

Item No. 14.	Classification: Open	Date: 21 March 2017	Meeting Name: Cabinet
Report title:		Gateway 1 - Procurement Strategy Approval Proposed Expansion of Rotherhithe Primary School	
Ward(s) or groups affected:		Rotherhithe	
Cabinet Member:		Councillor Victoria Mills, Children and Schools	

FOREWORD – COUNCILLOR VICTORIA MILLS, CABINET MEMBER FOR CHILDREN AND SCHOOLS

Since 2010 the council has been clear that to meet the demand for school places we would look first to our existing schools that are Ofsted ‘Good’ or ‘Outstanding’, that are popular and oversubscribed and which are in areas of current or predicted high command. With the ending of the Building Schools for the Future programme our expansion programme has also provided an opportunity to invest in the fabric of existing schools to ensure our children are learning in high quality and inspiring environments.

The Rotherhithe and Canada Water area will see significant change and regeneration in the coming years. As well as keeping a pace with the demand for school places we are determined that existing schools, like Rotherhithe Primary School, and the existing communities they serve have a real stake in that change. The council’s ambition for our schools and young people is huge. I am therefore delighted that Rotherhithe Primary School would not just get a small amount of improvement work but that it is also planned to entirely rebuild with this £20.2million investment. This project underlines, alongside the rest of our £180million schools investment programme, our capacity to deliver significant investment and improved outcomes for all of Southwark’s communities.

RECOMMENDATIONS

That Cabinet approve the strategies outlined in this report for the procurement of:

1. Professional services and the design team contract for Rotherhithe Primary School at an estimated value of £2,200,000 for a period of 52 months.
2. The main works contractor for the construction of Rotherhithe Primary School at an estimated value of £18,000,000 including contingency for a period of 22 months.
3. That the cabinet agrees to delegate gateway 2 decisions for this project to the strategic director of children’s and adult’s services.

BACKGROUND INFORMATION

4. At the meeting on 1 November 2016, Cabinet agreed to secure a budget of £20,200,000 for the redevelopment and expansion of Rotherhithe Primary School on the existing site.
5. Rotherhithe School was rated “Good” in a 2014 Ofsted inspection.
6. The current school building at Rotherhithe was constructed over 40 years ago. The existing building occupies a large footprint on the site, comprising a single storey prefabricated building.
7. The school is currently a 2 form entrance (FE) primary school, with a nursery. There is a separate provision of a day nursery and children’s centre on site.
8. The school is keen to expand and has currently taken on several bulge classes to help alleviate the current lack of available school places in the area.
9. The proposed works will enable the school to expand from a 2FE to 4 FE in a modern building.
10. The secured budget for the scheme is £20,200,000.
11. The professional services, design team fees and ancillary costs for the scheme are estimated to be in the region of £2,200,000.
12. The required design team includes:
 - Architect
 - Structural engineer
 - Civil engineer
 - Mechanical engineer
 - Electrical engineer
 - Project manager / contract administrator / employer’s agent
 - Quantity Surveyors
 - Principal Designer
 - BREEAM advisor
 - * Planning Consultant
 - * Approved building inspector

* denotes in-house appointment by the council
13. The estimated construction costs of this scheme will be approximately £18,000,000 including contingency over a period of 22 months.

Summary of the business case/justification for the procurement

14. Pupil placement projections indicate a strong need to provide additional school places in this catchment area. The school is a popular community school on a generous site, which make this school ideal for expansion.
15. The requirement for school places will only increase once a number of key developments in the area are realised. From a regeneration perspective the

delivery of modern schools in preparation for this urban regeneration is essential to help support development in this area.

16. The existing school building itself is now past its lifespan and has started to fail. The flat roof is leaking throughout the building and the external prefabricated clip system walls are extremely thin and offer little thermal mass or insulation. Heating the school in winter and cooling the school during the warmer summer months are also extremely difficult and expensive tasks.
17. In addition, there are inherent problems with the layout of the current building that would be difficult to address in a refurbishment scheme. In particular, there are two large halls located deep within the plan, which:
 - compromise acoustic separation between each hall and adjoining classrooms.
 - Make noise from performances difficult to control.
 - serve as general circulation route to classrooms, interrupting performance activities.
18. A feasibility study has been commissioned to review options for the site.
19. A full refurbishment of the existing school has been ruled out as the cost of upgrading the current prefabricated building to comply with just the basic regulations would be difficult to justify and not offer value for money. For example, despite the building being single storey, the current building is unsuitable for anyone who is not fully able-bodied as it is not compliant with Part M of the Building Regulations governing access to and use of buildings, and neither does it meet Part L requirements for thermal performance.
20. Feasibility options have indicated that the best option is to provide a fit-for-purpose scheme on the site, while the school remain in the existing building. Once the new school is complete and occupied, the original building can be demolished to offer external area for the new school.

Market considerations

21. Following four or five years of decline in the UK construction industry, demand suddenly surged in 2014, (particularly in London and the South East) at a time of low capacity, driving prices sharply upward. Although the upward cost pressure has to some extent now stabilised, the market remains volatile and uncertainty exists over the impact of Brexit on future market conditions.
22. During the economic downturn, the number of contractors in the industry declined, resulting in a greater percentage of work being awarded to fewer contractors. Whilst large well established contractors provided a greater degree of financial stability, the narrow supply has also allowed contractors to be highly selective about which jobs to take on, favouring those that yield the greatest commercial benefit, typically via one of the limited number of EU-compliant construction frameworks. These invariably adopt a two-stage procurement approach.
23. Government guidance on models of construction procurement supports two-stage open book tendering as this, it is claimed, facilitates the early appointment of the contractor allowing the client to transfer a greater proportion of risk and

input by the contractor on buildability. However, direct experience from the primary schools expansion and other council programmes has shown that, in the currently strong market, contractors are well placed to offload risk and secure commercially favourable terms in a two-stage process. It has also been found with this approach that significant time is lost in protracted commercial discussions and negotiations with contractors in order to arrive at acceptable terms of contract.

24. Soft market testing indicates an appetite among medium to large contractors, not necessarily attached to one of the existing EU-compliant construction frameworks, for single-stage competitive tendering. Such an approach would be available to the council by following the EU restricted procedure and seems likely to attract wider interest in the market place in tendering for these works.
25. No difficulties in procuring suitable professional design services consultants for construction projects have been experienced by the council in the current market.

KEY ISSUES FOR CONSIDERATION

26. Procurement options for this scheme are considered under the following two categories:
 - A. Professional team procurement
 - B. Contactor / main works procurement

A. Professional team procurement:

27. The selection of the design team is crucial; specifically the architect for this scheme needs to be able to demonstrate proven relevant experience to produce robust designs with a lasting legacy by providing an inspirational building that responds creatively to the school's educational brief. Regeneration (Capital Works) are committed to the selection of a design team with proven relevant experience and the ability to deliver an inspiring building within a set programme, to design within a defined budget and deliver quality buildings with a lasting legacy for Rotherhithe Primary School.
28. The following framework options have been considered under the following three headings:
 - Design quality and relevant experience
 - Overall programme and timescale
 - Ease of council administration

Option 1: The Greater London Authority (GLA) and Transport for London (TfL) Architecture, Design and Urbanism Panel (ADUP) Framework.

29. This OJEU compliant framework is available to Southwark Council to procure professionals for the design team. The specific category of interest is Section 2 "Architecture".
30. Although the 12 Architect practices on this framework are experienced established firms, it is not specific to designing educational buildings, as this framework was developed to allow the London Legacy Development Corporation

(LLDC) to access design practices with multidisciplinary experience for work to develop the Queen Elizabeth Olympic Park. Only two of these firms have substantial experience of designing primary schools.

Option 2: Pagabo, Lot 1, Professional Services. This framework can be used to procure multi-disciplinary professional design team services as a single appointment.

31. Pagabo is a national framework established to provide public sector organisations, including the council, with an OJEU compliant route to commissioning goods, services and works for construction and premises related work. The Pagabo professional services framework commenced on 12 April 2016 and runs for a three year term with the option for an extension of one year. In order to use Pagabo, the council would first need to enter into an access agreement, the terms and conditions of which have been vetted by the council's legal service and found to be acceptable.
32. There are a total of 15 lots under the Pagabo professional services framework for a variety of professional disciplines. For this scheme Lot 1 is the default option for the appointment of the multi-disciplinary design team. Faithful and Gould are the sole supplier appointed under Lot 1 which provides project management/employer's agent services and covers the full range of professional disciplines required for this project.
33. Appointment of the design team under Lot 1 also allows the council to set up a mini-competition through Faithful and Gould to select key members of the design team, ensuring relevant, appropriate design experience that meets to the council's specification.

Option 3: OJEU

34. Where anticipated professional fees are over the EU procurement threshold the council could follow a restricted procedure by publishing an EU compliant notice to invite expressions of interest in OJEU.
35. The SQ (standard Selection Questionnaire) is beneficial as it can be weighted to attract design team members with proven relevant experience, undertaking a full OJEU process is an intensive concentration of the council's resources and will be a much more lengthy process when compared to using a framework such as Pagabo.

Summary of findings

36. Professional team procurement table (see Appendix 1 for breakdown):

	Design quality and relevant experience (Out of 5)	Overall programme and timescale (Out of 5)	Ease of Council administration (Out of 5)	Total
Option 1: GLA & TfL Architecture, Design and Urbanism Panel (ADUP).	3	4	4	11
Option 2: Pagabo Professional Services Lot 1	5	4	4	13

	Design quality and relevant experience (Out of 5)	Overall programme and timescale (Out of 5)	Ease of Council administration (Out of 5)	Total
Option 3: OJEU	5	2	1	8

37. From the assessment of each option against the criteria given in paragraph 28, the highest scoring option is Option 2 – use of the Pagabo Lot 1 professional services framework. This provides a single point of supply that is easy to administer and relatively quick access to a wide range of appropriately skilled design consultants for selection through an mini-competition process in which the council and school can participate.

B. Contactor / main works procurement:

38. Regeneration's main objective, when considering procurement options for the appointment of a main works contractor for this scheme, is to identify and appoint an established contractor with proven experience delivering quality schemes, within budget, on time and with a robust legacy.

Four framework options and the OJEU process have been considered under the following headings:

- Construction quality and relevant experience
- Overall programme and timescale
- Cost certainty

Option 1: Southern Construction Framework (SCF) – Lot 3 – Main works contractor

39. Lot 3 of SCF is specifically set up for the procurement of contractors for educational schemes over £5 million.
40. SCF was setup as a full construction team framework, where the main works contractor undertakes design development from RIBA Stage 3. The early appointment of the contractor is to allow design details to be developed with the contractor's technical and commercial expertise, as a two-stage open book D+B procurement route. The council's recent experience with the SCF predecessor, the iESE framework, has not been positive; budget and programme have both been difficult to manage. Contractors have invested considerable time and effort in trying to divert risk to the client wherever possible. The quality of the design has suffered from the original design intent once the scheme is on site and the contractor is the design team leader.

Option 2: Pagabo Framework

41. Lot 2 of the Pagabo National Framework for Major Construction Works covers works contracts with a value of £15m and £50m and lists five large contractors operating in the south-east region. The framework commenced on 16 April 2016 and runs for a three year term with the option for an extension of one year.
42. The Pagabo construction framework operates in a manner similar to the SCF contractors framework (as described in paragraph 40), favouring a partnership, design and build approach, and has similar drawbacks.

Option 3: Scape Framework

- 43. Scape's Major Works construction framework can be accessed by public sector organisations to procure projects with a value above £2 million. Willmott Dixon is Scape's sole partner on the Major Works Construction Framework for the redevelopment of Rotherhithe Primary School as the budget is over £2 million.
- 44. The drawbacks of using the SCF apply equally to this framework. Added to this, the single source appointment of Willmott Dixon means that the council is unlikely to achieve best value for money due to the lack of competition – an especially important consideration for such high value works.

Option 4: EU restricted procedure

- 45. In the current strong construction market, in contrast to the various construction frameworks which limit competition and tie the client down to a two-stage design and build process, the OJEU route would maximise the competition amongst contractors and consequently provide the best value proposal for the council. In addition to this the council is also more likely to attain the best proposal for quality, design and programme as it is able to shape the tender specifically around its own bespoke requirements for Rotherhithe Primary School as opposed to being committed to a framework's more rigid process and evaluation procedure.
- 46. The matrix assessing the appropriateness of a full OJEU compliant tender for the appointment of the main works contractor, assumes that cabinet also approves the identified preferred route of appointing Pagabo for the professional team procurement as identified within this document. This would allow the appointed design team to lead the main works phase of the building project using a JCT traditional contract, with the council's required amendments and provide the necessary technical support to manage the OJEU process efficiently. The detailed design, which is crucial to deliver an inspiring new school remains with the design team when the project is being constructed on site, something that none of the frameworks would allow.

Option 5: Education Funding Agency Regional Framework (EFA)

- 47. The EFA framework was setup in 2014. It is specifically designed to procure educational projects.
- 48. A condition of using the framework is that the Panel Members have provided unqualified statements of acceptance of the Design and Build Contract, Early Works Agreement, Framework Agreement and Future Schools Agreement terms.
- 49. The advice from the Regeneration team is that the EFA Design & Build contract procurement route is unlikely to deliver a new school building that meets the expectations of the council. This is based on recent experience of the school expansion programme, which is demonstrating that the quality that the council requires is much harder to achieve when the main contractor leads the design team.

Summary of findings

50. Main works Contractor table

	Construction quality and relevant experience (Out of 5)	Overall programme and timescale (Out of 5)	Cost certainty (Out of 5)	Total
Option 1: SCF	2	2	2	6
Options 2: Pagabo	2	2	2	6
Option 3: Scape	2	2	2	6
Option 4: EU restricted procedure	4	3	4	11
Option 5: EFA	3	3	2	8

51. From the assessment of each option against the criteria given in paragraph 38, the highest scoring option is Option 4 – use of the EU restricted procedure. Given current market conditions, a more traditional single-stage selective competitive tendering process using the EU restricted procedure would hold a number of potential advantages, including:

- Provide the best balance between cost certainty, programme certainty and design quality
- Allow the council to pro-actively manage and control risk by overseeing the production of fully detailed and quantified contract documentation and through expert contract administration
- Open the competition to a wider group of medium to large contractors than currently available through existing construction frameworks

Proposed procurement route

52. As both the procurement of the design team and the contractors for Rotherhithe School are above the EU threshold for services and works the procurement for both needs to be in line with the EU Regulations and the council's relevant Contract Standing Order, namely 5.5. This requires the council to comply with the Public Contract Regulations 2015 following a publicly advertised competitive tendering process which should maximise competition and produce the most economically advantageous proposal for this project. In line with this the council is proposing the following procurement routes:

Preferred option for the appointment of the design team: Option 2 Pagabo.

53. From the criteria and scoring matrix, the preferred option for procuring the design team for this project in the current market, given the proposed programme of

delivery, is appointing the design team through the Pagabo Framework, a procurement route Southwark Council have access to.

54. The key advantage of using Pagabo is that the council can access the design team through Pagabo, Lot 1, as one single appointment. This will provide the council's regeneration team with access to a technical project manager, who will be the contract administrator during the construction phase and who will assist with the management and the coordination of consultants. This appointment will run from inception through to project completion.
55. This procurement route will also enable the council to run a mini-competition for architectural practices. The headteacher at Rotherhithe School can also be involved with the selection of the architect. The school's involvement in the selection of the architect is extremely beneficial to help develop a positive relationship between the stakeholders, client and professional team, which is vital to deliver a scheme that meets the needs of the school.
56. When undertaking the mini-competition for the architect, the preference is to invite up to six practices with relevant educational design experience.

Preferred option for the appointment of the Contactor / main works: Option 4 OJEU

57. From the criteria and scoring matrix, the preferred option for procuring the contractor for the main construction works for the new building for Rotherhithe School in the current market is through a full EU restricted procedure using a traditional JCT contract.
58. The matrix assessing the appropriateness of a full OJEU compliant tender for the appointment of the main works contractor procurement route is mutually dependent on the acceptance on the preferred design team procurement route through the Pagabo framework. This would allow the appointed design team to lead the main works phase of the building project using a JCT traditional contract, with council amendments. The detailed design, which is crucial to deliver an inspiring robust building, could remain with the design team when the project is being constructed on site.
59. The procurement will be fully compliant with all OJEU guidelines and governance to ensure fully transparent, competitive fair procurement for the main works contractor.
60. The restricted procedure enables the council to issue an initial SQ to all parties who express an interest in the OJEU notice. This will enable the council to assess and identify a minimum of 6 contractors to proceed to the Invitation to Tender stage.

Identified risks for the procurement

Procurement of design team:

Risk	Rating	Risk management
The proposed design team does not have the relevant experience.	Low	<ul style="list-style-type: none"> Faithful and Gould's professional services currently meet the appointed scope of services for the council and they continue to be an approved supplier. Southwark council will assess and evaluate the project manager and the design team prior to final appointment to ensure relevant experience and best outcome.
Programme Slippage	Low	<ul style="list-style-type: none"> Faithful and Gould's appointment will be based on meeting key deliverables against key milestones set within the design and construction programme and budget for ongoing service assessment. Faithful and Gould will have responsibility to ensure the programme is met.
The appointed architect does not develop a design to meet the council's requirements.	Low	<ul style="list-style-type: none"> Appointing the architect through a two-staged mini competition ensures that the selected architect can be tested against Southwark Council's criteria for this scheme, which will include relevant experience at tender stage and traditional contract administration. The involvement of the Head teacher in the selection of the architects should encourage collaborative working, creating a brief that meets the requirements of the school and provides a good build legacy for the council. The brief for this scheme requires the design team to use Building Information Management (BIM) technology when developing their designs.
The budget is not considered appropriately in the design.	Low	<ul style="list-style-type: none"> A quantity surveyor will be appointed at the commencement of the design stage to benchmark and monitor the budget at key stages.

Procurement of main works contractor:

Risk	Rating	Risk management
The contractor does not have the required experience.	Low	<ul style="list-style-type: none"> Appointing the contractor through a restricted procedure ensures that the selected contractor meets Southwark Council's criteria for this scheme, which will include relevant experience at SQ stage.
A lack of available contractors to tender for the project.	Low	<ul style="list-style-type: none"> By running a full OJEU tender the council is not restricting itself to the contractors which are on the existing frameworks which are extremely busy in the current market, therefore maximising competition and attracting a variety of experienced contractors. Soft market testing can notify interested firms prior to the tender.
The construction phase goes over the council's set budget	Medium	<ul style="list-style-type: none"> A quantity surveyor will be appointed to protect the budget at key stages. The stakeholders and design team will be firmly briefed about the appropriate development and integration of the design, which can not be changed once on site. A fully measured bill of quantities will be prepared.
Delay occurs in obtaining planning consent	Medium	<ul style="list-style-type: none"> Informal consultation with the planners will take place from an early stage of design development Sufficient time will be built into the programme for local consultation, pre-application planning advice and design review

Key /Non-key decisions

61. This report deals with a key decision.

Policy implications

62. The expansion of this primary school is essential in delivering the council's strategy for additional pupil places and is a key part of the Primary Investment Strategy.

63. “Improve educational attainment”. Attainment for Southwark’s pupils continues to rise while this year. The London Borough of Southwark will meet the demand for primary and secondary school places and drive up standards across our schools so at least 70% of students at every secondary get at least five good GCSEs.
64. The London Borough of Southwark will help parents to balance work and family life including investment in our children’s centres to deliver more quality affordable childcare

Procurement Project Plan for the professional team:

Activity	Complete by:
CAB Review Gateway 1	08/02/2017
CCRB Review Gateway 1	16/02/2017
CMT Review Gateway 1 (if applicable)	N/A
Brief relevant cabinet member (over £100k)	02/02/2017
Notification of forthcoming decision - Cabinet	13/03/2017
Approval of Gateway 1: Procurement strategy report	21/03/2017
Scrutiny Call-in period and notification of implementation of Gateway 1 decision	30/03/2017
Invitation to tender	30/03/2017
Closing date for return of tenders	21/04/2017
Completion of any clarification meetings/presentations/evaluation interviews	05/05/2017
Completion of evaluation of tender	12/05/2017
Forward Plan (if Strategic Procurement) Gateway 2	03/04/2017
CAB Review Gateway 2:	07/06/2017
CCRB Review Gateway 2	15/06/2017
Notification of forthcoming decision – despatch of Cabinet agenda papers	22/06/2017
Approval of Gateway 2: Contract Award Report	30/06/2017
End of scrutiny Call-in period and notification of implementation of Gateway 2 decision	10/07/2017
Contract award	10/07/2017
Add to Contract Register	10/07/2017
Place award notice on Contracts Finder	10/07/17
Contract start	12/07/2017
contract completion date	01/12/2021

Procurement Project Plan **for the main works contractor:**

Activity	Complete by:
CAB Review Gateway 1:	08/02/2017
CCRB Review Gateway 1:	16/02/2017
CMT Review Gateway 1 (if applicable)	N/A
Brief relevant cabinet member (over £100k)	02/02/2017
Notification of forthcoming decision - Cabinet	13/03/17
Approval of Gateway 1: Procurement strategy report	21/03/2017
Scrutiny Call-in period and notification of implementation of Gateway 1 decision	30/03/17
Invitation to tender – for the main works contract	25/07/2018
Closing date for return of tenders – main works contract	17/08/2018
Completion of clarification meetings/presentations/evaluation interviews	07/09/18
Completion of evaluation of tenders	14/09/2018
Forward Plan (if GW2 is key decision)	April 2018
CAB Review Gateway 2: Contract award report – Main works	03/10/18
CCRB Review Gateway 2: Contract award report	11/10/2018
Approval of Gateway 2: Contract Award Report	25/10/2018
Notification of implementation of Gateway 2 decision	18/10/18
End of scrutiny Call-in period and notification of implementation of Gateway 2 decision (If GW2 is key decision)	02/11/2018
Contract award	07/11/2018
Add to Contract Register	07/11/2018
Place award notice on Contracts Finder	07/11/2018
Contract start	07/12/2018
Contract completion date	07/8/2020

Development of the tender documentation

65. Accessing the Pagabo framework will provide the capital works project development team with a dedicated project management / contract administrator. The early appointment of an experienced project manager can facilitate the production, distribution and evaluation of tender material to appoint the main contractor.

66. The internal project governance structure will ensure that representatives of regeneration and children's and adults' services, procurement and legal will have an opportunity to comment and sign-off any materials before distribution.

Advertising the contract

67. The design team appointment through the Pagabo framework is a recognised OJEU compliant framework.
68. The main works contractor is proposed to be procured through a fully OJEU compliant competitive tender process. The contract will be advertised through a contract notice published in the Official Journal of the European Union (OJEU). The council will also publish a contract notice on Contracts Finder.
69. The main works contract will be procured using the new E procurement portal.

Evaluation

70. For the appointment of the professional team; the evaluation against the framework rules will be undertaken to assess Value for Money and compliance with the requirements of the Public Contract Regulations 2015. Subsequent appointments of sub-consultants for the design team will be undertaken utilising an evaluation matrix with scoring criteria covering relevant experience and quality as well as cost by the prime contractor, Faithful and Gould, together with Southwark Council. Faithful and Gould propose a price/quality ratio of 60/40 for the mini-competition for the professional appointments of architect, building services engineer and structural/civil engineer. Faithful and Gould propose to provide project manager/contract administrator, quantity surveyor, BREEAM advisor and principal designer disciplines direct from their in-house resources, professional fees for which will be based on the Pagabo framework rates.
71. For the main works contract; a fully OJEU compliant tender process will identify at Pre-qualification stage contractors with relevant experience to process to a full tender submission return, utilising the standard Crown Commercial Services SQ combined with project-specific selection criteria around relevant experience. The intention is to progress not less than five main works contractors to proceed to the second stage of the tendering process.
72. The evaluation of the main works tender stage will identify the most economically advantageous tender in line with the Public Contract Regulations 2015. This is a combination of quality and price criteria that includes a competitive price return on an advanced detailed scheme, maintaining a minimum quality expectation that forms part of the award criteria that will be developed with the professional services and design team and agreed with procurement and legal before issuing the contract. A price to quality ratio of 70/30 at ITT stage is proposed.
73. Each submission, for both professional team and the main works contractor would be scored fairly using the agreed criteria to ensure that any decision is transparent.

Community impact statement

74. The proposed redevelopment of Rotherhithe Primary School is intended to be of benefit to the local community.

75. One of the main objectives of demolishing the existing scheme and delivering a new modern fit for purpose scheme is to ensure that the new facilities are accessible to the wider community at Rotherhithe, regardless of age, disability, faith/religion, gender, race and ethnicity and sexual orientation.
76. The contractor will be required to return tenders stating that there is a coordinated clearly defined approach both directly and through their supply chain to appoint and mentor apprentices. The appointed contractor will be required to submit a quarterly report that clearly identifies the community Strategy document, including detailed management of employment skills including apprentices on site.

Social Value considerations

77. The Public Services (Social Value) Act 2012 requires that the council considers, before commencing a procurement process, how wider social, economic and environmental benefits, that may improve the well being of the local area, can be secured. The details of how social value will be incorporated within the tender are set out in the following paragraphs.

Economic considerations

78. As part of the evaluation of submissions during the selection process design proposals will be assessed in order to identify the implications on build costs.
79. In addition the council departments who will be maintaining and managing the facilities will also be required to consider maintenance and staffing implications of each proposal.
80. The works contractor will be expected to have at least 18 apprentices for this contract. This will be set out as part of the tender evaluation and qualification. Similarly, the professional services provider will be expected to include at least two apprentices in their team for this project.
81. The Pagabo framework gives the council an opportunity to nominate appropriate local businesses, thus supporting small and medium sized businesses that might otherwise be overlooked.

Social considerations

82. Both the professional design team and the main contractor will be required, as a minimum to ensure that all employees are paid the London Living Wage.
83. 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 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 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.

84. The council's standard contract conditions relating to the Employment Relations Act 1999 (Blacklists) Regulations 2010 will be included in the appointment terms for both the professional services provider and works contractor.
85. The completed works will benefit the local community from improved access to community facilities; for example, a multi-use games area (MUGA) will be required within the design brief for the new primary school.
86. The contractor will be required to offer local residents places on the apprentice scheme at ITT stage, to ensure the construction stage of the scheme has a variety of positive benefits for the local community wherever possible.

Environmental/Sustainability considerations

87. The council aspire to deliver new buildings that will achieve at least BREEAM 'Very Good'.
88. Tendering organisations will be expected to demonstrate commitment to environmental considerations with evidence of an environmental policy and ideally environmental certification.
89. Whole life costings of the build, including specifying solid robust materials, sound insulation and developing environmentally considerate heating and cooling strategies will be embedded into the design brief.

Plans for the monitoring and management of the contract

90. The performance of the selected consultants in the delivery of professional services will be managed and monitored by officers in the regeneration capital works team.
91. The contractor appointment will be based on a fixed contract sum.
92. Payment for professional services will be in instalments as set out in an agreed payments schedule related to the project programme.
93. Internal governance arrangements for the Southwark education programme comprise of a programme board with onward reporting direct to the Director of Children and Adults Services.
94. The programme board will include representation from Children and Adults services, as well as representatives of regeneration capital works.

Staffing/procurement implications

95. The Chief Executive's department are responsible for leading the project through the pre-planning and design process and for securing planning consent. The preferred route of appointing the design team through the Pagabo Framework would provide instant access to a dedicate project manager for the duration of the project. This is extremely important to help advise on the tendering process and the process of preparing a fully OJEU compliant tender.

96. The financial value of an external project manager's involvement with this scheme will include assisting with the preparation of a fully OJEU compliant advertisement, a knowledge and understanding of the project, developed from inception and transferred to each RIBA stage, will ensure that the detailed design for the main works contractor to return a price on at tender stage will be well-informed and robust.
97. A fully prepared bill of quantities will ensure that the council will have confidence that any brief compliant submissions will be deliverable with as much cost certainty as possible.
98. All professional fees are contained within the team's revenue budget.

Financial implications

99. The costs of Capital Works and Development staff input into the procurement process will be met from within the overall capital programme.
100. Professional services for the design team through the Pagabo framework agreement, including ancillary costs (e.g. statutory fees, surveys, tests, etc) are estimated to be £2,200,000.
101. Approximate anticipated percentage fees:
 - *Architect - 3.5%
 - *Structural engineer / Civil engineer – 1.5%
 - *Mechanical engineer – 0.75%
 - *Electrical engineer - .75
 - Project manager / contract administrator - 1.75%
 - Quantity Surveyors – 1.25%
 - Principal Designer (CDM) - 0.3%
 - BREEAM advisor – 0.2%
 - Ancillary costs (statutory fees, specialists' fees, surveys, tests, etc) – 2.2%

**subject to mini-competition*

102. The appointment of a Main Works Contractor, at a later design stage, will be subject to a full OJEU compliant tender and is estimated to costs approximately £18,000,000.
103. The Head of Regeneration (Capital Works) will control expenditure carefully to ensure the cost of these works including both internal and external fees are kept within overall budget for this scheme

Investment implications

104. There are no investment implications.

Legal implications

105. Please see concurrent from the director of law and democracy.

Consultation

106. The head teacher and pupils have been supportive of this scheme during initial consultations.
107. The school and the neighbouring community at Rotherhithe are very keen for Southwark Council to realise this scheme for Rotherhithe School.
108. The specific brief for the new school building for Rotherhithe School will be further developed with the head teacher, pupils and the staff. As much as the budget allows, the individual needs and design requirement of the school will be reflected and integrated into the design of the new school, which will reflect the strong community ethos and educational aspirations of the headteacher and staff at Rotherhithe School.
109. Local residents will be included in the design development and their comments will help inform the design prior to the planning submission.
110. The strategic director of children's and adults' services has been consulted in the drafting of this report.

Other implications or issues

111. No other implications or issues.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Finance and Governance (Ref: CAS17/008)

112. The total budget for the scheme of £20.2m was approved at Cabinet in November 2016. This was phased as follows:

2016/17 - £0.2m
2017/18 - £3m
2018/19 - £8.5m
2019/20 - £8.5m

113. At the time this was approved by cabinet the resources were to be identified. The council has not been allocated any basic need capital grant for 2018-19 and is currently awaiting an announcement by the DFE of allocations for 2019-20 which is subject to a bidding process dependent upon the demonstrable need for additional school places within the borough. The grant is not ring fenced and allocations can be used in advance of receipt of funding. Therefore, effectively the scheme is being forward funded by the council in the expectation that grant funding will become available to fund it. There is also an expectation that CIL funding will also be available to part fund the scheme. If the grant did not become available in 2019-20 then the council would be reliant upon its own resources to fund the scheme which would then need to be identified.
114. This report identifies the professional fees and design element of the project to be £2.2m over 52 months and construction value of £18m over 22 months. Within the overall budget of £20.2m there needs to be proper provisions set aside for: contingency, the capitalisation of any associated revenue project management costs and any ICT and fixtures, fittings and equipment costs, less

any reasonable contribution of the school made to these costs from its own resources.

115. The council's capital programme is significantly over-committed in 2017-18 with over £144m financing yet to be identified. The capital programme reported at February 2017 showed 2018-19 general fund capital programme had £77m of financing yet to be identified. Accurate forecasting and monitoring of expenditure is therefore paramount.

Head of Procurement

116. This report seeks cabinet approval for the procurement strategy for two contracts relating to the expansion of Rotherhithe Primary School. These contracts are the Professional services and the design team contact, at an estimated value of £2,200,000 for a period of 52 months. For the main works contractor for the construction works at Rotherhithe Primary School, the estimated value is £18,000,000 and will take a period of 22 months.
117. It is set out in the report that the professional services and design team are procured through the Framework Agreement set up by Pagabo for the reasons set out in paragraphs 53 to 56. The report sets out in paragraphs 57 to 60 that the construction works are to be procured directly through the Official Journal of the European Union (OJEU) in order to achieve best value for Southwark's requirements. The evaluation of the professional services and design team to be 60/40 price/quality split, as set out in paragraph 70 of the report. The evaluation of the works contract via OJEU is to follow the 70/30 price/quality split for the evaluation of tenders.
118. The report details in paragraph 80 that at least 18 apprenticeships will be sought from the main works (construction) contract, with 2 for the professional service and design team. All contracts will be expected to pay London Living Wage. The contracts will be managed via the process set out in paragraphs 90 to 94.

Director of Law and Democracy

119. This report seeks approval of the procurement strategy for two contracts (one for professional technical services and design team, the other for construction works) in relation to the proposed expansion of Rotherhithe Primary School.
120. The estimated value of the professional services required for the project is such that their procurement would be subject to the application of the (EU) Public Contracts Regulations 2015 which, amongst other things would require expressions of interest to be sought through the publication of a contract notice in the Official Journal (OJEU). However, the report proposes the use of an existing framework (Pagabo) which had been procured in line with the EU Regulations and which the council has been formally permitted to access. Therefore, the council is not required to undertake a separate EU tendering exercise.
121. The estimated value of the construction works is also above the current EU advertising threshold, and the report notes that those works are to be procured by way of the publication on a contract notice in the OJEU.
122. The proposed procurement strategy is consistent with other relevant legislative duties and powers, with corporate strategy and the council's Contract Standing

Orders, which reserve to Cabinet the decision to approve the report recommendations.

123. Cabinet will be aware of the Public Sector Equality Duty (PSED) in section 149 of the Equality Act 2010. At each stage, in exercising its function (and in its decision making processes) the council must have due 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 those who do not share it;
 - c) Foster good relations between person who share a relevant protected characteristic and those who do not share it.
124. The relevant protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation. Marriage and civil partnership are protected in relation to (a) only.
125. The community impact statement notes the benefits that the proposed procurements are intended to generate and the apprenticeship requirements that those firms and companies who express an interest in the construction works will be expected to include in their tenders. Cabinet should satisfy itself that the PSED has been complied with when considering the report's recommendations.
126. Cabinet is also referred to paragraphs 106 - 110 of this report which describe the consultation that has taken place. Cabinet must conscientiously take into account the outcome of consultation when taking a decision on the recommendations in this report.

BACKGROUND DOCUMENTS

Background Documents	Held At	Contact
None		

APPENDICES

No	Title
None	

AUDIT TRAIL

Cabinet Member	Councillor Victoria Mills, Children and Schools		
Lead Officer	Bruce Glockling, Head of Regeneration Capital Works and Development		
Report Author	Joanna Roberts, Project Manager		
Version	Final		
Dated	8 March 2017		
Key Decision?	Yes		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
Officer Title		Comments Sought	Comments included
Strategic Director of Finance and Governance		Yes	Yes
Head of Procurement		Yes	Yes
Director of Law and Democracy		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			9 March 2017