

# Cabinet

Tuesday 22 July 2014

4.00 pm

Ground Floor Meeting Room GO2A, 160 Tooley Street, London  
SE1 2QH

## Supplemental Agenda No.1

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#### Contact

Paula Thornton 020 7525 4395 or Virginia Wynn-Jones 020 7525 7055  
Or email: [paula.thornton@southwark.gov.uk](mailto:paula.thornton@southwark.gov.uk); [virginia.wynn-jones@southwark.gov.uk](mailto:virginia.wynn-jones@southwark.gov.uk)  
Webpage: [www.southwark.gov.uk](http://www.southwark.gov.uk)

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| <b>Item No.</b><br>29.             | <b>Classification:</b><br>Open | <b>Date:</b><br>22 July 2014  | <b>Meeting Name:</b><br>Cabinet |
| <b>Report title:</b>               |                                | Gateway 1 - Procurement Strategy Approval<br>Appointment of Contractors for Primary Expansion Programme |                                 |
| <b>Ward(s) or groups affected:</b> |                                | All   |                                 |
| <b>Cabinet Member:</b>             |                                | Councillor Victoria Mills, Children and Schools   |                                 |

### **FOREWORD - COUNCILLOR VICTORIA MILLS, CABINET MEMBER FOR CHILDREN AND SCHOOLS**

A £60.5 million investment in our primary school estate underlines this council's commitment to ensure every child in Southwark is able to attend a local school and that every child and every teacher is able to learn and teach in a high quality environment. Keeping pace with the increased demand for places whilst also driving up standards in our schools is a significant challenge but our ambition to deliver the very best opportunities for the borough's children with this procurement strategy is clear. This package is aimed at meeting expansion targets up to September 2016 and will see 11 additional forms of entry created across 12 primary schools.

### **RECOMMENDATIONS**

1. That cabinet approve the procurement strategy for appointment of two contractors for the primary schools expansion programme using the Improvement and Efficiency South East (iESE) construction and management framework arrangements.
2. That the cabinet note that a contractor will be appointed for each of two packages noted in paragraph 23 for pre-construction services using the iESE contractor framework (estimated value for each package: £0.7m) and a series of works contracts for the construction stage of individual projects within their respective package using the iESE contractor framework (estimated total value of £60.5m, comprising a range of project values from £1.5m to £10.0m).
3. That the cabinet note that the individual appointments noted in paragraphs 26 and 27 will be approved in gateway 2 reports by the strategic director of children's and adults services.

### **BACKGROUND INFORMATION**

#### **Context**

4. The Primary Investment Strategy was agreed by cabinet in July 2013 and updated by the cabinet member for children's services in January 2014 to address the forecast shortfall of places in the borough over the three year period to September 2016. A further update report is included elsewhere on the agenda of this meeting. Expansion of the following 12 primary schools was approved to provide 11 additional forms of entry (FE):

**Table 1: Primary expansion programme**

| Primary school                   | Expansion   | Nature of works |
|----------------------------------|-------------|-----------------|
| 'The Belham' Free School         | 2FE         | Remodel         |
| Bellenden – site to be confirmed | 1FE         | New Build       |
| Keyworth                         | 0.5FE       | Remodel         |
| Gloucester                       | 1FE         | Remodel         |
| Grange                           | 0.5FE       | Remodel         |
| Charles Dickens                  | 0.5FE       | Remodel         |
| Robert Browning                  | 0.5FE       | Remodel         |
| Crawford                         | 1FE         | Remodel         |
| Redriff                          | 1FE         | Remodel         |
| Albion                           | 1FE         | New Build       |
| Ivydale @ Bredinghurst           | 2FE         | New Build       |
| Cherry Garden                    | N/A         | New Build       |
| <b>Total</b>                     | <b>11FE</b> |                 |

5. The procurement strategy for appointing the consultant design team using the CRCS 2012 Framework, was approved in February 2014. This comprises:
- two contracts for architect-led design teams (including building services engineer, structural engineer, civil engineer and landscape architect); and
  - one contract each for project manager, quantity surveyor, BREEAM assessor, CDM co-ordinator and clerk of works to provide these services across the programme.
6. For Architectural Services, the schools were divided into the following two packages, each of roughly equal value and each with a different architect:

**Table 2: Procurement Packages**

| <b>PACKAGE A</b>   | <b>PACKAGE B</b>  |
|--|---|
| <b>Schools:</b><br><br><b>New Build Schemes:</b> <ul style="list-style-type: none"> <li>• Ivydale</li> <li>• Cherry Gardens</li> </ul> <b>Remodelling Schemes:</b> <ul style="list-style-type: none"> <li>• Crawford</li> <li>• Redriff</li> <li>• Gloucester</li> <li>• Keyworth</li> </ul> | <b>Schools:</b><br><br><b>New Build Schemes:</b> <ul style="list-style-type: none"> <li>• Albion</li> <li>• Bellenden</li> </ul> <b>Remodelling Schemes:</b> <ul style="list-style-type: none"> <li>• Grange</li> <li>• Charles Dickens</li> <li>• Robert Browning</li> <li>• 'The Belham'</li> </ul> |

7. The consultant architect together with their associated sub-consultants will novate to the contractor following completion of RIBA Work Stage D (Employer's Requirements/planning consent).

8. Design team consultants were appointed following gateway 2 approvals in April and May, and are now actively working with each school to develop detailed bespoke proposals to meet future requirements.
9. Action is now required to procure contractors. This report sets out the procurement strategy for appointing contractors to undertake preconstruction services and to construct the new school facilities required to deliver the programme, ready for use by September 2016.

### **Summary of the business case/justification for the procurement**

10. This procurement is required to enable the council to meet its statutory responsibility to provide sufficient primary school places within the borough. The permanent expansion of schools in this programme to deliver 11 additional forms of entry by September 2016 is targeted to meet the forecast demand for places.
11. A separate report included on the agenda of this meeting gives an update of the schools' places strategy. This recommends the inclusion of Phoenix Primary School in the programme for permanent expansion of primary school places to provide two additional forms of entry on a temporary basis from September 2015 and a permanent basis from September 2016 and the further expansion of Keyworth Primary School by an additional form of entry to become 3FE. If these recommendations are approved, the delivery of these additional places will be added into this procurement.

### **Market considerations**

12. Following four or five years of decline in the UK construction industry, demand has suddenly surged (particularly in London and the South East) at a time of low capacity, driving prices upward. The full extent of this upward cost pressure is uncertain.
13. With the economic downturn, the number of contractors in the industry has declined, resulting in a greater percentage of work being awarded to fewer contractors, in particular large well established contractors that provide a greater degree of financial stability.
14. Recent government guidance on models of construction procurement supports two-stage open book tendering as this facilitates the early appointment of the contractor allowing the client to transfer a greater proportion of risk and input by the contractor on buildability.
15. The limited capacity within the building industry to respond to the sudden high demand makes supply chain reliability a significant issue. Well-established building contractors tend to appoint supply chain partners of reasonable size that provide financial security and stability and are suitably resourced to meet the programme.
16. Generally, larger schemes or packages of schemes are likely to produce greater reductions in cost as a more standardised and repetitive approach can be deployed and continuity of work offered to achieve an economy of scale.
17. Informal discussions with a number of contractors who are main players in schools works programmes indicate a keen interest in the council's primary schools expansion programme and confirm that the packaging and procurement

arrangements recommended for approval in this report are commercially attractive to them.

## KEY ISSUES FOR CONSIDERATION

### Options for procurement route including procurement approach

18. The strategic options and considerations for procuring construction works are summarised, as follows:

- *EU restricted procedure procurement route.* Estimated costs indicate that the European public contracts directive (2004/18/EC) will apply to the construction of the four largest projects in the programme. Procurement under EU regulations is a relatively lengthy statutory process, which would constrain progress in starting up the programme and prevent completion in time to meet the September 2016 deadline. It also does not add balancing advantages over other approaches outlined below. Use of an appropriate existing EU-compliant arrangement (such as those described below), however, would comply with EU procurement requirements, save time and offer other benefits to the programme.
- *Use of the LEP.* Southwark completed procurement of its Local Education Partnership (LEP), 4 Futures, in May 2009 to deliver the council's £200m BSF programme. The OJEU notice for the LEP included an upper threshold of £400m. The Council therefore has the flexibility to procure up to an additional £200m worth of works and services through 4 Futures. The OJEU notice defined the nature of the works and services that can be procured through 4 Futures and the notice was drafted widely to give the council flexibility, including building, facilities management, ICT and advisory services. When considering 4 Futures for the delivery of new projects, consideration needs to be given to the potential for any legal challenge by alternative suppliers and projects should be aligned with the 4 Futures' core business either with similar clients and / or similar services. This route has been excluded for this project due to the need to concentrate the LEP's resources on its current projects.
- *Use of iESE framework arrangements.* The Improvement & Efficiency South East (iESE) regional framework arrangements were established in 2007 by OGC Buying Solutions (now part of the Crown Commercial Service) in conjunction with a consortium of public bodies in the south-east region led by Hampshire County Council in order to assist authorities in the efficient and effective delivery of construction projects of over £1 million in value. The construction framework comprises eight contractors, all with substantial schools experience. Southwark Council is one of over 70 public sector organisations eligible to use the arrangements. Use of the iESE framework arrangements offer the following benefits:
  - The framework contractors all have substantial experience of delivering schools capital projects and programmes
  - The time and cost of running tender processes in compliance with the Public Contracts Regulations 2006 is avoided as the iESE framework arrangements already comply
  - Framework arrangements and ethos are based on a collaborative two-stage design and build open book procurement process

- Early involvement of the contractor by means of a transparent two-stage appointment process, facilitating a highly integrated design and build approach
  - Active promotion of value for money, cost and programme certainty, high quality performance and effective control of risk through benchmarking and performance management
  - Promotion of employment and training opportunities
  - Access to the Strategic Alliance for Value and Efficiency (SAVE) scheme which offers discount on the eighteen most common packages of works procured by the eight iESE framework contractors
- *Use of LHC Schools and Community Buildings contractor framework.* Established in the 1960's, LHC is a not-for-profit consortium set up to provide effective procurement solutions for local authorities, housing associations, schools and other public sector bodies throughout the UK. The framework, which is EU compliant, includes provisions for new build school extensions and associated works. There are five framework contractors in the London region, all with substantial schools experience. A variety of award procedures can be used, including single and two-stage design and build. Although the framework has a number of positive features the limited number of firms from which to invite expressions of interest in tendering might expose the council to a greater risk of an insufficient response.
  - *Use of EFA Contractors' Framework.* Launched by the Education Funding Agency (EFA) in 2013, this EU-compliant framework has nine contractors and is suitable for delivering major school projects, either as single or batched procurement. It was targeted for single stage design and build school projects valued between £20m and £60m, but can also be used for other value schemes. As the primary schools expansion programme includes a mixture of refurbishment, remodelling and new build, this framework does not fit well with the council's requirements. The single stage design and build approach also precludes early engagement with the contractor on the most practical approach to phasing, access and site logistics for each school.
  - *Use of SCAPE.* Use of EU-compliant arrangements managed by SCAPE, a local authority controlled company based in the West Midlands, has been considered. Their framework for construction work has been rejected, however, as it based on a single provider. This would preclude the possibility of dividing the programme into more than one construction package, preventing the council from spreading its risk.
19. Use of a traditional procurement route, involving full design services by the consultant and the production of fully quantified bills of quantities for single stage selective competitive tendering to works contractors was rejected in favour of a design and build approach for the following reasons:
- the benefits of early contractor involvement in design and specification, programming, cost planning and the like would be precluded;
  - the timescale for achieving a start on site would be significantly longer.

20. An analysis of the procurement timescale using the iESE framework arrangements compared to following a fresh EU procurement process indicates a time saving of approximately six months using the former.
21. The iESE contractors' framework has been previously used by the council with success, for example, in the design and fit-out of office accommodation at Queens Road. This had a construction value of £4.3 million and was delivered on time, within budget and to a high standard in terms of process and end product. It is also being used with success for phase 1 of the directly funded housing delivery programme which has three package contractors working on nine separate development sites and is comparable in terms of scale and value to the primary schools expansion programme.
22. A two-stage open book design and build approach using the iESE contractor framework is the preferred procurement route for the primary schools expansion programme as this offers the best platform for successful programme delivery, including collaborative working arrangements, cost and time certainty, value for money and quality of end product and is likely to secure best value for the council.
23. It is proposed that the projects in the primary schools expansion programme be divided into two packages, identical to those for the architects and as set out in Table 2 of paragraph 6. Bidders will be required to tender for both packages but would only be allowed to win one package, thereby ensuring the appointment of two contractors. This will allow the council to spread its risk in terms of contractor performance and introduce an element of competitive edge to the appointments. Each package contractor would also be 'reserve contractor' for the other package in the event of default by the other contractor.
24. There will be no dependencies between each project in each package. Each project will comprise a stand alone works contract and be subject to Gateway 2 approval.

### **Proposed procurement route**

25. The proposed procurement route is the iESE regional construction framework for construction works (in two packages).
26. The proposed procurement strategy will give rise to the following gateway report profile:
  - A single Gateway 2 report for the award of two contractor appointments (one for each of two packages) for pre-construction services using the iESE contractor framework (estimated value for each package: £0.7m).
  - A series of twelve Gateway 2 reports for the award of a separate works contract to each package contractor for the construction stage of individual projects within their respective package using the iESE contractor framework (estimated range of project value from £1.5m to £10.0m).
27. Further gateway 2 reports may be produced in the event that enabling works contracts are proposed.

28. The development of a project using the iESE framework arrangements follows a highly collaborative design and build approach, typically comprising the following activities:

| <b>Activities</b>                |   | <b>Main Responsibility</b> |
|----------------------------------|---|----------------------------|
| <b>STAGE 1: Pre-construction</b> |   |                            |
| 1.                               | Procure and appoint professional design consultant team, subject to Gateway 2 approval.                           | Council                    |
| 2.                               | Undertake scheme appraisal and prepare a report with recommended next steps for client sign-off.                  | Architect team             |
| 3.                               | Instruct consultant on how to proceed.  | Council                    |
| 4.                               | Procure and appoint contractor for pre-construction services, subject to Gateway 2 approval.                      | Council                    |
| 5.                               | Develop scheme design up to RIBA Work Stage D and obtain planning consent.  | Architect team             |
| 6.                               | Prepare Employer's Requirements for main contract works   | Architect team             |
| 7.                               | Develop detailed design to RIBA Work Stages E & F, package and obtain competitive prices for main contract works. | Contractor                 |
| 8.                               | Submit Contractor's Proposals for main contract works.  | Contractor                 |
| 9.                               | Evaluate Contractor's Proposals for contract works  | Architect team /Council    |
| 10.                              | Obtain Gateway 2 approval to proceed to STAGE 2.  | Council                    |
| <b>STAGE 2: Construction</b>     |   |                            |
| 11.                              | Appoint contractor for main contract works, subject to Gateway 2 approval.  | Council                    |
| 12.                              | Oversee main contract works as Employer's Agent and act as technical/design advisor to the council                | Architect team             |
| 13.                              | Mobilisation  | Contractor                 |
| 14.                              | Site operations   | Contractor                 |
| 15.                              | Completion/Ready for use  | Architect team /Contractor |

29. Whilst works packages will be subject to separate Gateway 2 decisions, following appointment of pre-construction activities the intention is that works under that package will then follow (subject to best value). Best value is achieved by the requirement for the contractor to competitively tender individual packages of work together with the contractor being bound by their initial framework rates for overhead and profits, management costs, insurances and other core costs. The addition of the competitively priced works packages and the contractor's core costs produces the proposed contract sum for each scheme.

#### **Identified risks for the procurement**

30. An assessment of programme risks and mitigation measures has been conducted, as follows:

|    | <b>RISK</b>                | <b>RISK LEVEL</b> | <b>MITIGATION ACTION</b>                 |
|----|----------------------------|-------------------|--|
| 1. | Insufficient interest from | Low               | In conjunction with iESE staff, officers |



|    | <b>RISK</b>   | <b>RISK LEVEL</b> | <b>MITIGATION ACTION</b>   |
|----|---|-------------------|--|
|    | the iESE contractors to generate meaningful competition                                     |                   | have engaged with the framework contractors to inform them of the council's programme and timescales. Soft market testing already undertaken indicates keen interest from works contractors.   |
| 2. | Failure to keep to the procurement timetable causes delay in making appointments            | Low               | Forward plan all activities relating to the procurement process, conduct briefings and give advance notice of key actions and dates to the selection panel and bidders, as appropriate. Put in place appropriate governance arrangements to support the procurement.   |
| 3. | Procurement process is challenged by one or more of the participants                        | Low               | Adopt best practice, prepare good quality tender documents, treat all tenderers fairly and equally, inform tenderers of evaluation criteria, scoring system and weightings, keep record of evaluation process, give feedback promptly at the end of the process.   |
| 4. | Quality of bids fall below an acceptable standard   | Low               | Assist bidders by being clear about the submission requirements. Validate bids to ensure compliance and follow up any points for clarification.  |
| 5. | Failure to reach agreement with schools representatives on who to recommend for appointment | Low               | Invite schools to participate in the selection process. Brief participating schools' representatives in the procedure to be followed, documentation provided to bidders, criteria for evaluation and method of evaluation. Aim for consensus but explain how decision will be reached in absence of consensus. |

### **Key /Non Key decisions**

31. This report deals with a key decision

### **Policy implications**

32. This procurement supports the implementation of the primary planning and investment strategies which are fully aligned to local planning and policy frameworks including the Council Plan, and Children and Young People's Plan. These outline the council's continued commitment to supporting schools to be outstanding, with children and young people able to achieve their full potential, and parents able to exercise real choice in a high performing local schools system.

33. The expansion of these primary schools is essential in delivering the council's strategy for additional pupil places and is a key part of the Primary Investment Strategy.
34. Sharing the benefits of economic growth and regeneration is an underpinning principle in implementation of the Southwark Economic Development strategy 2010 - 2016. The primary schools expansion programme has the potential to support the strategy by engaging with schools' contractors to identify and develop entry points for priority groups to access local employment and training opportunities, promote and develop apprenticeships and work placements and embed local economic benefits into procurement.
35. This procurement contributes to delivering the Fairer Future commitment to guarantee a local primary place for every child.

### Procurement project plan (Key decisions)

36. The procurement timetable is, as follows:

| Activity   | Complete by: |
|--|--------------|
| <b>GATEWAY 1</b>   |              |
| Forward Plan   | June 14      |
| Notification of forthcoming decision - Cabinet                                   | 14 Jul 14    |
| Approval of Gateway 1: Procurement strategy report                               | 22 Jul 14    |
| Notification of implementation of Gateway 1 decision                             | 30 Jul 14    |
| <b>Gateway 2: CONTRACTOR STAGE 1: TYPICAL PRE-CONSTRUCTION PHASE PROCUREMENT</b> |              |
| Completion of tender documentation   | 8 Aug 14     |
| Expressions of interest invited  | 8 Jul 14     |
| Completion of short-listing of framework providers                               | 18 Jul 14    |
| Invitation to mini-competition   | 11 Aug 14    |
| Closing date for return of mini-competition submissions                          | 8 Sep 14     |
| Completion of any clarification sessions   | 19 Sep 14    |
| Completion of evaluation of tenders  | 23 Sep 14    |
| Notification of forthcoming decision   | 9 Oct 14     |
| Approval of Gateway 2: Contract Award Report                                     | 17 Oct 14    |
| Notification of implementation of Gateway 2 decision                             | 20 Oct 14    |
| Contract award   | 28 Oct 14    |
| Contract start   | 29 Oct 14    |

| <b>Activity</b>  | <b>Complete by:</b> |
|--|---------------------|
| Approximate contract completion date   | March 15            |
| <b>GATEWAY 2: CONTRACTOR STAGE 2: APPROXIMATE CONSTRUCTION PHASE PROCUREMENT PROGRAMME</b> |                     |
| Employer's Requirements issued   | Nov 14              |
| Submission of Contractor's Proposals   | Feb 15              |
| Completion of evaluation of tenders  | Mar 15              |
| Notification of forthcoming decision   | Apr 15              |
| Approval of Gateway 2: Contract Award Report   | Apr 15              |
| Notification of implementation of Gateway 2 decision                                       | Apr 15              |
| Contract award   | Apr15               |
| Contract start   | May 15              |
| Approximate contract completion date   | Aug 16              |

37. Activities and dates for procurement leading to the construction stage are not shown in the project procurement plan as these have yet to be finalised. These will vary and will be set out in the gateway 2 report for each project.

#### **TUPE/Pensions implications**

38. Not applicable.

#### **Development of the tender documentation**

39. The documentation for the contractor mini competition will follow the standard IESE template.
40. The Stage 1 contractor appointment for pre-construction services will be entered into using the iESE Major Framework Model Pre Construction Agreement.
41. The proposed form of works contract the Stage 2 contractor appointment is JCT 2011 Design & Build form of contract incorporating standard and special amendments to the conditions of contract as advised by the director of legal services (acting through the contracts section of the corporate team).
42. The following briefing documents have been prepared for tenderers in close consultation with relevant 'user client' officers, setting out the council's requirements:
- Brief for Design Services for the Primary Schools Expansion Programme
  - Education Design Brief for each school
  - Measured surveys for each school
  - Instructions for tendering for each Package, A and B

43. Outline design proposals for each school site prepared in consultation with the in-house planning consultant will be made available to tenderers.
44. Approximate construction values for each site, included in the Instructions for tendering, are informed by capacity studies and strategic cost advice provided by the consultant quantity surveyor acting for the LEP provider, 4 Futures.
45. Employment and training targets will be established in consultation with the director of planning for inclusion in the mini-competition documents.

### **Advertising the contract**

46. As the proposed procurement route is to undertake a further competition using the iESE framework, there is no additional requirement to advertise this contract.

### **Evaluation**

47. The selection process for contractors will follow the requirements of the iESE framework arrangement, as set out in their standard procedures and working practices.
48. The selection panel will comprise the following officer representation from children's and adults services and chief executive's department:
  - Head of Regeneration - Capital Works, Chief Executive's Department
  - Director of Strategy and Commissioning, Children's Services
  - Programme Manager - Capital Works, Regeneration, Chief Executive's Department
  - Project Manager Capital Works, Regeneration, Chief Executive's Department
  - Schools' representatives for Packages A and B, respectively
49. The mini-competition document is issued to seven contractors out of the panel of eight firms on the iESE contractor framework. One firm is not being included in the further competition they are already acting as project manager. Firms express interest by responding to Part 1 of the mini competition document. Part 1 responses are evaluated using the following criteria, which also contributes up to 20% of the overall score for those firms that are shortlisted:
  - Availability – Yes/No
  - Available resource details – 5%
  - Project understanding – 15%
50. It is proposed that a short list of four firms will be selected in ranking order.
51. Each short listed tenderer will be invited to participate in Part 2 of the mini-competition by submitting a price and quality submission for both packages. Submissions for each package will be evaluated using the following criteria and provisional weightings:
  - Part 1 evaluation – 20%
  - Draft project execution plan – 10%
  - Logistics report – 10%
  - Pre-construction and Construction phase programmes – 10%

- Text of “ability” question – 20%
  - Pricing submission, comprising pre-construction services and works contract core costs (project specific preliminaries, management overheads and profit) – 30%
52. The 70:30 ratio of quality to price is a mandatory feature of the iESE contractor framework and differs from the standard approach of the council. The impact on price of the proposed ratio compared to the council’s standard ratio is likely to be negligible as core costs represent a small proportion of overall project costs and contractors are bound by their framework rates which are tightly banded. The Council has discretion over the quality criteria and sub-weightings.
53. Information on health & safety and equality & diversity for the project, as advised by the health & safety manager and Southwark procurement, will also be requested and checked as necessary to ensure that the council’s standards are satisfied on a pass or fail basis prior to making an appointment.
54. Each package will be offered to the highest scoring tenderer. In the event of the same tenderer getting the highest overall score for both packages, then one of the packages will be offered to the second highest scoring tenderer based on the allocation of packages that gives the best value for money to the council.
55. Clarification sessions will take place with all tenderers in order to clarify points from their submissions. The panel may then moderate their previous scores where appropriate.

### **Community impact statement**

56. The impact on communities of the procurement described in this report has been considered in line with Southwark’s Approach to Equality. Generally the provision of additional school places, which the procurement in this report will ultimately provide, will have a positive impact on communities with increased provision of places in areas where they are needed enhancing community cohesion. The proposals are consistent with promoting the safeguarding and well being of all local children and young people by providing sufficient school places to meet forecast need.
57. Those living in the vicinity of new developments may experience some short term inconvenience due to the construction works. These will be appropriately managed and there will be extensive consultation with the local community.
58. The project manager will be responsible for monitoring the performance of the contractor who will carry out the works under the Considerate Contractor scheme, which seeks to minimise disturbance and disruption in the locality.

### **Sustainability considerations**

59. The Public Services (Social Value) Act 2012 requires the council to consider a number of issues including how what is proposed to be procured may improve the economic, social and environmental well-being of the local area. These issues are considered in the following paragraphs which set out economic, social and environmental considerations.

### **Economic considerations**

60. Opportunities will be sought through the interventions made at individual schools to enhance the area in general, and school expansion will stimulate economic activity locally through additional footfall.
61. The successful contractors will be expected to deliver direct benefits to the local community and local residents. It is proposed that these benefits will be delivered through some or all of the following possible means:
  - Supply chain and procurement with local businesses;
  - Use of local labour and training initiatives, including a construction employment, skills and training scheme linked to the council's Building London Creating Futures programme, which aims to match local residents with construction vacancies especially where these are linked to key development sites and regeneration activities;
  - A commitment to construction apprenticeships in proportion to the size and scale of the development; and
  - Corporate social responsibility and sustainability.
62. An employment and training package for the project will be agreed in consultation with the senior strategy officer of the chief executive's corporate strategy team, the director of planning.
63. Once construction works commence on site the traders in the vicinity of the site are likely to benefit from increased trade.

### **Social considerations**

64. The council is an officially accredited London Living Wage (LLW) Employer and is committed to ensuring that, where appropriate, contractors and subcontractors engaged by the council to provide works or services within Southwark pay their staff at a minimum rate equivalent to the LLW rate. It is expected that payment of the LLW by the successful contractor for this contract will result in quality improvements for the council. These should include a higher calibre of multi-skilled operatives that will contribute to the delivery of works on site and will provide best value for the council. It is therefore considered appropriate for the payment of LLW to be required. The successful contractor will be expected to meet LLW requirements and contract conditions requiring the payment of LLW will be included in the tender documents. As part of the tender process, bidders will also be required to confirm how productivity will be improved by payment of LLW. Following award, these quality improvements and any cost implications will be monitored as part of the contract review process.

### **Environmental considerations**

65. The new schools and expansions will be designed to a minimum of BREEAM very good standard of environmental performance where applicable. This will entail designing efficient and cost effective low energy building engineering services.

66. The new buildings and works will use recycled and low carbon materials where possible and energy efficient fittings and building management systems where appropriate.

### **Plans for the monitoring and management of the contract**

67. The project clienting, including the management and administration of the contractor appointments, will be run and resourced through the Regeneration Capital Works team in conjunction with the Children's Services and assisted by the external design consultant team. Progress with the contract works and performance of the contractors will be subject to constant scrutiny and monthly formal review, including reviews on cost, programme and quality. The officer client team will use a number of mechanisms for monitoring and controlling the financial and programme performance of the contractors, including:

- Strategic cost plan, which will be regularly reviewed and updated
- Monthly financial statements by the consultant quantity surveyor/contractor
- Monthly appraisals of progress against the contract programme
- Monthly progress reports by:
  - The consultant project manager
  - Main contractor
  - Other design consultants
- Monthly progress meetings
- Tracking and chasing actions on critical issues
- Regular 'look ahead' meetings with principals / directors
- Periodic project team 'look ahead' workshops covering key phases of work and risks
- Risk and issue logs.

68. Internal governance arrangements for the programme comprise a programme board with onward reporting direct to the Strategic Director of Children's and Adults Services. The programme board will include representation from legal services (contracts division) and procurement team to assist and advise during the procurement process.

### **Staffing/procurement implications**

69. The staff resources deployed to this procurement are sufficient to meet the proposed timetable.
70. The project will be resourced by existing staff, within existing budgets.
71. Officer time relating to the management of this project is funded from existing revenue budgeted resources. Consideration will be given to an alternative treatment dependant on the current accounting rules and regulations. Should any of the revenue costs be allowable as capital costs, these will be included within the expenditure to be set against the existing approved capital programme budget.

### **Financial implications**

72. The estimated value of project costs arising from the procurement of this project is as follows:

| <b>PACKAGE A</b>                     |                          |
|--------------------------------------|--------------------------|
| SCHOOLS                              | ASSUMED PROJECT VALUE/£M |
| New Build Schemes:                   |                          |
| • Ivydale                            | 8.0                      |
| • Cherry Garden                      | 10.0                     |
| Sub-total                            | 18.0                     |
| Remodelling Schemes:                 |                          |
| • Crawford                           | 3.5                      |
| • Redriff                            | 3.5                      |
| • Gloucester                         | 3.0                      |
| • Keyworth                           | 1.5                      |
| Sub-total                            | 11.5                     |
| <b>Total estimated package value</b> | <b>29.5m</b>             |

| <b>PACKAGE B</b>                     |                          |
|--------------------------------------|--------------------------|
| SCHOOLS                              | ASSUMED PROJECT VALUE/£M |
| New Build Schemes:                   |                          |
| • Albion                             | 8.0                      |
| • Bellenden                          | 8.0                      |
| Sub-total                            | 16.0                     |
| Remodelling Schemes:                 |                          |
| • Grange                             | 3.0                      |
| • Charles Dickens                    | 3.0                      |
| • Robert Browning                    | 3.0                      |
| • 'The Belham')                      | 6.0                      |
| Sub-total                            | 15.0                     |
| <b>Total estimated package value</b> | <b>31m</b>               |

|                                     |              |
|-------------------------------------|--------------|
| <b>Overall total estimated cost</b> | <b>60.5m</b> |
|-------------------------------------|--------------|

73. The July 2013 cabinet report identified an overall available budget for the programme. The council will continue to pursue maximum funding from other non-council sources.
74. The Belham free school application submitted in January this year by Dulwich Hamlet Education Trust (DHET) was approved by the DfE in June 2014. This provides for a new 2FE school on the site of Bellenden Old School located in the Camberwell planning area and opening in September 2015. Details of funding from the Education Funding Agency (EFA) are currently awaited.
75. The July 2013 cabinet report delegated the authority to the strategic director of children's and adults' services to allocate the budgets for individual school expansion programmes from within the existing available resources.
76. The schools will be responsible for any ongoing revenue implications as a result of the expansions.
77. The total estimated cost of contracts in this report can be met from existing identified resources.



**Legal implications**

78. Please see concurrent from the director of legal services.

**Consultation**

79. Consultation has taken place with both the individual schools and the wider estate on the proposed programme and where applicable a statutory consultation process required where schools expansion is underway.

80. Proposals will be consulted on widely through the design development and planning process.

**Other implications or issues**

81. None.

**SUPPLEMENTARY ADVICE FROM OTHER OFFICERS****Head of Procurement**

82. This report is seeking approval of the procurement strategy for the appointment of two contractors for the primary schools expansion programme using the Improvement and Efficiency South East (IESE) construction and management framework.

83. The report explains that there are two packages and each package is broken down into six individual schemes. Following the procurement process it is intended that a contractor will be appointed for each of the two packages to carry out the pre-construction services and works contracts for the construction stage will be awarded for each of the individual schemes.

84. For contracts of this size and nature, the EU regulations apply. The IESE framework offers an EU compliant route for procurement. All of the providers that appear on this framework have been subjected to a full EU procurement process. By embarking on a further competition process LBS will assess the providers from both frameworks against local requirements ensuring the council's specific requirements can be met.

85. The report confirms that a weighted evaluation model of 70/30 in favour of quality will be used which is in line with the operating rules laid down by IESE. This weighted model differs from the council's current recommended model of 70/30 in favour of price. It should be noted that for this procurement route to remain EU compliant it is important that the operating rules for the framework are adhered to and that the weighted model laid down by IESE is followed.

86. The timeline for this procurement is challenging but achievable provided adequate and appropriate resources are available when required. The report outlines the project governance arrangements that will be in place throughout the project.

**Director of Legal Services**

87. This report seeks the cabinet's approval to the procurement strategy for appointment of 2 contractors for the primary school expansion programme using

the IESE framework arrangements. As the total estimated contract values exceed £15m the approval of the procurement strategy is reserved to the cabinet.

88. A number of the individual contracts noted at paragraph 2 of this report will exceed the EU threshold of £4.3m and should therefore be tendered in accordance with the EU procurement regulations. However the IESE framework arrangements through which these contracts are intended to be procured, was set up following an EU compliant tendering process and therefore tendering through this framework satisfies those EU requirements.
89. The cabinet will be aware of the public sector equality duty's general duty (PSED General Duty) as set out in section 149 of the Equality Act 2010, and in making decisions the duty to have regard to the need to:
- (a) eliminate discrimination, harassment, victimisation or other prohibited conduct;
  - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not;
  - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not.

The relevant protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation. The PSED General Duty also applies to marriage and civil partnership, but only in relation to the need to eliminate discrimination, harassment, victimisation or other prohibited conduct. This report sets out the considerations which have been given to the PSED General Duty, in particular at paragraphs 55-57 of the report which the cabinet should consider when making this decision.

#### **Strategic Director of Finance and Corporate Services (reference FC14/012)**

90. The Strategic Director of Finance and Corporate Services notes the recommendations in this report for the procurement of two contractors for the completion of two packages of work in the schools expansion programme, with pre-construction works, followed by separate works contracts for each project.
91. Based on the current procurement timeline, the contracts are anticipated to be covered by three consecutive financial years, commencing with 2014/15, and expenditure, receipts and project progress must be carefully monitored throughout to ensure there are sufficient resources to meet the estimated contract price.
92. Further information on the extent of the works and the contract price obtained will be provided as part of a subsequent report when the contracts are recommended for award. The financial implications confirm that the council is awaiting confirmation of funding for the Belham free school from the Education Funding Agency (EFA) The contract for these works should not be awarded until funding is confirmed. The remaining contracts are to be met from existing capital resources. Each Gateway 2 report for the award of the pre-construction works or the separate works contract for the construction stage of individual projects must identify the funding for that contract.

**BACKGROUND DOCUMENTS**

| <b>Background Documents</b>   | <b>Held At</b>  | <b>Contact</b>               |
|---|---|------------------------------|
| IESE documents and guidance   | Capital Works, Regeneration, 160 Tooley Street, SE1 2QH | Andrew Brown – 020 7525 5538 |
| <b>Link:</b><br><a href="http://www.iese.gov.uk/sites/default/files/iese_framework_guide_june2013version4web_0613.pdf">http://www.iese.gov.uk/sites/default/files/iese_framework_guide_june2013version4web_0613.pdf</a> |   |                              |

**APPENDICES**

| <b>No</b> | <b>Title</b> |
|-----------|--------------|
| None      |              |

**AUDIT TRAIL**

|   |   |                          |
|---|---|--------------------------|
| <b>Cabinet member</b>   | Councillor Victoria Mills, Children and Schools   |                          |
| <b>Lead Officer</b>   | Kerry Crichlow, Director of Strategy and Commissioning Children's and Adults' Services        |                          |
| <b>Report Author</b>  | Andrew Brown, Head of Regeneration, Capital Works, Regeneration, Chief Executive's Department |                          |
| <b>Version</b>  | Final   |                          |
| <b>Dated</b>  | 10 July 2014  |                          |
| <b>Key Decision?</b>  | Yes   |                          |
| <b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b> |   |                          |
| <b>Officer Title</b>  | <b>Comments Sought</b>  | <b>Comments included</b> |
| <b>Head of Procurement</b>  | Yes   | Yes                      |
| <b>Director of Legal Services</b>                                       | Yes   | Yes                      |
| Strategic Director of Finance and Corporate Services                    | Yes   | Yes                      |
| <b>Contract Review Boards</b>   |   |                          |
| Departmental Contract Review Board                                      | Yes   | Yes                      |
| Corporate Contract Review Board   | Yes   | Yes                      |
| <b>Cabinet Member</b>   | Yes   | Yes                      |
| <b>Date final report sent to Constitutional Team</b>                    | 14 July 2014  |                          |

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**NOTE:** Original held by Constitutional Team; all amendments/queries to  
Paula Thornton/Virginia Wynn-Jones Tel: 020 7525 4395/7055

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| South London Press                      | 1            |  |              |
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