

Item No.	Classification: Open	Date: 26 August 2021	Meeting Name: Strategic Director of Housing and Modernisation
Report title:		Gateway 2 - Approval for the procurement of Rennie Estate contract works	
Ward(s) or groups affected:		South Bermondsey Ward	
From:		Director of New Homes	

RECOMMENDATION(S)

The Strategic Director of Housing and Modernisation in consultation with the Cabinet Member for Council Homes and Homelessness:

1. Approves the award of a works contract for Rennie Estate to Hill Partnership Ltd for the contract sum of £13,803,031 commencing from 15 October 2021 for a period of 104 weeks.
2. Notes the total scheme cost of £16,310,299 includes associated on-costs and a contingency sum as noted in the closed report.

BACKGROUND INFORMATION

3. Planning permission was granted on 15 March 2021 for the redevelopment of the existing garage site to create 49 new homes (20 x 1-bed, 17 x 2-bed flats, 10 x 3 bed flats and 2 four bed flats) in two buildings (one of 12 storeys and one of 5 storeys) with associated hard and soft landscaping, and estate improvements to the greater Rennie Estate.
4. In line with the Council's commitments to achieving Net Carbon Zero by 2030, this scheme has designed so as to deliver an energy efficient building that takes account of a range of interventions including both the construction period and the life-cycle costs to the end user. This is detailed further in paragraph 46.
5. Residents have been involved throughout the evolution of the scheme and have fed into the landscaping proposals and enhancements to the open space in the area. This includes an outdoor gym and a range of playspaces.
6. The planned procurement strategy was the subject of a Gateway 1 report which was approved by the Lead Member for Council Homes and Homelessness on 10 June 2020. The Gateway 2 report was delegated to the Strategic Director of Housing and Modernisation in consultation with the then Cabinet Member for Social Regeneration, Great Estates and New Council Homes.

7. The Gateway 1 report set out the intention to undertake a Restricted OJEU compliant procurement exercise.
8. The procurement strategy relates to the council's 11,000 new homes programme.
9. Tenders were sought on the basis of a JCT Design & Build Contract 2016 (with Southwark's standard amendments) together with Southwark's Employers Requirements and the Stage 3+ scheme design.
10. The works contract will be for a fixed period of 104 weeks from the date of the transfer of site possession from the council to the contractor.

Procurement project plan (Key Decision)

11. See table below:

Activity	Completed by/Complete by:
Forward Plan for Gateway 2 decision	01/05/2021
Approval of Gateway 1: Procurement Strategy Report	10/06/2020
Invitation to tender	01/02/2021
Closing date for return of tenders	12/04/2021
Completion of evaluation of tenders	12/06/2021
Briefed relevant cabinet member (over £100k)	05/07/2021
DCRB Review Gateway 2:	26/07/2021
CCRB Review Gateway 2:	29/07/2021
CMT Review Gateway 2: (If applicable)	N/A
Notification of forthcoming decision – Five clear working days	11/08/2021
Approval of Gateway 2: Contract Award Report	19/08/2021
Scrutiny Call-in period and notification of implementation of Gateway 2 decision	07/09/2021
Debrief Notice and Standstill Period (if applicable)	01/09/2021
Contract award	10/09/2021
Add to Contract Register	13/09/2021
Contract start	15/10/2021
Publication of award notice in line with Public Contract Regulations	15/10/2021
Publication of award notice on Contracts Finder	15/10/2021

Activity	Completed by/Complete by:
Contractor commences on site work	17/01/2022
Contract completion date	16/01/2024

KEY ISSUES FOR CONSIDERATION

Description of procurement outcomes

12. The procurement was designed to select one contractor who will deliver construction works in line with the planning approval for the Rennie Estate Garages.
13. The tendered price is considered to be competitive and compares favourably with other projects within the 11,000 new homes programme of this complexity. The tender sum is below the pre-tender cost estimate for the works (estimated by Quantity Surveyor Martin Arnold).

Key/Non Key decisions

14. This report deals with a key decision.

Policy implications

15. These 49 new homes at Rennie Estate are in line with the council's principles and visions for a new housing strategy which is aimed at increasing the availability, affordability and quality of homes in the borough. The new homes will play a key role in assisting the council to achieve its target of building 11,000 new homes by 2043.

Tender process

16. The Rennie Estate construction contract was tendered via a restricted OJEU complaint process, which consisted of a Supplied Qualification Questionnaire (SQQ) and Invitation to Tender (ITT).
17. The tendering exercise was undertaken using the council's E Procurement portal, Pro Contract 3.
18. An OJEU notice was published on 14 October 2020 with a deadline for the PAS91 SQ on 13 November 2020.
19. 15 contractors submitted an SQQ, from which six contractors were invited to tender in accordance with the guidance in the ITT.
20. The ITT was issued on 01 February 2021 and the closing date for the tenders was 12 April 2021. Only five out of the six firms invited to tender submitted a tender.

21. The quality section of the tenders was evaluated by two LBS officers and one representative from Martin Arnold (appointed Employer's Agent and Quantity Surveyor for the project). A consensus scoring method was used during this evaluation.
22. The price and contract sum analysis were examined by the appointed Quantity Surveyor for the project, Martin Arnold. A credit check and financial checks on each tenderer were completed by the council's Finance department.

Tender evaluation

SQQ

23. Tenders were asked to submit SQQ method statements on the following:
 - a. Experience - 30%
 - b. Delivery, Quality and Compliance – 40%
 - c. Living Wage, Apprenticeships and Local Labour – 30%
24. A summary of the outcome of the SQQ evaluation is within the closed report.
25. The top 6 were invited to tender.

Invitation to Tender

26. The tenders were evaluated on the basis of a 50/40/10 price/quality/social value split. The Gateway 1 noted 60/30/10 price/quality/social value split but allowed minor changes to this; taking into consideration the importance of achieving good quality standards, the project team increased the weight of quality to 40% whilst decreasing the weight of price to 50%.
27. 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. Design Management – 8%
 - b. Subcontractors – 8%
 - c. Constraints and Mobilisation – 8%
 - d. Fire safety – 8%
 - e. Local Community Engagement – 8%
28. The questions within the quality assessment were weighted as listed and detailed in the tender evaluation assessment criteria included within the tender documents.

29. Only five out of the six firms invited to tender submitted a tender as one supplier withdrew from the tender process due to workload and resources constraints.
30. All tenderers met the quality threshold scores (minimum of two out of five marks) in accordance with the evaluation assessment criteria. No tenderers were excluded.
31. The successful tenderer was Hill Partnership Ltd. The combined scores achieved by Hill Partnership Ltd are as follows: 28.8% in Quality, 5.58% in Social Value and 48.97% in Price for a total score of 83.35%.
32. A full breakdown of quality, social value and cost scores for all tenderers is provided in the closed report and associated appendices.

Plans for the transition from the old to the new contract

33. Not applicable as not a transition to a new contract.

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 in the New Homes Division of the Housing & Modernisation Department. Performance of the construction team will be subject to constant scrutiny and monthly formal review including reviews on cost, quality and programme. The officer client team will use a number of mechanisms for monitoring and controlling the financial and programme performance of the contract, including:
 - Strategic cost plan, which will be regularly reviewed and updated
 - Monthly site meetings and monthly progress reports
 - Monthly financial statements by the contractor and verification by the Employers Agent
 - Monthly appraisals of progress against programme
 - Weekly quality inspections and report on construction progress
 - Tracking and chasing actions on critical issues
 - Periodic project team 'look ahead' workshops covering key phases of work and risks
 - Risk and issues log
 - Annual monitoring reports in line with contract standing orders (CSO).
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 & Modernisation.

Identified risks for the new contract

37.

RISK		RISK LEVEL	MITIGATION ACTION
1	Contractor has inadequate resources and management arrangements to mobilise and deliver the contract	Low	The New Homes Delivery Team will monitor the contract and regularly review performance.
2.	Contractor becomes insolvent, ceases trading and goes into administration	Low	The Asset Management Procurement Team has undertaken a credit check that gives Hill Partnership Ltd an excellent score in April 2021 and is satisfied that the credit scoring is satisfactory. LABC / NHBC insolvency cover will be obtained by the contractor.
3.	Project cost overruns	Low	The form of contract used for this project is a JCT Design and Build 2016 contract and 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 militate against there being any unforeseen site conditions or abnormalities. Any future variations will be fully scrutinised, justified and costed by the Employer's Agent prior to instruction. Value engineering will take place where necessary to ensure that the budget is achieved. It should be noted that the EA has noted that volatility in the market is causing overruns on a number of schemes across London and have proposed an increased contingency to reflect this. This has been added to the costs should it be required
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	Any extension of times will be fully scrutinised, justified and costed by the Employer's Agent and concerns monitored at regularly meetings with the contractor. Liquidated Ascertained Damages sums have been included as part of the contract and will be claimable should the project overrun without justification. Project progress will be monitored and slow progress will be addressed in the monthly project meetings.
6	Contractor seeks 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	Covid-19	Medium	At time of writing there could still be supply chain delays, labour shortages and new methods of working that may impact upon timescales for delivery. This will be monitored together with national and local guidance on policy and supply chain activity.
8	Procurement process	Low	Risk of challenge is mitigated as procurement process has been followed in line with CSOs and the PCR 2015 Regulations.
9	Post Brexit impact	Medium	Potential risk with availability of labour and materials. Potential impact to the works programme and cost. Southwark will enter into a fixed price contract with the

			<p>contractor. There are no fluctuations permitted in the contract to allow the contractor to claim additional costs for materials or labour. The UK left the EU on the 31 January 2021 so the tenders were received post Brexit. As such, the tendered rates are deemed to include any price increases relating to Brexit.</p> <p>The programme will be fixed as soon we enter into contract with the contractor so the council's risks are reduced/mitigated as soon as the contract is signed. If there are cost increases in materials, and there is a delay in entering into contract and costs continue to increase or availability is affected, there will be a risk that the contractor may try to negotiate an uplift, or not sign the contract.</p> <p>If materials/products are not available, the council will need to take a pragmatic view and consider any alternative products that the contractor may offer.</p>
11	Relocation of UKPN substation and high voltage cables is included in the current proposal.	Medium	<p>Whilst this does not impact on the construction of the buildings themselves, it is essential to ensure power is provided to them for testing and commissioning of services and therefore delays in its installation will cause delays to the overall completion. Early engagement with UKPN is required from contractor and estimated costs have been provided.</p>
12	Archaeological findings	Low	<p>An archaeological report was carried out on the site; this highlights high risk for prehistoric remains due to soil contain. Planning condition requires a written scheme of evaluation to</p>

			assess the works as well as the proposed foundations designs.
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Other considerations (For Housing Department works contracts only)

- 38. 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.

Community impact statement

- 39. Southwark is a borough with high levels of deprivation, low income levels and high levels of housing need. Southwark’s Housing Strategy 2009-16 identified that there is a shortage of affordable housing in the borough, particularly of larger homes. Households from black and ethnic minority communities tend to be over-represented among those living in overcrowded, poor quality housing.
- 40. 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.
- 41. The proposals to increase the supply of affordable, good quality homes will benefits households in need from all Southwark communities, and will increase the housing options available to older people and people with disabilities.
- 42. Those households in the vicinity of the new developments may experience inconvenience and disruption in the short term, whilst works are taking place but such communities will benefit in the longer term from the provision of new homes particularly as at least 50% of these homes will be let to existing tenants from the local area subject to an agreed local lettings policy.
- 43. 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.

Social Value considerations

- 44. The Public Services (Social Value) Act 2012 requires that the council considers, before commencing a procurement process, how wider social, economic and environmental benefits that may improve the 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.

45. The council's approach to procurement of design, development and construction process will ensure a requirement to maintain and improve the sustainability of the project.
46. 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.
 - The new building will use air source heat pumps to provide heating and hot water to reduce carbon emissions and also save energy costs for our residents.
47. Hills Partnership Ltd will be participating in a local employment and training initiative in line with the Southwark Economic Wellbeing Strategy 2012-20. Hill Partnership Ltd pledged to employ local subcontractors where possible, use labour and shall offer six apprenticeships, and work placement opportunities to the community. Hill has also committed to support unemployed people into work via working with local Job Centre Plus to provide interview practice, CV workshops and guidance to enable applicants to become job ready; to use local supply chain via identifying new, locally based suppliers for the contract through their meet the buyer events; to provide equality, diversity and inclusion training for their staff and subcontractors; to support local community projects focusing on local 'clean and green' activities in and around the estate; and will identify 2 job roles that will be targeted as supported employment opportunities for people with a disability.

Economic considerations

48. 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.
49. The council is an officially accredited London Living Wage (LLW) Employer and is committed to ensuring that, where appropriate, contractors and subcontractors engaged by the council to provide works or services within Southwark pay their staff at a minimum rate equivalent to the LLW rate. The Gateway 1 report dated 10 June 2016 confirmed for the reasons stated in that report, payment of LLW was an appropriate and best value requirement for this contract. Hill Partnership Limited has confirmed that they will meet the LLW requirements. Following award, quality

improvements and cost implications linked to the payment of LLW will be monitored as part of the contract review process.

Social considerations

50. The new housing will provide high quality affordable housing for local people in need of accommodation. Under our current local lettings policy, at least 50% of these new council homes will be let to tenants in housing need in the immediate area. However, consultation is being undertaken with residents about a new local lettings policy, which could mean that up to 100% of new council homes are let to local residents. The remainder will be made available to other households in need of accommodation from the council's housing register.
51. The new rented homes will be let at social rent levels.
52. The council can exclude companies who break the law by blacklisting or have not put into place genuine actions concerning past black listing 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 personal 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.
53. The council has requested the necessary information from Hill Partnership Limited (using the council's standard documentation in relation to blacklisting) and they have confirmed that they are not in breach of the requirements under Regulations 3(1) of the Employment Relations Act 1999 (Blacklisting) Regulations 2010. The contract conditions also include an express condition requiring compliance with the Blacklisting Regulations and include a provision to allow the contract to be terminated for breach of these requirements.
54. The contractor is obliged to work with council approved local employment and skills agencies to recruit borough residents into construction industry apprenticeships. Hill Partnership Limited will provide six apprenticeships and training and work placement opportunities as part of the contract. As part of the process this figure is considered a deliverable and realistic target for a scheme of this scale.

Environmental/Sustainability considerations

55. The Council has declared a climate emergency. By delivering sustainable homes and investing in high quality and well-designed buildings and estates, the council aims to achieve positive impacts that will benefit the environment and increase the stock of environmentally friendly buildings within the borough.
56. As part of the design development process, there will be a requirement for environmental assessments to be completed, with a view to identifying the impact of any proposed development.

Market considerations

57. The market for construction related consultancy services is good. Six were invited to tender and five responded. This level of response is considered to be good.

Staffing implications

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

Financial implications

59. The value of the contract arising from the procurement described in this report forms part of a wider programme. The project will also have associated on costs which includes the contingency routinely added to all design and build contracts to cover unknown risks.
60. The costs of delivery of new council rented homes can be part financed from grant funding from the Greater London Authority's Affordable Homes Programme. This scheme has been allocated GLA funding (with 50% drawdown on start on site and 50% on practical completion), with the remaining costs being financed from resources supporting the Housing Investment Programme, including borrowing if required.

Investment implications

61. The costs of this contract will be charged to the respective project cost programmed in the capital allocation for new homes delivery budgeted within the council's Housing Investment Programme.

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

62. A FAME financial check has been undertaken, which details the following:
 - A credit score which indicates the company is secure with failure normally occurring only as a result of exceptional changes within the company or the market in which it operates.

63. In line with the requirements of the Contract Standing Orders, this report confirms that a procurement using a restricted OJEU complaint process was undertaken and the correct procedures followed.

Legal implications

64. Please see concurrent from the Director of Law and Governance.

Consultation

65. Local residents will be consulted at each stage of the development of each project as outlined in the Charter of Principles agreed by Cabinet in November 2014.

Other implications or issues

66. Not applicable

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Finance and Governance (H&M21/052)

67. The report seeks approval from Strategic Director of Housing and Modernisation in consultation with the Cabinet Member for Council Homes and Homelessness to award the works contract for 49 new homes for Rennie Estate to Hill Partnership Ltd for a total cost of £16,310,299 including on costs and contingency.
68. The financial implications section sets out how these costs are to be funded.
69. Full details of the financial implications are included in the closed report.

Head of Procurement

70. The Strategic Director of Housing and Modernisation in consultation with the Cabinet Member for Council Homes and Homelessness approves the award of a works contract for Rennie Estate to Hill Partnership Ltd for a cost of £16,310,299 (including on costs and contingency) for a period of 104 weeks commencing from 15 October 2021.
71. The tender process is detailed in paragraphs 16 to 32, monitoring and management of the contract is detailed in paragraphs 34 to 36, the risks are detailed in paragraph 37, social value commitments are detailed in paragraph 47 and confirmation of the payment of London Living Wage is detailed in paragraph 49.

Director of Law and Governance

72. This report seeks the approval of the Strategic Director of Housing and Modernisation to the award of contract to Hill Partnership Limited for works at the Rennie Estate as further detailed in paragraphs 1 and 2. As required when this decision was delegated to the Strategic Director, this approval is being made in consultation with the Cabinet Member for Council Homes and Homelessness.
73. As the contract value for these works exceeds £13m, the contract was subject to the full tendering requirements of the Public Contract Regulations 2015 (PCR15). As noted in paragraph 18, the procurement for these works was advertised through OJEU and tendered in accordance with PCR 15. The council, using the evaluation methodology set out in the tender documents, identified that the most economically advantageous tender has been submitted by Hill Partnership, who is therefore recommended for award.
74. 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 39-43 setting out the consideration that has been given to equalities issues which should be considered when approving the recommendations in this report.
75. 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 59-61 confirm the financial implication of this award.

Director of Exchequer (for housing contracts only)

76. Non applicable.

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 (and as otherwise recorded in Part B below).



26 August 2021

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 that are sufficiently important and/or sensitive that a reasonable member of the public would reasonably expect it to be publicly available (see 'FOR DELEGATED DECISIONS' section of the guidance).

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
none
5. NOTE OF ANY DISPENSATION GRANTED BY THE MONITORING OFFICER, IN RESPECT OF ANY DECLARED CONFLICT OF INTEREST
<i>If a decision taker or cabinet member is unsure as to whether there is a conflict of interest they should contact the legal governance team for advice.</i>
none

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	160 Tooley Street, SE1	Tim Bostridge
Tender Report	160 Tooley Street, SE1	Tim Bostridge
BvD FAME background checks carried out for tenderers	160 Tooley Street, SE1	Tim Bostridge

APPENDICES

No	Title
n/a	

AUDIT TRAIL

Lead Officer	Stuart Davis, Director of New Homes Development	
Report Author	Janeth Aguilera, Project Manager	
Version	Final	
Dated	12 August 2021	
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 Governance	Yes	Yes
Director of Exchequer (for housing contracts only)	N/A	N/A
Date final report sent to Constitutional Team		26 August 2021