC-0192
FRB-0056

Protective marking: **NOT PROTECTIVELY MARKED**

Publication status: Published in full

Summary

This report presents the outcome of the tender process to identify a preferred contractor to complete the refurbishment works to West Hampstead Cottages. The Grade II listed cottages are being brought back into use to provide accommodation in the form of Single Person Quarters (SPQs) to individual people, irrespective of staffing group, employed by the London Fire Commissioner (LFC). Commercial aspects, following the tender process to identify a preferred contractor, are included within the report.

This report follows approval provided by the LFEPA (London Fire and Emergency Planning Authority) Resources Committee on 15 September 2017 (FEP 2776) for the required capital funding to be allocated to the project. Procurement Initiation was approved by the Director of Corporate Services on the 17 September 2018 in order to go out to tender for the required refurbishment of the cottages.

Recommended decision

That the London Fire Commissioner accepts the tender evaluation outcome and provides approval for the Assistant Director Technical and Commercial to award contract to **T.H Kenyon PLC** as the preferred bidder following a tender return for the amount of **£474,273.98** (excluding VAT), subject to Listed Building and Planning Consent from LB Camden being achieved.

Background

1. At the 10 March 2016 Resources Committee (FEP2585), Members agreed that officers report back with a final recommendation for the future of the West Hampstead Cottages.
2. At the 15 September 2017 Resources Committee (FEP 2776), Members agreed the recommendation that Option 1 - Refurbishment into eight Single Person Quarters for Authority staff, was taken forward as a project. This option had the benefits of;

- bringing the cottages back into use,
- being a scheme that, (subject to statutory approvals), is in the Brigade's control to deliver,
- is considered to represent the lowest overall risk, and
- represents a significant investment in the Brigade's own staff.

Consultation with station management indicated that they also support the Single Person Quarters proposal as it kept the entire site under Brigade control and ownership.

3. LFEPA report FEP 2776 also provided delegated authority to the Head of Procurement and Technical & Service Support to appoint professional consultants and building contractors for the refurbishment. Delegated authority was provided on the condition that the overall costs did not exceed £720,000 +/- 10%, and to progress as part of the Procurement Initiation procedure. Following the abolition of LFEPA and replacement by the LFC, this report is presented to meet the requirements of the LFC Scheme of Governance, namely approving the capital expenditure required to appoint the preferred contractor to complete the refurbishment.
4. At this stage, it should be noted that an application for listed building consent to LB Camden is still pending. In order to move the project forward, it was agreed to conduct delivery of this requirement in parallel with the tender process. A recent change to the person occupying the Heritage Officer role within LB Camden has resulted in revised discussions between LB Camden, Dron & Wright (project managers), Nexus (planning consultants) and Historic Building Advisory Service (heritage consultants) on the specification for refurbishing the listed cottages. Pending resolution, the recommendation wording is to progress the request for contract award to secure agreement for funding 'subject to listed building and planning consent' being achieved.

Update on progress and tender process

5. LFEPA report FEP 2776 suggested that the progression of Option 1 would take approximately 18 months to design, seek statutory approvals and complete the works. Since this agreement in September 2017 to progress, a combination of factors have contributed to incur some delays. These include;
 - (i) Obtaining the Certificate of Lawfulness from the Local Planning Authority (LPA) LB Camden which was issued in July 2018 in respect of the proposed use of the cottages for SPQ purposes.
 - (ii) Carrying out propping works to stabilize the structure due to considerable decay to some of the internal joists.
 - (iii) Further investigations into the condition of the brickwork and whether the bottom level of the cottages could have exposed brickwork instead of render (as per the original build).
 - (iv) Finalising the tender documentation.
 - (v) Discussions with LB Camden in agreeing the scope of works for the Listed Building application (still pending).
 - (vi) The final production of the tender evaluation report was prolonged due to the number of clarifications required from all of the tenderers.
6. The current refurbishment plan retains the integrity of a terrace of four self contained cottages. This will facilitate the use of the cottages as SPQs (to produce eight lockable, lettable rooms, with a shared kitchen, bathroom and living room per cottage).

7. For the purposes of the Certificate of Lawfulness, the definition of permitted occupants has been intentionally drafted on a wide basis. This is designed to maximise future flexibility of utilising the cottages as 'family units' should it be required. However there are considerable legal implications and constraints to the LFC on the concept of letting out an entire home. LFC is not permitted to grant assured shorthold tenancies (ASTs). Hence, the occupiers could obtain protected tenant status, with long term security of tenure. The current agreed use allows SPQs to be licensed to any LFC staff. The General Counsel's Department to the LFC has confirmed that, while the LFC can let premises to its own staff, as it is deemed ancillary to our function as a fire and rescue service, this cannot be extended to staff from other emergency services or other organisations. This is due to restrictions in the Housing Acts (various) on the housing powers afforded to emergency services.
8. A small project team is supporting delivery of the refurbishment and successful marketing of the cottages. Any marketing will be conducted with regard to promoting other SPQs owned by LFC. Currently the SPQs at Clapham (12 units) and Acton (4 units) have an occupancy rate of 50% and 75% respectively. One of the influencing factors is considered to be that information on the availability of SPQs is not easily accessible or promoted. It has also been a considerable time since the SPQs at Clapham and Acton have been decorated and the condition of the interior has deteriorated over time.
9. To ensure SPQs are fully occupied and providing a good standard of accommodation to support tenants of LFC, the project team are developing a plan to ensure current information on the availability of West Hampstead Cottages and other SPQs is accessible by all LFC staff on Hotwire. This will include a marketing exercise to ensure tenants are in place for the completion of West Hampstead Cottages refurbishment, as well as the promotion of SPQs at Clapham and Acton which are being scheduled for re-decoration. Delivery of this activity will promote the availability of SPQ accommodation to staff, maximise rental income and mitigate any risk of under occupancy on completion of West Hampstead Cottages as well as across other SPQs.
10. The Assistant Director Technical and Commercial has delegated authority to set rents under LFC Scheme of Governance. The current discounts on existing SPQs are in the range of 10-20% below localised market rates. This varies according to room size although rent for West Hampstead cottages will be consistent across all eight SPQs being provided. As advised in FEP 2776, discount levels and criteria are currently being reviewed to incentivise occupancy. The aim is to develop an LFC policy on residential rent setting which ensures the criteria for residential rent setting is reviewed every three years. This will support the frequency of actual rent review/changes. Currently, the reviews take place on an annual basis; one year based on market rents (subject to the discount), followed by two years of RPI increases.
11. Following the appointment of Dron and Wright as project management consultants ensuring all statutory obligations were progressed, a full tender pack was prepared and finalised in consultation with LFC officers in February 2019. The invitation to tender was issued on the Blue Light portal on 1st March 2019 to a closed competitive tender of six companies with Dron and Wright administering the process. This procurement process was adopted to accelerate the tender process with three companies being nominated by Dron and Wright and a further three by LFC officers. On confirmation that all six companies were interested and would be submitting a return, an invitation to tender was issued via the Blue Light Portal.
12. Submissions from all six contractors were received on the 29th of March 2019, after which consultant project managers commenced a detailed evaluation exercise and submitted a final

evaluation report. The tender submissions were assessed and scores awarded on the basis of cost at 70% and quality at 30%.

13. The preferred contractor was identified based on their tender sum and the quality of their tender submission, their price being the most competitive and their tender documents being the most comprehensive. The scores awarded to all other tenderers were lower in accordance with their tender sum, the quality of their submission and the degree to which the tender requirements were satisfied.
14. The tender process was below the works value threshold required to conduct an OJEU procurement process. A summary of the tender evaluation is detailed in Appendix 1 (Table 2) and the full tender evaluation report is available from officers.
15. Officers have ensured that the station manager and watches of West Hampstead Fire Station have been kept informed throughout the process. The station manager has been consulted on impacts to operational delivery and an agreed outcome on contractor requirements was built into the tender package to ensure minimal impact on operational delivery during the construction phase. On completion of the refurbishment, this will allow station based staff safe access to progress their plans locally to utilise an area to the side/rear of the cottages to provide a mindfulness garden to support the wellbeing of LFC staff.

Anticipated Timeline

16. In anticipation of appointment of T. H. Kenyon PLC as preferred contractor the timetable below reflects the planned programme provided by the contractor by month/year.

16 August 2019	LFC/Deputy Mayor approval provided to appoint contractor
26 August 2019	Contract Award
02 September 2019	Mobilisation of Contractor and site set-up
16 September 2019	16 week construction period commences
17 January 2020	Construction period ends (allowing 2 weeks for Christmas stand down)
27 January 2020	Practical completion and Handover
10 February 2020	Single Person Quarters accommodation available for occupation

Updated Capital Costs

17. As a result of the tender process, the preferred bidder has submitted a tender return for the required construction work, planning and risk, that falls within the budget agreed by FEP 2776. A detailed breakdown of the cost plan is available from Officers on request. This is in line with the current overall capital budget of £720,000, to be phased over the 2019/20 financial year which supports the revised delivery programme and capital budget forecast. A breakdown of the cost plan is provided in Table 1 below.

Table 1 – Estimated costs to date

Project Costs		
Description	Cost (£)	Description
Construction costs	474,274	Full refurbishment costs
Stabilizing works	5,866	Propping of the first floors to a number of the cottages due to substantial decay to timber joints.
Lead consultant fees	65,000	Management of the whole scheme from RIBA Stages 0-7. Preparation of tender documents including full design, tender evaluation, and tender report. Managing the Listed Building Consent application to LB Camden standard.
Planning Consultant	9,533	Submission of all planning applications including the Listed Building Consent application.
Brickwork survey	300	To determine if the ground floor rendered section of the cottages could be returned to the original exposed brick.
Heritage Consultant	5,075	Heritage advice and assistance with Listed Building Consent application.
Structural Engineer	3557	For advice and method to repair/support the internal structure as a result of prolonged neglect.
Services Engineer	15,800	Detail mechanical and electrical design, including designs to install separate services to each of the cottages.
Furniture	10,000	To supply the standard furniture required for SPQs.
Statutory consent fees	3,000	To obtain Certificate of Lawfulness, pre-app and LB Camden application.
LFB Staff costs	45,000	9% of the original pre-tender estimate of £500k.
Contingency	82,595	Originally 10% of pre tender estimate, this figure has increased due to the tender return coming in below the pre-tender estimate and an underspend in predicted statutory consent fees. The revised negotiations with the Heritage Officer will incur increased fees for planning and heritage consultants which will be met within this contingency budget.
Total	£720,000	

Risk and Dependencies

18. There is a risk that due to the poor condition of these properties, the scope of work will increase once the strip out phase commences. There is considerable damage to the timbers in the form of both wet and dry rot, some of the internal walls are of concrete construction and once stripped of the wall coverings could reveal structural issues that will need to be addressed. Close monitoring of each phase of the refurbishment will be required to ensure that funding options are in place should the scope of work increase. There are monies set aside in the form of a 10% contingency which can be drawn down if additional works are required.
19. The listed status of these properties and the poor condition has resulted in keen interest from the local authority's conservation officer. Good working relationships are key to the smooth running of the project to avoid delays which could result in extensions of time and therefore an extended programme. Listed building consent is still to be granted by the LB Camden and the specialist planning consultant is working closely with the Heritage Officer to enable this.

Finance comments

20. The report requests approval to appoint the contractor T. H. Kenyon PLC to undertake the refurbishment of West Hampstead Cottages at a cost of £474k. The overall capital budget required to complete the refurbishment, including fees and project management costs is £720k, which is the budget that has been allocated to this scheme as detailed in the 2019/20 Capital Strategy (LFC-0134). If the project was financed from external borrowing, the annual debt charges would be £89k, based on a 10 year life - this includes annual debt repayment at £72k and annual interest charge of £17k, based on an interest rate of 2.4%.
21. The refurbishment of the cottages will provide eight dwellings in the form of Single Persons Quarters (SPQs) accommodation for single persons employed by the London Fire Commissioner (LFC). It is envisaged that these SPQs will be completed by January 2020, enabling the units to be let out to LFC staff by February 2020 at affordable rent levels. This will result in estimated additional income of £67k per annum to the LFC, and also support the Mayoral Policy of affordable housing in London and support LFC staff by providing discounted accommodation. The actual rent charged will be dependant on the outcome of work to develop a residential rent setting policy. It should also be noted that LFCs estate management consultants receive an annual fixed fee of £6k for managing the SPQs and an annual charge for carrying out rental reviews based on 1% of the total rental income.
22. Council tax and utilities will be payable by the tenants, and any other additional costs such as maintenance will be contained within existing budgets.

Workforce comments

23. In early 2017 staff side (the FBU) expressed their strong support for the potential to develop the West Hampstead cottages for LFC staff accommodation, and they will be kept informed of these latest developments. As the project reaches delivery phase, staff side representation will be invited to contribute to the small project team influencing the communication and marketing of the refurbished cottages to LFC staff.

Legal comments

24. Under section 9 of the Policing and Crime Act 2017, the London Fire Commissioner (the "Commissioner") is established as a corporation sole with the Mayor appointing the occupant of that office. Under section 327D of the GLA Act 1999, as amended by the Policing and Crime Act

2017, the Mayor may issue to the Commissioner specific or general directions as to the manner in which the holder of that office is to exercise his or her functions.

25. By direction dated 1 April 2018, the Mayor set out those matters, for which the Commissioner would require the prior approval of either the Mayor or the Deputy Mayor for Fire and Resilience (the "Deputy Mayor").
26. Paragraph (b) of Part 2 of the said direction requires the Commissioner to seek the prior approval of the Deputy Mayor before "[a] commitment to expenditure (capital or revenue) of £150,000 or above as identified in accordance with normal accounting practices...".
27. The statutory basis for the actions proposed in this report is provided by sections 7 and 5A of the Fire and Rescue Services Act 2004 ("FRSA 2004"). Section 7 (2)(a) FRSA 2004 the Commissioner has the power to secure the provision of personnel, services and equipment necessary to efficiently meet all normal requirements for firefighting and section 5A allows the Commissioner to procure personnel, services and equipment they consider appropriate for purposes incidental or indirectly incidental to their functional purposes.
28. General Counsel also notes that the proposed service has been procured in compliance with the Public Contracts Regulations 2015 and the Commissioner's Scheme of Governance.

Sustainability implications

29. The project will be administered in alignment with the authorities sustainability policies. Details on the scope of how this project impacts on those policies is located within the full SDIA (Sustainable Development Impact Assessment) completed for these refurbishment works.
30. A registration with Construction Line (a pre-qualification scheme for UK based construction companies) was a requirement for all tendering companies which includes checks to ensure all companies are compliant with the Modern Slavery Act. The minimum requirements set by Construction Line are:
 - All UK workers receive minimum wage and robust immigration checks. Further checks have also been made to ensure that the preferred bidder pays the London Living Wage and appropriate conditions will be included in the contract in line with LFC policy.
 - Map supply chains to identify where the highest risk and exposure to modern slavery exists; undertake site inspections; provide training to local employees and local suppliers and other initiatives to manage modern slavery risks
31. The preferred bidder is a small/medium sized enterprise (SME).
32. The cottages in their present form are linked to West Hampstead Fire Station for all their utility needs (gas, electric and water). Under the refurbishment, each cottage will be stand alone from the fire station, having dedicated supplies which will be individually metered. This will future proof the cottages and allow for consumption and associated carbon emissions due to tenancy to be distinguished from the fire stations.

Equalities implications

33. The Public Sector Equality Duty applies to the London Fire Brigade when it makes decisions. The duty requires us to have regard to the need to:
- a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act. In summary, the Act makes discrimination etc. on the grounds of a protected characteristic unlawful.
 - b) Advance equality of opportunity between people who share a protected characteristic and those who do not.
 - c) Foster good relations between people who share a protected characteristic and those who do not, including tackling prejudice and promoting understanding.
34. The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, marriage and civil partnership, race, religion or belief, gender, and sexual orientation. The Act states that 'marriage and civil partnership' is not a relevant protected characteristic for (b) or (c) although it is relevant for (a).
35. The equality impact assessment indicates that the proposals in this report may have a disproportionately adverse effect on any persons with a particular characteristic. Due to the Grade II listed status of the properties, the internal area is small and the stairs are very steep. It is not possible to make alterations to the properties to make it more accessible to staff with mobility issues. This constraint is unlikely to impact on operational firefighter roles, however staff within non operational/ FRS roles with mobility issues are likely to be disproportionately impacted in their opportunity to access. Conversely, the delivery of West Hampstead Cottages as Single Persons Quarters at affordable rent supports the Mayoral Policy of economic fairness. This is a positive outcome for staff as benefits will be realised by increasing the LFC portfolio of affordable accommodation to support its diverse workforce. On completion of the cottages, the capacity to develop a station based resource to support workforce wellbeing in the form of a mindfulness area can also be taken forward at a local level.

Table 2. Tender evaluation summary.

				BIDDER 1		BIDDER 2		BIDDER 3		BIDDER 4		BIDDER 5		BIDDER 6	
				Coniston Ltd		Vinci Construction UK Ltd		T H Kenyon Plc		RME Services Ltd		Collins Contractors Ltd		Bates Group	
Criteria	Weighting	Sub-Criteria	Weighting (%)	Score	Weighted Score	Score	Weighted Score	Score	Weighted Score	Score	Weighted Score	Score	Weighted Score	Score	Weighted Score
Quality	30%	Fully Priced Schedule of Works	6	2	2.4	5	6	4	4.8	4	4.8	4	4.8	4	4.8
		Overall Approach to Programme	6	4	4.8	5	6	4	4.8	4	4.8	4	4.8	3	3.6
		Overall Approach to Site Access and Management	6	0	0	5	6	5	6	0	0	0	0	0	0
		Understanding of Key Requirements	6	2	2.4	4.5	5.4	5	6	3	3.6	3	3.6	2	2.4
		Completeness of Tender Submission	6	3	3.6	4	4.8	4	4.8	4	4.8	3	3.6	4	4.8
Price	70%	Total Cost	70	£706,585.06	46.99	£588,541.64	56.41	£474,273.98	70	£557,552.40	57.25	£579,912.16	57.25	£608,609.00	54.55
Total			100		60		85		96.4		75		74		70