

Item No.	Classification: Open	Date: 21 January 2022	Meeting Name: Strategic Director of Housing Modernisation
Report title:		Gateway 2 - Contract Award Approval Contractor Services for the Tenda Road	
Ward(s) or groups affected:		South Bermondsey	
From:		Director of New Homes	

RECOMMENDATION(S)

The Strategic Director of Housing and Modernisation:

1. Approves the award of works contract for Tenda Road to Roof Limited for a fixed period of 52 weeks from 17 January 2022, for the contract sum of £3,268,601.42.
2. Notes that following an allocation of £1,200,000 of grant from the Greater London Authority, the total cost per unit is £100,000.

BACKGROUND INFORMATION

3. Planning permission was granted on 19 July 2017 for 12 social rented homes with communal amenity space and landscaping improvements to a pedestrian footway.
4. A procurement exercise was undertaken in early 2018 and the contract was awarded to Collier Contracts Ltd for the sum of £1,943,027.57. Collier Contracts Ltd (Collier) had demonstrated their experience of delivering comparable residential projects with a track record of working with social housing providers, and were the most economically advantageous tender. Their contract sum was scrutinised and verified by the employer's agent and the contract was let on 23 January 2018 with the contractor taking possession of the site in August 2018.
5. The project resulted in the contract with Collier being terminated on 15 December 2020 .
6. A new Gateway 1 was approved by the Strategic Director of Housing and Modernisation on the 17 August 2020 to engage in a single supplier negotiation with Roof Limited (Rooff) at a total estimated cost of £1,600,000.
7. A Gateway 1/2 report was approved on the 01 April 2021 by the Director of New Homes to enter into a Pre-Contract Services Agreement (PCSA) for the sum of £78,613. The total cost of the PCSA is estimated to come to approximately £210,000 in light of the scale of the remedial work undertaken by Roof. A revised Gateway 3 approval report reflecting the updated final

costs will be submitted for approval in January 2022 when the services under the PCSA are due to be completed .

8.

Procurement project plan (Key decisions)

Activity	Completed by/Complete by:
Briefed relevant cabinet member (over £100k)	01/09/2021
Approval of Gateway 1: Procurement Strategy Report	17/08/2020
DCRB Review Gateway 2: Contract award report	13/12/2021
Notification of forthcoming decision	23/12/2021
Approval of Gateway 2: Contract Award Report	23/12/2021
End of scrutiny Call-in period and notification of implementation of Gateway 2 decision (If GW2 is key decision)	14/01/2022
Contract award	17/01/2022
Add to Contract Register	18/01/2022
Place award notice in Find a Tender Service	18/01/2022
Publication of award notice on Contracts Finder	18/01/2022
Contract start	18/01/2022
Contract completion date	18/01/2023

KEY ISSUES FOR CONSIDERATION

Description of procurement outcomes

- 9. The proposed contract sum differs from the pre-negotiation cost which was estimated by Robinson Low Francis (RLF) who were the employer’s agents at the time. The change is due to the different scope of work that will need to be undertaken by Roof, and differing market conditions.

Key/Non Key decisions

- 10. This report deals with a key decision.

Policy implications

- 11. The completion of these new homes aligns 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

12. The tender process has been a single supplier negotiation.

Tender evaluation

13. The following table outlines the original budget and the estimated final cost, which includes the quote, PCSA outline in paragraphs 1 and 2:

Contractor	Total Scheme Costs	Total Cost Per Unit	Works Cost Per m²
Original Budget	£2,560,323	£213,360	£160,742
Forecast Spend	£6,338,109	£528,176	£397,919

14. The estimated cost of this project has significantly increased to more than double the original budget, which brings the works cost per unit £397,919 and the total cost to £528,176 per unit. This is above the council's estimated budget cost per unit across the programme of £330k per unit, however it is considered the best option for taking this project forward (see paragraphs 19 to 23).

15. The council's options on moving the scheme forward and bringing it to completion are limited. Roof have worked with the council to identify all of the problems with the work to date and the costs involved in rectifying these and completing the project. These costs have been scrutinised by Baily Garner, our employer's agent, who ensured that the costs are accurate and represent the best value in the current circumstances. This contract should result in the building being completed and ready for occupation within the next 12 months.

16. Roof proposed Contractor, Baily Garner Employer's Agent and SWJ Structural Engineer undertook a site inspection to assess the condition of the structure once appointed for the Tenda Road scheme. In attendance was Roof - Construction Director, Baily Garner - Head of Technical Quality and Project Team Leader, and Structural Engineer Managing Director.

17. Technical reports were produced by Baily Garner and SWJ detailing their concerns and identifying defects. To reduce the risks of further damage a temporary roof was installed. Opening up works were also undertaken to expose areas of brick and blockwork and allow further inspection within the cavity areas.

18. During the PCSA period Roof have been instructed on a number of remedial works and also appointed further consultants, such as a drainage engineer to inspect the below ground drainage. Following this process a considered remedial package was been produced.

19. A meeting was held with the Building Control officer to discuss the remedial works proposals. This had been a positive meeting and the Building Control Officer verbally advised he would foresee no issues to provide the Building

Control Certificate, providing the proposed remedial works were undertaken. Further engagement and inspection is expected during the Main Contract with the Building Control Officer.

20. NHBC were originally appointed as the warranty provider. The project team, and Sharpe Pritchard had a meeting with NHBC to provide them with an overview of the scheme, works completed by Collier and to obtain a status update from the NHBC.
21. Advantage Home Construction Insurance since have confirmed they would be prepared to offer the council a 12 year warranty. The insurer has accounted for a set number of stage site inspections within the premium and will charge additional fees for site surveys should more be required. This will be varied by the council as part of the contract formalisation.
22. Advantage has been issued with the structural report, the remediation proposals prepared by Roof and Clerk of Work reports so that they can discuss this scheme with their insurance providers.
23. Whilst this report is seeking approval to award the contract to Roof, it is felt that an assessment of the option to demolish and rebuild would be appropriate.

Terminating the Scheme

24. This would leave the council with £1.95 m of costs which would need to be written off plus the cost of demolishing the current building and a vacant site.
25. This would afford the council the opportunity of disposing of the site and recouping their loss but would renege of the promise of delivering council homes on this site.
26. The project could be started again from scratch with a new contractor, however based on current tender return rates, it would cost an estimated £4.5m (works contracts and associated fees). This would bring the overall cost in excess of the current projected spend and would mean the site remaining vacant for a further 9 to 12 months whilst tendering the contract, with a further 18 months of new building works before completion.
27. There is also a notable unfavourable environmental impact of demolishing the concrete core in order to reconstruct the block. By opting to continue on with the build we reduce the deleterious effect of the additional carbon emissions that would have been generated demolishing and rebuilding.
28. At this stage of the works it would place the council in a preferred reputational standing should the scheme complete from the point where we now stand rather than demolishing and rebuilding.

Tendering the Work

29. This would delay the project by at least six months and it would undermine the work done to date with Roof.
30. There may be reluctance from the market to tender for this kind of work and there is a high risk of a lack of interest in a single stage tendering exercise. A two stage exercise would possibly address that risk. However what may seem to be a more competitive initial return, is likely to result in a similar or higher price due to cost inflation once a successful contractor has undertaken their due diligence.

Plans for the transition from the old to the new contract

31. The old contract has been terminated, Roof have undertaken their due diligence on the scheme and undertaken some rectification work through the PCSA and are in the process of agreeing the form of contract with the council.

Plans for monitoring and management of the contract

32. The council's contract register publishes the details of all contracts over £5,000 in value to meet the obligations of the Local Government Transparency Code. The Report Author must ensure that all appropriate details of this procurement are added to the contract register via the eProcurement System.
33. The project clienting, including the management and administration of contractor appointment, will be run and resourced through the new homes delivery team in the asset management 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:
- a. Strategic cost plan, which will be regularly reviewed and updated.
 - b. Monthly site meetings and monthly progress reports.
 - c. Monthly financial statements by the contractor and verification by the Employers Agent.
 - d. Monthly appraisals of progress against programme.
 - e. Tracking and chasing actions on critical issues.
 - f. Periodic project team 'look ahead' workshops covering key phases of work and risks.
 - g. Risk and issues log.
 - h. Annual performance reports in line with Contract Standing Orders
34. Payment will be made on a monthly basis of a valuation that has been verified and agreed by the Bailey Garner.

35. The internal governance arrangements for the new homes programme resides with the Delivery Programme Board, chaired by the Strategic Director of Housing & Modernisation.

Identified risks for the new contract

RISK		RISK LEVEL	MITIGATION ACTION
1	Contractor has inadequate resources and management arrangements to mobilise and deliver the contract	Low	The new homes delivery team will monitor the contract and regularly review performance.
2.	Contractor risk of insolvency	Low	Prior to submitting the GW2 new homes delivery team has undertaken a credit check of Roof Ltd, and is satisfied that the credit scoring is normal and satisfactory. A further check will be made prior to entering into contract.
3.	Project cost overruns	High	Due to the nature of this award, there is a significant risk of cost overruns. This will be monitored and any proposed cost changes will be carefully scrutinised and accounted for in line with it's impact.
4.	Project delivery delays (general)	High	This project is already significant delayed. Any extension of times will be fully scrutinised, justified and costed by the employer's agent prior to agreement. Project progress will be monitored and slow progress will be addressed in the monthly project meetings.
5.	Covid-19	Medium	At the 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.
6.	Brexit	Medium	Potential risk with availability of labour and materials. Potential impact to the works programme and cost. This will be monitored and addressed in line with its potential impact.

Other considerations (For Housing Department works contracts only)

Community, equalities (including socio-economic) and health impacts

Community impact statement

36. 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.
37. 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.
38. 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.
39. 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.
40. Local residents will continue to be consulted at each stage of the development proposals as outlined in the charter of principles agreed by cabinet.

Equalities (including socio-economic) impact statement

41. The contractor will be required to adhere to the council's equality and diversity policies
42. The new affordable homes will be available to people on the council's housing waiting list. The council's equality and diversity policies will be adhered to during the letting process.

Health impact statement

43. The provision of 12 new quality homes provides a positive impact on health inequalities, as the scheme is designed to current quality and space standards that will contribute towards addressing health inequalities. As 50% to 100% of the new homes will be allocated to existing residents/those in housing need in the borough, residents who are living in overcrowded conditions, or unsuitable housing will benefit. In addition to this rent levels are set at council rent, that are lower than London Affordable rent levels and

market rent levels making them genuinely affordable. Health and wellbeing are further addressed by providing residents with individual balconies for outdoor space, along with communal landscaping.

44. 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.

Climate change implications

45. The development will comply with Building Regulations Part L that addresses the conservation of fuel and power, and guarantees eco-friendly efficient properties and minimise carbon emissions, as part of a drive towards a greener future.

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 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

47. The council is an officially accredited London Living Wage (LLW) Employer and is committed to ensuring that, where appropriate, contractors engaged by the council to provide works or services within Southwark pay their staff at a minimum rate equivalent to the LLW rate. The 11,000 new homes programme is a strategically important undertaking for the council and its benefits are expected to be realised in a number of ways, including the recruitment of qualified staff, retention of staff and an improved service delivery to the council. Roof Ltd have confirmed as part of the negotiation that they pay their directly employed staff and subcontractors the London Living Wage and have processes in place to monitor this.
48. 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

49. The new housing will provide high quality affordable housing for local people in need of accommodation. 50% of these homes will be made available to existing tenants in the local area based on an agreed local lettings policy. The remainder will be made available to other households in need of accommodation from the council's housing register.

50. The new rented homes will be let at council rent levels.

Environmental/Sustainability considerations

51. By investing in high quality, 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.

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.

Market considerations

53. The market for construction related works is good in terms of interest in Soutwark's Schemes. However there is a level of volatility in the market which relates to challenges around the availability and pricing of labour and materials.

Staffing implications

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

Financial implications

55. The value of the contract arising from the procurement described in this forms part of a wider programme. The associated on costs include contingency routinely added to all design and build contracts to cover unknown risks.

56. The costs of delivery of new council rented homes will be financed from resources supporting the housing investment programme, including borrowing if required. Grant funding from the GLA has been awarded.

57. The remaining cost will be financed from funds supporting the Housing Investment programme which includes borrowing.

Investment implications

58. The cost 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)

59. Not applicable.

Legal implications

60. Please see the supplementary advice from the director of law and governance

Consultation

61. Local residents have been and will continue to be consulted at each stage of the development as outlined in the charter of principles agreed by Cabinet

Other implications or issues

62. None identified.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Finance and Governance (H&M 21/126)

63. The report seeks approval from the Strategic Director of Housing and Modernisation to award the works contract to complete the delivery of 12 new council homes at Tenda Road and community improvement works to Roof Limited for a combined sum of £3,508,601.

64. Full details of the financial implications and associated funding are detailed in the Closed version of the report.

Head of Procurement

65. The Strategic Director for Housing and Modernisation approves the award of works contract for Tenda Road to Roof Limited for a fixed period of 52 weeks from 17 January 2022, for the sum of £3,508,601.

66. The Strategic Director for Housing and notes that negotiations was enter into with Roof Limited following the termination of the previous contract engaged on the project Collier. The procurement process is detailed in paragraphs 12 to 30, management and monitoring of the contract is detailed in paragraphs 32 to 35, risks are detailed in paragraph 36, the impact on equalities, health and climate are detailed in paragraphs 37 to 46, confirmation of the payment of the London Living Wage is detailed in paragraphs 48-49 and there are no social value commitments.

Director of Law and Governance

67. This report seeks the approval of the Strategic Director of Housing and Modernisation to the award of the works contract for Tenda Road to Roof Limited as further detailed in paragraphs 1 and 2. By virtue of contract standing order (CSO) 6.5.2(i) the decision may be taken by the relevant Chief Officer.

68. As the contract value for these works falls below the Public Contract Regulations 2015 (PCR15) threshold for works, it is not subject to the tendering requirements of the PCR15, but compliance with Regulation 18(1) is still required to fulfil the Treaty principles of equality, transparency, non-

discrimination and proportionality. The gateway 1 approval noted the reasons for single supplier negotiation in respect of this project due to the urgency of securing an alternative contractor.

69. CSO 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 56-58 confirm the financial implication of this award. The financial implications of award should be considered against the other options noted in this report.

70. 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, equalities (including socio-economic) and health impacts at paragraphs 37-45 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)

71.

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).

Signature... **Michael Scorer** ... Date 21 January 2022.....
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

If a decision taker or cabinet member is unsure as to whether there is a conflict of interest they should contact the legal governance team for advice.

none

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)

* Under the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012, the council is required to put in place a scheme for recording and publishing some officer executive decisions. This process is sometimes referred to as "Regulation 13(4)".

BACKGROUND DOCUMENTS

Background documents	Held At	Contact
n/a	Title of department / unit address	Name Phone number
Link: (Insert hyperlink here)		
Title of document(s)	Title of department / unit address	Name Phone number
Link: (Insert hyperlink here)		

APPENDICES

No	Title
N/A	None

AUDIT TRAIL

Lead Officer	Stuart Davis, Director of New Homes	
Report Author	Elisha Stewart, Project Manager	
Version	Final	
Dated	13 January 2022	
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
Cabinet	n/a	n/a
Date final report sent to Constitutional Team		21 January 2022