

Item No.	Classification: Open	Date: 2 November 2020	Meeting Name: Strategic Director of Housing Modernisation
Report title:		Gateway 2 - Contract Award Construction of new build units at Bassano St, Henslow Rd and Underhill Road SE22	
Ward(s) or groups affected:		South	
From:		Director of New Homes	

RECOMMENDATION(S)

The Strategic Director of Housing & Modernisation:

1. Approves the award of a works contract for Underhill Road, Bassano Street and Henslowe Road, SE22 to Faithdean PLC for the contract sum of £3,603,429 for a period of 60 weeks from site possession commencing 1 February 2021.
2. Notes the total project costs as detailed in paragraph 60.

BACKGROUND INFORMATION

3. Planning permission was granted on 19 August 2019 for Underhill Road and on 8 October 2019 for Bassano Street and Henslowe Road for the provision of 10 houses across the three sites. The project comprises the demolition of two prefab bungalows at Underhill Road, 14 garages and 16 garages at Bassano Street and Henslowe Road respectively, and the design and construction of 3 x 4-bed houses at Underhill Road, 4 x 3-bed houses at Bassano Street and 3 x 3-bed houses at Henslowe Road. Due to the small sizes of the sites, the development of flats was not feasible.
4. The planned procurement strategy was the subject of a Gateway 1 report which covered a number of sites in Phase 4 and was approved by the Strategic Director of Housing and Modernisation on 23 July 2019.
5. The Gateway 1 report approved procuring a works contract by undertaking a tender exercise using the Council's Safe Contractor Approved List (managed by Alcumus).
6. The procurement strategy relates to the council's 11,000 new homes programme.

7. The tenders were on the basis of the JCT Design & Build Contract 2016 (with Southwark specific amendments) and based on Southwark's Employer's Requirements and Stage 4 scheme designs.
8. The works contract will be for a fixed period of 60 weeks from date of the transfer of site possession from the council to the contractor.

Procurement project plan (Key Decision)

Activity	Completed by/Complete by:
Forward Plan for Gateway 2 decision	01/08/2016
Briefed relevant cabinet member (over £100k)	23/07/2019
Approval of Gateway 1: Procurement Strategy Report	24/06/2020
Issue Notice of Intention (Applies to Housing Section 20 Leaseholder Consultation)	N/A
Invitation to tender	12/03/2020
Closing date for return of tenders	03/08/2020
Completion of evaluation of tenders	06/08/2020
Issue Notice of Proposal (Applies to Housing Section 20 Leaseholder Consultation)	N/A
DCRB Review Gateway 2:	12/10/2020
CCRB Review Gateway 2:	N/A
CMT Review Gateway 2: (If applicable)	N/A
Notification of forthcoming decision – Five clear working days	19/10/2020
Approval of Gateway 2: Contract Award Report	27/10/2020
Scrutiny Call-in period and notification of implementation of Gateway 2 decision	05/11/2020
Contract award	16/11/2020
Add to Contract Register	16/11/2020
Contract start	01/02/2021
Publication of award notice on Contracts Finder	16/11/2020
Contract completion date	28/03/2022
Contract completion date – if extension(s) exercised	N/A

KEY ISSUES FOR CONSIDERATION

Description of procurement outcomes

9. This procurement will deliver 10 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

10. This report deals with a key decision.

Policy implications

11. These 10 new homes at Underhill Road, Bassano Street and Henslowe Road, Street, SE22 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 overall target of building 11,000 new homes by 2043

Tender process

12. The new homes delivery team procured this works contract via the Council's Safe Contractor Approved List ensuring that opportunity has been given to local small and medium-sized contractors. A number of companies were approached in advance of the tendering exercise to ensure that if they were invited they would submit a tender. In accordance with contract standing orders five contractors were invited to tender. Those invited to tender were:

- 1 Company A
- 2 Company B
- 3 Company C
- 4 Company D
- 5 Faithdean PLC

13. The Invitation to Tender was issued via the council's E-procurement system on the 12 March 2020 with the closing date for the receipt of tender submissions set as the 24 April 2020. Due to the pandemic, the deadline was extended by 10 weeks to 3 July 2020.

14. The tenders were evaluated by Southwark and Calfordseaden (Employer's Agent) on 6 August 2020. All five companies invited to tender submitted a tender.

15. Tender clarifications were sought by the tenderers on extension to the submission deadline, site investigation reports, and the address on the Form of Tender. The Employer's Agent sought clarifications from the tenderers on items in their contract sum analyses.

Tender evaluation

16. Tenders were evaluated in accordance with the evaluation methodology by two officers from the council and a representative from Calfordseaden (appointed as Employer's Agent for the project). A consensus scoring method was used during the evaluation.
17. The price and contract sum analysis were examined by Calfordseaden (appointed as Quantity Surveyor for the project). A financial check on the winning tenderer was completed by the council's Finance department.
18. As detailed in the Gateway 1 and ITT documents, tenders were evaluated on the basis of the Most Economic Advantageous Tender (MEAT) using a weighted model of 60/40 price/quality ratio.
19. Tenderers were required to provide information to support their quality submission that demonstrated their ability to fulfil the requirements of the contract, the questions asked were focused around the following:
- a. Experience - 8%
 - b. Delivery, Quality and Compliance – 8%
 - c. Design Management - 3%
 - d. Subcontractors - 3%
 - e. Health and Safety - 5%
 - f. Constraints and Delivery – 4%
 - g. Fire Safety – 5%
 - h. Local Community and Engagement – 2%
 - i. Living Wage, Apprenticeships and Local Labour – 2%
20. The questions within the quality assessment were weighted and are detailed in the tender evaluation assessment criteria included within the tender documents.

21. A summary of the outcome of the quality scores are provided in the table below:

Tenderer	Quality score
Faithdean PLC	28.00%

22. Tenderers were required to provide as part of their Form of Tender a contract sum and a contract sum analysis, which was scrutinised by the Employer's Agent.

23. The lowest tendered total price submission was awarded 60%. Each of the remaining tenderers were awarded points on a pro rata basis as detailed in the following table (full details included in the closed report):

Contractor	Form of Tender	Price Score
Faithdean PLC	£3,603,429.00	52.19%

24. Checks for errors in the CSA submissions were carried out in accordance with the Alternative 2 procedure as outlined in the Form of Tender

documents, which enables corrections of errors and adjustment of the tender submission. No errors were found in any of the submissions.

25. The contract sums submitted were compared against Calfordseaden's Elemental Cost Plan estimate of £3,116,097 which, based on the gross internal floor area (GIFA) of 1,259m², represents a build cost of £2,475.06m².

26. The table below shows the cost per square metre for Faithdean PLC (full details included in the closed report):

Tenderer	Contract Sum	Price m²
Company A		£2,489.71
Company B		£2,699.29
Company C		£2,821.35
Company D		£3,718.50
Faithdean PLC	£3,603,429.00	£2,862.14

27. Faithdean PLC's good scoring in both the quality and cost elements of their tender places them in 1st place overall.

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 form of tender price was from Selsdon Building Contractors Ltd.

30. Each tenderer's price and quality scores were combined to provide a total score out of 100% as detailed in the following table:

Overall Summary – including exclusions				
Tenderer	Quality (40%)	Price 60%	Total (100%)	Rank
Faithdean PLC	28.00%	52.19%	80.19%	1
Company B			79.74%	2
Company C			78.40%	3
Company D			77.75%	4
Company E			68.37%	5

31. The successful tenderer, Faithdean PLC, submitted a contract sum of £3,603,429.

32. A full breakdown of the quality and cost scores for all tenderers on each package is provided at Appendix 1 of the closed report.

Plans for the transition from the old to the new contract

33. Not applicable.

Plans for monitoring and management of the contract

34. The project management, including the management and administration of the contractor appointment will be run and resourced through the New Homes Delivery Team based 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 progress meetings and progress reports
- Monthly financial statements by the contractor and verification by the Employer's 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

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

36. 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 and Modernisation.

Identified risks for the new contract

37. The below table highlights the risks that have been identified for the new contract and the approach to mitigate them.

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. Faithdean PLC's tender submission shows that they have adequate resources to deliver contracts of this nature.
2.	Contractor risk of	Low	The New Homes Delivery Team

	insolvency		undertook a credit check on 24 August 2020 and was satisfied that the credit scoring of 93 was excellent. 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 Faithdean PLC will provide a performance bond for this project in line with the timescales stipulated in the contract.
3.	Project cost overruns	Low	The contract sum is all-inclusive subject to any provisional sums and future variations. All the surveys which the council anticipates will be necessary have been carried out which should help mitigate 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 resulting from discharge of planning conditions and liaison with third party organisations.	Medium	The New Homes Delivery Team will assist where possible with liaison with third parties to help mitigate delays, particularly any which may result from the discharge of planning conditions or necessary approvals from within the council. 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 extension of times will be fully scrutinised, justified and

			costed by the Employers Agent prior to agreement. Project progress will be monitored and slow progress will be addressed in the monthly project meetings.
6.	Contractor seeking further negotiations on contractual terms prior to entering into contract.	Low	A standard JCT works contract is being utilised, with the council's amendments to the terms clearly set out from the start of the tender process. The tender documents and clarifications during the tender process have been robust and clearly define the terms of the contract.
7.	Effects of COVID-19 restrictions on delivery.	Medium	Construction Phase Plan to be developed to ensure compliance with the latest government guidance on working on construction sites so no enforcement measures are taken against the sites to shut them down. Contractor to maximise capacity on site wherever possible to ensure works proceed at a good pace whilst social distancing measures are in place.
8.	Risk of disruption to supply chain following UK's departure from the European Union.	Medium	Contractor will be regularly communicating with its suppliers to determine stock availability prior to ordering. Where necessary, alternative materials of equal quality and performance which are manufactured in the UK or outside of Europe will be submitted for approval.

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

Other considerations (Design Specification Compliance)

39. 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 and the council's Employer's Requirements

Community impact statement

40. Southwark is a borough with high levels of deprivation, low income levels and high levels of housing need. Southwark's Housing Strategy 2015 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.
41. 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.
42. 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.
43. Those households in the vicinity of the new developments may experience inconvenience and disruption in the short term, whilst works are taking place but such communities will benefit in the longer term from the provision of new homes particularly as 50% of these homes will be let to existing tenants from the local area subject to an agreed local lettings policy.
44. 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 27 September 2017.

Social Value considerations

45. 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 wellbeing 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.

Economic considerations

46. 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.
47. The council is an officially accredited London Living Wage (LLW) Employer and is committed to ensuring that, where appropriate our contractors and subcontractors pay their staff at a minimum rate equivalent to the LLW rate. The Gateway 1 report dated 23 July 2019 confirmed, for the reasons stated in that report payment of LLW was an appropriate and best value

requirement for this contract. 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. Faithdean PLC has agreed to pay the LLW. Following award, quality improvements and costs implications linked to the payment of LLW will be monitored as part of the contract review process.

Social considerations

48. 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.
49. The new homes will be let at social rent levels.
50. Faithdean PLC will provide three apprenticeships and training and work placement opportunities as part of the contract.

Environmental/Sustainability considerations

51. 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.
52. As part of the design development process, there will be a requirement for environmental assessments to be completed, with a view to identifying what impact would be caused by any proposed development.
53. 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.
54. A low energy, efficient and cost effective building engineering services design that keeps running costs to a minimum will be an essential component of the project brief. Key considerations will include;
 - Consideration of whole life-cycle costs
 - Sustainable sourcing
 - Incorporation of environmentally benign heating and lighting provision
 - Provision of facilities and equipment to encourage the re-use and recycling of materials including, where practical, water recycling
 - Ensuring projects achieve Code of Sustainable Homes criteria or any successor requirement.

Market considerations

55. The market for construction related services is good. All five companies from the council's Works Approved list invited to tender subsequently provided a bid. This level of response is considered to be excellent.

Staffing implications

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

Financial implications

57. The value of the works contract arising from the procurement described in this report is £3,603,429 which forms part of a wider programme. The project will also have associated on costs of £533,220.

58. The contract involves 3 projects and the cost will be reported against these projects for effective reporting and monitoring. The project codes are listed below:

- a. Underhill Road - H-8888-9729
- b. Bassano Street. Garages - H-8888-9609
- c. Henslowe Road Garages - H-8888-9610

59. The following table shows the scheme costs with further details given in the closed report:

Total Scheme Cost Breakdown	
Works	£3,603,429
Consultancy Fees	£293,932
Surveys	£41,513
Planning Payments	£3,850
Internal Fee (4%)	£144,137
Other Costs	£49,788

Investment implications

60. The costs of delivery of new Council rented homes will be funded from £1,000,000 grant funding from the GLA Building Homes for Londoners Programme, and other council resources, potentially developer contributions under Section 106 or council borrowing

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

61. A FAME check has been undertaken, which shows Faithdean as having a credit score of 93. This indicates Faithdean PLC are financially secure.

Legal implications

62. Please refer to paragraph 69 of this report for the legal concurrent.

Consultation

63. Local residents were consulted at each stage of the development as outlined in the Charter of Principles agreed by Cabinet in November 2014.

Other implications or issues

64. Not applicable.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Finance and Governance H&M20/077)

65. The report seeks approval from the Strategic Director of Housing and Modernisation to award construction of 10 new homes works contract for Underhill Road, Bassano Street and Henslowe Road, SE22 to Faithdean PLC for the contract sum of £3,603,429.

66. The report identifies the total cost of works and on cost to be £4,136,649. The financial implications section provides details on how these costs are to be funded. Any other costs connected with this contract are to be contained within existing departmental revenue budgets.

67. There is an estimated resource shortfall for the Housing Investment Programme over the life of the programme. There is also likely to be further demand on the capital programme as a consequence of local or national demands for resources following the tragic Grenfell fire and the programme may be disrupted by the ongoing COVID-19 pandemic. It is, therefore, important that the cost of these works is carefully monitored and that accurate forecasting is in place.

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

Head of Procurement

69. This report is seeking Strategic Director of Housing & Modernisation approval to award a works construction contract for Underhill Road, Bassano Street and Henslowe Road to Faithdean PLC.

70. The report details the procurement process that was followed using the Council's Safe Contractor Approved List, the approach authorised in the Gateway 1 procurement strategy on 24/06/20.
71. The report describes how submissions were evaluated, which was on the basis of award to the most economically advantageous tender (MEAT) using a weighted model of 60/40 price/quality. The report confirms that in line with the methodology detailed in the Gateway1, Faithdean PLC submitted the highest combined score.
72. The report 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.
73. The report also confirms that officers will closely monitor the impact of the COVID-19 pandemic and Brexit in relation to the continued financial health of Faithdean PLC, supply chain viability and safe working practices to deliver the contract in accordance with government guidance.

Director of Law and Democracy

74. This report seeks the approval of the Strategic Director of Housing and Modernisation to the award of contract to Faithdean PLC in respect of Underhill Road, Bassano Street and Henslowe Road, as further detailed in paragraphs 1 and 2.
75. At this value, contract standing orders require that all reasonable steps are taken to obtain at least five tenders, which should be selected from the council's approved list. As noted in paragraph 13, tenders were invited via the council's safe contractor approved list, meeting those CSO requirements. The evaluation methodology confirmed that award would be on the basis of a weighted model of 60:40 price/quality split, and using this evaluation methodology has identified that Faithdean has submitted the most economically advantageous tender, and is therefore recommended for award.
76. The Strategic Director'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 Strategic Director is specifically referred to the community impact statement at paragraphs 41-45, setting out the consideration that has been given to equalities issues which should be considered when approving the recommendations in this report.
77. Contract Standing Order 2.3 requires that no steps are taken to award a contract unless the expenditure involved has been included in approved estimates, or otherwise approved by the council. Paragraphs 58-61 confirm the financial implications of this award.

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.



10 November 2020

Signature..... Date.....

Michael Scorer, Strategic Director of Housing and Modernisation

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

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

1. DECISION(S)
As set out in the recommendations of the report.
2. REASONS FOR DECISION
As set out in the report.
3. ALTERNATIVE OPTIONS CONSIDERED AND REJECTED BY THE OFFICER WHEN MAKING THE DECISION
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

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.

6. DECLARATION ON CONFLICTS OF INTERESTS

I declare that I was informed of no conflicts of interests.*

or

I declare that I was informed of the conflicts of interests set out in Part B4.*

(* - Please delete as appropriate)

BACKGROUND DOCUMENTS

Background documents	Held At	Contact
GW1 Contractor Procurement – Under OJEU	New Homes Development Team/160 Tooley Street, SE1	Tim Bostridge 020 7525 1222

APPENDICES

No	Title
n/a	n/a

AUDIT TRAIL

Lead Officer	Stuart Davis, Director of New Homes	
Report Author	Phyllis Mensah-Twumasi, Project Manager	
Version	Final	
Dated	2 November 2020	
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		10 November 2020