

Item No.	Classification: Open	Date: 10 October 2019	Decision Taker: Strategic Director of Housing and Modernisation
Report title:		GW2 - Approval of the procurement of contractor services - Goschen Estate	
Ward(s) or groups affected:		Camberwell Green	
From:		Director of New Homes	

RECOMMENDATION(S)

The Strategic Director of Housing and Modernisation:

1. Approves the award of a works contract for Goschen Estate to Guildmore Ltd. for the sum of £6,454,990, commencing 20th January 2020 for a period of 74 weeks from site possession until approximately 16 July 2021. The proposed works will provide 17 new units within two blocks.
2. Notes the scheme costs in Paragraph 63.

BACKGROUND INFORMATION

3. Planning permission was granted on 2nd November 2017 for the construction of two blocks, of 8 and 9 flats and the landscaping of the existing open space to include a play area. (Application 17/AP/1333)
4. The proposed works concern two locations within the Goschen Estate: the North block to adjacent to Harford House, bounded by the railway viaduct, and the Southern block, which is contiguous with Causton House. The issues arising from the nearness to the railway are discussed in 34 below.
5. This contract is part of the commitment to build 11,000 new homes as agreed by Cabinet on 27 January 2015.
6. The planned procurement strategy was the subject of a Gateway 1 report which was approved by the Strategic Director of Housing and Modernisation on 6th June 2016. The Gateway 1 report set out a strategy for the procurement which envisaged an OJEU tendering process.
7. In order to accelerate the procurement progress 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.
8. Approval to substitute the LCP framework with the Notting Hill Genesis Framework, was agreed by director of Housing and Modernisation on 19th March 2019. The NHG framework has 23 contractors, compared to the LCP's 8; it was considered that this would be more likely to ensure a response to the EOI stage.
9. The tender is sought for a JCT Design & Build Contract 2016 based on Southwark's Employers Requirements and the Stage 3+ scheme design.

10. The works contract will be for a fixed period of 74 weeks from the date of the transfer of site possession from the council to the contractor.

Procurement project plan (Key Decision)

11. See table below:

Activity	Completed by/Complete by:
Forward Plan for Gateway 2 decision	01/03/2018
Briefed relevant cabinet member (over £100K)	15/01/2018
Approval of Gateway 1: Procurement Strategy Report	06/06/2016
Invitation to tender	18/06/2019
Closing date for return of tenders	06/09/2019
Completion of evaluation of tenders	07/08/2019
DCRB Review Gateway 2:	16/09/2019
Notification of Forthcoming Decision	30/09/2019
Approval of Gateway 2: Contract Award Report	07/10/2019
Scrutiny Call-in Period and Notification of Implementation of GW2 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
Publication of award notice in the OJEU	14/11/2019
Publication of award notice on Contracts Finder	14/11/2019
Contract start	20/01/2020
Contract completion date	16/06/2021

KEY ISSUES FOR CONSIDERATION

Description of procurement outcomes

12. The procurement has enabled one contractor to be selected who will deliver construction works in line with the planning approval for 17 new homes. These new homes are part of the council's 11,000 new homes programme.
13. The contract value is considered to represent value for money. The build cost per square metre equates to approximately £3,437.16/m², which is considered value for money as detailed in paragraph 60/61.

Key/Non Key decisions

14. This report deals with a key decision

Policy Implications

15. The 17 new homes at Goschen 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 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

16. The proposed works contract has been procured via a mini-competition using the Notting Hill Genesis - Constructor Framework Agreement.
17. Contractors on the NH-G Framework Agreement were notified about the forthcoming contract. This resulted in 5 contractors submitting an "Expression of Interest" to the council via the Procontract tender portal. The five contractors were invited to respond to a Pre-Qualification Questionnaire which sought to assess their general experience, quality control and specific awareness of fire safety implementation. The closing date for Pre-Qualification was 23/05/19, three of the contractors submitted questionnaires. The PQQ evaluation was conducted in accordance with the guidance in the invitation to tender. The submissions from the 3 responding contractors met the qualifying criteria and were invited to tender (ITT Stage).
18. Two tenders were received. The tendering exercise was undertaken using the Pro Contract system.
19. The pre qualification questionnaire and the quality section of the subsequent tenders were evaluated by two LBS officers and a representative from Pellings LLP appointed as Employers Agent (EA) and cost consultants for the project). A consensus scoring method was used during this evaluation.
20. The price and contract sum analysis were examined by Pellings (EA). Financial checks on each tenderer were completed by the council's Finance department.

Tender Evaluation

Pre Qualification Questionnaire

21. The pre qualification questionnaire included a quality assessment that focused on the following:
- Experience 40%
 - Quality 30%
 - Fire Safety 30%
22. The following table show the quality scores for the tenderers. The tenderers below were shortlisted and invited to ITT stage.

PQQ Overall Summary -		
Tenderer	Quality Score (100%)	Rank
Contractor A	81%	1 st
Guildmore Ltd	67%	2 nd
Contractor C	66%	3 rd

Invitation to Tender

23. As stated in the Gateway 1 report the most economically advantageous tender (MEAT) was adopted with a 60/40 price/quality split.
24. 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:
 - Quality, Innovation and Value for Money
 - Constraints and Delivery
 - Defects, Quality and Future Maintenance
25. The questions within the quality assessment were detailed in the tender evaluation assessment criteria included within the tender documents. The tender evaluation was carried out by two Council officers and the Employers Agent. The price/quality weightings are stated above (paragraph 23).
26. Tenderers were required to provide a contract sum and a contract sum analysis, which was scrutinised by the Employers Agent/ Quantity Surveyor.
27. Two of the three contractors invited submitted a tender. Contractor A could not submit a tender due to other tendering commitments.
28. Both tenderers met the quality threshold scores in accordance with the evaluation assessment criteria
29. The successful tenderer was Guildmore Ltd. The scores achieved by the tenderers were as follows:

	Guildmore	Contractor C
Quality	24.8%	22.4%
Price:	60%	53.56%
Total:	84.8%	76.05%
Ranking:	1	2

30. Tender Clarifications were sought on a number of points.
31. The successful tenderer submitted an initial contract sum of £6,094,924.57, this was revised to address the tender clarification points above to £6,454,989.57.
32. The tender is both the lowest priced bid and highest quality ranking.

Plans for the transition from the old to the new contract

33. Not applicable

Plans for Monitoring and Management of the Contract

34. 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 consultant team will be subject to continuous 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' reviews covering key phases of work and risks to be recorded in the Risk and issues log
- Payment will be made monthly on the basis of a valuation that has been verified and agreed by the Employers Agent.

35. Identified Risks for the New Contract

RISK		RISK LEVEL	MITIGATION ACTION
1	Contractor has inadequate resources and management arrangements to mobilise and deliver the contract	Low	Contractors ability to resource and mobilise for the project has been tested through the procurement of this contract.
2.	Contractor Risk of insolvency	Low	The New Homes Delivery Team has undertaken a credit check and is satisfied that the credit scoring is 88 which is <i>good</i> . The Finance department have also undertaken financial checks and have confirmed the financial standing of the company. A performance bond / guarantee for this project will be secured.
3.	Project cost overruns	Low	Surveys have been carried out which will mitigate unforeseen circumstances or abnormal site conditions which could lead to cost overruns. 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. A contingency sum has been included in the overall costs as detailed below in paragraph 63.

4.	Project delivery delays resulting from discharge of planning conditions and liaison with third party	Medium	<p>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.</p> <p>The Basic Asset Protection Agreement for works adjacent to Network Rail property has been agreed for the contractors to implement as construction is scheduled.</p> <p>The tender process assessed the contractors experience in delivering construction projects, which involved effective liaison with third party organisations.</p>
5.	Project delivery delays (general)	Medium	<p>Liquidated Ascertained Damages sums have been included as part of the contract and will be payable in the event failure to meet the agreed contract completion dates. Extension of time claims will only be granted after full scrutiny, justified and costed by the Employers Agent. Project progress will be monitored and failure to achieve agreed project milestones will be addressed in the monthly project meetings.</p>
6.	Contractor seeking further negotiations on contractual terms prior to entering into contract.	Low	<p>A standard JCT D&B works contract is being used, 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.</p>
7.	Damage to Network Rail Infrastructure.(Assets)	Low	<p>The Contractor's experience in working in close proximity to Network Rail infrastructure has been assessed during the tender process and the contractor is required to hold suitable insurance for 3rd party liabilities. However the council will have some uninsured liability in certain circumstances. An independent risk assessment has been completed to assess the council's risk exposure. This has confirmed the low level of risk to the council. The council has entered into a Basic Asset Protection Agreement with Network rail. The contractor's duties to implement this are set out in the contract preliminaries.</p>

- A performance bond will be provided by the contractor which is included within the works cost of this contract.

Other Considerations (Design Specification Compliance)

36. 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. It will include a low energy, efficient and cost effective Mechanical Electrical & Plumbing design that keeps running costs to a minimum as an essential factor of the scheme.
37. Key considerations will include;
 - Consideration of whole life-cycle costs
 - Sustainable sourcing
 - Incorporation of environmentally efficient heating and lighting provision
 - Provision of facilities to enable environmental sustainability (Brown Roofs)
 - Ensuring projects achieve Code of Sustainable Homes criteria or any successor requirement.

Community Impact Statement

38. 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.
39. 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.
40. The proposals will 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.
41. The pre-planning consultation with residents ran from February 2016 until the design was submitted for planning. There was a active resident project team their input resulted in several changes to the original design.
42. Those households in the vicinity of the new developments may experience inconvenience and disruption in the short term, whilst works are taking place but the community will benefit in the longer term from the provision of new homes. Particularly as 50% of these homes will be let to existing tenants from the local area subject to an agreed local lettings policy.
43. Local residents will continue to be informed before start on site especially as the works will impact on the access routes to the estate. As the scheme progresses we will set up mechanisms in conjunction with the contractors to keep residents informed and up to date about the scheme.

Social Value Considerations

44. 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.

45. The council's approach to procurement of design, development and construction process will ensure a requirement to maintain and improve the sustainability of each tendered project.
46. The appointed contractor will be participating in a local employment and training initiative in line with the Southwark Economic Wellbeing Strategy 2012-20. The initiative will generally conform to any Local Government policy including requirements set-out by the Homes England Apprenticeship rules and/or Greater London Authority that will entail the Contractor, being required to employ local subcontractors and labour if available.
47. It will require the training and employment of local people. Such employment and training will be relevant to the needs of the local community.

Economic Considerations

48. The design briefs for the new homes has developed in consultation with the 'user-client' and endorses council's goal of developments that are not only attractive and functional in their design but also durable and easy to maintain with low running costs.
49. 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. Each firm has agreed to this in section 2.2 of the contract amendments issued with the tender.

Social Considerations

50. 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.
51. The new rented homes will be let at social rent levels.
52. Apprenticeship and work placement opportunities will be sought from suppliers as expected by the council linked to the value of the contract. It is anticipated that at least 4 apprenticeship opportunities will result from this contract. This will be secured within this contract. The facilitation of the apprentice opportunities will be coordinated with the council's Local Economy Team.
53. The contractor will be required, once appointed, to adhere to the council's commitment to the London Living Wage, which will apply to all staff working directly on this contract.

Environmental Considerations

54. 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.

55. The development planning approval is based on meeting the current environmental standards in relation to carbon reduction and on-site energy production. The development demonstrates a reduction in carbon emissions by more than the 35% reduction (baselined from the 2011 building regulations) as required by the London Plan.

Market Considerations

56. The market for construction services is uncertain. Of the 18 firms that are on the Notting Hill Genesis Constructor Framework, 5 expressed an interest in tendering at the initial project notification stage on the Pro Contract portal. Three submitted a quality assessment questionnaire and were invited to tender and 2 subsequently provided a tender. This level of response is considered to be satisfactory in the current climate.

Staffing Implications

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

Financial Implications

58. The value of the contract arising from the procurement described in this report is £6,454,990.
59. The project (100% Affordable Housing) funding will include £1,700,000 GLA grant, the remainder will be funded from other resources supporting the Housing Investment programme which may include borrowing.
60. The project has been modelled through the Council's Appraisal viability model which, using costs incurred and predicted and the tender sums, demonstrates that the scheme as proposed has a Cost to Value ratio of 119.25%. This is the result of the cost per square meter being higher than would normally be expected, reasons for this are as set out in 60 & 61 below.
61. The high costs per / m2 are part due to the design and massing of the building which comprises 17 units in two separate blocks. The building has been designed to maximise the number of new homes on two very compact sites, in line with Planning Policy. The need for two separate blocks rather than a single development leads to additional costs.
62. Many of the fixed costs will be duplicated, i.e. the foundations, the lifts and the entry doors and communal areas. In addition the contractor's preliminary costs for securing the site, arranging temporary power & water and the crane arrangements will be duplicated.
63. The development site is adjacent to a conservation area and this lead to its design having a reduced height and massing to complement the neighbouring properties and to incorporate an enhanced palette of materials and detailing which has also increased costs.
64. Part of the proposed development site is currently occupied by 8 garages, currently all are let. There will be some parking provision in the proposed scheme. However there will be a loss of revenue from the current garage provision, estimated at approximately £8000 per year. (less management and maintenance fees)
65. The following table show the indicative breakdown of the total scheme costs with further details in the closed report.

Project Cost - Element Breakdown	
Works Contract (Including £500,000 Provisional sum for external works.)	£6,454,990
Preparatory Works	£19,898
Total Works	£6,474,888
Consultancy; Fees, Surveys	£415,946
Network Rail BAPA	£48,700
Planning Payments	£6,545
Internal Fees	£277,843

Investment Implications

66. The costs of this contract will be charged to the respective project costs programmed in the capital allocation for new homes delivery budgeted within the council's Housing Investment Programme.
67. Second stage appraisal (for construction contracts over £250,000 only). A *MINT* credit check has been undertaken by the Council's Finance department.
68. In line with the requirements of the Contract Standing Orders, this report confirms that an existing OJEU compliant framework was used to obtain the tender (Notting Hill Genesis) and that there are adequate financial provisions to fund the expenditure associated with the delivery of this project, that are set out in paragraph 58 of this report.

Legal Implications

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

Consultation

70. Local residents have been consulted throughout the design stage of the project and will continue to be consulted through a range of methods through each stage of the development, as outlined in the 2017 review and update of the Charter of Principles.

Other Implications or Issues

71. Not applicable.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Head of Procurement

72. This report is requesting approval from the Strategic Director Of Housing and Modernisation to award a works contract for the Goschen Estate to Guildmore Ltd in the sum of £6,454,999.

73. The report details the procurement process that was followed namely a mini competition through the Notting Hill Genesis constructor framework which was the approach agreed in the Gateway 1 procurement strategy 6th June 2016.
74. Paragraphs 16 - 32 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 lowest priced bid but with the best quality resulting in the highest combined score.
75. Paragraph 34 details 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 following verification by the employers agent.

Director of Law & Democracy

76. This report seeks the approval of the Strategic Director of Housing and Modernisation to the award of a works contract for Goschen Estate to Guildmore Ltd, as further detailed in paragraph 1.
77. The value of the works is such that they are subject to complying with the Public Contracts Regulations 2015 in accordance with contract standing order ("CSO") 4.4.1. Paragraphs 16 and 17 indicate this requirement was complied with (via a call off under a pre-existing, third party framework). Two tenders were submitted, following invitations to tender being extended to three organisations (being the only three framework panellists that responded to the invitation to respond to the pre qualification questionnaire).
78. Legal advice on the Basic Asset Protection Agreement ('BAPA') has been given to council officers separately.
79. 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).
80. CSO 2.3 requires that no steps should be taken to award a contract unless the expenditure has been approved. Paragraphs 58-66 confirm the financial implications.

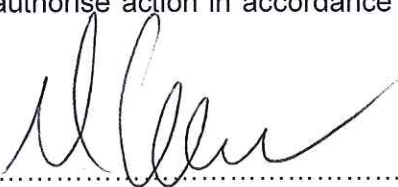
Strategic Director of Finance And Governance

81. The report seeks approval from the Strategic Director of Housing and Modernisation to award the 17 homes new build works contract for Goschen Estate to Guildmore Ltd. for the sum of £6,454,990.
82. The report identifies the total cost of the scheme. The financial implications section details how these costs will be funded. Any other costs outside the scope of this report should be contained within the revenue budgets.
83. 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.
84. 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

18 October 2019

Michael Scorer, Strategic Director of Housing and Modernisation

PART B – TO BE COMPLETED BY THE DECISION TAKER :

DECISION(S)

As set out in the recommendations of the report.

REASONS FOR DECISION

As set out in the report.

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

None

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

None

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.

None

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
n/a		

APPENDICES

No	Title
n/a	

AUDIT TRAIL

Lead Officer	Stuart Davis, Director of New Homes.		
Report Author	Geoff Dale, Project Manager		
Version	Final		
Dated	10 October 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	
Cabinet	N/a	N/a	
Date final report sent to Constitutional Team			17 October 2019

BACKGROUND DOCUMENT – CONTRACT REGISTER UPDATE - GATEWAY 2

Contract Name	Works Contract for the New Homes Delivery programme – Goschen Estate.
Contract Description	Works Contract for the New Homes Delivery programme – Goschen Estate
Contract Type	JCT Design & Build 2016
Lead Contract Officer (name)	Stuart Davis
Lead Contract Officer (phone number)	0207 525 7201
Department	Housing & Modernisation
Division	New Homes
Procurement Route	Call-off Tender from a pre-existing, third party framework.
EU CPV Code (if appropriate)	
Departmental/Corporate	Departmental
Fixed Price or Call Off	Fixed Price
Supplier(s) Name(s)	Guildmore Ltd
Contract Total Value	£6,454,989.57
Contract Annual Value	N/A
Contract Start Date	20/01/20
Initial Term End Date	16/06/2021
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.