

<b>Item No.</b>	<b>Classification:</b> Open	<b>Date:</b> 15 March 2023	<b>Decision Taker:</b> Cabinet Member for Council Homes and Homelessness
<b>Report title:</b>		<b>Gateway 2 - Contract Award Approval</b> Main contractor for the Ledbury Estate redevelopment	
<b>Ward(s) or groups affected:</b>		All	
<b>From:</b>		Strategic Director of Housing	

### RECOMMENDATION(S)

That the Cabinet Member for Council Homes and Homelessness, following consultation with the Cabinet Member for Communities, Equalities and Finance and in liaison with the Strategic Director of Housing:

1. Approves the award of the main contract for the Ledbury Estate redevelopment, to Higgins Partnership (Higgins) procured via the National Framework Partnership (NFP) framework for a period of 330 weeks for a contract value of £176,347,342 and noting that this scheme will benefit from a minimum of £125,000 per unit grant subsidy from the Greater London Authority (GLA), which results in a total contribution of £32.5m.
2. Approves an additional works contingency, as set out in paragraph 2 of the closed report, to allow for any additional works that may arise outside of the contract and any further design development required as result of changes in legislation.

### BACKGROUND INFORMATION

3. The Gateway 1 (GW1) report setting out the procurement strategy for this project, confirmed that the decision would be taken by cabinet. At the 7 March 2023 cabinet meeting, the Leader of the Council through a variation process delegated the Gateway 2 (GW2) award decision to the Cabinet Member for Council Homes and Homelessness in consultation with Cabinet Member for Communities, Equalities and Finance and in liaison with the Strategic Director of Housing.
4. The Southwark Construction Programme (formerly the New Homes Development Programme) provides new homes by developing on existing council assets and acquiring new assets. The principle of New Homes Development was agreed by cabinet in July 2012.
5. The redevelopment of the Ledbury Estate included within the council's Southwark Construction Programme, will contribute to the council's commitment to build 11000 thousand new council homes by 2043 for local residents , delivering 340 homes. Proposals will provide a mix of one to five bed units for both social rent and private sale across six blocks on the

Bromyard House and Old Kent Road sites. These sites are referred to as Phase 1 and Phase 2 respectively.

6. The Ledbury Estate redevelopment project will also deliver a new football pitch and other activities for play, a re-provided Tenants' and Residents' Association (T&RA) hall and commercial space fronting the Old Kent Road.
7. The demolition works on Phase 1, along with associated enabling works, is the first stage of works required to deliver the new homes and work to set up the site for this commenced on 27 February 2023 and the demolition will be completed by 13 October 2023.
8. Following a successful procurement exercise, Coleman and Company Limited have been appointed as the demolition contractor for Phase 1. The main building contractor will then complete the new build works on Phase 1, to allow remaining residents in the three tower blocks on the Old Kent Road site to relocate there ahead of demolition and completion of the new build works on Phase 2.
9. There will be a period of overlap between the separate works contracts that the council will enter into with Coleman and Company Limited and the main contractor.
10. This sourcing strategy ensured that the commencement of the demolition works was undertaken before the end of quarter 4 of 2022-23 in order to secure the GLA grant funding allocated to the project. Grant funding will contribute £125,000 for each council rent home built and, for this project, is up to £32.5m.

### **Procurement project plan (Key Decision)**

11. The dates set out in the project plan below differ to those outlined in the Gateway 1, cabinet report dated 14 Jun 2022 (see background documents) report due to a short delay in issuing the Invitation to Tender and two subsequent requests for an extension to the tender submission deadline.

<b>Activity</b>	<b>Complete by</b>
General Exception Notice	06/03/2023
Briefed relevant cabinet member (over £100k)	21/02/2023
Approval of Gateway 1: Procurement Strategy Report	14/06/2022
Invitation to tender	05/08/2022
Closing date for return of tenders	02/12/2022
Completion of evaluation of tenders	03/03/2023
DCRB Review Gateway 2:	08/03/2023
CCRB Review Gateway 2:	09/03/2023

<b>Activity</b>	<b>Complete by</b>
Notification of forthcoming decision – Five clear working days	15/03/2023
Approval of Gateway 2: Contract Award Report	23/03/2023
Scrutiny Call-in period and notification of implementation of Gateway 2 decision	31/03/2023
Contract award	31/03/2023
Add to Contract Register	31/03/2023
Contract Start	03/04/2023
Publication of award notice on Contracts Finder	03/04/2023
Contract completion date	20/02/2030

## **KEY ISSUES FOR CONSIDERATION**

### **Description of procurement outcomes**

12. This procurement was designed to select a main contractor to re-develop the Ledbury Estate, including the construction of two residential blocks on Phase 1, followed by the demolition of Skenfrith House, Sarnsfield House and Peterchurch House and the construction of four further blocks to provide a total of 340 new homes (including 224 replacement homes) and some non-residential space at ground level. Also being delivered as part of the main contract is associated landscaping, revised access, servicing, car parking, cycle parking, cycle storage, plant, play and open space across Phases 1 & 2.
13. Please see the accommodation breakdown below.

<b>Phase / Block</b>	<b>No of Flats Private for Sale</b>	<b>No of Flats Social Rent</b>	<b>Tenure</b>	<b>Other</b>
One / Block A1	20		Private	n/a
One / Block A2		60	Social Rent/Relocated Leaseholders	n/a
Two / Block B1	45		Private	n/a
Two / Block B2		32	Social Rent	n/a
Two / Block B3		69	Social Rent	2 No. Commercial Units
Two / Block B4		114	Social Rent	TRA Hall
Sub Totals	65	275		
Total	340			

14. Of the 60 properties available within Block A2, up to 15 will be offered for sale, including on a shared equity basis, to remaining leaseholders within Skenfrith House, Sarnsfield House and Peterchurch House.

## **Key/Non Key decisions**

15. This report deals with a key decision.

## **Policy implications**

16. The new homes delivered through Southwark Construction are in line with the council's principles and vision for a new housing strategy, which is aimed at increasing the availability, affordability and quality of homes in the borough.
17. This procurement exercise supports the council's Fairer Futures Commitment – A place to belong to. The new homes will play a key role in assisting the council achieving its targets for building council homes.
18. This procurement exercise is subject to the Fairer Future Procurement Framework (FFPF). The competitive tender process undertaken has ensured that the council is receiving value for money and delivering added social value.
19. The long term housing vision for the borough sets a clear policy direction for the council that directly impacts the delivery of the new homes set out in this report. The vision comprises four overall principles:
  - a. The council will use every tool at our disposal to increase the supply of all kinds of homes across Southwark.
  - b. The council will demand the highest standards of quality, making Southwark a place where you will not know whether you are visiting homes in private, housing association or council ownership.
  - c. The council will support and encourage all residents to take pride and responsibility in their homes and local areas.
  - d. The council will help vulnerable individuals and families to meet their housing needs and live as independently as possible.

## **Consultation on Building Regulations – Approved Document B**

20. In December 2022 the government issued a consultation in relation to staircases in residential buildings, which will mandate two staircases in residential buildings over 30 metres in height. The consultation also makes it clear that there will be a very short transition period and that developers should start preparing for this now.
21. Given this clarity on direction of travel on the forthcoming amendment to Approved Document B (predicted to come into force October 2023) with immediate effect, the GLA has confirmed they will not accept any proposals being referred at Stage 2 which include residential buildings over 30 metres in height with single staircases as they will not be able to demonstrate the highest standards of fire safety in accordance with London Plan Policy D12.
22. Whilst the proposals for the Ledbury Estate have received planning approval prior to 23 December 2023 it was considered, in consultation with

the Cabinet Member for Council Homes and Homelessness, that there is still an opportunity to ensure the two towers in excess of 30m (A2 and B4), comply with the new two stair core requirement and this option is being progressed.

23. As the legislation is only out for consultation at the moment, the detail of how two stair cores should be arranged is not available. In a high level review of the designs the architects, Karakusevic Carson Architects (KCA), have confirmed that a second stair core is able to be included within the existing footprint of the Phase 1 tower, A2, and, with more time available to the design team, a full design solution will also be possible on the block B4 within Phase 2. These proposals will be set out in a variation to the main contract.

### **Tender process**

24. To secure GLA grant funding commencement of works on this site was required to take place by September 2022. As stated in the 13 July 2021 cabinet paper, (see background documents) and subsequent approval papers, given design development commenced in March 2021, this was an ambitious target.
25. Once the project achieved the first key milestone by submission of a planning application in February 2022, the GLA was reassured with progress and a slightly later start on site date of December 2022 was agreed.
26. In October 2021 Calfordseaden produced a Procurement Options Appraisal setting out available options. The report recommended for all works to be procured under a single JCT Design and Build contract 2016.
27. However, additional time was required for detailed design development to protect the build quality of the new homes. To mitigate further impact on the programme the procurement strategy was revised. This was for the separate procurement of a demolition contractor to demolish the first tower block.
28. Enabling works are included within the demolition contract to ensure commencement of works in line with the GLA's definition, and the main contract will commence prior to the works being completed by Colemans.
29. The project team will monitor the enabling works carried out by the demolition contractor and will provide input from the main contractor. This is to ensure that whilst meeting the GLA's requirements these works will not require rectification once the main contractor starts on site.
30. As set out in the gateway (GW) 1 report presented to cabinet in June 2022, the main works contract was to be procured utilising the NFP framework via a single stage tender. The contract to be used is a JCT Design & Build 2016 but with a bespoke amendment to uplift the cost of the Phase 2 for inflation using published Building Cost Information Service (BCIS) indices.

31. Soft market testing was undertaken by Calfordseaden during late May to June 2022, to gauge interest prior to issuing Invitations to Tender (ITT), and an expression of interest was issued to contractors on the framework, with four indicating interest in the scheme. Details of the four contractors are set out at paragraph 8 of the closed report:
32. The framework allows for a 'mini competition' therefore the four contractors that had expressed an interest were issued an ITT on 5 August 2022. The initial deadline for returns was set as 2 November 2022 allowing a tender period of 13 weeks but this was extended as outlined below in paragraph 34.
33. A bidder's site visit day was arranged for 6 September 2022 which was only attended by two of the contractors. Following the site visit, the two contractors that did not attend confirmed their withdrawal from the tender process citing factors such as uncertainty in the economy, lack of resources, combined with the cost of preparing a single stage tender for a scheme of this complexity.
34. Following the site visits, and the formal withdrawal of two contractors, a request for a five week extension to the deadline was received and three weeks were granted at this time, revising the deadline to 23 November 2022. A subsequent request for a further three weeks was received later in the process and, following internal discussions, a further one and a half weeks was granted and the revised tender submission deadline was confirmed as 2 December 2022.
35. Tenderers were invited via the council's eProcurement portal, ProContract, with queries and clarifications being raised via the portal. During the tender period five tender addendums were issued and clarification queries were responded to. A log of all tender clarifications and responses as well as tender addendum information is included as an appendix to Calfordseaden's Tender Report, included as Appendix 1 in the closed version of this report.
36. Tenders expire on 31 May 2023 based on the 180-day acceptance period.

### **Tender evaluation**

37. The ratio for evaluation set out in the GW1 report was 55/35/10 price/quality/social value split however, the final ratio used for the evaluation of the tender submissions, as agreed by the managing director of Southwark Construction, was amended to 60/30/10 price/quality/social value split, with the social value element being evaluated independently by the Social Value Portal.
38. Bidders were required to provide information to support their quality submission that demonstrated their ability to fulfil the requirements of the contract. Questions were focused on the following areas and weighted as follows:

<b>Method statement question</b>	<b>Weighting</b>
M1 – Delivery of the scheme	5%
M2 – Quality and Value for Money	5%
M3 – Capacity and Resourcing	6%
M4 – Health / Fire Safety	5%
M5 – Urban Health	4%
M6 – Resident Engagement	5%
<b>Total</b>	<b>30%</b>

<b>Social Value</b>	<b>Weighting</b>
Quantitative	5%
Qualitative	5%
<b>Total</b>	<b>10%</b>

39. Tender evaluation was scored in line with the scale below and a minimum score of two was required for all method statements or their bids would be deemed non-compliant; both contractors met this criteria.

<b>Scoring Scale</b>		
<b>Score</b>	<b>Rating</b>	<b>Criteria for Awarding Score</b>
<b>0</b>	<b>Unacceptable</b>	The information is omitted/no details provided.
<b>1</b>	<b>Poor</b>	The response addresses some parts of the question but contains insufficient detail or explanation to evidence the Tenderer's proposals and technical capability which is of relevance to London Borough of Southwark (LBS's) requirements.
<b>2</b>	<b>Fair</b>	The response addresses most parts of the question and lacks details in some aspects but provides some evidence of the Tenderer's proposals and technical capability which is of relevance to LBS's requirements.
<b>3</b>	<b>Satisfactory</b>	The response addresses all aspects of the question in sufficient detail and shows relevant evidence of the Tenderer's proposals and technical capability which is of relevance to LBS's requirements.
<b>4</b>	<b>Good</b>	The response addresses all aspects of the question very well and in detail and shows considerable relevant evidence of the Tenderer's proposals and technical capability which is of relevance to LBS's requirements.
<b>5</b>	<b>Excellent</b>	The response addresses all aspects of the question extremely well and in detail and shows extensive relevant evidence of the Tenderer's

<b>Scoring Scale</b>		
<b>Score</b>	<b>Rating</b>	<b>Criteria for Awarding Score</b>
		proposals and technical capability which is of relevance to LBS's requirements.

40. Upon receipt of the tenders, an initial evaluation was undertaken to ensure compliance with the ITT methodology. At this point, it was confirmed that neither tender submission was fully compliant. The reasons for the non-compliance were similar for both submissions with both contractors providing clarifications on contract terms, performance bond and qualifications as part of contractor's proposals.
41. Working with the council's employer's agent (EA), cost consultant (quantity surveyor- QS) and external legal advisors both tenderers were asked to confirm compliance with the council's ITT. This process commenced in February and was completed on 3 March.
42. The process involved clarifying the qualifications with each party. This involved a combined list of queries that the tenderer would then need to take responsibility for, considering the further information provided, or to add cost to the tender submission. In relation to the contract terms and conditions, further commentary was provided from the council's external legal advisors, Sharpe Pritchard, to confirm the council's position. This was then circulated to each tenderer to confirm acceptance, unless the council had agreed to the contrary. Where anything was agreed for one tenderer it was then applied to the other.
43. Following the conclusion of the clarification process, it was confirmed that both tender submission were compliant and the evaluation, in line with the ITT methodology, was able to be completed. A full breakdown of quality, social value and cost scores for all bidders is set out in paragraphs 12-27 of the closed report.
44. The social value tender returns were scored independently by the Social Value Portal, with a total of 10% available. The scores achieved by each tenderer are set out in paragraph 23 of the closed report and the measures selected and evaluated are set out at paragraph 78 of this report and paragraph 38 of the closed report.
45. The combined scores for both tenderers are set out in paragraph 24 of the closed report.
46. A FAME financial credit check carried out on the bidder in the winning position after the evaluation of the tender, found Higgins to be financially sound.
47. Whilst not set an individual score, the programme for each tenderer was reviewed and interrogated at interview, a comparison between both tenderers is set out in paragraph 27 of the closed report.

## Plans for the transition from the old to the new contract

48. No existing contract for this is in place so this is not applicable.

## Plans for monitoring and management of the contract

49. 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.
50. The project clienting, including the management and administration of the contractor appointments, will be run and resourced through the Southwark Construction Team in the Asset Management Division of the Housing & Modernisation Department. Performance of the main contractor will be subject to constant scrutiny and monthly formal review including reviews on cost, quality and programme.
51. The officer client team will use a number of mechanisms and tools for monitoring and controlling the financial and programme performance of the contract, including,
- Strategic cost plan, which will be regularly reviewed and updated
  - Monthly financial statements by the consultant
  - Monthly appraisals of progress against programme and monthly reports by the consultant
  - Tracking and chasing actions on critical issues
  - Periodic project team 'look ahead' workshops covering key phases of work and risks
  - Risk and issues log
52. 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.
53. Annual contract monitoring report will be in line with the council's Contract Standing Orders (CSOs) and the social value deliverables will be monitored by officers and reported in the Annual Performance Report.

## Identified risks for the new contract

54.

Risk		Risk level	Mitigation action
1.	Project delivery delays resulting from discharge of	Medium	<ul style="list-style-type: none"><li>• The Southwark Construction team has ensured that pre-commencement conditions affecting the demolition</li></ul>

Risk	Risk level	Mitigation action
	planning conditions and liaison with third party organisations.	<p>aspect of the project have been discharged.</p> <ul style="list-style-type: none"> <li>The Team will continue to assist, where possible, with liaison with third parties to help mitigate delays, particularly any of which may result from the discharge of planning conditions or necessary approvals from within the council.</li> <li>The tender process also tested the contractor's experience in delivering construction projects, relying on successful liaison with third party organisations and identifying long lead in times with appropriate mitigation measures.</li> </ul>
2.	Contractor has inadequate resources and management arrangements to mobilise and deliver the contract	<p>Low</p> <ul style="list-style-type: none"> <li>Higgins has successfully passed a financial credit check.</li> <li>The Southwark Construction team and EA will monitor the contract and regularly review performance, as per the department's process.</li> </ul>
3.	Contractor becomes insolvent, ceases trading and goes into administration	<p>Low</p> <ul style="list-style-type: none"> <li>As part of due diligence a credit check has been carried out on Higgins proving the company to be financially sound and in line with 'the council's thresholds'.</li> <li>A performance bond at 10% of the contract value or parent company guarantee (PCG) will be provided with this contract.</li> </ul>
4.	Project cost overruns / inflationary increase for Phase 2	<p>Medium</p> <ul style="list-style-type: none"> <li>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.</li> <li>An agreed inflationary mechanism is included in the contract and the contractor has agreed to an open book approach to agreeing any price rises due to inflation</li> <li>There will be a change management process in place to capture any variations and this will be fully scrutinised by the council's appointed cost consultant and senior council colleagues prior to an instruction.</li> <li>Programme will be monitored by Project Management team and Employer's Agent.</li> <li>Should costs exceed accepted viability levels, a break clause for Phase 2</li> </ul>

Risk		Risk level	Mitigation action
			works is included in the contract to allow the council to halt the development at Phase 2.
5.	Project delivery delays (General)	Medium	<ul style="list-style-type: none"> <li>Any claims for extension of time will be fully scrutinised, justified and costed by the EA and concerns monitored at regularly meetings with the contractor. Liquidated Ascertained Damages sums have been included as part of the contract and will be applied should the project overrun without justification.</li> <li>Project progress will be monitored and slow progress will be addressed at monthly project meetings.</li> </ul>
6.	Contractor seeks negotiations on contractual terms prior to entering into contract	Medium	<ul style="list-style-type: none"> <li>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.</li> <li>The tender documents and clarifications during the tender process have been robust and clearly define the terms of the contract.</li> <li>Agreement on all terms has been confirmed prior to entering into a contract</li> </ul>
7.	Market conditions	Medium	<ul style="list-style-type: none"> <li>Current volatile market conditions are affecting supply chains in terms of delays and costs, labour shortages and price inflation. However, this is less of a risk to this contract due to Higgins having an established supply chain. Nevertheless, this will be monitored together with national and local guidance on policy and supply chain activity.</li> </ul>
8.	Procurement process challenged	Low	<ul style="list-style-type: none"> <li>There is a risk of challenge from tenderers that withdrew due to both tender returns initially not fully complying with the ITT methodology. However, the council's project team, together with advice from external lawyers, has sought clarification from each tenderer to either confirm acceptance or quantify any risks not accepted. To this end, the project team is satisfied that both tender submissions are able to be evaluated as compliant bids</li> <li>The procurement processes have been followed in line with the council's CSOs and the Public Contracts</li> </ul>

Risk	Risk level	Mitigation action
		Regulation (PCR) 2015 and the rules of the framework agreement used.
9.	Medium	<ul style="list-style-type: none"> <li>• The construction market is currently very buoyant, however it is experiencing record inflation in terms of prices and rates, which is caused by a range of external factors including Brexit, COVID-19 and more recently increases in energy prices.</li> <li>• This is likely to continue for the short to medium term and is likely to be impacted further by other emerging situations (e.g. Russia/Ukraine war). This is a risk that will need to be monitored.</li> <li>• The programme will be fixed as soon we enter into contract with the contractor so the council's risks are reduced/mitigated.</li> <li>• 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.</li> </ul>
10.	Medium	<ul style="list-style-type: none"> <li>• The government is currently out for consultation on amendments to the Building Safety Act.</li> <li>• It is unlikely these changes will be applied retrospectively however, these will be closely monitored and should any changes be required the team will consult with the residents and utilise the change management process.</li> </ul>

### Other considerations (For Housing Department works contracts only)

55. The Southwark Construction team is liaising with the Right to Light consultant to obtain appropriate insurance options to protect against any claims. This is prior to seeking approval to appropriate land, which forms the development site. An estimated sum for compensation has been allowed for within the project costs.

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

#### Community impact statement

56. The redevelopment proposals entail the demolition of 224 homes, which are no longer fit for purpose and beyond economic repair. The re-provision of new homes, plus an additional 116 homes will be of a high quality and compliant with current statutory policies, requirements and regulations including fire safety and sustainability.

57. Demolition of the first tower block is the first stage of works towards delivering these new homes. The completed works will enable residents the option to return to the estate to permanent homes, which will afford them peace of mind. In addition to this, residents will enjoy homes of the same space standards of their previous homes or above in line with the terms set out in the Landlord Offer document.
58. The provision of half of the additional homes (based on habitable room) for council rent will help address housing need identified on the Ledbury Estate and provide homes for others across the borough with most need for safe and secure housing.
59. The wider Ledbury community will directly benefit from the re-provision of new and improved facilities, namely a new tenants and residents association (T&RA) hall designed as the hub of the community, a new football area and other play space. Following feedback from younger residents, there will also be improvements made to the skate park area/BMX track located in Bird in Bush Park, between the Phase 1 and 2 sites.
60. There will also be an increase in both the quantum and usability of green space on both development areas, as well as an increase in size/amount and variety of play space. In addition, there will be a series of small interventions across the estate to help integrate the new provision with the existing homes, such as an improvement to the Bromyard courtyard area.
61. All of the above has been designed with close engagement with the Resident Design Group and feedback from the community gathered from extensive public consultation.

### **Equalities (including socio-economic) impact statement**

62. The successful contractor will be required to adhere to the council's equality and diversity policies.
63. The new genuinely 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 Ledbury specific letting process.

### **Health impact statement**

64. The redevelopment of the Ledbury Towers is essential to address the health and fire safety issues identified in 2017 resulting in the temporary rehousing of the vast majority of households.
65. Permanent homes will enable residents with health issues and those who may have been in homes that no longer suited their needs the opportunity to move to more suitable homes. This will have a positive health impact on all these households as this address both their physical and mental well-being.

66. The provision of new quality homes provides a positive impact on health inequalities, as the new homes will be designed to current quality and space standards that will contribute towards addressing health inequalities.
67. 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**

68. On 18 June 2019, the council's cabinet agreed the resolution passed by the council assembly on 27 March 2019 to "declare a Climate Emergency and do all it can to make the borough carbon neutral by 2030." The cabinet noted "that there are considerable financial savings to be made by 'going green', whether it be more energy efficient lighting, smart meters at council properties, or piloting energy generation schemes such as installing solar panels on council properties.
69. The Government estimates that residential buildings account for 27% of Southwark's carbon emissions. The council's direct emissions account for 12% of the borough's emissions and council housing is the second largest contributor to carbon emissions at 14%.
70. The proposed redevelopment has been designed to meet the highest energy and sustainability targets in line with both the council's and GLA policies. The energy strategy will follow the four step Energy Hierarchy outlined in the London Plan:
  - Be Lean: fabric first approach with low u-values and air permeability, high efficient lighting and mechanical ventilation to reduce energy demand as well as insulation levels in excess of building regulation requirements
  - Be Clean: connection to the South East London Combined Heat and Power (SELCHP) district heating network for low carbon heating and hot water supply to all uses in the development will result in an 89.1% carbon emissions saving
  - Be Green: inclusion of solar photovoltaic (PV) has been maximised on all available roof space
  - Be Seen: the development will incorporate a monitoring strategy to reduce the performance gap
71. Through this strategy the carbon reduction on site should be significantly above the London Plan minimum target of 35% reduction in regulated carbon dioxide emissions and the development will contribute to a low carbon future.

- 72. The completion of the new homes will enable residents, who choose to return, the opportunity to return to energy efficient homes compliant with that latest policies and regulations.
- 73. The Invitation to Tender included a methodology statement (MS5) providing contractors with an opportunity to demonstrate how they have embedded climate change and the green agenda as part of their working practices and company philosophy, which in turn will be monitored and measured throughout the contract.

**Social Value considerations**

- 74. 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 GW 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.
- 75. As part of the Social Value submission under reference NT28, the Outcome of ‘More working with the Community’, a specific request was included to secure direct benefits for the community as identified by the community.

**Economic considerations**

- 76. 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 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.
- 77. 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**

- 78. The opportunities for social value commitments were circulated from the Social Value Portal and were set using the National TOMs (Themes, Outcomes and Measures). Listed below are some the Social Value commitments included within Higgins tender submission, the full list is set out in paragraph 38 of the closed report.

<b>TOMs reference</b>	<b>Measure</b>	<b>Target number</b>
NT1c	No. of local people (FTE) on contract employed through the supply chain	179 No.

<b>TOMs reference</b>	<b>Measure</b>	<b>Target number</b>
NT2	Percentage of local employees (FTE) on contract	40%
RE57	Percentage of women (FTE) hired on the contract	30%
RE58	Percentage of employees (FTE) BAME hired on the contract	30%
NT41	% staff paid at least the relevant Real Living wage (Living Wage Foundation)	100%
NT22	% procurement contracts including commitments to ethical procurement	100%
NT23	% supply chain contracts with social value commitments, measurement & monitoring	100%

### **Environmental/Sustainability considerations**

79. By investing in high quality, 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 across the borough.
80. 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**

81. Given current market conditions, the level of detail in both responses received is considered a positive outcome and has allowed for appropriate cost benchmarking.
82. The successful bidder Higgins is a family owned and operated company founded in 1961. The Group consists of two aligned nationally operating companies, Higgins Homes and Higgins Partnerships
83. The war in Eastern Europe (Russia and Ukraine conflict), the impacts of Brexit and the global cost of living crisis have caused inflationary price increases. The war in particular has seen construction materials manufactured in Europe using coal, oil or gas such as brick, block, steel and glass affected by changes in the market pricing of fossil fuel commodities due to the conflict.
84. Materials such as timber, iron, steel and non-ferrous metals are currently imported from Russia and Ukraine. Although these imports account to less than five percent of the UK's total supply, the conflict and associated sanctions mean that direct trade in these materials have reduced. Suppliers of these imported materials are seeking alternative sources resulting in disruption to supply chains. There may also be an indirect increase in the market pricing of these materials. With regards to labour, cost of living increases due to reduced trade in commodities such as oil, gas and grain

has resulted in increases in labour rates. On this basis, the inflation allowances can go up or down and need to be monitored as the project progresses.

85. The wider British economy has seen significant inflationary increases (source: ONS [CPIH ANNUAL RATE 00: ALL ITEMS 2015=100 - Office for National Statistics \(ons.gov.uk\)](https://www.ons.gov.uk/cpi/cpi-annual-rate-00-all-items-2015=100)) since February 2022 to 8.8% in January 2023 (latest ONS release 15 February 2023).

### **Staffing implications**

86. The staff resources deployed to this project is sufficient to meet the proposed timetable.
87. The project will be resourced by existing staff, within existing budgets. Officer time relating to the management of this project is funded from the capital budgets for the individual projects.

### **Financial implications**

88. For construction (works) contracts, the council is the end user in relation to Domestic Reverse Charge (DRC) and notification of this will be included in the letter of award to the successful contractor.
89. The GW1 report for this procurement (approved in June 2022) had an estimated value of £161m and noted that the cost was the best estimate based upon market conditions at that time.
90. In October 2022 cabinet approved a revised total budget of £212m for the Ledbury Estate redevelopment, noting the works budget was estimated at £180m due to the raising construction costs and inflation and greater risks associated with the economic uncertainty.
91. The value of the contract arising from this procurement is now confirmed as £176,347,342 which, together with the contingency, will deliver the two phases of the Ledbury Estate project and associated enabling works.
92. The costs submitted by Higgins for the two phases of works are set out in in paragraph 42 of the closed report.
93. A summary of the total budget, for the delivery of the entire project, taking into account the award of this main works contract, is set out in paragraph 43 of the closed report.
94. It should be noted however, that, due to the requirement to include a second stair core in the B4 tower, a variation to the phase 2 values will be likely be required and any change to this value will be fully set out in a GW3 report.
95. The projected cash flow for this project is as set out in paragraph 46 of the closed report.

96. Any VAT applicable to this contract will be recoverable by the council.
97. This cost is to be borne by the Ledbury Estate redevelopment project budget and will be charged to WBS code H-8888-9842.01.

### **Investment implications**

98. 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)**

99. The use of the NFP framework has resulted in a good outcome for the project with reasonable level of interest from contractors with four contractors expressing an intent to tender, and the subsequent receipt of two robust submissions.

### **Legal implications**

100. Please see the legal concurrence of the Assistant Chief Executive for Governance and Assurance.

### **Consultation**

101. Local residents have been involved in consultation meetings with council officers since the beginning of the design process in March 2021 as outlined in the Charter of Principles agreed by cabinet in November 2014.
102. Residents will continue to be kept updated throughout the duration of the construction process via monthly attendance at Resident Project Group meetings by Southwark Construction project manager as well as sharing of regular newsletters and updates.

### **Other implications or issues**

103. None identified.

## **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

### **Strategic Director of Finance (H&M 22/139)**

104. This report is seeking approval to award the main contract for the Ledbury Estate redevelopment to Higgins Partnership (Higgins) for the sum of £176,347,342 plus an additional contingency sum for additional works and further design development in response to possible changes in building regulations. This is a large contract in terms of value, and because of this, it carries significant financial risk for the council's Housing Investment Programme. As outlined in the report, this risk is mitigated by the imposition

of a break clause for Phase 2 of the project, which will help ensure it remains affordable for the council. The financial implications section of the report sets out how the project will be funded.

## **Head of Procurement**

105. This report seeks approval from the Cabinet Member for Council Homes and Homelessness in consultation with the Cabinet Member for Communities, Equalities and Finance and the Strategic Director of Housing, to award the main contract for the Ledbury Estate redevelopment, to Higgins Partnership (Higgins) procured via the National Framework Partnership (NFP) framework for a period of 330 weeks for a contract value of £176,347,342 and the contingency to allow for any additional works that may arise outside of the contract and any further design development required as result of changes in legislation.
106. The Cabinet Member for Council Homes and Homelessness in consultation with the Cabinet Member for Communities, Equalities and Finance and the Strategic Director for Housing notes the procurement process is detailed in paragraphs 12 to 14 and 24 to 47, management and monitoring of the contract are detailed in paragraphs 49 to 53, the risks are detailed in paragraph 54, the impact on equalities, health and climate change are detailed in paragraphs 62 to 73, confirmation of the payment of London Living Wage is detailed in paragraph 76 and the social value commitments are detailed in paragraph 78.

## **Assistant Chief Executive - Governance and Assurance**

107. The Assistant Chief Executive for Governance and Assurance notes the contents of this report which seeks the approval of the Cabinet Member for Council Homes and Homelessness, following consultation with the Cabinet Member for Communities, Equalities and Finance and in liaison with the Strategic Director of Housing to the award of a contract for the Ledbury Estate redevelopment to Higgins Partnership following a mini completion under the NFP Framework for a period of 330 weeks at a contract value of £176,347 as outlined in paragraphs 1 and 2 of this report.
108. Contract Standing Order (CSO) 5.1.2 provides that any procurement involving the use of a third party's framework agreement is subject to usual Gateway 2 procedures and this report seeks the appropriate approval.
109. This works contract is classified as a strategic procurement and therefore CSO 6.5.2(a) reserves the decision to the cabinet or cabinet committee to authorise the award of this contract, after consideration by the corporate contracts review board of the report. Paragraph 3 of this report confirms that at a cabinet meeting on 7 March 2023, the Leader of the Council through a variation process in accordance with the constitution delegated the GW2 award decision to the cabinet Member for Council Homes and Homelessness in consultation with Cabinet Member for Communities, Equalities and Finance and in liaison with the Strategic Director of Housing.

110. The nature and value of the works are such that they are subject to the application of the Public Contract Regulations 2015 (PCR 2015). However, the NFP Framework, through which a further competition has been undertaken, was established following a tendering process compliant with the PCR 2015, and the council is a party able to use this arrangement without undertaking its own advertised tender process. The tender process and tender evaluation are detailed in paragraphs 24 to 47 of this report and identified Higgins Partnership as having the most economically advantageous tender in response to this opportunity and they are therefore proposed as the preferred contractor for these works.
111. CSO 2.3 provides that a contract may only be awarded if the expenditure has been included in approved revenue or capital estimates or has been otherwise approved by, or on behalf of the Council. Paragraph 88 to 98 of this report confirms the financial implications including how the proposed contract will be funded.
113. On the basis of the information contained in this report it is confirmed that this procurement was carried out in accordance with the CSOs and the relevant legal requirements.
114. The Cabinet Member for Council Homes and Homelessness' 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. This is specifically referred to the community, equalities (including socio-economic) and health impacts at paragraphs 56 to 67 setting out the consideration that has been given to equalities issues which should be considered when approving the recommendation in this report.

## BACKGROUND DOCUMENTS

Background documents	Held At	Contact
Gateway 1, Gateway 1 Procurement Strategy Approval Contractor Services for the Ledbury Estate dated 14 June 2022	Housing & Modernisation, Southwark Construction	Laura Wannop 020 7525 5352
Link: <a href="#">Agenda for Cabinet on Tuesday 14 June 2022, 11.00 am - Southwark Council</a>		
Ledbury Estate Towers update on resident ballot and future redevelopment	Housing and Modernisation, Southwark Construction	Laura Wannop 020 7525 5352
Link: <a href="#">Agenda for Cabinet on Tuesday 13 July 2021, 11.00 am - Southwark Council</a>		

## APPENDICES

No	Title
Appendix 1 [Closed]	Tender Evaluation Report
Appendix 2 [Closed]	Tender Evaluation Methodology

## AUDIT TRAIL

<b>Lead Officer</b>	Michael Scorer, Strategic Director of Housing	
<b>Report Author</b>	Laura Wannop, Senior Project Manager	
<b>Version</b>	FINAL	
<b>Dated</b>	15 March 2023	
<b>Key Decision?</b>	Yes	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments included</b>
Strategic Director of Finance	Yes	Yes
Head of Procurement	Yes	Yes
Assistant Chief Executive - Governance and Assurance	Yes	Yes
Cabinet Member	Yes	No
<b>Contract Review Boards</b>		
Departmental Contract Review Board	Yes	Yes
Corporate Contract Review Board	Yes	Yes
<b>Date final report sent to Constitutional Team</b>		15 March 2023