

Item No. 12.	Classification: Open	Date: 17 November 2015	Meeting Name: Cabinet
Report title:		Gateway 1 - Peckham Rye Station Redevelopment Procurement Strategy	
Ward(s) or groups affected:		The Lane	
Cabinet Member:		Councillor Mark Williams, Regeneration and New Homes	

FOREWORD – COUNCILLOR MARK WILLIAMS, CABINET MEMBER, REGENERATION AND NEW HOMES

The continued regeneration of Peckham is a key priority for Southwark Council; the Gateway to Peckham project is a key part of this programme. By creating a new public square in the heart of the Town Centre, this project will act as a catalyst for future growth and investment in the area.

Architects Landolt + Brown were appointed in March 2015 and have carried out an intensive public consultation process called CoDesign. Through a series of workshops the CoDesign process has enabled local residents and businesses to collaborate in the design development of the scheme. The final result is a scheme that is reflective of the aspirations held by local people for Peckham’s future.

The final proposals have now been submitted for planning determination and a decision is due in early 2016. Construction works will commence in 2016. This report outlines the procurement approach for a construction contractor to deliver this strategic project to improve the town centre environment for residents and visitors to Peckham.

RECOMMENDATIONS

1. That Cabinet approve the procurement strategy outlined in this report for the Peckham Rye Station Square redevelopment construction. The procurement strategy will utilise the London Construction Programme framework at an estimated value of circa £6.2 million (based on the current cost plan) for the period of June 2016 to July 2018.
2. That Cabinet approve the use of single supplier negotiations for the retention of the feasibility design team (Landolt + Brown Architects, Sweett Group and Alan Baxter & Associates) through an extension to their existing contract. This will be up to the point at which the construction contract is signed and the design team is either novated or replaced by the main contractor’s design team. The value of this appointment will not exceed £250,000 and will be based on the terms and fees outlined and procured for their initial appointment.

BACKGROUND INFORMATION

3. As one of Southwark's major town centres, Peckham provides a key role in supporting its local community with a range of shopping, leisure, culture and entertainment options. Peckham town centre has the most shopping floor space of all town centres in Southwark (around 75,000sqm). Peckham town centre is formed around Rye Lane, long, narrow high streets whose busy shop fronts create a vibrant atmosphere but also contribute to pedestrian congestion along its length.
4. The town centre has smaller shops along Rye Lane as well as the Aylesham shopping centre and is a strong destination for food shopping, offering a wide variety of specialist and ethnic food. There are many small businesses in and around the town centre including a large and growing number of creative industries.
5. Peckham Rye Station is located at the heart of the retail centre. Opened in 1865, the Grade II listed building is an impressive station and is one of only four suburban stations on the London, Brighton and South Coast Railway in London designed in the house style of the 1860s. The station has been substantially amended from the original design as the large forecourt fronting Rye Lane was transformed into an arcade in the 1930s. The station is one of the main arrival points into Peckham and is key to supporting a vibrant local economy. Despite the grandeur of the building the station environs suffer from significant existing problems including; low quality public spaces, poor visibility of the station from Rye Lane, no physical focus for the area and a perception of crime in the area.
6. A planning application has now been submitted for the improvement works which comprise the provision of a new public square between the existing Grade II Listed Peckham Rye Station building and Rye Lane, created by demolishing the arcade buildings currently located between the north and south railway viaducts. Refurbishment of the railway arches to provide commercial units facing into the new square. Refurbishment and erection of a two storey roof extension to the building at 2-10 Blenheim Grove / 82 Rye Lane, hard landscaping and other associated works. Please see diagram 00 for a proposed ground floor plan of the development.



Diagram 00 – Proposed site plan

7. There are number adjacent projects which might impact on the redevelopment of the station entrance, namely:
- *Network Rail access for all* - Designs to improve the accessibility of the station platforms are currently being finalised. These are to be delivered by Southern Railways / Network Rail. The current programme for the access for all project is such that it will run concurrently with our station square redevelopment. As a direct consequence the electrical sub-station capacity will need to be increased. Liaison with Southern Railways, Network Rail and the appointed team will be required early to agree a suitable relocation site for the sub-station. Improvements to the station fabric itself are also planned.
 - *Iceland Site* - the adjacent site is due to be redeveloped by the current leaseholder, subject to negotiation with Network Rail. The site has therefore been largely omitted from the scheme. However, the council may use Compulsory Purchase powers to acquire part of this site, hatched black on

diagram 01, if the leaseholder and Network Rail can not come to a development agreement.

- *Townscape Heritage Initiative* - The five year Peckham Townscape Heritage Initiative (THI) scheme will see 44 of the most important historic buildings on Peckham High Street and Rye Lane shortlisted for a grant to repair damaged facades, reinstate lost historic features and install high quality traditional windows and shop fronts. Owners will also be encouraged to bring vacant floor space in the upper floors back into use to support the local economy and provide much needed housing. The grant will also enable the Council and its partners in the community to put in place a programme of complementary initiatives centred on the better knowledge and enjoyment of this important historic town centre.
8. The majority of the site freehold is owned by Network Rail. The black line area, indicated in diagram 01, represents the extent of the proposed site.
 9. Within the proposed site area there are a number of formal and informal leasehold arrangements associated with the retail units. The London Borough of Southwark (the council) has begun the process of compulsorily purchasing the leases as part of the site assembly. Some of the retail and commercial units will be re-provided as part of the development. The Council have commissioned a feasibility study to assess the viability of providing alternative arrangement for a number of the hair and beauty retailers at the new Bournemouth Close development.

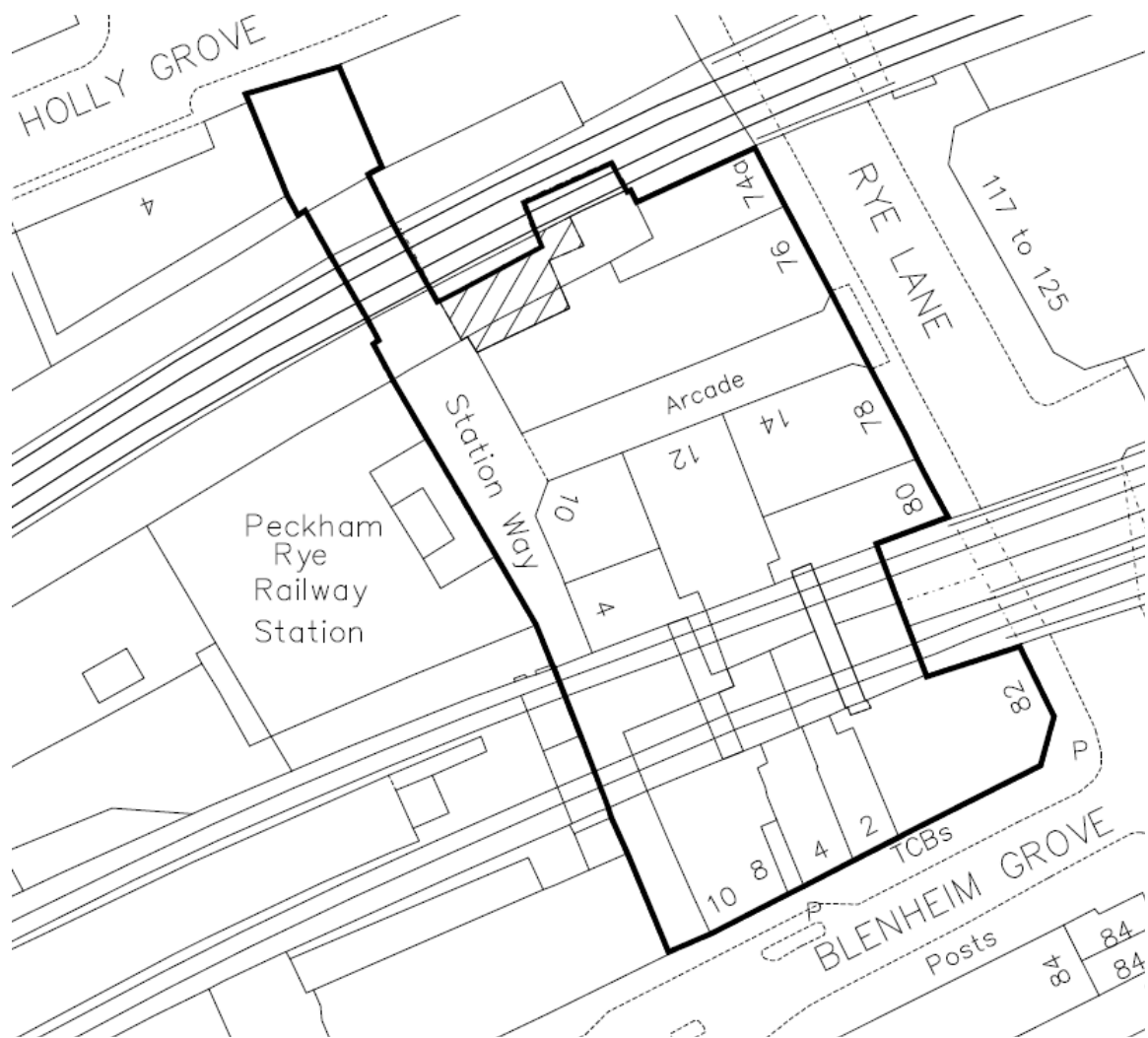


Diagram 01 – Existing site plan - Area outlined in black.

10. This project is made up of a number of interrelated elements, which include:

- *Site acquisition/consolidation* - resolution of the existing complex multi-tenant lease arrangement and compulsory purchase by the Council of a number of leases to facilitate the development.
- *2-4 Blenheim Grove building* (Area indicated as A in diagram 02) - refurbishment and two storey extension to building which is located on the corner of Rye Lane and Blenheim Grove.
- *Southern railway arches* (Area indicated as B in diagram 02) - refurbishment of the southern railway arches and better integration with Blenheim Grove building.
- *New station square* (Area indicated as C in diagram 02) - demolition of the existing single storey 1930 building and the creation of a new open public square should reveal and celebrate the façade of the listed station building. The square will establish connectivity to the wider street network and allow for easy movement to and from the station. This includes the route directly to Rye Lane, but attention will also be given to enhancing the route to Blenheim

Grove and Holly Grove. The new public space will be a flexible space able to accommodate different uses.

- Northern railway arches (Area indicated as D in diagram 02) - linked to the demolition of the central single storey 1930s building. The initial preliminary investigation of the 1930 building indicates that structure which forms part of the retail units, and which includes back-of-house services within the Iceland unit, also forms part of structure which supports the railway platform above. Further investigations and intrusive surveys are required to fully understand how this structure works. However, these cannot be undertaken until parts of the Iceland development can be relocated.
11. Due to the interrelationship between structure of the 1930s building and the rail platform, the council has engaged with Network Rail's (NR) Asset Protection team and have entered into agreement to work with NR develop a scheme which is acceptable to NR Asset Protection team. This will require a significant level of detail design to satisfy NR and intrusive surveys will be required to facilitate the detailed design.

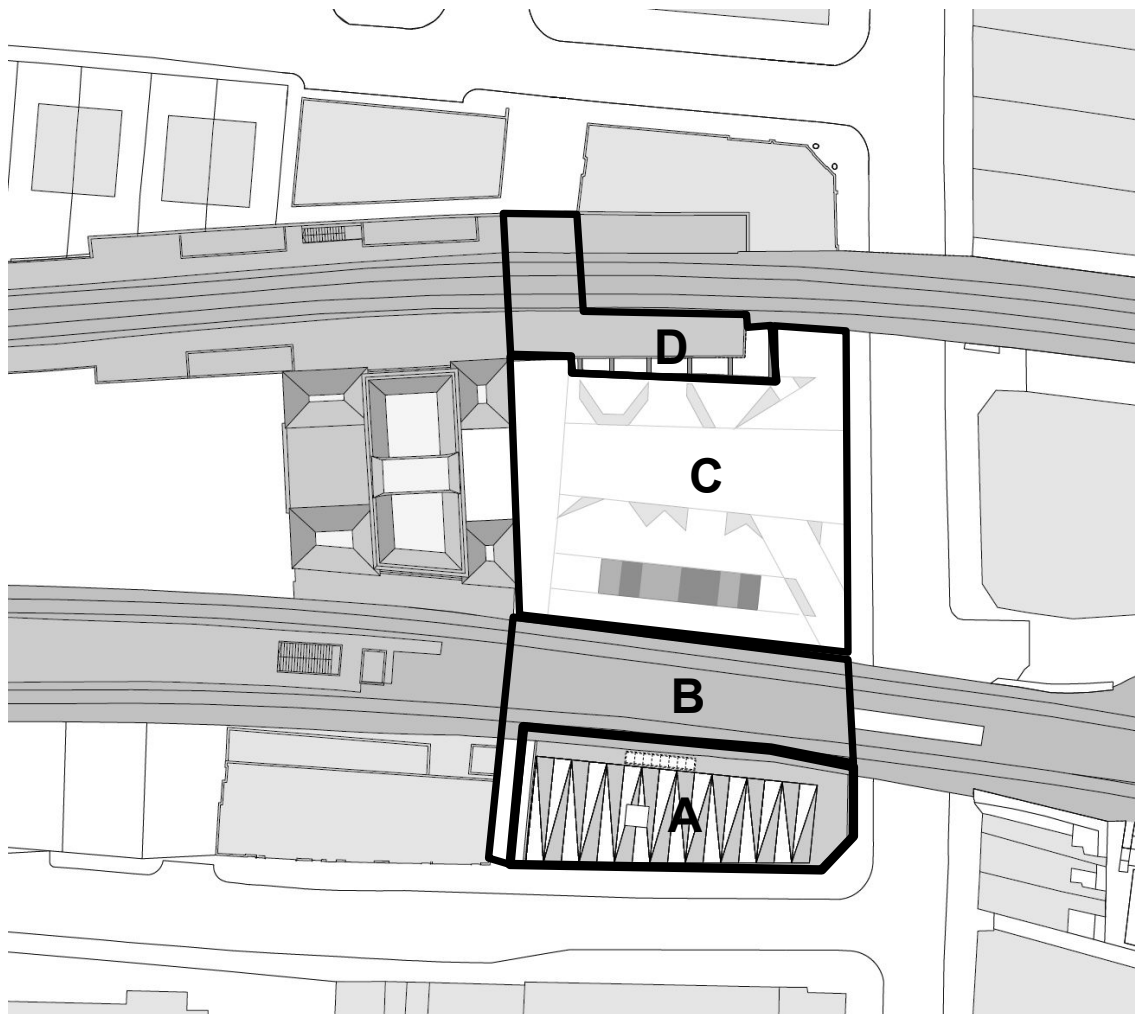


Diagram 02 – Proposed site plan indicating the main project elements.

12. In developing the programme, approach to construction and the sequencing of moving key retailers, the construction phasing approach has divide the site works into three phases:
 - *Phase 1* - Enlargement and remodelling works to 2-4 Blenheim Grove building. The Blenheim Grove building is to have two additional light weight floors added onto the existing structural and the internal arrangement of the building to be substantially reorganised. Due to the constrained nature of the site it is likely that part of Blenheim Grove could be adapted by the contractor for use as their site accommodation.
 - *Phase 2* - Demolition of the buildings contained within the southern half of the square; creation of the southern half of the square; and repairs/remodelling of the southern arches. The ground level of Blenheim Grove will be tied into the retail units of the southern arches and at ground level these two elements will be integrated in order to maximise the let-able area.
 - *Phase 3* – Demolition of the buildings contained within the northern half of the square; creation of the northern half of the square; and repairs/remodelling of the northern arches, including any amendments to the structure supporting the station platform above the building.
13. It is likely that Phases 1 and 2 can run concurrently, however, Phase 3 will require further intrusive investigation which can only be done once the building is vacated and in some cases key tenants decanted to either Blenheim Grove or into the retail units within the southern arches.
14. The estimate value of the construction contract is circa £6.2 million. This is based on the current cost plan as estimated by the cost manager and includes a health contingency of 20%.
15. The project is programmed to be on site in June 2016 and completion is programmed for July 2018. There is potential for programme slippage due to delays in obtaining an Asset Protection Agreement from Network Rail to undertake platform affecting the platform or the discovery of asbestos within the Blenheim Grove building.

Summary of the business case/justification for the procurement

16. The business case for the Gateway to Peckham project, and therefore this procurement, can be found in schedule one of the grant agreement between The Mayor and Burgess of The London Borough of Southwark and the Greater London Authority (GLA).

In summary, the objectives for this project are as follows:

- Reinststate a high quality station square, increasing accessibility to the town centre by improving the entrance and arrival to Peckham Rye.
- Draw new visitors to the high street to deliver economic benefits to local business and creating new jobs in the town centre.
- Bring diverse communities together to enjoy and connect with their high street and town centre.

- Continue engagement with the local community and bringing out what is unique about Peckham.
 - Attract private sector investment to key development sites in Peckham's town centre and raise aspirations for design quality in the town centre
17. The procurement and undertaking of the works will achieve the council's strategic objectives for the regeneration of the Peckham Rye Station as outlined in the Peckham and Nunhead Area Action Plan and act as catalyst for a wider improvement of the local area.

Market considerations

18. The construction delivery of the project is relatively conventional, with the principle areas of complexity being constrained nature of the site; the interface with Network Rail; the need to ensure that the station functions throughout the works; and the need to maintain the support of the diverse range of community groups who have expressed an interest in the project.
19. *Market interest* - Attracting suitable and sufficient contractors to procure the project and obtain value for money is a key market consideration. There are seven providers on the LCP framework. Preliminary soft market testing of contractors on the London Construction Programme (LCP) Framework suggests that there are at least three relevant contractors who would be interested in tendering for the project.
20. *Market Demand* - The programme is based on procuring the scheme in early 2016 and construction inflation is an important consideration. According to a recent report published by Barbour ABI, steady growth in London construction output during 2014 has continue into 2015 and is likely to continue into 2016. The report shows that there is an expected 5.3% growth forecast for the capital across 2015 due to a number of projects, including major schemes that are in the pipeline. London led the regional construction output figures during 2014/15 and accounted for just over 20%, of the whole of the UK construction output. During 2015 it was found that London also led the way in contracts awarded, as it had an increase of 10% on the year before.

KEY ISSUES FOR CONSIDERATION

Options for procurement route including procurement approach

21. The project is being jointly funded by the council and the Greater London Authority (GLA). The council are undertaking the necessary compulsory purchases of the retail units as part of the site assembly and the GLA are providing £5.25 million of project funding, of which £2,454,847 is allocated against the construction budget. This funding is subject to a substantial part of the works being completed by April 2017. Due to the complexity of the interface with the Network Rail station platform, it is unlikely that the works to the Northern Arches (area D indicated on diagram 02) will be complete by April 2017. The GLA have been made aware of this programme constraint.
22. Due to the programme timescales the Council need to extend the existing design teams appointment so that the planning application can be progressed while the

procurement of the main contractor is on going. There is a project need to engage the main contractor as early as possible in the design process so that the project can have contractor input into the construction methodology, site logistics and to market test the key packages. The project team have identified a two stage design and build process as the most effective means of securing value for money and as part of the construction risk mitigation. The Council appointed design team will be either novated to main contractor at Stage 2 or be replaced by the main contractor.

23. The project programme and need to meet the GLA expenditure timescales have been the two key considerations when developing the procurement options for the project. As part of the programme development a number of procurement routes have been considered including both the use of an OJEU route and the use of a number of existing frameworks. Due to the project programme, the OJEU routes were not considered appropriate.
24. The existing frameworks which have been consider include (and reasons that they were not progressed noted):
 - a. **Scape** – only two contractors on this framework and the lack of competition and appropriate experience of the available contractors would be a concern.
 - b. **IESE** – the council have used this framework extensively on education projects. However, it is not considered to have the desired flexibility to ensure that suitable competition is obtained for this project due to the different approach being proposed.
 - c. **Southern Construction** – this framework had been put on hold and therefore is not accessible at this stage.
 - d. **London Construction Programme** - this is framework has the inbuilt flexibility required for this project, with a well-defined contract value bands and lots divided by all the London Councils. The contractors on this framework and its flexibility made this the preferred procurement route subject to the access agreement being approved and signed.
25. Due the need to work closely with Network Rail and Train Operating Company it is important that the project procures a contractor who has experience of working on and around live railway environments. In evaluating procurement options, due diligence around ensuring sufficient competition and the availability of contractors with relevant experience was part of the choice and recommendation of procurement route.
26. The most timely means of procuring a main contractor via a two stage design and build process is to make use of an existing framework of which there are number – Scape; IESE; Southern Construction; London Construction Programme etc.
27. Having reviewed a number of potential frameworks and the contractors on these frameworks, the London Construction Programme (LCP) Framework appears to offer the largest number of contractors with relevant experience in the following areas: Network Rail; remodelling existing building; urban regeneration; and working in inner London.
28. Management of the LCP W1 – MW14 Major Works 2014 Framework Agreement is carried out by Haringey Council.

29. The LCP framework is subdivided into a number of Lots and the Lot which is relevant to the project is LCP W1 – MW14 Major Works Contractors Framework, Lot 18 SEE3. The contractors which the council could access from within this Lot are:
- Geoffrey Osborne Ltd
 - Higgins Construction PLC
 - Keepmoat Regeneration Ltd
 - Kier Construction Ltd
 - Lakehouse Contracts Ltd
 - Mace Limited
 - Wates Construction Ltd
 - Willmott Dixon Holding Ltd
30. All these contractors are of significant size and scale, and a number of them have experience of working on a rail projects.
31. Preliminary discussions with the contractors on the LCP framework have been positive, and all of them are actively targeting the council, and are therefore interested in supporting and working with the Council on this project. While initial discussions are helpful the project is actively working to make the scheme more attractive to the market by undertaking the design work necessary to obtain planning and de-risking the scheme by ensuring that we have strong community support. The process we have proposed will also enable the contractors to develop robust site logistic strategies and test their supply chain on key packages in advance of entering into contract.
32. London Construction Programme Framework is structured as follows:
33. Access to the Major Works Framework Agreements is via an Access Agreement. The council are in the process of approving and signing the Access Agreement for the LCP framework. The Access Agreement addresses terms of service, commercial confidentiality and dispute and complaint resolution.
34. LCP partner buying organisations are public sector and thus “not for profit”; any income received is used to pay running costs for the benefit of public sector clients.
35. The procurement methods available are in accordance with the Government Construction Strategy for early contractor involvement e.g. Two Stage Open Book for works over £1,000,000.
36. A number of construction contracts (JCT, NEC) can be used, subject to the authority and project requirements.
37. Performance management helps measure that projects are delivered on time, on budget, right first time and safely. It drives continuous improvement to achieve year-on-year reductions in project costs and delivery schedules. Some of the KPIs are:
- Predictability of Time
 - Predictability of Cost
 - Client Satisfaction with the product
 - Client Satisfaction with Service

- Defects
- Waste to Landfill Percentage
- Project Health and Safety
- Apprenticeship
- Predictability of Local Labour
- SME Engagement
- SME Spend
- £/m2 Commit to Construct
- £/m2 Available to Use
- Considerate Constructors

38. These support the Framework's long term improvement goals for benchmarking construction procurement across London Management of the Framework Agreement.

Proposed procurement route

39. The LCP Framework procurement route is structured as follows:

Stage	Process / action
Access to framework	The council to sign Framework Access Agreement. LCP to provide detailed process documentation and relevant framework agreements
Notification of the project.	LCP to issue project number and notify contractors via forward look pipeline.
Stage 1 (a)	The council to issue Expression of Interest to all contractors on the Framework and reduce the number of contractors to a short list based on a price:quality assessment. The council to appoint preferred contractor to stage 1(a) based on: Quality – relevant experience, and initial construction methodology and programme proposals and Cost - on preliminaries, overheads and profit, review of outline cost plan, and market testing of key packages.
Stage 1 (b)	The council to undertake further cost and quality refinements to the mini-competition submission with the identified preferred bidder, working with the design team to further develop the costs (via market testing of key packages on an open book basis) and the delivery methodology. The council's cost managers will work with the contractor to ensure that the process of market testing the key construction packages is rigours and robust.
Stage 2	Subject to development of the scheme and cost plan the council will enter into contract with the successful contractor. Design team will be either novated or replaced by the successful contractor.

Identified risks for the procurement

40. The key risks are as follows:

Risk No.	Identified Risk	Likelihood	Risk Control
1.	Fewer than expected LCP members respond to the expression of interest.	Low	Carry out soft market testing prior to issuing expression of interest to ensure that there is sufficient market interest and capacity. Develop a procurement brief that is sufficiently detailed and clear, so that providers can make an informed choice as to whether they wish to pursue this opportunity.
2.	LCP Framework limits Council's control over procurement	Low	Council officers have discussed the requirements of the framework with officers overseeing the LCP framework and have confirmed that the Council will have sufficient control over the process of procurement.
3.	GLA funding is withdrawn or the project is unable to construction a sufficient part of the scheme in order to release the funding.	Medium	Council to enter into an agreement with the GLA based on a realistic programme of works. There are on-going discussions with the GLA in relation to the programme and delivery of the project.
4.	Unable to obtain planning approval for the scheme.	Medium	A competent design team has been engage and design solution has been taken to a number of design review panels, prior to the submission of the planning application.
5.	Concerns regarding the 'Iceland re-development' or the lack of any progress with the Iceland re-development lead to planning delays.	Medium	The project team is working closely with Network Rail to monitor any potential Iceland re-development and it will be made clear in the planning application that this section of the site is beyond the scope of the project.
6.	Stage 2 procurement delayed due to the project being unable to obtain Network Rail approval for the structural works required to the arches.	Medium	Project team are working closely with Network Rail and have entered into an Asset Protection Agreement so that Network Rail are engage to work with the team to review the technical aspects of the design as it develops.
7.	Viability of scheme. Tenders come back higher that anticipated and beyond the project budget.	Medium	Project scheme to be benched by cost manager at each stage of the design and these costs will be tested with potential LCP framework contractors prior to issuing the expression of interest.

Risk No.	Identified Risk	Likelihood	Risk Control
8.	Do not achieve competitiveness and value for money.	Medium	Tender is managed in a way that ensures a degree of competitiveness with the cost manager benchmarking all the tender responses. The tender will be assessed on a value for money and quality basis.
9.	Inadequate cost control.	Medium	Agree cost ceilings and contractor's preliminary, profit and overhead at stage 1 of the procurement. Establish monitoring approach that enables transparent cost management on stage by stage basis. Only enter into the construction contracted if the project is within budget.
10.	Market testing during stage 1(b) indicates that the project unable to progress due to the budget being insufficient given the supply chain conditions prevailing at the time.	Medium	The council's cost managers have developed a robust cost plan with a healthy client side contingency. The council's cost managers will work with the preferred contractor to ensure that that the process of market testing the key construction packages is rigours and robust.
11.	Construction market inflation.	Medium	Cost manager and contractor to work together at stage 1 (a/b) to mitigate and foresee construction market inflation risks. Council to ensure that they have an adequate project contingency.
12.	Vacant possession	High	Early consultation with lease holders has commenced and the Council have aligned the CPO process with the overall project programme.
13.	Deadlock – failure at stage 2 to agree a Guaranteed Maximum price with the preferred contractor.	Medium	Ensure there is suitable transparency and dialogue around costs at stage 1 (a/b) to enable the contractor to develop a suitably robust cost plan. Council to ensure that risk transfer profile is realistic and achievable.
14.	Extensive contamination/asbestos uncovered in the existing buildings leads to extensive programme delays and/or additional costs.	Medium	Detailed surveys to be undertaken by the successful contractor during stage 1(b) to ensure that any contamination and/or asbestos is identified prior to entering into contract.
15.	Slippage due to inadequate project control	Medium	Council to ensure that the internal and external resources are in place to deliver the project in a timely manner.
16.	Impact of Access for All and the station entrance redevelopment scheme	Medium	Project team are working closely with the Network Rail Access for All project to team to ensure that the

Risk No.	Identified Risk	Likelihood	Risk Control
	lead to concerns from the TOC as to their ability to manage the station i.e. movement of passengers is considered unsafe.		programmes are aligned. There will need to be agreement between the contractors working on site to coordinate the works and any passenger control/routing arrangements.
17.	Unable to access framework / framework does not provide the level of flexibility required.	Low	Detailed discussions have taken place with the framework manager to ensure the framework will meet requirements. Should the framework not be suitable following approval of the access agreement an alternative procurement route will be sought using an appropriate framework.

41. A Parent Company Guarantee will be required from the main contractor.

Key /Non Key decisions

42. This procurement is considered to be strategic in accordance with the definition of a Strategic Procurement as outlined in the Contract Standing Orders of the Southwark Constitution 2015/16. The estimated value of the procurement is below the value of a strategic procurement. However, criteria five (political sensitivity) and six (contract carrying a high level of risk) are applicable to this procurement. It is therefore considered to be a key decision for Cabinet.

Political sensitivity – This is a high profile project with significant public interest and political pressure to deliver the scheme.

High level of risk – There is a significant risk associated with the works required to satisfy Network Rail's Asset Protection division in relation to supporting the overhead platform in the northern half of the square. This risk is yet to be fully understood until further intrusive investigations are carried out.

Policy implications

43. This procurement exercise supports Fairer Futures Promise 1 – Value for money. The competitive tender process will ensure that the Council is receiving value for money when delivering this project.

44. This procurement exercise supports Fairer Futures Promise 9 – Revitalised Neighbourhoods. The project will provide a high quality station square which will increase accessibility to the town centre, draw new visitors to the high street to deliver economic benefits to local business, create jobs and catalyse future investment and regeneration in the area.

45. The Peckham and Nunhead Area Action Plan (PNAAP) was formally adopted in November 2014 and is pivotal in developing and implementing the Council's long term vision for Peckham town centre over the next 15 years.

46. The PNAAP sets out policies specific to Peckham and Nunhead, with much of the focus on Peckham town centre, as area has the greatest potential for change.

Maintaining and strengthening Peckham's role as a major town centre in Southwark is central to the vision of the PNAAP and Southwark's Core Strategy. The site forms part of the PNAAP 6 Proposal site which sets out the site specific guidance.

47. The site is in the Rye Lane Peckham Conservation Area and adjacent to the Holly Grove Conservation area. This has been carefully considered by the architect when developing the designs for this project.

Procurement Project Plan (Key Decisions)

Activity	Completed by
Enter Gateway 1 decision on the Forward Plan	23/09/15
DCRB Review Gateway 1	12/10/15
CCRB Review Gateway 1	22/10/15
Notification of forthcoming decision - Cabinet	03/11/15
Approval of Gateway 1: Procurement strategy report	17/11/15
Scrutiny Call-in period and notification of implementation of Gateway 1 decision	01/12/15
Completion of tender documentation	18/11/15
Seek expression of interest	08/12/15
Closing date for receipt of expressions of interest	12/01/16
Completion of short-listing of applicants	22/01/16
Invitation to tender	17/02/16
Closing date for return of tenders	13/04/16
Completion of any clarification meetings/presentations/evaluation interviews	13/05/16
Completion of evaluation of tenders	08/06/16
Forward Plan (if Strategic Procurement) Gateway 2	03/06/15
DCRB Review Gateway 2	13/06/16
CCRB Review Gateway 2	23/06/16
Notification of forthcoming decision – despatch of Cabinet agenda papers	24/06/16
Approval of Gateway 2: Contract Award Report	07/16 cabinet – (date tbc)
End of scrutiny Call-in period and notification of implementation of Gateway 2 decision	2 weeks post cabinet
Alcatel Standstill Period (if applicable)	2 weeks post cabinet
Contract award	2 weeks post cabinet
Add to Contract Register	2 weeks post cabinet
Contract start	08/08/16

Activity	Completed by
Initial contract completion date	01/08/18

TUPE/Pensions implications

48. There are no specific implications.

Development of the tender documentation

49. The Regeneration – Capital Works team will be responsible for developing the tender documentation to enable works to be tendered. Technical design requirements and specifications will be developed based on Southwark’s Design Standards and Technical Specification. Policy related requirements will be referenced using relevant appendices, links and insertions.
50. A full design team (Landolt + Brown Architects, Sweett Group and Alan Baxter & Associates) has been appointed by the council to undertake the development of the design brief, via the Co-design workshops, commission surveys and to undertake the concept design up to RIBA Stage 2 – concept design and submission of a planning application.
51. It is proposed that there is a single supplier negotiation with the design team is extended to RIBA stage 4 – Technical Design on a single supplier basis. This will be for a fixed sum based on pre-tendered fees for the initial contract to RIBA stage 2. The value of this appointment will not exceed £250,000, excluding surveys, and will be based on the fees outlined and procured for their initial appointment.
52. Retaining the existing design team to RIBA stage 4 is considered to provide greater value for money than re-tendering for this work. The complexities of the relationship of the railway and the proposal have already been established by the existing design team. The work they have already undertaken to enter into an Asset Protection Agreement with Network Rail will be essential to progressing with the delivery of this scheme on time and to budget.

Advertising the contract

53. Not applicable.

Evaluation

54. As per LCP framework criteria with a split focus on value for money, appropriate experience and quality.
55. There will be one evaluation panel, with a minimum of three members.
56. Initial evaluation to shortlist LCP members will be completed following response generated from the issuing of the expression of interest. This will be based on completion of a project specific questionnaire consisting of a number of relevant questions and some relevant pass/fail criteria. Scored questions will be awarded a score out of a maximum of 10 marks. Selection will be determined by the 5 submissions gaining highest total marks.

57. The evaluation of the main tender returns will be based on a Price/Quality & Project Management/Relevant Experience/Design Approach matrix based on a 60:40 split price & quality/design. Stage 1(a) evaluation will be based on: cost - on preliminaries, overheads and profit, review of outline cost plan, and market testing of key packages; and quality – relevant rail experience and initial construction methodology and programme proposals.
58. Tenderers will be required to provide information to support their quality submission that demonstrates their ability to fulfil the requirements that were outlined in the Employers Requirements. The quality assessment will be weighted in relation to the level of importance put upon each criterion and will be set by the evaluation panel. A detailed evaluation methodology will be provided to the tenderers.
59. Initial assessment of price submitted will be examined to ensure that it forms the overall final bid. Financial evaluation will focus on submitted costs, values, overheads and profits that will be checked against Schedule of the Framework agreed rates. The method of scoring will be the contractor with the most competitive price receiving the maximum points. Each remaining contractor price will be awarded a score based on the percentage difference between their price and the most competitive price.
60. The overall score of price and quality added together will be used as the assessment to appoint the selected development partner.

Community impact statement

61. The council also recognise the impact that this development will have on surrounding communities in Peckham. The council has committed to a CoDesign consultation approach to evolving the design of the development with local stakeholders.
62. Four public workshops have been held, residents and businesses have been invited to attend these workshops and outline their aspirations and expectations for the development. Over 600 people have been involved in the consultation process for this project to date.
63. It is anticipated that electronic communications are maintained with those engaged in the process to provide updates on the progress of the project.
64. The council commissioned an Equalities Impact Assessment (EqIA) in March 2015 that identified the risks and social considerations associated with this project. The recommendations have been implemented in response to this report. A link to the EqIA can be found in section 4 of this report.
65. The council is an officially accredited London Living Wage (LLW) Employer and is committed to ensuring that, where appropriate, development partners 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 development partner for this contract will result in quality improvements for the council. These should include a high 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 development partner will be expected to meet

the 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.

66. The LCP framework includes a key performance indicator that relates to the number of apprenticeship weeks provided through the contract. Apprenticeships will be secured through the procurement process and implemented as part of the contract.

Environmental and sustainability considerations

67. 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.
68. The council's approach to procurement of the design, development and construction processes will ensure a requirement to maintain and improve sustainability at each stage in the project.
69. At design stage, requirements were in place to meet sustainable specifications. The lead architect on the project is required to "advise on the creative application of sustainability standards and the practical application of renewable energy and alternative forms of energy production".
70. During construction the appointed contractor will be required to adhere to guidelines outlined in the London Construction Guide which include and are not restricted to the following:
 - Procuring and using materials sustainably
 - Selecting materials with low lifecycle impacts
 - Using local materials
 - Use of materials with high recycled
 - Meet minimum standards set out in Building Regulations.

Economic considerations

71. Whilst it's acknowledged there will be a loss in commercial floorspace as part of this development, the proposals will deliver significant benefits for the local area. The Council has implemented a number of measures recommended by the Equalities Impact Assessment (March 2015) to mitigate the risks to businesses and the local economy. These include:
 - *Independent advisors* - The Council has commissioned an independent advisor to support affected tenants and leaseholders to understand and manage their legal rights and obligations through the process of securing vacant possession, including leasehold interest buy-back and relocation.
 - *Identification of relocation sites* - The Council has appointed Hindwoods Ltd. To provide fortnightly updates on commercial properties available to rent as suitable relocation sites for affected businesses.

- *Traders' day* - A traders' day was held in April 2015 to provide face to face assistance and advice to affected businesses. The purpose of this drop in day was to support businesses to understand their options, rights and obligations in regards to the planning application.
- *Meanwhile provision* - As a result of the Equalities Impact Assessment March 2015, the Council has identified that BME business owners are particularly vulnerable to potential loss of existing business premises. In response, the Council has commissioned a feasibility study to deliver temporary business accommodation approximately 270m from the Site. This will be aimed at relocating a number of the BME hair and beauty businesses.

Plans for the monitoring and management of the contract

72. The LCP provides tools for monitoring and managing contracts procured under their framework. More information on this can be found in paragraph 37.
73. A working group is already established for this project and meets on a 6 weekly basis with all external stakeholders, including Network Rail, the GLA and the design team. The contractor procured will be expected to attend these meetings so ensure transparency is maintained throughout project delivery.
74. The project manager will be required to submit monthly monitoring reports to the GLA. These reports will highlight any issues and risks and enable the project to be closely monitored and managed throughout the delivery period.
75. Paragraph 76 provides further detail on the responsibilities of the project manager in relation to ensuring the contract is delivered on time and to budget.

Staffing/procurement implications

76. The project manager responsible for the delivery of the overall programme, under the management of the head of regeneration, capital works, will be responsible for ensuring that the programme is adequately resourced and coordinated to deliver its objectives and procured efficiently and effectively in accordance with best practice for major projects procurement.

Financial implications

77. The total proposed commitments for the Gateway to Peckham project for required Compulsory Purchase Orders (CPO) and construction exceeds the current agreed budget by approximately £7m. Based on the current estimates, funding is sufficient for the CPO and works to proceed until the end of 2016/17. Therefore, at Gateway 2 stage, the additional funding for this programme will need to be identified before the construction contracts are awarded. This will be addressed through the quarter 3 capital budget monitoring report to cabinet.
78. Indicative spend profile for this procurement is set out below:

	16/17	17/18	18/19	Total
Council capital	£310,000	£3,125,153	£310,000	£3,745,153
GLA capital	£2,454,847	£0	£0	£2,454,847

	16/17	17/18	18/19	Total
Total	£2,764,847	£3,125,153	£310,000	£6,200,000

Investment implications

79. The procurement of these works will create an asset for the council. The resultant commercial development is anticipated to have a market value in the region of £4.8m. This is an initial figure based on indicative floor areas achievable informed by initial capacity studies and is therefore liable to change as the scheme develops. It is intended to give Network Rail an option to buy the completed scheme should the council decide to sell the commercial units in the railway arches at the market value.

Legal implications

80. Legal implications are noted in paragraphs 90 to 93 of this report.

Consultation

81. The public consultation for this project is detailed in paragraphs 62 and 63.
82. Consultation specific for this procurement has conducted. Feedback has been sought from stakeholders including – Network Rail Asset Protection, Network Rail Asset Management, The Greater London Authority and internal officers at London Borough of Southwark.

Other implications or issues

83. Not applicable

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Head of Procurement

84. This report is seeking approval for the procurement strategy for the construction contract to deliver the Peckham Rye Station Square redevelopment project. The report confirms that the works contract has an estimated value of £6.2m and is timetabled to run from June 2016 until July 2018.
85. The report explains the details and complexity of the project, with key stakeholders and considerations around the requirements for National Rail. The funding arrangements for the project are also detailed, with funds being provided by the council and the Greater London Authority (GLA).
86. The report also seeks approval to retain the current design team to support with the delivery of the design of this project on the existing terms and fee structure. The value of the additional requirement will not exceed £250,000.
87. The report confirms that the London Construction Programme framework agreement is compliant with the Public Contract Regulations. The framework allows appropriate flexibility to structure the mini-competition process, detailed in paragraph 39, in order to identify contractors with appropriate experience to deliver the project, whilst ensuring competition in order to deliver the best value for the council.

88. The project timetable included within the report is achievable for the proposed procurement strategy, provided that appropriate resources are allocated to the project at the appropriate time.
89. Paragraphs 54 to 60 confirm the evaluation methodology for this procurement will be on the basis of the most economically advantageous tender and to determine this, a weighted evaluation model of 60/40% price/quality split will be applied. The report confirms that the operating rules of the framework allows for evaluation model to be adopted.

Director of Law and Democracy

90. This report seeks approval to the procurement strategy for the construction and design team in relation to the Peckham Rye station redevelopment, as further detailed in paragraphs 1 and 2. As this is a strategic procurement, the decision to approve the procurement strategy is reserved to the cabinet.
91. The scope and value of the redevelopment construction at approximately £6.2m means that this procurement is subject to the full tendering requirements of the Public Contract Regulations 2015 (PCR15). However the LCP framework (through which it is intended to undertake a further competition) was established following an EU compliant tendering process, and therefore competition through this framework will satisfy the EU tendering requirements. The LCP framework, procured by Haringey council, allows other London councils to utilise the framework, but this is subject to Southwark entering into an access agreement with Haringey. As noted in paragraph 39, this will be the first stage of the process upon the procurement strategy being approved.
92. Approval is also sought regarding retention of the existing feasibility design team until the point the construction contract is awarded. The value of the additional work for the design team will not exceed £250k, and the value of the individual retentions for each of the 3 organisations will not exceed the EU threshold for services. The justification for seeking approval to retain the design team is noted in paragraph 22.
93. The cabinet will be aware of the public sector Equality duty (PSED) under the Equality Act 2010, and when making decisions to have regard to the need to eliminate discrimination, harassment, victimisation or other prohibited conduct, and to advance equality of opportunity and foster good relations between persons who share a relevant protected characteristic and those who do not share it. The relevant characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion, religion or belief, sex and sexual orientation. The duty also applies to marriage and civil partnership but only in relation to the elimination of discrimination. The cabinet is referred to the community impact statement at paragraphs 61 to 66 setting out the consideration that has been given to equalities issues which should be considered when agreeing this procurement strategy.

Strategic Director of Finance and Governance (FC15/030)

94. The strategic director of finance and governance notes the proposals for Peckham Rye Station redevelopment procurement strategy. Further that additional capital budget will need to be agreed before awarding the construction contract at Gateway 2 stage of the procurement.

BACKGROUND DOCUMENTS

Background Documents	Held At	Contact
Gateway to Peckham: Equalities Impact Assessment	Regeneration South, Chief Executive's Department	0207 525 3348
Link: Gateway to Peckham: Equalities Assessment		

APPENDICES

No.	Title
None	

AUDIT TRAIL

Cabinet Member	Councillor Mark Williams, Regeneration and New Homes		
Lead Officer	Stephen Platts, Director of Regeneration		
Report Author	Craig Akhurst / Lauren Sharkey, Development Project Officers		
Version	Final		
Dated	5 November 2015		
Key Decision?	Yes		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
Officer Title	Comments sought	Comments included	
Head of Procurement	Yes	Yes	
Director of Law and Democracy	Yes	Yes	
Strategic Director of Finance and Governance	Yes	Yes	
Contract Review Boards			
Departmental Contract Review Board	Yes	Yes	
Corporate Contract Review Board	Yes	Yes	
Cabinet Member	Yes	Yes	
Date final report sent to Constitutional Team	5 November 2015		