

Item No.	Classification: Open	Date: 14 January 2021	Meeting Name: Cabinet Member for Housing
Report title:		Gateway 1 Construction Works at 21-23 Parkhouse Street	
Ward(s) or groups affected:		St Giles	
From:		Head of Regeneration - Capital Works and Development	

RECOMMENDATIONS

1. That the Cabinet Member for Housing approves the procurement strategy outlined in this report for a design and build contract, utilising two separate contracts, through the Hyde Group Main Contractor & Modern Methods of Construction (MMC) framework for the construction of new homes at 21-23 Parkhouse Street commencing on 27 September 2021, at an estimated value of £12m (including demolition) and duration of 24 months as outlined in paragraph 30 of this report.
2. That the Cabinet Member for Housing note that the total project funding requirement at an estimated value of £14.8m will be met through GLA grant, the Housing Investment Programme (HIP) resources and General Fund resources, and duly note the financial assumptions underpinning this investment as outlined in paragraph 57 of this report.
3. That the Cabinet Member for Housing agree the council entering into the access agreement as further detailed in paragraph 20.

BACKGROUND INFORMATION

4. The development involves the demolition of existing building at 21-23 Parkhouse Street and erection of two blocks (Block A and Block B) of 5 and part-7/part-10 storeys. Block A will be 5 storeys for commercial/employment use. Block B will be a 7 storey step up to 10 storeys with ground floor commercial/employment use and 33 mixed tenure homes, and 1 accessible car parking space, with associated landscaping, cycle parking and refuse storage. The existing site plan can be viewed in Appendix 1.
5. On 27 January 2015 cabinet agreed the Southwark Regeneration in Partnership Programme (SRPP). The programme identified a number of council owned sites which had development potential.
6. On 20 October 2015, cabinet agreed that the SRPP sites be packaged into two lots (Lot A and Lot B) and delivered through development agreements. 21-23 Parkhouse Street was part of Lot B.

7. In April 2017, Clarion Housing Group (Clarion) entered into a development agreement with the council to deliver Lot B. Although both organisations tried for over 18 months to overcome a number of programme challenges, in November 2018, the council and Clarion mutually agreed to end the development agreement.
8. As a result of the October 2018 announcement that the Housing Revenue Account (HRA) cap (which limited borrowing for building new homes) would be removed, officers proposed that the council deliver a number of the Lot B schemes, including 21-23 Parkhouse Street, directly. Therefore, the procurement strategy outlined in this report will replace the original procurement strategy.
9. The scheme has been submitted for planning and is to be considered by the planning committee in March 2021.

Summary of the business case/justification for the procurement

10. Redevelopment of the site would increase housing supply in accordance with strategic objectives to deliver more affordable housing in the borough and provide mixed use employment floor space. The council has an ambitious target to deliver 11,000 new council homes by 2043, with the first 2,500 by 2022. Approval of the procurement strategy outlined will enable 16 new council homes (54% of the total habitable rooms of this scheme) and 17 new private homes. The delivery of the private homes is a part of the business case to part fund the council homes.
11. The proposed development will provide improved quality of employment floorspace, including affordable workspace, a generous proportion of affordable housing in social rented tenure, a good proportion of family housing and will deliver a high-quality contemporary design that will enhance the area, and act as a catalyst for redevelopment of the wider area. It is intended for the proposal to act as a high-quality exemplar that sets a benchmark for the future redevelopment of the wider area.

Market considerations

12. Recent procurement of similar schemes suggests that the general market can address a design and build of this size.
13. The council has considered the impact of Covid-19. Construction supply chains may be disrupted. The contractors may allow for a longer construction programme which will increase their preliminaries or they may add an extra item for risk. Bidders will be asked what their Covid response is and what the impact (including financial impact) has been on their business so far as outlined in paragraph 27 of this report.
14. The council has carried out soft market testing and participants on the framework can participate in the tender process in October as contractors

have said departments will still be operating remotely. However officers will be constantly monitoring the situation.

KEY ISSUES FOR CONSIDERATION

Options for procurement route including procurement approach

15. As the total contract value is above the EU threshold for works it means that the full tendering requirements of the Public Contracts Regulations 2015 (PCR15) would apply. There are a variety of procurement approaches available to the council and are summarised as:
16. Do nothing - This is not an option due to the council's commitment to deliver this project and the need to provide new council homes in the borough.
17. Use an existing third party framework - The frameworks relevant to this procurement are:
 - **The Notting Hill Genesis (NHG) Framework** - There are 23 contractors under this framework. There is a direct selection or mini-competition procedure available. An access agreement is in place, but this framework ends in May 2021.
 - **The Hyde Group Main Contractor & MMC Framework** - There are 8 lots under this framework. There is a direct selection or mini-competition procedure available. The cost to use is £5k per project. This framework offers the best range of suitable contractors.
 - **London Construction Programme (LCP) Major Works Framework** - There are 5 lots under this framework; lots 1-3 of the framework are also divided geographically and by value. There is a direct selection or mini-competition procedure available. There is a levy to contractors. This framework does offer suitable contractors but the mini-competition procedure is restricted.
 - **London Development Panel (LDP2)** - There are 29 developers, house builders, contractors and Registered Providers of Social Housing (RPs) under this framework. Mini-competition is required. There are some large developers / contractors on this framework but this is a medium sized scheme.
 - **Southern Housing Group** - There are 8 lots under this framework. There's a fee per call-off. This framework is better for two stage tendering.
18. **OJEU procurement using the restricted procedure** - This route would allow the council to procure from the greatest number of contractors and could provide the means to secure a competitive tender from contractors who have the skills and capabilities to construct these housing schemes who are not on the established frameworks. However, due to the length of the process, this route would delay the commencement date for the works starting on site.

Proposed procurement route

19. Using a framework will be the most efficient and affective route for procurement as it enables the council to tender directly without having to go through the SQ stage. Out of the frameworks listed above, the Hyde framework appears to be the most appropriate framework for this procurement as it offers a large number of contractors who are experienced in building new homes and working on construction projects in constrained inner London sites. A mini-competition procedure will be followed as detailed below. Single stage and two stage tender is allowed. The framework runs until December 2024.
20. Access to the framework is quick and easy. The council must sign an access agreement and pay £5k.
21. The contractors in the relevant lot are (LOT 6 - London above £10M):
 - Kier Construction London
 - McLaren Construction Ltd
 - John Graham Construction Ltd
 - Wates Construction Ltd
 - Higgins Construction Plc
 - Rydon Construction Ltd
 - United Living Ltd
 - Bugler Developments Ltd
 - Hill Partnerships Ltd
 - Purelake New Homes Ltd
 - Henry Construction Projects Ltd
 - Bennett Construction Ltd
22. Many of these contractors are of a suitable size and scale, and the majority of them have experience of working on housing projects in London. The contractors have the necessary skills, experience and resources to provide the works required.
23. The project team will issue the expression of interest to all the contractors in the relevant lot.
24. The project team will review the list of Hyde framework contractors and assess their capability to undertake the works in line with the framework process. The team will identify a minimum of four contractors to be invited to tender for these works.
25. To inform the tender list the council has engaged with contractors to establish initial response to the opportunity. The shortlist and numbers of contractors to engage with will be confirmed. The contractors may be asked a number of specific questions focusing on interest, procurement route, capacity and competency.

26. The council aims to produce a very comprehensive set of information to enable the contractor to be procured on a single stage basis utilising separate JCT contracts. Currently, the envisaged separate contracts are for the demolition and enabling works including the installation of the new substation, then a separate contract for the main works. The council has carried out soft market testing to test single stage. Separation of contracts with phases allows risk to be contained to each phase but still allows benefits of having continuous dialogue and project refining with the main contractor.

Identified risks for the procurement

27.

Risk No.	Identified Risk	Likelihood	Risk Control
1	Uncertain market conditions due to COVID-19.	High	<ul style="list-style-type: none"> • The tender will not start until the market is able to respond and there are available resources to undertake the procurement. • Bidders will be asked what their Covid response is and what the impact (including financial impact) has been on their business so far.
2	Insufficient interest from framework providers in the tender which results in no bids.	Low	<ul style="list-style-type: none"> • The council has carried out soft market testing to ensure there is sufficient interest and capacity.
3	Quality of the submitted tender proposals does not meet the council's expectations.	Low	<ul style="list-style-type: none"> • The council will ensure a comprehensive tender pack is developed, in collaboration with/with advice from the project team with opportunities for site visits and mid-tender interviews.

4	Does not achieve competitiveness and value for money.	Low	<ul style="list-style-type: none"> • The council has carried out soft market testing to stimulate interest. • This procurement is a competitive bidding process. • The tender will be assessed on a price and quality basis. • The price payable to the contractor will be calculated by reference to the rates and prices set out in the contractor's pricing schedule.
5	Legal challenge to the council's use of this framework.	Low	<ul style="list-style-type: none"> • The framework is OJEU compliant and fit for purpose.

6	Contractor becomes insolvent or no longer has the capacity to deliver scheme.	Low	<ul style="list-style-type: none"> • The council will ask questions about financial status at time of bidding and contract award. The council will discuss with the contractor as part of performance monitoring and reviews. • The council will set up a news alert with one of the credit agencies. • Advice received from framework provider. • The contract will include bonds, guarantees and retentions. • The council will ensure there are provisions/indicators in the contract; that if the contractor is not performing/unable to deliver the council has the option to terminate. During construction the council will monitor onsite works for any signs the contractor may not be performing and will ensure interim valuations are undertaken precisely, so works are not over valued.
7	Planning approval delayed due to COVID-19.	Medium	<ul style="list-style-type: none"> • The council would carry out sifting but would delay going out to tender.
8	Mobilisation/construction delayed due to unforeseen site issues.	Low	<ul style="list-style-type: none"> • Site will be de-risked through site investigations and utilising separate JCT contracts.

9	Mobilisation/construction delayed and additional cost due to COVID-19 or BREXIT.	Medium	<ul style="list-style-type: none"> • The council will keep programme under review and ask questions during the procurement process about contractors site operating procedures. • Where contractors are both willing and able to continue operating, the council will support and be flexible with regards to timescales and cost. Where work has to be suspended the council will require comprehensive information as to how the site and materials will be protected. • The council will keep cost under review and report at gateway 2.
10	Difficulty with supplies for materials and additional cost due to COVID-19 or BREXIT.	Medium	<ul style="list-style-type: none"> • As part of tender contractors must provide a method statement of supply chain. • The council will have a general discussion with contractors on sub contractor supply chains. • The council will ensure that they have an adequate project contingency.
11	Un-safe working during COVID-19.	Medium	<ul style="list-style-type: none"> • As part of tender contractors must satisfy the council they can work safely. The employer's agent will carry out ongoing checks.

Key /Non Key decisions

28. This report deals with a non key decision.

Policy implications

29. The new homes programme has been shaped by the promises and commitments made in the Council Plan, such as building new council homes and deliver employment opportunities.

30. The scheme has been designed in accordance with adopted and emerging planning policy. The development plan for the borough consists of the Local Plan, Area Action Plans, Adopted Policies Map, adopted neighbourhood plans and the London Plan. The council is now updating the Southwark Plan and Core Strategy to prepare a local plan called the new Southwark Plan (NSP). This new plan will set out our planning and regeneration strategy to 2033.

Procurement project plan (Non Key decisions)

Activity	Complete by:
DCRB Review Gateway 1:	03/08/2020
CCRB Review Gateway 1:	20/08/2020
Brief relevant cabinet member (over £100k)	24/08/2020
Notification of forthcoming decision	09/12/2020
Approval of Gateway 1: Procurement strategy report	12/12/2020
Completion of tender documentation	05/03/2021
Closing date for receipt of expressions of interest	22/03/2021
Completion of short-listing of applicants	25/03/2021
Invitation to tender	29/03/2021
Closing date for return of tenders	14/06/2021
Completion of clarification meetings/presentations/evaluation interviews	30/06/2021
Completion of evaluation of tenders	07/07/2021
DCRB Review Gateway 2: Contract award report	19/07/2021
CCRB Review Gateway 2: Contract award report	29/07/2021
Notification of forthcoming decision	04/08/2021
Approval of Gateway 2: Contract Award Report	11/08/2021
End of scrutiny Call-in period and notification of implementation of Gateway 2 decision (If GW2 is key decision)	20/08/2021
Debrief Notice and Standstill Period (if applicable)	27/08/2021
Contract award	31/08/2021
Add to Contract Register	01/09/2021
Place award notice on Contracts Finder	01/09/2021
Contract start	27/09/2021
Initial Contract completion date	26/09/2023

TUPE/Pensions implications

31. There are no specific implications for this contract.

Development of the tender documentation

32. The council has appointed a project team (subject to separate gateway approvals); including an architect to develop the concept design and an employer's agent who will collate the tender pack.
33. The council's own employer's requirements will be used. The contract used will be JCT Design and Build 2016 which is supported by the Hyde framework and the council's own schedule of amendments to JCT contract. A parent company guarantee will also be required from the main contractor.

Advertising the contract

34. Contractors will be invited to tender via the council's electronic tender portal -ProContract.

Evaluation

35. As there are no specific evaluation requirements stipulated within the Hyde framework the award criteria will follow the Most Economically Advantageous Tender (MEAT) protocol. The assessment of the tenders will be based on price: quality: social value ratio of 50:35:15.
36. Price (50%) shall be evaluated by the quantity surveyor who will compile a tender report to be reviewed by the project manager. The quantity surveyor will use the standard differential model.
37. Quality (35%) shall be evaluated by the employer's agent, project manager and programme manager.
38. Social value will be scored in line with the social value requirements of the Fairer Future Procurement Framework and given 15% of the weighting.
39. The tender panel will evaluate the quality of submissions and will score each question out of 5 as detailed in the following table.

Assessment	Score	Basis of score
Cannot be scored	0 points	No information provided or incapable of being taken forward either because the supplier does not demonstrate an understanding of our requirements or because the solution is incapable of meeting our requirements.
Unsatisfactory	1 point	Although the supplier does demonstrate an understanding of our requirements there are some major risks or omissions in relation to the proposed solution to deliver the service and we would not be confident of our requirements being met.
Satisfactory	2 points	A response which is capable of meeting our requirements but is unlikely to go beyond this.
Good	3 points	A response which shows that the supplier demonstrates an understanding of our requirements has a credible methodology to deliver the service and could evolve into additional benefits.
Very Good	4 points	A response which shows that the supplier demonstrates an understanding of our requirements, has a credible methodology to deliver the service alongside a clear process and plan to deliver additional benefits and deliver value.
Excellent	5 points	A response which shows how the service can comprehensively be taken to the next level in terms of exceeding our requirements and/or offering significant added value to the council's overall strategic requirements and objectives.

40. Tenderers will be required to provide information to support their quality submission that demonstrates their ability to fulfil the employer's requirements. The quality assessment will include the criteria detailed below, with each criterion weighted in relation to the level of importance put upon it:

- Completeness of mini tender submission
- Acceptance of call off documents
- Employment, training and equal opportunities
- Methodology and resources
- Sustainability: Methodology and experience
- Risk management: Methodology, early warning system and air logs/RAID documents
- Defects and customer care: Defects minimization, defects checks, and defects resolution

41. Tender evaluation guidelines and criteria will be included in the tender documentation.

42. All scores will undergo a consensus scoring process. Post tender clarification will be raised if required.
43. The overall score for evaluation will be calculated by adding the scores for price and quality together. The contract will be recommended for award to the highest ranked tenderer.
44. Where there are joint scores for the highest place the award will be based on the highest score achieved on price. This will be declared in the tender document.

Community impact statement

45. Since the inception of this project there has always been a strong emphasis on engagement with the local community. The Statement of Community Involvement (SCI) was drawn up in support of the planning application for the proposed mixed use development.

Social Value considerations

46. 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 details of how social value will be incorporated within the tender are set out in the following paragraphs.

Economic considerations

47. The council is an officially accredited London Living Wage (LLW) employer and is committed to ensuring that, where appropriate, contractors and subcontractors engaged by the council to provide works or services within Southwark pay their staff at a minimum rate equivalent to the LLW rate. 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 higher 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 LLW requirements and contract conditions requiring the payment of LLW will be included in the tender documents. As part of the tender process, bidders will also be required to confirm how productivity will be improved by payment of LLW. Following award, these quality improvements and any cost implications will be monitored as part of the contract review process.

Social considerations

48. The contract will commit the successful tenderer to the appointment of an apprenticeship for every £1 million value of the contract. The council will

report back in the gateway 2 report. This will be assessed in line with the Fairer Future framework.

49. The Hyde framework includes for the delivery of other employment and training initiatives.
50. The Social Value Portal will be used as part of the evaluation criteria and through this tool, bidders will be scored against a set of Themes, Outcomes and Measures aligned to the Council's Fairer Futures Procurement Framework.

Environmental/Sustainability considerations

51. The scheme will be designed to achieve and exceed the national, regional and local targets, as outlined at the National Planning Policy Framework, the London Plan Policy and the council's policies.

Plans for the monitoring and management of the contract

52. The contract will be monitored and managed by the project manager and housing regeneration programme manager. Potter Raper Ltd will act as employer's agent.
53. The lead contract officer will ensure that systems are in place to manage and monitor the contract in respect of at least:
 - a) Compliance with specification and contract
 - b) Contractor performance and KPIs
 - c) Budget and cost
 - d) User satisfaction
 - e) Risk management
 - f) Delivery of social value commitments, including London Living Wage.
54. Throughout the contract, the performance of the contractor and the contribution of the contractor to the achievement of the framework objectives shall be monitored and assessed by reference to the KPIs incorporated into the contract. An annual monitoring report will be presented in accordance with contract standing orders.

Staffing/procurement implications

55. The project manager is responsible for ensuring that the programme is adequately resourced and coordinated to deliver its objectives and procured efficiently and effectively in accordance with best practice for major projects procurement.

Financial implications

56. The cost of this procurement will be funded from resources to support the Housing Investment Programme (including S106, borrowing and GLA grant), and the General Fund. GLA grant secured is £600k for 10 units

(£60k per council home), and there is a potential to secure another £600k for an additional six units increasing the grant amount to £1.2m.

57. As this project includes a commercial block (Block A) and is going to be delivered directly, a Capital bid of £2.3m was approved by the cabinet on 7 April 2020 to fund the commercial element. Block A of this project is now a General Fund scheme and block B is a Housing Investment Programme scheme. Since the capital bid was approved, the estimated cost of Block A had gone up to £3.406m due to the increased cost of providing B1c 'light industrial' which is a planning requirement. This matter was discussed in the Housing Investment Board on 3 June 2020 and in that meeting it was agreed that a capital bid for additional funding of £1.106m will be put forward in the next cabinet meeting for cabinet approval. Although the project may proceed to tendering stage, however, award of the contract for Block A will only be done, once all the required funding is fully secured.
58. The estimated cost of this procurement is £12m and forms part of the £14.8m estimated total scheme cost. This will be coded to Parkhouse Street housing investment (R-5014-0000.16) for the housing element and general fund (R-4020-0343) for the commercial element, for effective monitoring and reporting.
59. The viability of the scheme will be detailed in gateway 2.

Build costs

Block A	£2,715,000
Block B	£9,343,000
Total estimate	£12,058,000

Scheme costs and funding

	Total budget	HRA funding	GF funding
Council homes	£5,183,000	£5,183,000	
Private homes	£5,924,000	£5,924,000	
Commercial	£3,702,000	£296,000	£3,406,000
Total scheme cost	£14,809,000	£11,403,000	£3,406,000

Legal implications

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

Consultation

61. In 2015 a feasibility study was undertaken by HTA Architects which gave a number of design options for development of the site. The council held their first public consultation in January 2016, and a second public consultation in April 2016 presenting a refined design proposal. The council then held a public exhibition in February 2017 and in April 2017 submitted a planning application, however following feedback from the planning department, design revisions began in September 2017.
62. In March 2018 the council held a public consultation to present the new design and in January 2019, the council submitted for planning, however following feedback from the planning department, design revisions began in September 2019.
63. In February 2020, the council held a public exhibition of the final proposal and the revised documents/drawings were submitted in March 2020. Documents are available online to view or comment. The scheme is to be considered by the planning committee.
64. The council will write to residents informing them of the hoarding erection date and anticipated start on site and will host an initial resident stakeholder meeting on site and introduce contractor /contractor Resident Liaison Officer (RLO).

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Head of Procurement

65. This report seeks approval for the procurement strategy as outlined in paragraphs 1-3.
66. The forecast value of this procurement will be over the EU threshold, and so an OJEU compliant route to market has been selected based on an assessment of a number of frameworks as well as some soft testing of the market. The Hyde framework is believed to be best suited for this scheme which has a fee of £5,000 per call off transaction.
67. A weighting for price/quality/social value has been determined of 50:35:15 as this is in line with Hyde framework guidance and offers best value for money. Demonstration of good Equalities, Diversity & Inclusion practices will also be assessed as part of the tender evaluation.
68. Procurement has been consulted throughout and will work closely with Regeneration on development of tender documentation.

Director of Law and Governance

69. This report seeks the approval of the Cabinet Member for Social Regeneration, Great Estates and New Council Homes to the procurement strategy for the construction of new homes at 21-23 Parkhouse Street as further detailed in paragraphs 1 and 2. As the value of these works contracts is estimated at £12m the approval of the procurement is reserved to the individual decision maker, after consideration by CCRB of the report.
70. The scope and value of these works means that the procurement is subject to the full tendering requirements of the Public Contract Regulations 2015 (PCR15). However as noted in paragraph 19, it is the intention to procure these works through the Hyde framework. This framework has been established following an EU compliant tendering process and allows other authorities to use the framework for their own requirements. The tendering requirements of the PCR15 are therefore satisfied. To access the framework the council must enter into an access agreement with Hyde and pay the fee of £5k.
71. 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 paragraph 45 and the consultation (noted at paragraphs 62-65) that has taken place and is to take place, which should be considered when approving the recommendations in this report.

Strategic Director of Finance and Governance

72. This report seeks the approval of the Cabinet Member for Housing to the procurement strategy for the construction of new homes and commercial premises at 21-23 Parkhouse Street. The cost of this procurement is estimated at £12m and £14.8m for the project overall, inclusive of fees and contingency, and the financial implications section sets out how this is to be funded from the Housing Investment and General Fund capital programmes. Any other costs connected with this contract are to be contained within existing departmental revenue budgets.

BACKGROUND DOCUMENTS

Background Documents	Held At	Contact
Gateway 1 - Southwark Regeneration in Partnership Programme Procurement Approval	Regeneration - Capital Works and Development, 5 th Floor, Hub 1, Tooley Street, London, SE1 5LX	Cat Janman 020 752 50659
http://moderngov.southwark.gov.uk/documents/s57186/Report%20Gateway%201%20-%20SRPP%20Procurement%20Approval.pdf		
Southwark Regeneration in Partnership Programme	Regeneration - Capital Works and Development, 5 th Floor, Hub 1, Tooley Street, London, SE1 5LX	Cat Janman 020 752 50659
http://moderngov.southwark.gov.uk/documents/s51232/Report%20Southwark%20Regeneration%20In%20Partnership%20Programme.pdf		

APPENDICES

No	Title
Appendix 1	Site plan

AUDIT TRAIL

Lead Officer	Bruce Glockling, Head of Regeneration - Capital Works and Development	
Report Author	Cat Janman, Project Manager (Housing Regeneration)	
Version	Final	
Dated	11 January 2021	
Key Decision?	No	
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 Governance	Yes	Yes
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team		14 January 2021