

Re: Consultancy and asset management services for our Capital and Technical programmes

Notice of Proposal to enter into a long-term agreement subject to public notice
Section 20 of the Landlord & Tenant Act 1985 (as amended by section 151 of the
Commonhold & Leasehold Reform Act 2002) and Schedule 2 (Regulation 5(2) of the
Service Charges (Consultation Requirements) (England) Regulations 2003)



I am writing to advise you of the estimated costs in relation to the Notice of Intention dated April 2018 to enter into a qualifying long term agreement for a multi-disciplinary consultancy and asset management service for our Capital and Technical programmes.

This notice is the second part of that consultation process and relates to the service charges which Lambeth may recover from homeowners in respect of the cost of the Consultancy and Asset Management Services. A summary of the observations received in relation to the notice sent to you in April 2018 is provided in Appendix A.

In accordance with Section 20 of the Landlord and Tenant Act 1985 as amended by the Commonhold and Leasehold Reform Act 2002, landlords are required to give notice to homeowners and recognised Tenants Associations, of the Landlord's proposal to enter into agreements described in the Act as 'qualifying long term agreements'. These are agreements entered into by or on behalf of a Landlord for a term of more than twelve months. This definition would cover the agreements that the London Borough of Lambeth ("the Landlord") proposes to enter into, which are described below.

The Council is responsible for arranging repair and maintenance for your property and the cost is billed in your annual service charge. The current agreement for Consultancy and Asset Management Services came to an end on 31 March 2018 and the Council has invited competitive quotes through an existing framework to replace this.

Before entering into a qualifying long term agreement, Lambeth Council must consult with homeowners and recognised Tenants Associations (RTAs) that would be liable for payment of service charges or that would be liable to contribute towards the service charge. The remainder of this Notice gives you these details and invites you to make observations.

This Notice has been served on all Lambeth Council homeowners and recognised Tenants Associations.

Description of Service

As landlord, Lambeth Council is proposing to enter into a qualifying long term agreement for a multi-disciplinary consultancy and asset management services for our capital external works (such as roofs, windows, front entrance doors, brickwork, communal decorations) and Mechanical and Engineering programme of works.

This includes the following services:

- Building surveying
- Stock condition surveying
- Procurement advice
- Project management
- Cost management
- CDM Principle Designer
- Fire risk assessments
- Housing Health and Safety Rating Systems
- Disability access audits
- Structural engineering

Reasons for entering into a Qualifying Long Term Agreement

The Landlord is obliged to inform homeowners of its intentions of re-procurement for Consultancy and Asset Management Services. The current long-term Lewisham Framework agreement has now expired. Therefore, the council needs to commission the use of consultancy services to help support the delivery of housing improvement works across the council's assets.

Procurement

The contract is to be awarded on the basis of the most economically advantageous tender. That is to say, when considering all the factors, the proposal that enables the Council to achieve best value for money. The evaluation procedure was divided into the following key stages:

- Quality Evaluation 60% – An evaluation panel assessed the tender responses.
- Price Evaluation 40% – A Procurement Officer made a commercial assessment of prices offered and award scores.
- Final Score - The Quality Score added to the Price Score to determine the final score for each Tenderer.

Four out of the six consultants invited to submit their tenders with a return date of Tuesday 30 October 2018 responded. Following receipt of the initial tender responses, all consultants who responded, were asked to clarify their pricing and hours allocated to a number of projects, which included external repairs and redecorations.

Following evaluation of the Quality and Commercial Pricing, the recommendation is that the highest placed consultant, Pellings LLP should be appointed to deliver the Council's requirements for a term to expire on October 2020.

The procurement exercise was carried out in line with the Procurement Strategy Report, which was approved by Procurement Board on 20 November 2017.

Tender Evaluation Information

Table 1 is an overview of all scores i.e. Quality and Commercial pricing.

Supplier Name	Quality Score	Pricing Score	Overall Score	Ranking
"A"	37%	35.65%	72.65%	2
"B"	26%	27.22%	53.22%	4
"C"	27%	39.95%	66.95%	3
"D" Pellings LLP	39%	39.40%	78.40%	1



Quality Evaluation

Pellings LLP and consultant "A" submitted the highest quality responses, which is reflected in their quality scores shown in table 2 below.

Questions	Weighting	"A"	"B"	"C"	"D" Pellings LLP
Capacity & technical ability to deliver the service	15%	9%	6%	6%	12%
Management & methodology	15%	9%	6%	9%	9%
Experience of similar projects	15%	12%	6%	6%	9%
Financial control – pricing, managing spend across projects and delivery budget	10%	4%	6%	4%	6%
Social value	5%	3%	2%	2%	3%
Total quality scores	60%	37%	26%	27%	39%

Pricing Scores

Each consultant was invited to provide costing in accordance with table 3. These scenarios were to be priced and resourced in line with industry standard approaches. Table 3 includes the fee percentages provided by Pellings LLP.

Table 3

The fees proposed in table 3 will be inclusive for all activities and disciplines associated with the RIBA Plan of Works Stages 1-7, unless specifically listed as exclusions in the RIBA plan.			
Cost of works £,000	Fee (%)	Actual Project Value	Actual fee across total project (£)
0 – 50k	5.00%	£30,000	£1,500
50 -250K	8.00%	£170,000	£13,600
250K - 500K	5.14%	£400,000	£20,560
500K - £1M	3.92%	£750,000	£29,400
£1M to £2M	3.92%	£1,560,000	£61,152
£2M to £3M	3.92%	£2,750,000	£107,800
£3M to £5M	3.92%	£4,250,000	£166,600
Over £5M	2.99%	£7,200,000	£215,280

In line with Paragraphs 4(4) to 4(6) of Regulation 5(2), the percentage fees included in table 3 are the projected unit cost to be incurred by the Landlord, however it is not possible to state a leaseholders relevant contribution, given the costs ultimately estimated to be incurred will wholly relate to the overall estimated project costs.

Preferred tenderer

From the tenders received Lambeth proposes to accept the tender from PELLINGS LLP for consultancy and asset management services. Before we can do that we must have regard to any observations received.

Full Details of Proposed Supplier

Pellings LLP registered office is Spring Lodge, 172 Chester Road, Helsby, Frodsham, England, WA6 0AR. The company number is OC326178. Pellings LLP are members of the Royal Institution of Chartered Surveyors and adhere to RICS governance and code of practice.

Connection between London Borough of Lambeth and the Proposed Supplier

There is a connection between the Landlord and Pellings LLP in that the services of Pellings LLP have been utilised on previous capital works projects, however for the purposes of paragraph 4(3) of Regulation 5(2), the connection does not fall into any of the prescribed categories.

How to make observations about this proposed long-term agreement

We invite you to make observations in relation to the proposed agreement within the relevant period. Any observations must be made in writing and delivered to the address below by the 9 August 2019, which is **35** days from the date of this notice and when the consultation period ends.

You can submit your observations via the following methods:

- Online via our E-Form:

<https://www.lambeth.gov.uk/forms/homeowners-major-works-written-observation-form-section-20>

- Email the Section 20 Consultation Team at: HMhomeownership@lambeth.gov.uk. Please state '**Section 20 Observation**' in the subject box.

- Post: London Borough of Lambeth, Home Ownership Services, PO Box 734, Winchester, SO23 5DG, quoting '**Section 20 Observation**' in the letter.

Review a description of proposed services

A description of the proposal will be available for inspection during normal working hours which are 9am to 5pm Monday to Friday (excluding Bank Holidays) at the Civic Centre, Brixton Hill, SW2 1RW. If you want to see the documents, please call to make an appointment on 0207 926 6521.

Selling Your Home

You should keep these documents in a safe place, and if you sell your home they should be passed on to your solicitor. In cases where the ownership of the property changes hands during the consultation period, it is important that this statutory notice be disclosed to the purchaser. It is reasonable for Lambeth Council to expect that the new leaseholder will have received copies of this documentation from the seller. It is not necessary for Home Ownership Services on behalf of the London Borough of Lambeth to re-start the consultation process.

If you have any queries regarding any part of this letter, please contact us directly on 020 7926 6521 or HMhomeownership@lambeth.gov.uk for any further assistance.

You can now get help directly from our staff through Tawk online chat, accessed from our webpages at www.lambeth.gov.uk/council-tenants-and-homeowners/homeowners.

At the bottom right of the window you'll see a round chat icon. Simply click on the icon, choose the department you wish to speak to from the drop down menu, and enter your name, email, telephone number and address.

Click 'start chat' and you'll be connected directly to a staff member who can help with your questions.

To view information on the Section 20 process, please visit our video here: https://www.youtube.com/watch?v=Q_Md5aWBU84&feature=youtu.be

Yours sincerely,

K. Kellaway

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Postal address: London Borough of Lambeth, PO Box 734, Winchester, SO23 5DG

Appendix A- Summary of Observations

Does Lambeth have the skillset required to effectively manage and hold to account an external contractor/provider of such services?

We hold monthly contract meetings with contractor and consultant. The purpose of such meetings is to ensure the contract is managed in accordance with the contract. Should this not be the case, the ultimate sanction would be to withhold fees.

Whilst there seems to be the opportunity to look at potential procurement consultants as part of this process criteria, please clarify what criteria is being used to decide what constitutes 'value for money'?

With regards to value for money, it is proposed to procure the services of consultants from an existing framework. For any of the consultants to be retained on the framework, they will have had to go through a rigorous selection process which would have included VFM. A further mini-competitive process will ensure that competitive rates are obtained, resulting in value for money.

Will the fee for this consultation be apportioned to our future service charges?

This consultation for procurement of consultants for one off Major Works to take place on some properties in the next two years, will not affect leaseholders' day to day service charges. The consultant's fees will only apply to a Major Works estimate to those properties where major works be taking place in next two financial year.

Please can you confirm if the proposed Qualifying Long Term Agreement is of relevance to the major works currently proposed/being undertaken?

~~The proposed Notice of Intention for procurement of consultants relates to our future major works projects and therefore does not affect the works, which we have already programmed and ready to commence on site.~~



I strongly object to Lambeth charging Leaseholders for the cost of consultancy and asset management services.

The council's intention is to procure consultants via a competitive tendering process with the South East Consortium Framework. The results of this tendering process will consider both qualitative and quantitative information as requested, this will then be used to award a consultant to support the delivery of the programme. The new consultants will be chosen based on their skills to deal with the works of varying nature. The council is looking for consultants offering cost management, building surveying, contract administration, quantity surveying and analysis.

Long-term agreements do not save money. On the contrary, they waste money. Many projects under such agreements in the past had grossly higher costs than usual and allowed no room to compare quotes or contest.

The council has undertaken improvement works on its housing stock for many years. Our experience has identified the requirement for expert multi-disciplinary consultancy and asset management services for various projects. Value for money is at the heart of the Lambeth ethos and the South East Consortium (SEC) was most preferred on that basis. The SEC framework is suitable to the delivery of the capital and technical works projects Lambeth deliver.

You make reference to "an existing framework namely the South East Consortium". You talk about entering into it at some time in the future. Again, it is unclear what is meant by the South East Consortium, or what the implications of "entering into an existing consortium are" in terms of the proposed works and costs.

Following the expiration of the Lewisham Framework on 31 March 2018, the needs of the business were assessed and a series of procurement options reviewed. The decision to enter into an 'existing framework namely the South East Consortium' has been based on its capacity to support the delivery of the Lambeth Housing Standard programme.

You talk about a "mini-competitive tender" but do not explain that the tender will be carried out pursuant to the South East Consortium framework. Instead you say: "By entering into an existing framework....What does this mean? Is the Council undertaking a mini- competitive tender to enter into an existing framework? And what is meant by saying that the Council will be entering into "an existing framework". Our best efforts to understand this suggest that what is going to happen is that the Council will be undertaking a mini-competition pursuant to the South East Consortium Framework. Is this the correct interpretation of what you mean here?

The purpose of using a framework is to allow an authority to award individual contracts for a relevant service delivery. The benefit of using an existing framework, means that it has already been established and most likely to have been used by other bodies of the same nature, which in turn reduces risk to the delivery of the programme in the future. In order to drive cost efficiency a competitive tender will be undertaken between the consultants on the South East Consortium Framework. The results of this competition will consider both qualitative and quantitative information as requested, this will then be used to elect a consultant to support the delivery of the programme.

I am extremely concerned that this proposal will result in higher costs for leaseholders, combined with a lower quality of service. This is based on previous experience of such contracts.

Our intention to commission use of consultancy services via the South East Consortium Framework is to help support the effective delivery of housing improvement works across the council's assets. In order to drive cost efficiency, a competitive tender will be undertaken between the consultants on the framework. The results of this competition will consider both quantitative and qualitative information as requested and we will then use this information to appoint a consultant to support the delivery of the programme. Competition and consideration of qualitative assessments, we believe should realise better costs for leaseholders, higher quality of works being completed and an overall improved experience for all residents.

Where do these fees show up in our service charge bill? Are they separate?

The consultants fees will only be charged should any major works be carried out to your property in the next two years. These fees will not be charged in your day to day service charges.

How will the chosen contractors be incentivised to save money for a) leaseholders and b) Lambeth council tax payers?

You have further mentioned what incentives for contractors to mitigate scope/cost of works. Part of the contract Lambeth enter into with its contractor, includes an incentive payment to the contractor based on a number of Key Performance Indicators, including, performance and resident satisfaction. It is therefore in the interest of the contractor to provide the best service, failing which, they will incur financial penalties.

Hiring a consultancy and asset management service will only increase the costs to service charges / major work charges, which I do not feel is fair.

As it is correct that we will add consultants fees within the cost of the overall works as rechargeable element of works, however we as Landlord intend to achieve value for money from the new contracts. The new contracts for consultancy services will be procured via South East Consortium framework which is already Official Journal of the European Union (OJEU) compliant. The framework is currently being used by other housing providers to access a range of specialist services for the benefit of their residents. Also by entering into an existing framework namely the South East Consortium, the council will benefit from a range of services and access to suitable suppliers to support its needs.



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Frequently Asked Questions

Why does Lambeth Council need to procure consultants?

In order to deliver the council's "Lambeth Housing Standard" investment programme, the council will employ the services of a main professional interdisciplinary consultancy organisation, alongside a reserve consultancy firm to ensure our projects are delivered. The services included are as follows:

- Building surveying
- Stock condition surveying
- Procurement advice
- Project management
- Cost management
- CDM Principle Designer
- Fire risk assessments
- Housing Health and Safety Ratings Systems
- Disability access audits
- Structural engineering

Why doesn't Lambeth keep these services in-house and employ officers to carry out these duties?

Lambeth recognises the need to bring some key services in-house in order to demonstrate a greater sense of self-reliance and management. The council is maximising the use of in-house skill set by using the Quantity Surveying team for example, to manage more of the commercial duties (pricing/contract management).

It is our intention to use expert consultancy support only on an as/when basis, in order to enable teams to become fully self-reliant. This we believe is better use of resources than to employ a full team on an adhoc-related works.

This framework offers the council access to a comprehensive housing consultancy through a multi-disciplinary skill set of project and contract management and asset management surveys. Their skill set cover services that include but is not limited to:

- Quantity surveying
- Feasibility studies
- Planning compliance
- Risk management
- Stock condition surveys
- Building and structural surveying
- Fire risk assessments

The council's decision to procure under the South East Consortium Framework means that improvement works to resident homes are carried out to an improved standard with the support of a procured consultant.

How does the procurement of consultancy services affect me?

If your property is due to benefit from major works in the years before the October 2020 then the likelihood is the proposed consultancy services will be involved in the major works scheme. As a result of this, your home will incur a portion of the cost for this service and this will be charged to you through your service charge account.

Why can't I nominate a consultancy services company?

Under the consultation regulations, you do not have the opportunity to propose the name of a person or company from whom we should try to obtain services. European legislation states that contracts over a certain amount must be tendered through OJEU and therefore a public notice of the services is to be given, and an advertisement will be published on a public procurement portal. The established framework is compliant to the Official Journal of the European Union (OJEU) and is accessed by local authorities, social landlords and other public bodies.

What is the proposed length of this contract?

The contract will end in October 2020.

How much will it cost me?

Consultancy-related costs are apportioned on a fee percentage basis. The consultancy fee element is then applied to the overall cost of the project. This fee percentage can be found in table 3 on page 4.

Why do we have to contribute to consultancy fees when it is the council that is responsible for the management of our housing stock?

Residents have to contribute to the overall management, works and cost incurred to their homes. Enlisting the use of expert consultancy support to ensure that recommended improvement works are deemed reasonable is attributable to residents' contribution.

What level of detail can I expect to have from consultancy's scoping?

Independent stock condition surveyors for example, will advise on the elements of actual works to be undertaken, recommending either repair or renewal and the stock's life expectancy. This underpins the acceptable and agreed works that should be carried out on a project by project basis.

Will we have the opportunity to meet the consultancy team for our property?

If your property is benefitting from major works before October 2020, you will have the opportunity to meet the consultancy team supporting the works. The core project team including the consultancy support (where required), will hold meetings and you will have an opportunity to meet with them and discuss any specific issues relating to the project.

What happens next?

Once the Observation period is closed and all observations have been responded to with due regard, Lambeth Council proposes to formally appoint PELLINGS LLP for **consultancy and asset management services**.



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