

Committees: Corporate Projects Board Barbican Residents Consultation Committee (For Information) Barbican Residential Committee (For Decision) Projects Sub Committee (For Decision)	Dates: Urgency 02 March 2020 16 March 2020 16 March 2020
Subject: Barbican Estate Redecoration Programme 2020-25 Unique Project Identifier: 12035	Gateway 4 Regular Issue Report
Report of: Director of Community & Children's Services Report Author: David Downing, Asset Programme Manager	For Decision
<h1>PUBLIC</h1>	

1. Status update	<p>Project Description: This project will address the cyclical redecoration of internal and external areas of the residential blocks of the Barbican Estate as identified for the next five financial years (2020/21-2024/25) of the redecoration programme.</p> <p>RAG Status: Red (Green at last report to Committee). Status set to red due to cost increase following the tendering of works.</p> <p>Risk Status: Low (Low at last report to committee)</p> <p>Total Estimated Cost of Project (excluding risk): £3,938,252</p> <p>Change in Total Estimated Cost of Project (excluding risk): Increase of £563,252 since last report to Committee</p> <p>Spend to Date: £17,706</p> <p>Costed Risk Provision Utilised: None</p> <p>Funding Source: City Fund (95% recoverable via service charge from long leaseholders, the remainder to be funded from local risk revenue budgets).</p> <p>Slippage: None</p>
2. Requested decisions	<p>Next Gateway: Gateway 5 - Authority to Start Work (Regular)</p>

	<p>Requested Decisions:</p> <p>The Barbican Estate Residents Consultation Committee is asked to note this report for information only.</p> <p>The Barbican Residential Committee and the Projects Sub Committee are asked to note and approve the following:</p> <ol style="list-style-type: none"> 1. That additional budget of £563,252 is approved to uplift the total estimated cost of the project to £3,938,252 (excluding risk); 2. Note the revised total project budget of £3,938,252 (excluding risk); 3. Note that a Gateway 5 – Authority to Start Work report will be submitted for Chief Officer approval as per the regular approval track upon conclusion of the post-tender Section 20 process. 																				
<p>3. Budget</p>	<p>An estimated budget of £3,375,000 was notified to Committee at Gateway 4, this was broken down as follows:</p> <table border="1" data-bbox="531 936 1439 1245"> <thead> <tr> <th colspan="2">Estimated Project Costs at Gateway 4</th> </tr> </thead> <tbody> <tr> <td>Estimated works costs</td> <td>£3,000,000</td> </tr> <tr> <td>Fees and staff costs</td> <td>£375,000</td> </tr> <tr> <td>Total</td> <td>£3,375,000</td> </tr> <tr> <td>Funding strategy</td> <td>City Fund (works to residential blocks circa 95% recoverable from leaseholders, the remainder (circa 5%) is funded from ongoing annual Barbican Residential local risk revenue budgets)</td> </tr> </tbody> </table> <p>Following the tender process, budget estimates are revised as follows:</p> <table border="1" data-bbox="531 1402 1439 1747"> <thead> <tr> <th colspan="2">Revised Project Costs following tender</th> </tr> </thead> <tbody> <tr> <td>Estimated works costs to Barbican Estate</td> <td>£3,563,252</td> </tr> <tr> <td>Fees and staff costs</td> <td>£375,000</td> </tr> <tr> <td>Total</td> <td>£3,938,252</td> </tr> <tr> <td>Funding strategy</td> <td>City Fund (works to residential blocks circa 95% recoverable from leaseholders, the remainder (circa 5%) is funded from ongoing annual Barbican Residential local risk revenue budgets)</td> </tr> </tbody> </table> <p>Costed Risk Provision requested for this Gateway: N/A</p> <p>Total project costs for Barbican Estate Redecoration Programme are thus revised upwards by £563,252.</p>	Estimated Project Costs at Gateway 4		Estimated works costs	£3,000,000	Fees and staff costs	£375,000	Total	£3,375,000	Funding strategy	City Fund (works to residential blocks circa 95% recoverable from leaseholders, the remainder (circa 5%) is funded from ongoing annual Barbican Residential local risk revenue budgets)	Revised Project Costs following tender		Estimated works costs to Barbican Estate	£3,563,252	Fees and staff costs	£375,000	Total	£3,938,252	Funding strategy	City Fund (works to residential blocks circa 95% recoverable from leaseholders, the remainder (circa 5%) is funded from ongoing annual Barbican Residential local risk revenue budgets)
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<p>4. Issue description</p>	<p>1. Last Gateway Approved. A Gateway 3/4 Options Appraisal was presented to the Barbican Residential Committee (BRC) and the Projects Sub Committee in 18 March 2019 and 22 March 2019 respectively. The recommended option of seeking to appoint a contractor to undertake a 5 year programme of redecoration works (including minor repairs) to the Barbican Estate with a total estimated budget within the range £3,037,500 - £3,375,000 was approved.</p> <p>2. Progress to date. A full, compliant tender process for the works contractor has now been completed in conjunction with City Procurement. Thirteen qualifying tenders for the work were received. These were carefully evaluated on the quality and cost criteria as laid out in the procurement process (60% quality, 40% price). A Section 20 consultation is currently underway with Barbican Estate leaseholders. The appointment of a contractor is subject to the successful completion of this process. It should be noted that the contractor scoring highest in the tender evaluation was nominated for the contract by Barbican Estate leaseholders during an earlier stage of the Section 20 process, with a number of residents commenting favourably on the quality of their previous works on the Barbican Estate. However, as the recommended contractor is not the lowest cost option for the Estate, and for certain blocks in particular, there is an increased risk of opposition to this appointment from long leaseholders on cost grounds.</p> <p>3. Summary of Issue. Following the procurement process the total project budget for the Barbican Estate Redecoration Programme 2020-25, encompassing the highest scoring tender, the sums already expended, and the fees & staff costs estimated to be required to deliver the works, exceeded the estimated budget range approved at Gateway 4 by £635,972. Following negotiation, City Procurement have secured a 2% discount on the highest scoring contractors tender sum as a Best and Final Offer which revises this figure to £563,252.</p> <p>The average cost of all thirteen tenders received was £4,730,836. Removing outliers, three contractors having significantly over or under priced the works, gives a revised average of £3,723,797. The highest scoring tender, initially priced at £3,726,650 and reduced to £3,652,117 following negotiation, is consistent with this revised average and scored particularly highly on the quality criteria set in the technical evaluation.</p> <p>The tendered works include for the redecoration of the non-residential floors of Frobisher Crescent and the adjacent Sculpture Court; included in order to realise the efficiencies of combining the works into one coherent package. The cost of</p>
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	<p>these elements (a sum of £90,679) falls within the budgetary responsibility of the Barbican Centre and has therefore been deducted from the works cost presented here for approval. The cost to the Barbican residential estate of the highest scoring tender is thereby revised downwards to £3,635,972 (reduced further to £3,563,252 following negotiation). The average cost per unit can be calculated as £1,835 (reduced to £1,799 following negotiation). As the contribution percentage written into residents' leases varies considerably from block to block and flat type to flat type a given leaseholders actual potential charge may significantly differ. Leaseholders will be notified of estimated charges by flat type as a part of the Section 20 consultation process.</p> <p>On evaluation of the pricing documents received, it is clear that the value of the works was underestimated at Gateway 4. Officers based these estimates on the known costs from the previous cycle or redecoration works subject to an uplift for inflation. It should be noted that in times of economic uncertainty it is particularly challenging to accurately forecast the market, especially when the longer term regulations concerning the supply of non-domestic labour and materials are still to determined. Once the contract is let however, there is a high degree of certainty that costs can be controlled tightly. A cyclical redecoration project is inherently low risk once in delivery as areas requiring redecoration are known with the specification not subject to variance.</p> <p>4. Proposed Way Forward. Increase the project budget by £563,252 to £3,938,252 and submit a Gateway 5 – Authority to Start Work report for Chief Officer approval.</p>
<p>5. Options</p>	<p>1. Approve an increase in project budget. Increase the project budget in line with the highest scoring tender return by £563,252 and authorise the submission of a Gateway 5 report for Chief Officer approval. This is the recommended option</p> <p>2. Do not approve an increase in project budget and re-evaluate those tenders received that fell within the currently approved budget thresholds. Of the thirteen compliant tenders received, three were under the budgetary threshold as set at Gateway 4. These three tenders however scored poorly against technical criteria and did not demonstrate a good understanding of the particular challenges of working on a Listed residential estate nor provided suitable evidence that work would be completed to the quality required. This option is not recommended.</p> <p>3. Re-tender the works. With the construction and maintenance industry still subject to economic uncertainties,</p>

	re-tendering the works is not likely to provide a tender of sufficient quality within the currently approved budget thresholds. In addition, the concomitant programme delay whilst works were being re-tendered would cause the recommended existing paint product lifecycles to be exceeded to the detriment of the external structure of the Grade II Listed Barbican Estate and its associated high reputation and property values. This option is not recommended.
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Appendices

Appendix 1	Project Coversheet
Appendix 2	Risk Register
Appendix 3	PT8 Procurement Report (Non-public)

Contact

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