

Item No.	Classification: Open	Date: 18 th April 2016	Meeting Name: Strategic Director of Housing Modernisation
Report title:	Gateway 2 - Contract Award Approval Contractor Services for the Delivery of new Hidden Homes units at Falcon, Greystoke, Roland Hill, Swanmead and Mortlock.		
Ward(s) or groups affected:	The Lane, Cathedrals, Grange, Livesey, Nunhead		
From:	The Strategic Director of Housing and Modernisation		

Not for publication by virtue of category 3 paragraph 10.4 of the Access to Information Procedure Rules of the Southwark Constitution

RECOMMENDATION(S)

The Strategic Director of Housing and Modernisation:

1. Approves the award of Lot 1 (Falcon House), appointing Standage & Co Ltd for the sum of £612,447.15 from the 4th May 2016 for a period noted in paragraph 33.
2. Approves the award of Lot 2 (Rowland Hill House & Swanmead), appointing Saltash Enterprise Ltd for the sum of £185,218.25 from the 4th May 2016 for a period noted in paragraph 33.
3. Approves the award of Lot 3 (Greystoke & Mortlock Close), appointing Saltash Enterprise Ltd for the sum of £193,544.50 from the 4th May 2016 for a period noted in paragraph 33.
4. Approves estimated total on-costs spend of £287,782.

BACKGROUND INFORMATION

5. The planned procurement strategy was the subject of a Gateway 1 report which was approved on 30th November 2015.
6. This Gateway 2 report relates to the next phase of hidden homes scheme which form part of the council's 11,000 new homes programme. The initial target of which is to build 1,500 new homes by 2018 and is for the following five Hidden Homes Programme projects:
 - a. Lot 1:
 - i. 1-27 Falcon House, Lyndhurst Way, SE15 5AS
 - b. Lot 2:
 - i. Rowland Hill House, Nelson Square Gardens, SE1 0LT
 - ii. Swanmead SHACCA TRA Hall, Swan Mead, SE1 4SY
 - c. Lot 3:
 - i. Greystoke House, Peckham Park Road, SE15 7TQ
 - ii. 45 & 46 Mortlock Close, SE15 2QE

7. The Hidden Homes Programme aim is creating new homes from vacant or underused spaces in existing housing blocks.
8. The procurement process split the sites into 3 lots, the contract value for each of these lots were estimated to be under the OJEU procurement limit. Six contractors from the Council's approved supplier list were invited to tender for the lots. We had the following tender returns for each lot:
 - a. Lot 1: 6 tender returns
 - b. Lot 2: 5 tender returns
 - c. Lot 3: 5 tender returns

Procurement project plan (Key Decision)

9.

Activity	Completed by/Complete by:
Forward Plan for Gateway 2 decision	01/02/2016
Approval of Gateway 1: Procurement Strategy Report	30/11/2015
Issue Notice of Intention (Applies to Housing Section 20 Leaseholder Consultation)	n/a
Invitation to tender	07/01/2016
Closing date for return of tenders	05/02/2016
Completion of evaluation of tenders	08/03/2016
Issue Notice of Proposal (Applies to Housing Section 20 Leaseholder Consultation)	n/a
DCRB Review Gateway 2:	18/04/2016
CCRB Review Gateway 2:	n/a
CMT Review Gateway 2: (If applicable)	n/a
Notification of forthcoming decision – Five clear working days	25/04/2016
Approval of Gateway 2: Contract Award Report	09/05/2016
Scrutiny Call-in period and notification of implementation of Gateway 2 decision	16/05/2016
Debrief Notice and Standstill Period (if applicable)	n/a
Contract award	16/05/2016
Add to Contract Register	09/05/2016
TUPE Consultation period (if applicable)	n/a
Contract start	16/05/2016
Publication of award notice in Official Journal of European (OJEU)	n/a
Publication of award notice on Contracts Finder	n/a
Contract completion date*	14/09/2016

Activity	Completed by/Complete by:
Contract completion date – if extension(s) exercised	n/a

** Due to the nature of the works the three contracts are likely to finish at different times.*

KEY ISSUES FOR CONSIDERATION

Description of procurement outcomes

10. The procurement has enabled 2 contractors to be selected to ensure that 10 new homes can be delivered, ensuring value for money, as part of the Hidden Homes Programme.

Key/Non Key decisions

11. This report deals with a key decision

Policy implications

12. The new homes delivered through the Hidden Homes Programme are in line with the council's principles and vision for a new housing strategy which is aimed at increasing the availability, affordability and quality of homes in the borough.

13. The new homes will assist LBS achieving the target of building 11,000 new council homes by 2043 and 1,500 by 2018.

Tender process

14. The five sites were split into 3 lots , which were tendered through the councils approved contractors list, inviting the following 6 contractors:

- Niblock Builders Ltd
- Standage and Co Ltd
- Knapman and Sons Builders
- AD Construction Group
- Borrás Construction
- Saltash Enterprises Ltd

15. The tender packs comprised the following:

- a. General Conditions Contract
- b. Southwark's standard amendments
- c. Standard specification
- d. Preliminaries
- e. Schedules of works
- f. Other supplementary reports.

16. Tenders were returned to 160 Tooley Street on the 5th February 2016 and were opened on the 5th and 8th February 2016.

17. All tenderers were given the opportunity to bid for either one or a number of lots. All tenderers submitted a return for each lot, with the exception of Borrás Construction who only submitted a tender for Lot 1 and did not submit a tender for Lots 2 or 3.

Tender evaluation

18. The tender evaluation comprised of 3 stages:

- a. Stage one - compliance
- b. Stage two - quality
- c. Stage three - price

19. Stage 1 was scored on a pass/fail basis, with stages 2 and 3, having a weighted evaluation on the basis of a 70/30 price/quality split.

20. The quality aspect (Stage 2) of the tender was scored on the following elements:

- a. Programme Management
- b. Time Requirements
- c. Human Resources
- d. Health and Safety
- e. Quality Assurance Systems
- f. Risk Management Skills

21. The tenderers were required to provide information to support their quality submission that demonstrated their ability to fulfil the requirements of the contract and demonstrate their experience in similar project types. A score was given to for each quality criterion and was detailed in the tender evaluation methodology included within the tender documents.

22. The quality aspects of the returns were evaluated by the Housing Investment Manager and a Development Consultant on behalf of LBS, and our external Project Managers (Potter Raper Partnership). The LBS evaluation was undertaken individually and results compared afterwards. A copy of the Tender Evaluation Methodology, which was supplied to tenderers, is attached as appendix 1.

23. Each of the quality question were award appropriate marks on the following basis:

Score	Descriptions
0	Cannot be scored No information provided or incapable of being taken forward either because the Supplier does not demonstrate an understanding of our requirements or because the solution is incapable of meeting our requirements.
1	Unsatisfactory Although the Supplier does demonstrate an understanding of our requirements there are some major risks or omissions in relation to the proposed solution to deliver the service and we would not be confident of our requirements being met.
2	Satisfactory A response which is capable of meeting our requirements but is unlikely to go beyond this.
3	Good A response which shows that the Supplier demonstrates an understanding of our requirements, has a credible methodology to deliver the service and could evolve into additional benefits.
4	Very Good A response which shows that the Supplier demonstrates an understanding of our requirements, has a credible methodology to deliver the service alongside a clear process and plan to deliver additional benefits and deliver value.
5	Excellent A response which shows how the service can comprehensively be taken to the next level in terms of exceeding our requirements and/or offering significant added value to the Council's overall strategic requirements and objectives.

24. For Stage 3, tenderers were required to provide a pricing schedule that detailed their tender price, this was scrutinised by Potter Raper Partnership to ensure that the pricing was arithmetically correct. Clarifications were sought where necessary and corrections made to ensure that the prices stated were arithmetically correct and comparable.

25. Potter Raper Partnerships have provided a Tender and Value for Money report which concludes and summarises the scores achieved for each lot.

26. The scores achieved by the tenderers for Lot 1 were as follows:

Tenderer	Quality Summary (30%)	Cost Summary (70%)	Total Summary	Rank
Saltash Enterprise Ltd	16.00	70.00	86.00	1
Contractor 1	18.00	61.76	79.76	2
Contractor 2	15.00	56.11	71.11	3
Contractor 3	16.00	43.84	59.84	4
Contractor 4	16.00	33.53	49.53	5
Contractor 5	0.00	43.70	43.70	6

Contractor 5 failed to submit a qualitative return and therefore received a scoring of 0.

27. The scores achieved by the tenderers for Lot 2 were as follows:

Tenderer	Quality Summary (30%)	Cost Summary (70%)	Total Summary	Rank
Saltash Enterprise Ltd	18.00	70.00	88.00	1
Contractor 1	16.00	66.24	82.24	2
Contractor 2	16.00	59.50	75.50	3
Contractor 3	15.00	49.38	64.38	4
Contractor 4	0.00	45.88	45.88	5

Contractor 4 failed to submit a qualitative return and therefore received a scoring of 0. Contractor 3 did not submit a tender return for lot 2.

28. The scores achieved by the tenderers for Lot 3 were as follows:

Tenderer	Quality Summary (30%)	Cost Summary (70%)	Total Summary	Rank
Saltash Enterprise Ltd	18.00	70.00	88.00	1
Contractor 1	16.00	68.00	84.00	2
Contractor 2	16.00	61.14	77.14	3
Contractor 3	15.00	50.14	65.14	4
Contractor 4	0.00	40.13	40.13	5

Contractor 4 failed to submit a qualitative return and therefore received a scoring of 0. Contractor 3 did not submit a tender return for lot 2.

29. The following table shows the average overall consensus quality score that was achieved by each tenderer on the lot 1:

Tenderer	Project Management	Time Requirements	Human Resources	Health and Safety	Quality Assurance System	Risk Management Skills	Total Quality Score
Saltash Enterprise Ltd	3.00	2.67	3.00	2.67	3.67	3.00	0.00
Contractor 1	2.67	2.00	2.33	2.67	3.00	3.00	18.00
Contractor 2	2.00	2.33	2.33	3.00	3.00	3.33	15.67
Contractor 3	2.00	2.33	3.00	3.00	2.00	2.33	16.00
Contractor 4	0.00	0.00	0.00	0.00	0.00	0.00	14.67
Contractor 5	2.33	2.67	2.00	3.00	2.67	3.00	0.00

30. The quality score for tenderer was mirrored on lots 2 and 3 because this element of each tender was the same, for all tenderers with the exception of Contractor 4, who only submitted a return for lot 1.

31. The scores from the evaluation panel were quite consistent and although the overall scores appear low, most tenderers achieved satisfactory to good scores and the winning contractors met the stated threshold of 12%. The projects will be monitored as outlined in paragraph 35 and any issues around quality, health and safety and quality assurance will be picked up through the project management.

32. It is our recommendation that the tenderer scoring the highest overall score for each lot be awarded the contract.

33. The following table summarises the contract price and contract length for each lot for which approval is being sought:

Lot	Contractor	Contract Amount	Contract Period
1	Standage & Co Ltd	£ 612,447.15	30 Weeks
2	Saltash Enterprises Ltd	£ 185,218.25	18 Weeks
3	Saltash Enterprises Ltd	£ 193,544.50	18 Weeks

34. Standage & Co Ltd and Saltash Enterprises Ltd both have a track record of working Southwark's hidden homes programme, and have delivered high quality schemes in the past on time and on budget.

Plans for the transition from the old to the new contract

35. Not applicable.

Plans for monitoring and management of the contract

36. The project clienting, including the management and administration of the contractor appointments will run and be resourced through the New Homes Delivery Team in the Asset Management Division of the Housing & Modernisation Department. Performance of the consultant team will be subject to constant scrutiny and monthly formal review including reviews on cost, quality and programme. The officer client team will use a number of mechanisms for monitoring and controlling the financial and programme performance of the contract, including,

- a. Strategic cost plan, which will be regularly reviewed and updated
- b. Monthly financial statements by the consultant
- c. Monthly appraisals of progress against programme and monthly reports by the consultant
- d. Tracking and chasing actions on critical issues
- e. Periodic project team 'look ahead' workshops covering key phases of work and risks
- f. Risk and issues log

37. Internal governance arrangements for the programme were reported to cabinet in December 2014. These confirmed that ultimate responsibility for the overall programme resides with the Delivery Programme Board, chaired by the Strategic Director of Housing & Modernisation.

Identified risks for the new contract

RISK	RISK LEVEL	MITIGATION ACTION
1 Contractor has inadequate resources and management arrangements to mobilise and deliver the contract – particularly where a	Low	Prior to appointment it will be ensured that: 1) The contractor intends to deploy adequate resources and willing to supplement

	contractor is being awarded more than one contract		additional resources to the project if required. 2) The contractor proposes to put adequate management arrangements in place to mobilise and deliver the project.
2	Insolvency of the contractor	Low	An up to date credit check has been undertaken for the contractors and reviewed. Both contractors have a very low and low risk noted.
3	Construction delays	Low	Surveys have been undertaken to anticipate and plan for potential site issues.
4	Quality of works	Low	A quality control regime will be put in place to ensure the level of quality.

Other considerations (For Housing Department works contracts only)

38. There are no other considerations.

Community impact statement

39. Southwark is a borough with high levels of deprivation, low income levels and high levels of housing need. Southwark's Housing Strategy 2009-16 identified that there is a shortage of affordable housing in the borough, particularly of larger homes. Households from black and ethnic minority communities tend to be over-represented among those living in overcrowded, poor quality housing.

40. Cabinet recently agreed a new vision for the future housing strategy including a principle to use every tool at our disposal to increase the supply of all kinds of homes across Southwark.

41. The proposals to increase the supply of affordable, good quality homes will benefit households in need from all Southwark communities, and will increase the housing options available for older people and people with disabilities.

42. Those households in the vicinity of the new developments may experience inconvenience and disruption in the short term whilst works are taking place but such communities will benefit in the longer term from the provision of new homes. Particularly as 50% of these homes will be let to existing tenants from the local area subject to an agreed local lettings policy.

43. Local residents will continue to be consulted at each stage of the development proposals as outlined in the Charter of Principles agreed by cabinet in November 2014.

Sustainability considerations

44. 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.

45. The councils approach to procurement of design, development and construction process will ensure a requirement to maintain and improve the sustainability of each tendered project.
46. A low energy, efficient and cost effective building engineering services design that keeps running costs to a minimum will be an essential component of the project brief. Key considerations will include;
 - a. Consideration of whole life-cycle costs
 - b. Sustainable sourcing
 - c. Incorporation of environmentally benign heating and lighting provision
 - d. Provision of facilities and equipment to encourage the re-use and recycling of materials including, where practical, water recycling.
 - e. Ensuring projects achieve Code of Sustainable Homes criteria or any successor requirement.

Economic considerations

47. The design briefs for the new homes have ensured that all new developments are not only attractive and functional in their design but also durable and easy to maintain with low running costs.
48. The council is an officially accredited London Living Wage (LLW) Employer and is committed to ensuring that, where appropriate, contractors 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 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 contractor will be expected to meet the LLW requirements and contract conditions requiring the payment of LLW will be included in the tender documents. Following award, these quality improvements and any cost implications will be monitored as part of the contract review process.

Social considerations

49. The new housing will provide high quality affordable housing for local people in need of accommodation. 50% of these homes will be made available to existing tenants in need based on an agreed local lettings policy. The remainder will be made available to other households in need of accommodation from the council's housing register.
50. The new rented homes will be let at social rent levels.

Environmental considerations

51. By investing in high quality and well designed buildings and estates the Council aim to achieve positive impacts which will benefit the environment and increase the stock of environmentally friendly buildings within the borough.
52. As part of the design development process, there will be a requirement for environmental assessments to be completed, with a view to identifying what impact would be caused by any proposed development.

Market considerations

53. These are small niche refurbishment projects, which are attractive to small and medium local contractors, our tendering process reflected this and targeted small / medium building contractors.
54. The construction industry appears to be quite buoyant at the moment and tender prices appear to be rising. However the response was excellent with only 1 contractor who failed to return a tender for lots 2 and 3. The tender price range was within a reasonable range of the estimated budget costs, and the winning tenders were, on average, 23.7% below the estimated budget. This demonstrates that the council is getting good value for money.

Staffing implications

55. The staff resources deployed to this procurement is sufficient to meet the proposed timetable.
56. The project will be resourced by existing staff, within existing budgets.
57. Officer time relating to the management of this project is funded from the capital budgets for the individual projects.

Financial implications

58. These costs will be met from the budget allocation on H-7528-2531 "New Homes design & Enabling Wks (DD)".
59. New cost codes will be set up to monitor the cost of these schemes and budgets will be transferred from H-7528-2531 "New Homes design & Enabling Wks (DD)" to these new cost codes.
60. An application will be made to planning committee to fund part of these works relating to the development of the 10 housing units from the S106 Affordable Housing Fund. If successful, part of this cost will be met from these funds. This will reduce the contribution from H-7528-2531 "New Homes design & Enabling Wks (DD)".

Investment implications

61. The contract sum costs for each project will be charged to the respective project costs programmes in the capital allocation for hidden homes delivery budgeted within the council's Housing Investment Programme.

Second stage appraisal (for construction contracts over £250,000 only)

62. We have sought Experian credit checks and can confirm the following scores:

- Standage and Co Ltd: Very Low Risk
- Saltash Enterprise Ltd: Low Risk

Legal implications

63. Contract Standing Order 5.3 requires that for all works contracts above £75k but below the EU threshold that all reasonable steps are taken to obtain at least 5 tenders. Those invited to submit tenders must be selected from the council's works approved list unless permission is obtained to do otherwise through a gateway 1 report. Paragraph 7 confirms that tenders were sought from 6 contractors from the approved list.

Consultation

64. Local residents will be consulted at each stage of the proposals as outlined in the Charter of Principles agreed by cabinet in November 2014.

Other implications or issues

65. None

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Finance and Governance (H&M16/005)

66. It is noted that this report recommends approval to contracted works to Standage and Co Ltd for the sum of £612,447.13 and Saltash Enterprise Ltd for the sum of £378,762.75.

67. The report identifies the total cost of the works including fees and contingency to be £1,279,002. The financial implication section provides details on how these costs are to be funded.

68. At this juncture, there is an estimated resource shortfall in the overall 2016/17 HIP (as reported to Cabinet in February 2016). Whilst this position is likely to be moderated downwards during the year as expenditure phasing and resourcing forecasts are updated in light of better information, programme commitments may need to be managed such that they match more closely the available resources in year.

Head of Procurement

69. As the value of the contracts do not exceed the EU threshold for works a formal procurement concurrent is not required,

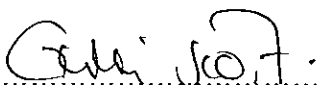
Director of Law and Democracy

70. As the estimated value of this contract is below the current EU threshold for works no formal legal concurrent is required.

FOR DELEGATED APPROVAL

Under the powers delegated to me in accordance with the Council's Contract Standing Orders, I authorise action in accordance with the recommendation(s) contained in the above report.

Signature



Date 6.6.16

Designation Strategic Director of Housing + Modernisation