

Item No.	Classification: Open	Date: 27 September 2019	Decision Taker: Strategic Director of Housing and Modernisation
Report title:		GW2 - Approval of the procurement of contractor services - Haddonfield Estate	
Ward(s) or groups affected:		Rotherhithe Ward	
From:		Director of New Homes	

RECOMMENDATION(S)

The Strategic Director of Housing and Modernisation

1. Approves the award of a works contract for 14 new homes on land at Haddonfield Estate, SE8 to Guildmore Ltd in the sum of £4,229,439 for a period of 52 weeks.
2. Notes the total scheme cost of £4,878,493 which includes associated on-costs of £437,582 and a 5% contingency sum of £211,472.

BACKGROUND INFORMATION

3. Planning permission was granted on 12 July 2017 for the construction of 14 new homes for social rent on existing empty HRA land within Haddonfield Estate. The project will consist of 4 x 1 beds; 5 x 2 beds; 4 x 3 beds and a 1 x 4 bed flat together with landscaping improvements to Haddonfield Estate, SE8.
4. The initial procurement strategy was the subject of a Gateway 1 report which was approved by the Strategic Director of Housing and Modernisation (SDH&M) on 6th June 2016. The Gateway 1 report set out the intention to undertake a procurement exercise via OJEU for this site. An OJEU notice was published and PQQ (PAS 91) documents issued with a March 2018 deadline.
5. In light of the Grenfell tragedy, a decision was taken to review the council's procurement strategy for construction projects and the methodology for assessing quality submissions with particular emphasis on fire safety and health and safety matters. In order to achieve this it was agreed that the previously issued OJEU notice would be withdrawn and the procurement process restarted at the end of the review. The council therefore notified all contractors via Pro Contract that it would be exercising its right to cancel in accordance with the Applicant's Selection Guidance.
6. In order to accelerate the procurement progress on completion of review, approval was sought from the SDH&M to utilise an existing OJEU compliant framework. As a result approval was granted on the 10 January 2019 to utilise the London Construction Panel (LCP) Framework to procure main contractors for this and a number of other new homes projects.
7. Expressions of Interest (EOI) documents were issued to the 8 contractors on the LCP framework for another new homes site of a similar scale, which resulted in no completed EOI's being received.

8. Approval was then sought and obtained from the SDH&M on 19th March 2019 to substitute the use of the LCP framework for the Notting Hill Genesis (NHGG) Framework. The NHG framework consists of 23 contractors as opposed to 8 and therefore it was considered that a more positive response to the EOI stage was likely.
9. The procurement strategy relates to the council's 11,000 new home programme.
10. The tenders sought for a JCT Design and Build Contract 2016. Based on Southwark's Employers Requirements and Stage 4 scheme designs.
11. The works contract will be for a fixed period of 52 weeks from the date of the transfer of possession of the land from the council to the contractor.

Procurement project plan (Key Decision)

12. See table below.

Activity	Completed by/Complete by:
Approval of Gateway 1: Procurement Strategy Report	16/06/2016
Invitation to tender	23/05/2019
Closing date for return of tenders	16/07/2019
Completion of evaluation of tenders	18/07/2019
DCRB Review Gateway 2:	16/09/2019
Notification of forthcoming decision – Five clear working days	30/09/2019
Approval of Gateway 2: Contract Award Report	07/10/2019
Scrutiny Call-in period and notification of implementation of Gateway 2 decision	17/10/2019
Debrief Notice and Standstill Period (if applicable)	24/10/2019
Contract award	01/11/2019
Add to Contract Register	01/11/2019
Contract start	28/02/2020
Publication of award notice in Official Journal of European (OJEU)	04/11/2019
Publication of award notice on Contracts Finder	04/11/2019
Contract completion date	29/03/2021

KEY ISSUES FOR CONSIDERATION

Description of procurement outcomes

13. This procurement will deliver 14 new homes contributing to the council's objective of delivering 2,500 homes by 2022 and 11,000 new homes by 2043 overall.

Key/Non Key decisions

14. This report deals with a key decision.

Policy implications

15. These proposed 14 new homes at Haddonfield Estate, 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 delivery of these new homes will play a key role in assisting the council to achieve its overall target of building 11,000 new homes by 2043.

Tender process

16. The New Homes Delivery Team procured the works contract via an OJEU compliant framework. A mini competition was initiated that followed two stages: the opportunity to submit an Expression of Interest (EOI) followed by an Invitation to Tender (ITT).
17. Both stages were undertaken using the Council's E Procurement portal, Pro Contract.
18. The quality submissions for both stages were evaluated by a panel comprising LBS staff and representatives from Pellings, the appointed Employers Agent. A consensus scoring method was used during evaluations.
19. The price and contract sum analysis submitted at tender stage were assessed by Pellings and clarifications sought from the contractors as necessary.
20. A credit check and a financial review were completed on each tenderer by the council's finance department. All tenders invited to tender passed the financial assessment.
21. The outcome of both stages are summarised below.

Tender evaluation

Expression of Interest (EOI)

22. Expression of Interest (EOI) documents were published on the 15th April 2019 with a closing date of 29th April 2019.
23. The EOI response form included a quality assessment focussing on the following areas:
- Experience – 40%
 - Quality Control - 30%
 - Fire Safety – 30%
24. Six EOI submissions were received from the following constructors. The quality elements of the submissions were assessed and scored by the panel. The submissions ranked 1-5 (noted in the table below) were invited to tender in accordance with the methodology and evaluation criteria.

Overall summary	
Tenderer	Quality Score (100%)
Company A	
Company B	
Company C	
Company D	
Company E	
Guildmore Ltd	46%

Invitation to Tender

25. Invitations to tender documents were issued to five contractors on the 23 May 2019 with a closing date of the 16 July 2019. At closing two compliant submissions were received.
26. The quality submissions were assessed by the moderating panel scored Guildmore Ltd 22.2%.
27. The Contract Sum Analysis (CSA) documents submitted by Guildmore Ltd amounted to £4,098,342
28. The formula used for the price score is below:

$$\text{Price score} = 60\% \left(\frac{\text{form of tender price of the lowest bidder}}{\text{form of tender price of bidder}} \right)$$

29. The lowest tender price was from Guildmore Ltd. The overall scores achieved are as follows:

Overall summary				
Tenderer	Quality (40%)	Price (60%)	Total (100%)	Rank
Guildmore Ltd	22.2%	60.00%	82.2%	1
Company B			77.91%	2

Plans for the transition from the old to the new contract

30. Not Applicable

Plans for monitoring and management of the contract

31. The project management, including the management and administration of the contractor appointment will be run and resourced through the New Homes Delivery Team in the New Homes Division of the Housing & Modernisation Department. Performance of the construction 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
- Biannual monitoring reports to DCRB

32. Payment will be made monthly on the basis of a valuation that has been verified and agreed by the Employer's Agent.

33. 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

34.

	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 becomes insolvent, ceases trading and goes into administration	Low	The New Homes Delivery Team has undertaken a credit check and is satisfied that the credit scoring 88 is good. The Finance department has also undertaken financial checks and are satisfied with the financial standing of the company. LABC insolvency cover will be obtained by the contractor, and in addition Guildmore Ltd will provide a performance bond for this project.
3.	Project cost overruns	Low	The form of contract used for this project is a JCT Design and Build contract which means that the contract sum is inclusive subject to any provisional sums and future variations. All surveys which the council anticipates will be necessary have been carried out which should help mitigate against there being any unforeseen site conditions or abnormalities. Any future variations will be fully scrutinised, justified and costed by the Employer's Agent prior to instruction. Value engineering will take place where necessary to ensure that the budget is achieved,
4.	Project delivery delays	Medium	The New Homes Delivery team will

	resulting from discharge of planning conditions and liaison with third party organisations.		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. The tender process also tested the contractor's 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 extensions of time will be fully scrutinised, justified and costed by the Employer's 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.

35. A performance bond will be provided for this contract.

Other considerations (For Housing Department works contracts only)

36. Southwark council has standard specifications in a number of areas of work and these will be used as appropriate. This will include Southwark Housing Design Standards and the council's Employer's Requirements.

Community impact statement

37. 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.

38. 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.

39. 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.

40. 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 at least 50% of these homes will be let to existing tenants from the local area subject to an agreed local lettings policy.
41. 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 and reviewed on 27th September 2017.

Social Value considerations

42. 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.
43. Guildmore Ltd will be participating in a local employment and training initiative in line with the Southwark Economic Wellbeing Strategy 2012-20. Guildmore Ltd will be required to employ local subcontractors where possible, use labour and shall offer four apprenticeships and work placement opportunities to the community.

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 and subcontractors engaged by the council to provide works or services within Southwark pay their staff at a minimum rate equivalent to the LLW rate. The Gateway 1 report dated 6th June 2016 confirmed for the reasons stated in that report, payment of LLW was an appropriate and best value requirement for this contract. Guildmore Ltd has confirmed that they will meet the LLW requirements. Following award, quality improvements and cost implications linked to the payment of LLW will be monitored as part of the contract review process.

Social considerations

46. The new housing will provide high quality affordable housing for local people in need of accommodation. At least 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. Guildmore Ltd will provide four apprenticeships and training and work placement opportunities as part of the contract.

Environmental/Sustainability considerations

49. By investing in high quality and well designed buildings and estates the council aims to achieve positive impacts which will benefit the environment and increase the stock of environmentally friendly buildings within the borough.
50. As part of the design development process, there will be a requirement for environmental assessments to be completed, with a view to identifying the impact of any proposed development.
51. The council's approach to procurement of design, development and construction process will ensure a requirement to maintain and improve the sustainability of the project.
52. A low energy, efficient and cost effective building engineering services design that keeps running costs to a minimum is an essential component of the project brief. Key considerations 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.

Market considerations

53. The market for construction related services is good. Of the six firms that expressed an interest in the project at EOI stage, five were invited to tender and two subsequently provided a bid.

Staffing implications

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

Financial implications

55. The value of the contract arising from the procurement described in this report is £4,229,439, which forms part of a wider programme. The project (H-8888-9463) will also have associated on-costs of £641,531.
56. The cost of delivery of the new council homes will be funded by £1,400,000 grant funding from the GLA Building Homes for Londoners Programme, S106 contributions and other council resources including borrowing.
57. The following table shows the scheme costs and estimated apportioned costs of the residential units, with further details given in the closed report:

Total scheme cost breakdown	
Works	£4,229,439
Consultancy fees	£ 213,576
Surveys	£ 39,115

Planning payments	£ 5,390
Internal fee (4%)	£ 179,501

Investment implications

58. 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)

59. A MINT credit check has been undertaken, which gives a credit scoring of 88, which indicates that Guildmore Ltd is financially secure with a relatively low risk of failure.

60. In line with the requirements of the Contract Standing Orders, this report confirms that an OJEU complaint 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 paragraphs 65 to 68 of this report. There are no other specific legal implications.

Legal implications

61. Please see concurrent from Director of Law and Democracy.

Consultation

62. Local residents will be consulted at each stage of the development of each project as outlined in the Charter of Principles agreed by Cabinet in November 2014 and reviewed on 27th September 2017.

Other implications or issues

63. Not applicable

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Head of Procurement

64. This report is requesting approval from the Strategic Director of Housing and Modernisation to award a works contract at the **Haddonfield Estate** to Guildmore limited Ltd in the sum of £4,229,439.

65. The report confirms the procurement process namely a mini competition using the Notting Hill Genesis constructor framework agreement.

66. Paragraphs 16 - 38 describe the tender process and how submissions were evaluated, which was on the basis of award to the most economically advantageous tender (MEAT) using a 60/40 price quality split. The report confirms that in line with the methodology detailed in the Gateway1, Guildmore Ltd submitted the most economically advantageous tender.

67. Paragraphs 40 to 42 detail the monitoring and management arrangements that will be in place during the life of the contract including payment terms that will be based on the monthly valuation.

Director of Law and Democracy

68. This report seeks the approval of the Strategic Director of Housing and Modernisation to the to the award of a works contract for the Haddonfield Estate to Guildmore Ltd, as further detailed in paragraphs 1 and 2.

69. The value of the works is slightly below the EU threshold for works, although they have been procured as if they were subject to complying with the Public Contracts Regulations 2015 (via an already established framework). Undertaking the procurement in this manner is consistent with the strategy and approval processes set out in paragraphs 4 to 8. Given that the procurement sought to comply with the Public Contracts Regulations 2015 (notwithstanding that the eventual value of the works is slightly below the relevant threshold), the requirements of contract standing order ("CSO") 4.4.1 are relevant (i.e. to comply with the Public Contracts Regulations 2015). Paragraph 16 confirms these requirements were complied with. Paragraphs 24 and 25 provide that five organisations were invited to tender (from the six that had submitted responses to the pre qualification questionnaire), leading to two tender submissions being received.

70. As the procurement has been conducted as if the contract value is above the relevant EU threshold, the decision on the award of the contract is reserved to the relevant chief officer (or under their delegated authority), after consideration by the relevant DCRB, in accordance with CSO 6.5.2(f).

71. CSO 2.3 requires that no steps should be taken to award a contract unless the expenditure has been approved. Paragraphs 64-67 confirm the financial implications.

Strategic Director of Finance and Governance (H&M19/067)

72. The report requests approval from the Strategic Director of Housing and Modernisation to award the works contract for constructing 14 new homes on HRA land at Haddonfield Estate, SE8 to Guildmore Ltd in the sum of £4,229,439.

73. The report identifies the total costs of works and fees including contingency to be £4,878,493. The financial implications section of the report details how this will be funded. Any other costs associated with these works will be contained within existing departmental revenue budgets.

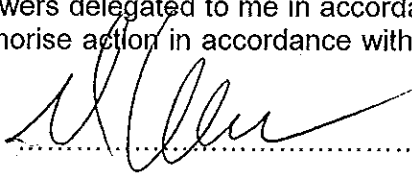
74. There is an estimated resource shortfall for the Housing Investment Programme. There is also likely to be further demand on the capital programme and it is therefore important that the costs of these works are carefully monitored and that accurate forecasting is in place to enable efficient financing of capital expenditure over the life of the programme.

75. Any other variation or extension of the contract beyond the scope of this report will require further approval in line with the council's procurement protocols.

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.

Signature



Date

9 October 2019

Designation

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
Not applicable.

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

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>

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
Title of document(s)	Title of department / unit address	Name Phone number

APPENDICES

No	Title
Appendix 1	Insert title of document
Appendix 2	Insert title of document

AUDIT TRAIL

Lead Officer	Stuart Davies, Director of New Homes	
Report Author	Sonia Hamilton, Development Manager	
Version	Final	
Dated	26 September 2019	
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
Director of Exchequer (for housing contracts only)	Yes	Yes
Cabinet Member	Yes	Yes
Cabinet	n/a	n/a
Date final report sent to Constitutional Team		

register up to date.