

Item No.	Classification: Open	Date: 20 March 2023	Meeting Name: Strategic Director of Housing
Report title:		Gateway 3 (no2) – Variation Decision for variations valued over £500,000 (Works) Works Contract for the New Homes Delivery programme – Tissington Court	
Ward(s) or groups affected:		Rotherhithe	
From:		Managing Director, Southwark Construction	

RECOMMENDATION(S)

That the Strategic Director of Housing:

1. Approves a variation to the works contract for the New Homes Delivery programme for Tissington Court with Guildmore Limited in the sum of £767,841.32 making a revised total contract value of £14,227,628.01.
2. Notes that other additional works costs of £239,281.74 for the district heating, £7,313.51 for the gas enclosure and the increased associated on costs of £156,851.18 have been approved outside of this Gateway (GW) 3 approval, which following approval of recommendation 1 above will increase the total scheme costs to £17,193,403.00 representing an increase of 7.3% from the total scheme costs noted in the GW 3 approval of £16,022,115.00 on 19 January 2023.

BACKGROUND INFORMATION

3. This report seeks approval to increase the total scheme cost to cover a further increase in the construction cost for the contract between Guildmore Limited and the council, executed on 24 March 2022 for the construction of a five storey block of 35 dwellings for social rent. This development consists of 14 x one bed flats, 12 x two bed flats, nine x three bed flats involving the partial demolition of a podium with associated landscaping works. Improvements to wider estate include relocation of an existing MUGA (Multi-Use Games Area), and creation of new landscaped amenity and play areas.
4. The GW2 was approved on 27 October 2021 with a build cost of £12,590,949.88.
5. The GW3 number 1 was approved on 19 January 2023 to increase the build cost to £13,459,786.69. Due to current workloads and the changes required during the concurrence stage this process was delayed, Departmental Contract Review Board (DCRB) and Corporate Contract Review Board (CCRB) was attended in April 2022.

KEY ISSUES FOR CONSIDERATION

Key Aspects of Proposed Variation

6. The report identifies the variation of £767,841.32 increased contract costs and for the other works costs £239,281.74 (approved outside of the GW process) for the district heating (with Veolia) and £7,313.51 for the gas enclosure (XCO2 Energy Ltd), totalling £1,014,436.57. With the associated increase in the on costs of £156,851.18. This increases the total scheme cost from £16,022,115.00 to £17,193,403.00

Reasons for Variation

7. The reason for the variations are due; the increased structural demolition required to the podium requirements for the warranty provider, South East London Combined Heat and Power (SELCHP) district heating connection requirements, firestopping to garages. This also includes the delays due to resolving the district heating issue and the highways tree that was outside the site boundary but affecting the build of five flats due to the root protection zone.

Future Proposals for this Service

8. No future proposals recommended for this service.

Alternative Options Considered

9. The council has entered into a build contract with Guildmore. The variations agreed were necessary to continue the contract works, otherwise there would be further costs and delays to the programme.

Identified risks for the Variation

10.

RISK		RISK LEVEL	MITIGATION ACTION
1.	Project delivery delays (general)	Medium	Liquidated Ascertained Damages sums have been included as part of the contract and will be claimable should the project overrun without any justification. Any extension of times will be fully scrutinised, justified and costed by the Employers Agent (EA) prior to agreement. Project progress will be monitored and slow progress will be addressed in the monthly project meetings.
2.	Covid-19 Implications	Low	Sharpe Pritchard Solicitors for the new homes team have provided advice on wording regarding Covid19 clauses to be added to the contract and financial assistance we can offer to contractors.
3.	Further Cost Implications	Low	As the project is still in the early stage, the contract has a contingency which is still required for any unforeseen items. If required to use this, items will be scrutinised, negotiated, managed and dealt with as per the usual conditions of the contract.
4.	Ukraine/Russia Conflict	Low	Should the conflict between Ukraine and Russia continue for a prolonged period we are at risk of supply chain delay. To mitigate this the EA will liaise with the contractor on ways to reduce reliance on specification items that would be impacted and implement an early warning system to allow time for alternative procurement.

Policy framework implications

11. The development of these 35 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.

Contract management and monitoring

12. 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.
13. The management and administration of the build contract and the completion of the project will continue to be project managed through the new homes team.
14. The contractor's performance is monitored and managed by the EA, Potter Raper for the duration of the project. A Clerk of Works from Silver DCC has been inspecting the progress on site once a week and providing a written report on a weekly basis highlighting the quality of the contractors workmanship, flag any health and safety issues and will monitor progress against programme. The Project Manager for this scheme will continue to monitor performance on a monthly basis using Key Performance Indicators which is also reviewed by the Senior Project Manager. Annual performance reviews will also be undertaken in accordance with contract standing orders.
15. Annual Performance Review will be undertaken in line with the council's contract standing orders (CSO).

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

16. The provision of 35 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. 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.
17. 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.

Community impact statement

18. The 2020 Route to 11,000 Housing Strategy for Southwark, highlights an acute shortage of council housing and a continuing need for affordable housing. 20,000 residents are currently on the council's waiting list; and there are 52,597 homes in management. The borough is experiencing very high house prices that are outside the reach of many of its residents. It has the highest house prices in the housing sub-region. The average property price in the borough is £654,779 which is an increase of 3.9% in the last year. This compares with the average London property price of £603,855 which is a change of 1.4% in the last year. The rental market in the borough is also experiencing high rent levels with average lower quartile rent for a two bed in excess of £2,000 per month. The average income per house hold is £31,000, making ownership and rental options out of reach.
19. At the time of the 2011 census there were 18,547 overcrowded households in Southwark, a higher number, and a higher percentage (15.3%), than any of the other four boroughs in the sub-region. Over the period 1981-2012 the population of Southwark increased by 34%, the fastest growth in the sub-region by some margin. This helps to demonstrate a continuing need for more homes and particularly for affordable homes in the borough.
20. 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.
21. 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 for older people and people with disabilities.
22. 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%-100% of these homes will be let to existing tenants from the local area subject to an agreed local lettings policy.
23. 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. The council will ensure that any residents affected by works will be notified prior to works commencing.

Climate change implications

24. 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.

25. The scheme will also incorporate landscape improvements, providing a new place space, relocating the MUGA. The new homes will be connected to the district heating network SELCHP. The new homes have mechanical and heat recovery ventilation systems. The cumulative CO2 savings on site are estimated at 60.9% against a Part L 2013 compliant scheme and the development will aim to achieve at least 35% reduction post-planning as required by policy. The new block will have a grid-connected photovoltaic system.

Social Value considerations

26. 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 GW2 report) are set out in the following paragraphs in relation to the tender responses, evaluation and commitments to be delivered under the proposed contract.

27. The councils approach to procurement of design, development and construction process will ensure a requirement to maintain and improve the sustainability of each tendered project.

28. 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.

29. Guildmore Limited are participating in a local employment and training initiative in line with Southwark Economic Wellbeing Strategy 2012-20. The initiative will generally conform to any local government policy including requirements set-out by the Homes and Community Agency and/or Greater London Authority that generally will encompass the contractor, wherever possible, being encouraged to employ local subcontractors and labour and shall involve the training and employment of local people. Such employment and training will be relevant to the needs of the local community.

30. As per the GW2 report Guildmore Limited have committed to the following as part of their tender submission:

- Quantitative Social Value: Make specific social value commitment for the duration of the project using the National Themes, Outcomes and

Measures (TOMs) Excel Spreadsheet for the full duration of the term of the contract.

- Qualitative Social Value: Provide a social value method statement detailing their proposal and explain how each commitment will be delivered.
- Guildmore Limited have committed to providing regular reports on their social value commitments tracking actual progress against predicted progress. The details have been outlined in the Social Value Template for Method Statement table of their tender submission. This section also details the number of local employees, training hours etc. which supports the TOMs spreadsheet.

31. Guildmore Limited social value offer also includes the following:

- Engaging with Southwark Works and Southward Job Centre Plus with regards to vacancies, apprenticeships, and work experience placements for training. Guildmore Limited have committed to six apprenticeships.
- Meeting with the local resident's group to discuss concerns and ways to support their aims and objectives.
- Engaging with local schools such as Rotherhithe Primary, St Katherine's with St Bartholomew, and 5 Steps Community Nursery to dangers of playing on a construction site and educated working in the construction industry.

32. In addition, as a result of the pre contract discussions, Guildmore have committed to improving their apprenticeships offer with a traineeship scheme that they have. Guildmore have also carried out a number of repairs and improvements to the tenants and resident association hall, such as installing CCTV, renewing planters and general small repairs.

Economic considerations

33. The design brief 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.

34. The council is an officially accredited London Living Wage (LLW) Employer and is committed to ensuring that 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. Guildmore Limited have confirmed as part of their tender return that they pay their directly employed staff and subcontractors the LLW and have processes in place to monitor this.

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

Social considerations

36. 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. However, the council is consulting with residents about a new local lettings policy, which could mean that up to 100% of new council homes are let to local residents.

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

38. The contractor is obliged to work with council approved local employment and skills agencies to recruit borough residents into construction industry apprenticeships. The requirement outlined in the tender documents was to meet the Fairer Future criteria of 1 apprenticeship per £1m of spend; which results in twelve placements on this project. Guildmore Limited have confirmed their commitment to provide six apprentices to this project. It is recognised that this is under the fairer futures promises that are required for this level of resource commitment, the contractor has also committed to engaging with Southwark Works and Southwark Job Centre Plus to assist in funding existing trainees and afford work experience on the site. The new homes development team will work with the contractor to look at other ways to increase their apprenticeship offer.

Environmental/Sustainability considerations

39. 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.

40. 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.

Financial Implications

41. Refer to closed report.

Investment Implications (Housing Contracts only)

42. Not applicable.

Legal Implications

43. Please see the comments from the Assistant Chief Executive - Governance and Assurance at paragraph 50-52.

Consultation

44. Consultation with residents or a tenant's panel for this variation is not required.
45. The contractor and project team will keep the residents of Tissington Court and neighbouring residents updated on the project construction by sending newsletters on a quarterly basis.

Other implications or issues

46. No other implications or issues.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Finance and Governance

47. This report is seeking approval from the Strategic Director of Housing to vary the works contract for the New Homes Delivery programme for Tissington Court with Guildmore Limited in the sum of £767,841.32 making a revised total contract value of £14,227,628. The Strategic Director of Finance notes the other additional works costs and other on-costs, increasing the overall scheme costs to £17,193,403. The approval to vary the contract is subject to Cabinet approval being obtained to increase the budget for the scheme to cover fully the increase in costs.

Head of Procurement

48. This report seek approval from the Strategic Director of Housing to vary works contract for Tissington Court with Guildmore Limited in the sum of £767,841.32 making a revised total contract value of £14,227,628.01.
49. The Strategic Director of Housing notes the reason for the variation are detailed in paragraphs 6 to 7, the risks are detailed in paragraph 10, management and monitoring of the contract are detailed in paragraphs 12 to 15, the impact on equalities, health and climate change are detailed in paragraphs 16 to 25, there are NO additional social value commitments arising from this variation, confirmation of the payment of LLW is detailed in paragraph 34.

Assistance Chief Executive - Governance and Assurance

50. This report seeks the approval of the Strategic Director of Housing to the variation of the contract for Tissington Court with Guildmore in the sum of £767,841.32 as further detailed in paragraph 1. At this value, approval can be given by the relevant chief officer, or under their delegated authority in line with the department's scheme of management.

51. The contract with Guildmore was subject to and awarded in accordance with the Public Contract Regulations 2015 (PCR15), and it is therefore necessary to ensure that any additional sums to be made under the contract are permitted within those procurement regulations. Regulation 72 of the PCR15 permits modifications to be made to contracts in certain circumstances, including where the modification has been provided for in the initial procurement documents or where the modification is not substantial. Paragraph 7 note the reasons for these instructions, which include variations to the scope of works and claims for delays. They are therefore amounts that can be made under the terms of the contract.

52. Refer to paragraph 41.

Director of Exchequer (for housing contracts only)

53. Not applicable.

Director of Education (for schools contracts only)

54. Not 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).

Signature 

Date 15 May 2023

Designation Strategic Director of Housing

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 *

Not Applicable

* Contract standing order 6.6.1 states that for contract Variations with an Estimated Contract Value of £100,000 or more, the lead contract officer (LCO) must consult with the relevant cabinet member before the decision is implemented.

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)

7. CONSIDERATION GIVEN TO WHETHER, AS A NON-KEY DECISION, THIS SHOULD BE FORWARDED TO THE CONSTITUTIONAL TEAM FOR PUBLICATION IN ACCORDANCE WITH REGULATION 13(4)*

The decision taker should consider whether although a non-key decision, the decision is sufficiently important and/or sensitive that a reasonable member of the public would reasonably expect it to be publicly available. Where there is any doubt, having considered the importance and/or sensitivity of a decision, it should be deemed that Regulation 13(4) would apply.

I consider that the decision be made available for publication under Regulation 13(4).*

or

~~**I do not consider that the decision be made available for publication under Regulation 13(4).***~~

(* - 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 PAPERS

Background Papers	Held At	Contact
<p>Title of document</p> <p>Gateway 1 – Procurement</p> <p><u>G:\Asset Management\New Homes Delivery Team\Programme\Phase 3\Tissington Court\Tissington Court - new\1 Key Documents\Reports and approval\Gateway 2\Contractor Procurement Tissington Court GW1 DCRB 01 May 2020.pdf</u></p> <p>Gateway 2 – Contract Award Approval</p> <p>Works Contract for the New Homes Delivery programme – Tissington Court</p> <p><u>G:\Asset Management\New Homes Delivery Team\Programme\Phase 3\Tissington Court\Tissington Court - new\1 Key Documents\Reports and approval\Gateway 2\Tissington Court approved signed GW2 report.pdf</u></p> <p>Gateway 3 (no2) – Variation Decision for variations valued over £500,000 (Works)</p> <p>Works Contract for the New Homes Delivery programme – Tissington Court</p> <p><u>Appendices\GW3 Tissington Court - Open.pdf</u></p>	<p>Title of department / unit</p> <p>Address 160 Tooley Street</p>	<p>Stuart Davis</p>

APPENDICES

No	Title
	None

AUDIT TRAIL

Lead Officer	Stuart Davis	
Report Author	Khang Le	
Version	V1	
Dated	26 January 2023	
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)	No	No
Cabinet Member	No	No
Contract Review Boards		
Departmental Contract Review Board	Yes	Yes
Corporate Contract Review Board	No	No
Cabinet Member	Yes	No
Date final report sent to Constitutional/Community Councils/Scrutiny Team		