

/Item No.	Classification: Open	Date: 8 March 2018	Decision Taker: Strategic Director of Housing and Modernisation
Report title:		Gateway 2 - Contract Award Approval Works Contract for the New Homes Delivery programme – Tenda Road, Area of Hardstanding land SE16 3PN	
Ward(s) or groups affected:		South Bermondsey Ward	
From:		Director of Asset Management	

RECOMMENDATION(S)

The Strategic Director of Housing and Modernisation:

1. Approves the award of a works contract for Tenda Road to Collier Contracts Limited in the sum of £1,943,027.57 and an additional contingency amount for £200,611.36 for a period of 52 weeks from the 30 July 2018 plus 12 weeks for mobilisation.
2. Notes the total scheme costs of £2,482,847 as detailed in paragraphs 59-61.

BACKGROUND INFORMATION

3. Planning permission was granted on 19 July 2017 for 12 social rented homes with communal amenity space and landscaping improvements to a pedestrian footway.
4. The planned procurement strategy was the subject of a Gateway 1 report which was approved by the Strategic Director of Housing and Modernisation on 19 September 2016.
5. The Gateway 1 report approved procuring a works contract through undertaking a tender exercise using the council's Approved Work List.
6. The procurement strategy relates to the council's 11,000 new homes programme.
7. The tenders sought for a JCT Design & Build Contract 2011 based on Southwark's Employers Requirements and the Stage 4 scheme design.
8. The works contract will be for a fixed period of 52 weeks from date of the transfer of site possession from the council to the contractor.

Procurement project plan (Non Key Decision)

9. See table below: The consultation and planning process took just under one year, which is why there is quite a long gap once we had approval of the Gateway 1 report.

Activity	Completed by/Complete by:
Forward Plan (if Strategic Procurement)	19/02/18
Briefed relevant cabinet member (over £100K	05/02/18
Approval of Gateway 1: Procurement Strategy Report	06/06/16
Invitation to tender	06/11/17
Closing date for return of tenders	18/12/17
Completion of evaluation of tenders	11/01/18
DCRB Review Gateway 2:	05/02/18
Approval of Gateway 2: Contract Award Report	12/03/18
Scrutiny Call in period and notification of implementation of Gateway 2 decision	18/03/18
Contract award	19/04/18
Add to Contract Register	20/04/18
Contract start	30/07/18
Publication of award notice in official Journal of European (OJEU)	04/04/18
Publication of award on Contracts Finder	19/04/18
Contract completion date	31/07/19
Contract completion date – if extension(s) exercised	N/A

KEY ISSUES FOR CONSIDERATION

Description of procurement outcomes

10. This procurement will deliver 12 social rent units contributing to the council's objective of delivering 11,000 new homes by 2043.

Key decisions

11. This report deals with a key decision.

Policy implications

12. These 12 new homes at Tenda Road, SE16 3PN are in line with the council's principles and visions for a new housing strategy which is aimed at increasing the availability, affordability and quality of homes in the borough. The new homes will play a key role in assisting the council to achieve its target of building 11,000 new homes by 2043.

Tender process

13. The new homes delivery team procured this works contract via the council's approved list ensuring that opportunity has been given to local small and

medium-sized contractors. In accordance with contract standing orders five contractors were invited to tender.

14. The tender exercise was undertaken via the council's E Tendering system Pro contract 3.
15. The Invitation to Tender (ITT) was issued on the 6 November 2017 and the closing date for the return of the tenders was 18 December 2017.
16. Tenders were reviewed on the 29 December 2017 and 2 January 2018. Four of the five contractors invited to tender submitted a tender. One tenderer advised they wished to withdraw from the process.

Tender evaluation

17. Tenders were evaluated in accordance with the approved evaluation methodology, quality being evaluated by officers from the council and the employer's agent for the project and pricing contract sum analysis evaluated by the consultant quantity surveyor for the project. Financial checks on each tender were completed by the council's finance department.
18. The price and contract sum analysis were examined by Robson Low Francis (appointed also as Quantity Surveyor for the project).
19. As detailed in the Gateway 1 and ITT documents Tenders were evaluated on the basis of the Most Economic Advantageous Tender (MEAT) using a weighted model of 60/40 price quality split.
20. Tenderers were required to provide information to support their quality submission that demonstrated their ability to fulfil the requirements of the contract, the questions asked were focused around the following:
 - a. Quality, Innovation and Value for Money -16%
 - b. Constraints and Delivery - 16%
 - c. Defects, Quality and Future Maintenance - 8%
21. The questions within the quality assessment were weighted and are detailed in the tender evaluation assessment criteria included within the tender documents.
22. All four tenderers submitted responses to the questions and scored marks out of a possible five. In line with Southwark's Tender Evaluation Methodology Southwark withheld the right to withdraw any contractor who scored two of any of the technical assessment. As all four tenderers submitted responses to the Method Statement, all four tenderers progressed to the next stage – price assessment.
23. Tenderers were required to provide as part of their Form of Tender a contract sum and a contract sum analysis, which was scrutinised by the Employers Agent.
24. The lowest tendered total price submission was awarded the full 60%. Each of the remaining Tenderers were awarded points on a pro rata basis. A full breakdown of the cost submissions from each tenderer is provided in the closed report.

25. The formula used for the price score is below:

$$\text{Price Score} = 60\% \left(\frac{\text{bidders form of Tender Price}}{\text{form of Tender Price of the lowest bid}} \right)$$

26. The form of tender price of the lowest bid is Collier Contracts Limited with a contract sum of £1,943,027.57. The price excludes the Employers Agent's estimated additional contingency sum.
27. Each tenderers price and quality scores were combined to provide a total score out of 100%. A full breakdown of the quality and cost scores for all tenderers is provided in the closed version of this report.
28. Collier Contracts Ltd scored the highest score. It is recommended that the council award this contract to Collier Contracts Ltd.

Plans for the transition from the old to the new contract

29. Not applicable

Plans for monitoring and management of the contract

30. The project clienting, including the management and administration of the contractor appointment will be run and 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,
- Strategic cost plan, which will be regularly reviewed and updated
 - Monthly site meetings and monthly progress reports
 - Monthly financial statements by the contractor and verification by the Employers Agent
 - Monthly appraisals of progress against programme
 - Tracking and chasing actions on critical issues
 - Periodic project team 'look ahead' workshops covering key phases of work and risks
 - Risk and issues log
 - Reviewing KPI monthly and annually
31. Payment will be made monthly on the basis of a valuation that has been verified and agreed by the Employers Agent.
32. 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

33. The below table illustrates the risks for the new contract.

RISK		RISK LEVEL	MITIGATION ACTION
1	Contractor has inadequate resources and management arrangements to mobilise and deliver the contract	Low	The New Homes Delivery Team will monitor the contract and regularly review performance.
2.	Contractor risk of insolvency	Medium	The New Homes Delivery Team has undertaken a credit check and are satisfied that the credit scoring is satisfactory. The Finance department have also undertaken financial checks and are satisfied with the financial standing of the company. A performance bond will be required for this scheme. Colliers Contract Ltd does not have a parent company.
3.	Project cost overruns	Low	The contract sum is inclusive subject to any provisional sums and future variations. All surveys have been carried out which should help mitigate against there being any unforeseen site conditions or abnormal. Any future variations will be fully scrutinised, justified and costed by the Employers Agent prior to instruction. Value engineering will take place where necessary to ensure that the budget is achieved.
4.	Project delivery delays resulting from discharge of planning conditions and liaison with third party organisations.	Medium	The new homes delivery team will assist where possible with liaison with third parties to help mitigate delays, particularly any which may result from the discharge of planning conditions or necessary approvals from within the council. Reliance on utility companies remains a risk, particularly in relation to the relocation of the electrical substation. However the tender process tested the contractors experience in delivering construction projects, relying on successful liaison with third party organisations.
5.	Project delivery delays (general)	Medium	Liquidated ascertained damages sums have been included as part of the contract and will be claimable should the project overrun without any justification. Any extension of times will be fully scrutinised, justified and costed by the Employers Agent prior to agreement. Project progress will be monitored and slow progress will be addressed in the monthly project meetings.

6.	Contractor seeking further negotiations on contractual terms prior to entering into contract.	Low	A standard JCT works contract is being utilised, with the council's amendments to the terms clearly set out from the start of the tender process. The tender documents and clarifications during the tender process have been robust and clearly define the terms of the contract. This should minimise the need for further negotiations.
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34. A performance bond will be provided for this contract and has been included in the contract price.

Other considerations (For Housing Department works contracts only)

35. Southwark council has standard specifications in a number of areas of work and these will be used as appropriate. This will include using Southwark Housing Design Standards.

Community impact statement

36. 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.
37. Cabinet agreed a new vision for Southwark through its 2013 to 2043 housing strategy which included a principle to use every tool at our disposal to increase the supply of all kinds of homes across Southwark.
38. The proposals to increase the supply of affordable, good quality homes will benefits households in need from all Southwark communities, and will increase the housing options available for older people and people with disabilities.
39. 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.
40. 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.

Social Value considerations

41. 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 social value considerations included in the tender (as outlined in the Gateway 1 report) are set out in the following paragraphs in relation to the tender responses, evaluation and commitments to be delivered under the proposed contract.

42. The council has requested the necessary information from tenderers (using the council's standard documentation in relation to blacklisting), and the winning tenderer Collier Contract Limited has confirmed they will adhere to our policy.
43. The contract conditions also include an express condition requiring compliance with the blacklist regulations, and include a provision to allow the contract to be terminated for breach of these requirements.

Economic considerations

44. The design briefs for the new homes will be developed in consultation with the 'user client' officers and make it clear that the council is seeking developments that are not only attractive and functional in their design but also durable and easy to maintain with low running costs.
45. 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. The 11,000 new homes programme is a strategically important undertaking for the council and its benefits are expected to be realised in a number of ways, including the recruitment of qualified staff, retention of staff and an improved service delivery to the council. Due to the nature of the professional service being sought those employed will be paid in excess of the LLW. The contractor has agreed to pay LLW people employed on this scheme.

Social considerations

46. 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 the local area 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.
47. The new rented homes will be let at social rent levels.
48. Apprenticeship and work placement opportunities will be sought from the preferred supplier as expected by the council linked to the value of the contract. It is anticipated that at least 1 apprenticeship opportunity will result from this contact. This will be secured within this contract. The facilitation of the apprentice opportunities will be coordinated with the council's Local Economy Team.

Environmental/Sustainability considerations

49. 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.
50. 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;
 - Consideration of whole life-cycle costs
 - Sustainable sourcing

- Incorporation of environmentally benign heating and lighting provision
 - Provision of facilities and equipment to encourage the re-use and recycling of materials including, where practical, water recycling.
 - Ensuring projects achieve Code of Sustainable Homes criteria or any successor requirement.
51. The appointed contractor will be participating in a local employment and training initiative in line with Southwark Economic Wellbeing Strategy 2012-20. The initiative will generally conform to any Local Government policy including requirements set-out by the Homes and Community Agency and/or Greater London Authority that generally will encompass the Contractor, wherever possible, being encouraged to employ local subcontractors and labour and shall involve the training and employment of local people. Such employment and training will be relevant to the needs of the local community.
52. 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.
53. 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

54. Collier Contracts Ltd is privately owned small sized local contractor operating in London.

Staffing implications

55. There are no specific staffing implications to this report.

Financial implications

56. The value of the contract arising from the procurement described in this report is £1,943,027.57 which form part of a wider programme. The project will also have associated on costs of £459,574.68, which gives a Total Scheme Cost of £2,583,152.68
57. The costs of delivery of new council rented homes can be funded 30% from Right to Buy (RTB) receipts allocated for new build and 70% from developer contributions under section 106, the latter subject to Planning Committee approving allocations to the relevant schemes. Any homes for sale element of schemes would need to be funded from eventual sales receipts but would require cash flow from wider HIP resources during construction.
58. The following tables show the breakdown of the total scheme costs:

Total Scheme Cost Breakdown	
Works	£1,943,027.57
Consultancy Fees	£321,620
Surveys	£12,278.75
Site Security	£14,000

Planning Payments	£11,370
Internal Fee (4%)	£80,245
Contingency (10%)	£200,611.36
Total	£2,583,152.68

59. The following table highlights the projected spend for the scheme during the duration of the contract.

Financial year	Projected spend
2018/2019	£1,291,576.34
2019/2020	£1,291,576.34
	£2,583,152.68

60. The contract value is considered to represent value for money on the basis of following, the build cost per square metre equates to approximately £1,755 which compares favourably with other projects within the 11,000 new homes programme. The sum is below the pre-tender cost estimate for the works (estimated by Quantity Surveyor Robson Low Francis) of £2,981,000.
61. The tender report provided by Robinson Low Francis stated that Collier Contracts Limited provided low provisional sums for items within the contract. This was viewed as being a risk element valued at £110,000. As such the contingency for the scheme has been set at 10%.

Investment implications

62. The costs of this contract will be charged to the respective project cost programmed in the capital allocation for new homes delivery budgeted within the council's Housing Investment Programme.

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

63. A Mint Check has been undertaken, details of which are included in the closed version of this report.
64. In line with the requirements of the Contract Standing Orders, this report confirms that a restricted OJEU tender process was undertaken and that adequate financial provisions to fund the expenditure associated with the delivery of this project are set out in the paragraph 56 of this report. There are no other specific legal implications.

Legal Implications

65. Refer to paragraph 74 for the legal concurrent.

Consultation

66. An initial consultation event was held at Rennie & Manor TRA hall on the 3 February 2016. Banners of the scheme were presented describing the concerns, with initial massing. In addition, we had four group meetings (10 & 31 March, 21 April, and 19 May). The final consultation event was held on the 22 July 2018.

67. Local residents will be consulted during the construction phase. The consultation process is in line with the Charter of Principles agreed by Cabinet in November 2014.

Other implications or issues

68. Not applicable.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Finance and Governance (H&M17/120)

69. The report is requesting delegated approval from the Director of Housing and Modernisation to award the new build works contract for Tenda Road to Collier Contracts Limited in the sum of £1,943,028.
70. The report identifies the total costs of works including fees and contingency to be £2,583,152.68. The financial implications section of the report states how the scheme will be funded. Any other costs connected with this contract are to be contained within the existing department revenue budgets.
71. There is an estimated resource shortfall for the Housing Investment programme for 2017/18 and also over the life of the whole programme. There is also likely to be further demand on the capital programme as a consequence of local or national demands for resources following the Grenfell fire. It is, therefore, important that the cost of these works is carefully monitored and that accurate forecasting is in place.
72. Any variation or extension to the contract beyond the scope of this report will require further approval in line with the Council's procurement protocols.

Head of procurement

73. Not Applicable

Director of Law & Democracy

74. The Director of Law and Democracy notes the contents of this report which seeks the approval of the Strategic Director of Housing and Modernisation to the award of a works contract for the New Homes Delivery programme at Tenda Road to Collier Contracts Limited.
75. As the value of the contract is below the EU threshold for public works contract, the contract was procured in accordance with the council's Contract Standing Orders (CSOs). As required under paragraph 4.3 of the CSOs, 5 tenderers were invited from the Council's works Approved List, although only 4 suppliers submitted a tender.
76. Paragraph 63 of this report confirms that the preferred supplier's tender represents value for money and paragraph 60 confirms how this project will be funded.

PART A – TO BE COMPLETED FOR ALL DELEGATED DECISIONS

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.



19 March 2018

Signature

Date.....

Michael Scorer, Strategic Director of Housing and Modernisation

PART B – TO BE COMPLETED BY THE DECISION TAKER FOR:

- 1) All key decisions taken by officers
- 2) Any non-key decisions which are sufficiently important and/or sensitive that a reasonable member of the public would reasonably expect it to be publicly available.

1. DECISION(S)

As set out in the recommendations of the report.

2. REASONS FOR DECISION

As set out in the report.

3. ALTERNATIVE OPTIONS CONSIDERED AND REJECTED BY THE OFFICER WHEN MAKING THE DECISION

n/a

4. ANY CONFLICT OF INTEREST DECLARED BY ANY CABINET MEMBER WHO IS CONSULTED BY THE OFFICER WHICH RELATES TO THIS DECISION

n/a

5. NOTE OF ANY DISPENSATION GRANTED BY THE MONITORING OFFICER, IN RESPECT OF ANY DECLARED CONFLICT OF INTEREST

If a decision taker or cabinet member is unsure as to whether there is a conflict of interest they should contact the legal governance team for advice.

5. NOTE OF ANY DISPENSATION GRANTED BY THE MONITORING OFFICER, IN RESPECT OF ANY DECLARED CONFLICT OF INTEREST <i>If a decision taker or cabinet member is unsure as to whether there is a conflict of interest they should contact the legal governance team for advice.</i>
n/a

6. DECLARATION ON CONFLICTS OF INTERESTS I declare that I was informed of no conflicts of interests.* or I declare that I was informed of the conflicts of interests set out in Part B4.* (* - Please delete as appropriate)

BACKGROUND DOCUMENTS

Background documents	Held At	Contact
GW1 Contractor Procurement – Under OJEU	160 Tooley Street, SE1	Tim Bostridge

APPENDICES

No	Title
N/A	Tender Scoring

AUDIT TRAIL

Cabinet Member	Councillor Mark Williams, Regeneration and New Homes		
Lead Officer	Dave Markham, Direct of Asset Management		
Report Author	Thandi Gonzales		
Version	Final OPEN		
Dated	08/03/18		
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
Cabinet	N/a	N/a
Date final report sent to Constitutional Team		19 March 2018

BACKGROUND DOCUMENT – CONTRACT REGISTER UPDATE - GATEWAY 2

Contract Name	Works Contract for the New Homes Delivery programme – Tenda Road, SE16 3PN
Contract Description	Works Contract for the New Homes Delivery programme – Tenda Road, SE16 3PN, construction of 12 social rented homes.
Contract Type	Works
Lead Contract Officer (name)	David Markham
Lead Contract Officer (phone number)	0207 525 7201
Department	Housing & Modernisation
Division	Asset Management
Procurement Route	Tender from Council Approved Works List
EU CPV Code (if appropriate)	N/A
Departmental/Corporate	Departmental
Fixed Price or Call Off	Fixed Price
Supplier(s) Name(s)	Collier Contracts Ltd
Contract Total Value	£1,943,027.57
Contract Annual Value	N/A
Contract Start Date	30/07/18
Initial Term End Date	31/07/19
No. of Remaining Contract extensions	N/A
Contract Review Date	N/A

Revised End Date	N/A
SME/ VCSE (If either or both include Company Registration number and/or registered charity number)	N/A
Comments	
London Living Wage	Not fixed

This document should be passed to the member of staff in your department responsible for keeping your departmental contracts register up to date.