

<b>Item No.</b>	<b>Classification:</b> Open	<b>Date:</b> 26 August 2020	<b>Meeting Name:</b> Cabinet Member for Social Regeneration, Great Estates and New Council Homes
<b>Report title:</b>		<b>Gateway 1 - Procurement Strategy Approval</b> Contractor Services for the Fendall Street Garages and Maltby Street New Homes Delivery Projects	
<b>Ward(s) or groups affected:</b>		London Bridge and West Bermondsey	
<b>From:</b>		Director of New Homes	

## RECOMMENDATIONS

That the Cabinet Member for Social Regeneration, Great Estates and New Council Homes:

1. Approves the procurement strategy for new build works at Fendall Street and Maltby Street (as further detailed in the background information section of this Gateway Approval report) at an estimated cost of £14,050,000 with an estimated contract duration of 18 to 24 months.
2. Approves the delegation of the Gateway 2 award decision to the Strategic Director of Housing and Modernisation, in consultation with the cabinet Member for Social Regeneration, Great Estates and New Council Homes, for the reason outlined in paragraph 39 below.

## BACKGROUND INFORMATION

3. This procurement strategy relates to the Fendall Street and Maltby Street projects within the council's New Homes Development Programme, which is part of the council's commitment to build 11,000 new homes by 2043.
4. The New Homes Development Programme is aimed at creating new homes from existing council assets and acquiring new assets. The principle of New Homes Development was agreed by Cabinet in July 2012.
5. The Fendall Street project is located at the existing garages on St Saviours Estate (just off Fendall Street). The scheme will deliver a total of 16 units and has an estimated contract value of £5,300,000 and will provide a mix of 1, 2 and 3 bed flats for social rent in a five storey block. The development will be integrated within the existing estate opposite St Vincent House and will deliver landscaping improvements.
6. The Maltby Street project is located at the existing garages on St Saviours Estate (on Maltby Street). The scheme will deliver a total of 24 units and has an estimated contract value of £8,750,000 and will provide a mix of 1, 2, 3 and 4 bed flats for social rent in a five storey block.

7. The Fendall Road scheme has been submitted for planning permission with the Maltby Road Scheme due to be submitted in Summer 2020. It is anticipated that the procurement process will start before planning has been granted in order that the scheme can progress as soon as possible.
8. Given the close proximity of these sites and that the timetable indicates that both schemes will receive planning permission relatively close together, officers have decided that it makes commercial sense for the sites to be packaged together and a single contractor procured, albeit with separate JCT contracts for each site. Packaging of the sites will bring a number of other benefits, including reduced preliminary fees, less disruption for local residents, a construction management and access plan coordinated across both sites, and a consolidation of the required consultation once the projects are on site.
9. The sites together are over the OJEU threshold for works and will deliver a total of 40 new homes at an estimated works cost of £14,050,000. The estimated total scheme costs (inclusive of fees) are £16,550,000. The fees include:
  - a. Architects Fees
  - b. Employer Agent Fees
  - c. CDM Coordinators
  - d. Surveys
  - e. Planning Application Fee
  - f. Contingency and
  - g. Administration and Development Allowance.
10. The above fees are subject to a separate approval process and the services will be procured in line with the council's Contract Standing Orders.
11. This procurement will be on the basis of architect being novated to the successful contractor, which is not the standard approach in the New Homes Development Team and therefore this project will be a pilot project.

### **Summary of the business case/justification for the procurement**

12. The council has committed to the delivery of 11,000 new homes programme by 2043. This procurement exercise will build on the progress made to date and enable the progression of a further 40 new homes with both of the schemes anticipated to be complete by late 2022 / early 2023.
13. Additional key deliverables are as follows:
  - a) Maximise and enhance the utility, value and quality of council-owned land and buildings to deliver:
    - High quality homes for rent
    - Improved streetscapes
    - Employment and training opportunities and
  - b) Deliver high quality and fit-for purpose public buildings at good value.

## **Market considerations**

14. These projects is relatively significant in size and likely to be attractive to local, medium and large sized contractors, therefore, the tendering process needs to reflect this by ensuring that the appropriate building contractors are targeted.
15. In the last year the council has had relatively good responses from the various tender processes that it has undertaken. There still appears to be a very high demand for construction services with many London boroughs engaging in the development of affordable housing and this is only likely to increase.
16. The Coronavirus outbreak has had a significant impact on the construction industry, reports indicated that outputs have fallen which would have primarily due to temporary suspension of work and as well as supply chain delays. The lockdown restrictions are now being eased and most construction sites are back up and running, however working restrictions and the impact on working practices will continue to have a short to medium term impact. These are unlikely to have a significant impact on these projects, as most organisations will have learnt to adapt by the time this contract is ready to be awarded, and the sector will be more prepared to deal with a potential second wave of the pandemic.
17. The impact on these projects is to be seen in the tender returns with construction management timeframe taking longer (some indication mean works could take up to 20% longer), higher costs to account for new working practices and losses from the pandemic, and contractors being more risk adverse.
18. There is a high probability that there will be a second wave of Covid-19 later on in the year, which may be when during the tendering process, therefore there may be a requirement to review or adapt the published terms and conditions during our tendering process, or to extend the procurement process.
19. It should also be noted that there still remains a level of uncertainty in the construction industry over the potential impact of Brexit, which still could lead to a shortage of labour and increases in the costs of material.
20. Officers believe that demand for construction services is not likely to decrease, and suspect that the sector is likely to remain relatively buoyant, as contractors become keen to fill up their order books with new work. The impact for the council over the next few years could be that the market is very competitive and contractors are more selective in terms of the projects they wish to take on. This means that it will be important for the New Homes Development Team to have range of procurement routes at their disposal, in order to ensure that they are robust enough to adapt to changes in the market conditions.

## **KEY ISSUES FOR CONSIDERATION**

### **Options for procurement route including procurement approach**

21. As the value of its procurement exercise is above the OJEU threshold for works the full tendering requirements of the Public Contract Regulations 2015 and Public Sector Directive 2014/24/EU apply. As doing nothing is not an option and the council currently do not have the in-house capability to deliver these services, the procurement options set out in sections A to B below are, therefore, available to the council:

## A. Use of an Existing OJEU Compliant Framework

22. There are a number of frameworks available for the council to use, these include:

Framework	Expiry	No. of Contractors	Fee
Notting Hill Genesis	31 May 2021	23	Free
Scape	31 May 2021	1	Free
London Construction Panel	31 July 2024	8	Free
Hyde	05 December 2024	12	£5,000

23. Most frameworks offer a good range of contractors (with the exception of the Scape framework); however, they still offer a more limited selection than an OJEU tender process. It should be noted some of the same contractors appear on a number of the frameworks.
24. Frameworks can offer an expedited procurement route in comparison to a full OJEU tender.
25. The following table summarises and compares each of the frameworks in terms of contractors available:

SE Consortium	Notting Hill Genesis	London Construction Panel	Hyde	Scape
£8m+	All	£10m to £20m	£10m+	£2m to £20m
Durkan Ltd	Ardmore Construction Ltd	Durkan Ltd	Bennett Construction Ltd	Willmott Dixon
Mulalley & Co Ltd	Bouygues (UK) Ltd	Engie Regeneration Ltd	Bugler Developments Ltd	
United Living (South) Ltd	Bugler Developments Ltd	Geoffrey Osbourne Ltd	Henry Construction Projects Ltd	
Higgins Construction Plc	Cablesheer Construction Ltd	Kier Construction	Higgins Construction Plc	
Engie Regeneration Ltd	Durkan Ltd	McLaren Construction Ltd	Hill Partnerships Ltd	
Geoffrey Osbourne Ltd	Galiford Try Partnership Ltd	Morgan Sindall	John Graham Construction Ltd	
Bugler Developments Ltd	Glenman Corporation Ltd	Rydon Construction Ltd	Kier Construction London	
	Guildmore Ltd	Willmott Dixon Holdings	McLaren Construction Ltd	
	Henry Construction Projects Ltd		Purelake New Homes Ltd	
	Higgins Construction PLC		Rydon Construction Ltd	
	Hill Partnerships Ltd		United Living Ltd	
	Keepmoat Regeneration Ltd		Wates Construction Ltd	
	Kier Construction Ltd			
	Kind & Company (Builders) Ltd			
	Lovell Partnership Ltd			
	Mulalley & Co Ltd			
	Rooff Ltd			
	Rydon Construction Ltd			
	Taylor French Developments Ltd			
	Thomas Sinden Ltd			
	United Living (South) Ltd			
	Wates Construction Ltd			
	Willmott Partnership Homes Ltd			

26. The Scape framework only has one contractor on it, the purpose of this is to assist contracting authorities to develop and mobilise works quickly. The framework has a very specific requirement to use the frameworks Employers Agent, which would mean the council either reneging on its existing contract or duplicating services and costs. Further, a single contractor framework does raise issues with regards competitiveness and whether this would provide the council with best value for money, the new homes team is in the process of exploring this further.
27. The South East Consortium framework does not offer any contractors in addition to those provided by Notting Hill Genesis, London Construction Panel or Hyde. In addition, approval has already been granted to the council to enter into the necessary access agreements for the Notting Hill and LCP frameworks and the Hyde framework is currently being considered.

## B. Restricted OJEU Tender

28. A restricted OJEU tender process will offer the council access to the full market and allows the council to be able to demonstrate value for money. This is a route the New Homes Development Team has successfully used to procure contractors for 8 development projects from 2017 to date, with a number of others currently out for procurement.
29. This offers a competitive route to procuring contractors with tenderers having to demonstrate that they offer the most economically advantageous tender in order to be awarded the contract. This route does have its drawbacks, one of which is that it can take longer when compared to calling off an OJEU compliant framework. The restricted procedure is not necessarily suitable for phased projects either.
30. The stages of this approach generally are:
  - a. Selection Questionnaire – the PAS91 form of SQ is used for suppliers to express an interest and for the council to shortlist; and
  - b. Invitation to Tender – the tenderer submits its proposals for delivering the works.

**Proposed procurement route**

31. Officers are seeking approval to undertake a restricted OJEU tender for these projects, officers feel that this route will provide full access to the market and offer current market values, whereas the framework will have some prescribed rates. Any change to the procurement route will be discussed with the IDM and reflected in the Gateway 2 report.

**Identified risks for the procurement**

32. The following risks have been identified for this procurement:

	<b>Identified Risk</b>	<b>Likelihood</b>	<b>Risk Control</b>
1	Planning risk	Low	The New Homes Team work very closely with the planning department which should result in a successful planning outcome.
2	Insufficient interest from contractors.	Low	A soft market exercise will be used to promote interest prior to publication of the OJEU notice.
3	Quality of submitted tender proposals do not meet the council's expectations	Low	Officers will ensure that comprehensive project briefs that are clear and without ambiguity are produced. Tenders will also be rigorously assessed during the evaluation stage.
4	Cost proposed is in excess of budget and does not deliver value for money	Medium	Officers will ensure that all necessary surveys are undertaken and a cost plan that identifies any associated risk is developed. A detailed specification will form part of the tender packs so that expectations are clearly identified.

			The tender process will follow the guidance from the council's legal; team on Covid-19 related cost being included as a capped provisional sum.
5	Challenges to procurement outcome	Low	Officers will ensure a robust procurement process in line with the Public Contracts Regulations 2015 is followed and will liaise closely with the council's Procurement and Legal departments.
6	Contractors cease trading, goes into administration / liquidation	Medium	<p>Officers will undertake appropriate financial assessments and credit checks as part of an OJEU compliant procurement process. A performance bond / a parent company guarantee is considered and/or sought to mitigate this risk.</p> <p>Officers will also assess the level of existing work that individual contractors have with the council and ensure that the tender processes allow organisations to be excluded if it is considered the council has too much exposure.</p>
7	Individual sites not ready to progress at the same time.	Low	Officers are liaising closely with planning and don't anticipate a delay in planning approval. However officers will monitor and address any risk during the tender process.
8	The impact of site delivery, cost and the risk exposure of the council due to Covid-19	High	Officers will give more attention to scrutiny around the mobilisation plan, health and safety practices and the contract sum during the tender process to ensure that exposure of the council is duly considered and addressed.
9	The impact of Brexit on delivery of the project.	Low	It is difficult to assess all of the potential risks around Brexit due to the level of unknowns around future trade deals and agreements. Officers will ensure that as risks become apparent, these will be factored into the process and the

			contract where possible.
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### Key /Non Key decisions

33. This is a non-key decision.

### Policy Implications

34. The new homes delivered through the New Homes Development Programme are in line with the council's principles and vision for a new housing strategy which is aimed at increasing the availability, affordability and quality of homes in the borough.
35. This procurement exercise supports the council's Fairer Futures Commitment – A place to belong to. The new homes will play a key role in assisting the council to achieve its target of building 11,000 new council homes by 2043.
36. This procurement exercise is subject to the Fairer Future Procurement Framework ("FFPF"). The competitive tender process undertaken will ensure that the council is receiving value for money and delivering added social value.
37. The long term housing vision for the borough (agreed by cabinet in January 2014) sets a clear policy direction for the council that directly impacts the delivery of the new homes set out in this report. The vision comprises four overall principles:
- The council will use every tool at its disposal to increase the supply of all kinds of homes across Southwark;
  - The council will demand the highest standards of quality, making Southwark a place where you will not know whether you are visiting homes in private, housing association or council ownership;
  - The council will support and encourage all residents to take pride and responsibility in their homes and local areas; and
  - The council will help vulnerable individuals and families to meet their housing needs and live as independently as possible.

### Procurement Project Plan (Non-key Decisions)

Activity	Complete by:
DCRB Review Gateway 1:	20/07/2020
Notification of forthcoming decision	27/07/2020
CCRB Review Gateway 1:	30/07/2020
Notification of forthcoming decision	04/08/2020
Brief relevant cabinet member (over £100k)	17/08/2020
Approval of Gateway 1: Procurement strategy report	01/09/2020
Completion of tender documentation	01/09/2020
Publication of OJEU Notice	07/09/2020
Publication of Opportunity on Contracts Finder	07/09/2020

<b>Activity</b>	<b>Complete by:</b>
Closing date for receipt of expressions of interest	06/10/2020
Completion of short-listing of applicants	16/10/2020
Invitation to tender	19/10/2020
Closing date for return of tenders	27/11/2020
Completion of clarification meetings/presentations/evaluation interviews	04/12/2020
Completion of evaluation of tenders	18/12/2020
Forward Plan (if GW2 is key decision)	01/12/2020
DCRB Review Gateway 2: Contract award report	11/01/2021
CCRB Review Gateway 2: Contract award report	21/01/2021
Notification of forthcoming decision	26/01/2021
Approval of Gateway 2: Contract Award Report	03/02/2021
End of scrutiny Call-in period and notification of implementation of Gateway 2 decision (If GW2 is key decision)	10/02/2021
Debrief Notice and Standstill Period (if applicable)	17/02/2021
Contract award	22/02/2021
Add to Contract Register	22/02/2021
TUPE Consultation period (if applicable)	n/a
Place award notice in Official Journal of European (OJEU)	22/02/2021
Place award notice on Contracts Finder	22/02/2021
Contract start	22/02/2021
Initial Contract completion date	22/02/2023
Contract completion date – if extension(s) exercised	n/a

38. This report is seeking approval to delegate the Gateway 2 decision to the Strategic Director of Housing and Modernisation in consultation with the Cabinet member for Social Regeneration, Great Estates and New council Homes.
39. The rationale for this is to streamline and speed up the approval process, as contractors generally only guarantee build costs for a period of 3 months. Seeking IDM approval for each Gateway 2 could delay the timeframes set out in the procurement plan above.

#### **TUPE/Pensions implications**

40. As this procurement strategy relates to a new programme of works and there is no existing contractor delivering the work which is being tendered, TUPE should, therefore, not apply on its commencement. Although considered unlikely, TUPE could apply if the identity of the contractor were to change during the period of the works and relevant provisions will be included in the contract amendments to provide for this.

#### **Development of the tender documentation**

41. The New Homes Development Team has developed template tender documentation and the quality and pricing evaluation methodologies for OJEU restricted processes.
42. Officers in the New Homes Development Team will work with the Employers Agent to include the scheme specific information within the tender packs.
43. The tender packs, ITT questions and price/quality evaluation criteria will all be reviewed as part of a process with the council's legal and procurement teams prior to the tender commencing.
44. The tender documents will include:
- a. Selection Questionnaire / Expression of Interest and guidance document
  - b. Instructions To Tenderers
  - c. Tender evaluation methodology
  - d. Contract documents (JCT 2016), amendments and terms and conditions
  - e. Employers Requirements
  - f. Scheme details including;
    - i. Site information
    - ii. Project drawings
    - iii. Project plan
    - iv. Relevant surveys and reports
  - g. Contract Sum Analysis Template
  - h. Form of Tender and necessary undertakings and certificates
  - i. Compliance table

#### **Advertising the contract**

45. The contract will be advertised by way of an official notice that will be published in the Official Journal of the European Union (OJEU) and advertised on Contract Finder.

#### **Evaluation**

46. Contracts will be awarded on the basis of using a combined price/quality/social value ratio which takes into account the council's requirement to include social value evaluation for all procurements above £100,000. The weighting ratio is likely to be 60/30/10 however it will also be reviewed as other procurement processes complete.
47. The process will consist of following stages which are published at the same time.

*Selection Questionnaire (PAS 91)*

48. The purpose of the SQ is to create a shortlist of organisations who have demonstrated that they have sufficient technical capacity and financial and economic standing and ability to be invited to tender. In order to determine sufficient financial and economic standing, and technical capacity and ability, SQs will be evaluated in accordance with the criteria as set out in the council's standard SQ (PAS 91).
49. Applicants will need to pass an initial compliance stage of Pass/Fail questions which include:
  - a. Company Information
  - b. Financial Information
  - c. Convictions
  - d. Health and Safety
50. Applicants' economic and financial standing will then be assessed, which will involve a credit check, a review of financial statements, and a review of any charges and judgements. In order to receive an overall pass, tenderers will need to satisfy the following:
  - a. Turnover greater than the contract sum
  - b. A good credit score and credit rating
  - c. An acceptable level of financial risk for the council
51. Finally, tenderers will also need to answer a number of method statements as part of the technical section, which will be based on the following criteria:
  - a. Experience
  - b. Quality
  - c. Speed of mobilisation
  - d. Consultation (methods and capacity of resident liaison)
  - e. Measures to minimise the impact of construction on neighbouring residents
  - f. Fire Safety
52. Each method statement will be weighted (mobilisation and minimising impact will be weighted higher) and will have a minimum pass mark, which if tenderers fail to meet allows the council the right to reject them from the process.
53. The council's requirement is to have a minimum of five organisations who tender. Where other tenderers are within 5% of the fifth highest tenderer, at the council's discretion they may also be invited to tender.

#### *Invitation to Tender*

54. The quality assessment will be undertaken through the provision of method statements which will be used to evaluate applicants against the key quality criteria, for which there will be a minimum pass mark for each question.
55. The quality assessment will include a number of method statements based on the following criteria:
  - a. Delivery, Quality and Compliance
  - b. Design Management
  - c. Subcontractors
  - d. Health and Safety
  - e. Constraints and Delivery

- f. Fire Safety
  - g. London Living Wage, Apprenticeships and Local Labour
56. Each method statement will be weighted and will have a minimum pass mark, which if tenderers fail to meet allows the council the right to reject them from the process.
  57. The social value assessment will be undertaken by a third party via the Social Value Portal. For each procurement tendered a number of Themes Outcomes and Measures (TOMS) will be selected that will reflect 10% of the estimated contract value. There are currently 37 national TOMS of value, each with an assigned value which officers will select according to the nature of the procurement.
  58. For the Price Assessment the contractors will be asked to provide a detailed cost plan and contract sum, detailing and substantiating any provisional sums that are included.
  59. The financial submission will either be weighted on the basis of maximum points awarded to the tenderer with the lowest price with each remaining tenderers' price will being awarded a score based on the percentage difference between their submission and that of the most competitive. However, in order to avoid anomalous low tender, officers may take an approach that looks at an overall combination of the lowest price and the closest to the median price. The approach will be fully tested to ensure it doesn't produce anomalous results before it is implemented.
  60. The intention is to use a combination of lowest price and closest to median price as standard approach. However, we may change this should market conditions change or the methodology proves to be ineffective. Any change will be captured on the signoff sheet from the Development Manager / Head of Development, which will set out the reason why the price scoring method has been changed. This will be approved and signed off by the Director of New Homes and be kept on file.
  61. The submitted tenders will be evaluated and scored by a panel made up of:
    - a. Employer's Agent
    - b. Development Manager
    - c. Project Manager and
    - d. Project Officer.
  62. The Employer's Agent, who will submit a tender and value for money Report, which will conclude that the highest scoring tenderer be recommended for award through a Gateway 2 to enable the contract to be entered into.

### **Community impact statement**

63. The Public Sector Equality Duty requires public bodies to consider all individuals when carrying out their day to day work, in shaping policy, in delivering services and in relation to their own employees. It requires public bodies to have due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations between different people when carrying out their activities. The council's consultation with residents on the 11,000 council homes programme has been specifically designed to be inclusive of all the borough's communities and provide a range of mechanisms to provide residents with the opportunity to engage.
64. Southwark is a borough with high levels of deprivation, low income levels and high levels of housing need. Southwark's Housing Strategy to 2043 identifies that the supply of affordable housing in the borough outstrips demand. There is a demand

for larger properties for younger families, many of whom are experiencing overcrowding.

65. Cabinet has agreed a new vision for the future housing strategy including a principle to use every tool at our disposal to increase the supply of all kinds of homes across Southwark.
66. The proposal is 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.
67. 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 home 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.
68. 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 September 2017.

#### **Social Value considerations**

69. The Public Services (Social Value) Act 2012 requires that the council considers, before commencing a procurement process, how wider social, economic and environmental benefits which 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 paragraph 57.

#### **Economic considerations**

70. 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.
71. The council is an officially accredited London Living Wage ("LLW") Employer and is committed to ensuring that, where appropriate, contractors engaged by the council to provide works or services within Southwark pay their staff at a minimum rate equivalent to the LLW rate. It is expected that payment of the LLW by the successful contractor for this contract will result in quality improvements for the council. These should include a high calibre of multi-skilled operatives that will contribute to the delivery of works on site and will provide best value for the council. It is, therefore, considered appropriate for the payment of LLW to be required. The successful contractor will be expected to meet the LLW requirements and contract conditions requiring the payment of LLW to all operatives, which will be included in the tender documents. As part of the tender process, tenderers will also be required to confirm how productivity will be improved by payment of LLW. Following award, the contractor will be required collect data is collected on employment status of any sub-contracted operatives and confirm payment of LLW. All quality improvements and any cost implications will be monitored as part of the contract review process.
72. The council will be requiring the appointed contractor to participate 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.

### **Social considerations**

73. The new housing will provide high quality affordable housing for local people in need of accommodation. Fifty percent of these homes will be made available to existing tenants in need based on an agreed local lettings policy. The remainder will be made available to other households in need of accommodation from the council's housing register.
74. The new rented homes will be let at social rent levels.
75. The council can exclude companies who break the law by blacklisting from public contracts if they are either still in the process of blacklisting or have not put into place genuine measures to resolve past blacklisting activities. The council can require "self cleaning" which enables a potential contractor to show that it has or will take measures to put right its earlier wrongdoing and to prevent them from re-occurring and to provide evidence that the measures taken by the economic operator are sufficient to demonstrate it has:
  - "Owned Up": clarified the facts and circumstances in a comprehensive manner by actively collaborating with the investigating authorities;
  - "Cleaned Up": taken concrete technical, organisational and personnel measures that are appropriate to prevent further criminal offences or misconduct, and
  - "Paid Up": paid or undertaken to pay compensation in respect of any damage caused
76. The council is required to use a government standard form of selection questionnaire which allows for limited amendments. However, this will be amended to include the council's standard preliminary assessment questions relating to blacklisting. The contract conditions will 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.
77. Contractors will be required to provide apprenticeship and work placement opportunities; this will either be linked to the value of the contract with a minimum of one apprentice for every £1,000,000 of contract value or in line with any other condition imposed by planning.

### **Environmental/Sustainability considerations**

78. 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.
79. As part of the design development process, there will be a requirement to achieve a level of sustainability through the building regulations. In order to achieve this environmental assessment will be undertaken and potential sustainability solutions will be considered. Key considerations for this project 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; and
- Ensuring projects achieve Code of Sustainable Homes criteria or any successor requirement.

### **Plans for the monitoring and management of the contract**

80. The project clienting, including the management and administration of the contractor appointment will be run and resourced through the New Homes Development Team in the Development Delivery 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 financial statements by the consultant;
  - Monthly appraisals of progress against programme and monthly reports by the consultant;
  - Tracking and chasing actions on critical issues;
  - Periodic project team 'look ahead' workshops covering key phases of work and risks; and
  - Risk and issues log.
81. To ensure the quality of the construction the council will engage the services of a Clerk of Works, whose role will include:
- a. Reviewing drawings and instructions
  - b. Ensuring the design standards and specification are adhered to
  - c. Making visual inspections, particularly around elements of the building that will be unseen.
  - d. Reviewing quality of workmanship
  - e. Ensuring the correct use of materials
  - f. Taking samples and ensuring the materials meet specifications and quality standards
  - g. Identifying defects
82. Internal governance arrangements for the New Homes 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.
83. Contract monitoring reports will be taken to DCRB and to CCRB in line with Contract Standing Orders.
84. The social value deliverables will be independently monitored and reported to council officers by the Social Value Portal.

### **Staffing/procurement implications**

85. The staff resources deployed to this procurement are sufficient to meet the proposed timetable.

86. These projects will be resourced by existing staff, within existing budgets.
87. Officer time relating to the management of these projects is funded from the capital budgets for the individual projects.

### **Financial implications**

88. As the report is requesting approval for a procurement strategy, there are no financial implications arising directly from the report's recommendations. The strategy will potentially deliver 40 new homes.
89. The total cost of this procurement including professional fees and other costs is estimated at £16.55m (£14.05m works contract and £2.5m which includes, professional fees, internal costs, and contingency). The individual project costs will be funded from resources supporting the Housing Investment Programme and are likely to comprise GLA Grant Funding, section 106 receipts, other available and permitted resources as well as borrowing where needed.
90. The average total cost per unit is estimated at £414k, which is higher than the council's average benchmark cost of £330k per unit. It should be noted that both of these schemes contain a higher proportion of larger family homes and a number of these larger family homes are ground floor maisonette and duplex units which are significantly bigger than the standard unit sizes. Both of these sites are in a flood zone and inclusion of these oversized units helps meet the planning requirements,

### **Legal implications**

91. Please see concurrent from the Director of Law and Democracy

### **Consultation**

92. As noted in paragraph 68, local residents will be consulted at each stage of the development proposals as outlined in the Charter of Principles agreed by Cabinet in September 2017.

## **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

### **Strategic Director of Finance and Governance (H&M 20/050)**

93. This report seeks approval from the Cabinet Member for Social Regeneration, Great Estates and New Council Homes the procurement strategy to build 40 new council homes at Fendall Street and Maltby Street at an estimated cost of £14,050,000 and to delegate the decision to award the contract to the Strategic Director of Housing and Modernisation, in consultation with the cabinet Member for Social Regeneration, Great Estates and New Council Homes. As outlined in the financial implications section of this report, including fees and contingency, the overall estimated cost of the project is £16,550,000. At this stage, costs are indicative only, but will be met from resources supporting the Housing Investment Programme.

### **Head of Procurement**

94. This report seeks Cabinet Member approval of the procurement strategy for new build works at Fendall Street and Maltby Street.
95. This contract will commence in February 2021 for a duration of 18-24 months, with the objective to deliver new homes as detailed in paragraphs five and six.

96. The report summarises the context and rationale for procuring these two contracts. With a contract of this size and nature, EU regulations apply and confirms that the restricted procedure will be followed which is in line with the regulations and satisfies the council's contract standing orders.
97. Paragraphs 22 - 27 confirms that an alternative procurement option, using an established framework has been considered and discounted.
98. Paragraph 37 confirms the timetable that will be followed for this procurement which is achievable provided the appropriate resources are available when necessary. The report confirms that the project will be supported by external and internal resources to help ensure the project delivers the two contracts to the required standards, on time and within budget.
99. The report confirms that the evaluation of potential contractors will be in two stages. The first stage will assess capability, technical capacity and economic standing and a second stage mini competition where bids will be evaluated the basis of most economically advantageous tender. In determining this, it is anticipated that a weighted model with a quality/price / social value ratio of 60:30:10 will be applied.
100. The report also confirms that officers will closely scrutinize the impact of the Covid 19 pandemic in relation to the health and safety practices, mobilisation and financial health of companies bidding for these contracts.
101. Paragraphs 80 to 84 confirms the monitoring and management arrangements including governance measures that will be in operation.

#### **Director of Law and Democracy**

102. This report seeks the approval of the Cabinet Member for Social Regeneration, Great Estates and New Council Homes approve:
103. the procurement strategy for new build works at Fendall Street and Maltby Street (as further detailed in the Background Information section of the Gateway Approval report) at an estimated cost of £14,050,000 with an estimated contract duration of 18 to 24 months.
104. The delegation of the Gateway 2 award decision to the Strategic Director of Housing and Modernisation, in consultation with the cabinet Member for Social Regeneration, Great Estates and New Council Homes, for the reason outlined in paragraph 39.
105. At the estimated contract value noted for the contracts, the approval of the procurement strategy (being £10m or more but below £15m) is reserved to the relevant individual decision maker, after consideration of the report by CCRB.
106. The nature and value of these works are such that they are subject to the full tendering requirements of the Public Contract Regulations 2015 ("PCR15"). As noted in paragraph 31 this opportunity will be advertised in OJEU, and the procurement undertaken in accordance with the requirements of PCR15.
107. The Cabinet Member's attention is drawn to the Public Sector Equality duty (PSED General Duty) under the Equality Act 2010, which requires public bodies to have regard, when making decisions, to the need to eliminate discrimination, advance equality of opportunity and foster good relations between persons who share a

relevant protected characteristic and those who do not share it. The Cabinet Member is specifically referred to the community impact statement at paragraphs 63-68, setting out the consideration that has been given to equalities issues which should be considered when approving the recommendations in this report.

**Director of Exchequer (For Housing contracts only)**

108. Not applicable.

## BACKGROUND DOCUMENTS

Title	Held At	Contact
None		

## APPENDICES

No	Title
None	

## AUDIT TRAIL

<b>Lead Officer</b>	Stuart Davis, Director of New Homes	
<b>Report Author</b>	Tim Bostridge, Head of Development	
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<b>Dated</b>	24 August 2020	
<b>Key Decision?</b>	No	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments included</b>
Strategic Director of Finance and Governance	Yes	Yes
Head of Procurement	Yes	Yes
Director of Law and Democracy	Yes	Yes
<b>Cabinet Member</b>	Yes	Yes
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