

Item No. 14.	Classification: Open	Date: 13 June 2023	Meeting Name: Cabinet
Report title:		Gateway 2 - Contract Award Approval Main contractor for the Sceaux Gardens Estate redevelopment	
Ward(s) or groups affected:		All	
Cabinet Member:		Councillor Darren Merrill, Council Homes	

FOREWORD - COUNCILLOR DARREN MERRILL, CABINET MEMBER FOR COUNCIL HOMES

In Southwark, we are continuing our housebuilding and redevelopment ambitions - increasing the availability, affordability and quality of homes across the borough. Since 2014, 3,250 new council homes have been built, or begun, of which over 1,000 have been completed, with 2,090 more on-site being built right now - a record of which we are proud and keen to continue.

Southwark has one of the most ambitious housebuilding and redevelopment programmes. Last year, we started a third of all council homes started in the country, and the Sceaux Gardens Estate redevelopment is case and point that not only do we have the ambition to build upon that success, but that we are delivering on our housebuilding promises.

As this report sets out, we have a further 79 homes set for redevelopment on the Sceaux Gardens Estate. Phase 1 of this ambitious scheme will deliver 58 new homes at Florian, with Phase 2 delivering 21 new homes at the Marie Curie Garage Site. Totalling no more than £47,001,717, the Sceaux Gardens project showcases our continued commitment to improving homes in Southwark.

We will use every tool at our disposal to increase the supply of homes across the borough, and the Sceaux Gardens Estate is one of many which will see new, high quality housing built for our residents. I look forward to overseeing this project as it continues through to the contract's completion in 2026.

RECOMMENDATIONS

Recommendations for the Cabinet are that it:

1. Approves the award of the main contract for the Sceaux Gardens Estate redevelopment, to Wilmott Dixon Construction Ltd procured via the Scape Framework for a period of 160 weeks for a contract value not to exceed £47,001,717 noting this is broken down into two phases, with a break

clause, for reasons set out in the financial implications at paragraphs 80-91:

- Phase 1 delivering 58 new homes at Florian and Racine for a contract sum of £34,840,744
 - Phase 2 delivering 21 new homes at the Marie Curie Garage Site for a contract sum not to exceed £12,160,973
2. Approves the delegation to the Strategic Director of Housing to proceed with Phase 2 (Marie Curie garages), not exercising the break clause, for a not to exceed sum of £12,160,973, if instructed by 27 November 2023, or as adjusted in accordance with the agreed uplift Business Cost Information Service (BCIS) model if not instructed by that date, subject to there being sufficient budget available and alternative funding in place.
 3. Notes that this scheme benefits from a £100k per unit grant subsidy from the Greater London Authority (GLA), which results in a total contribution of up to £7.9m for both phases.
 4. Notes the Strategic Director for Housing gave approval to utilise the Scape framework for the appointment of Wilmott Dixon Construction for the pre-services agreement (PSA) in August 2022 and demolition / enabling works in February 2023 as set out in paragraph 10 and 11.

BACKGROUND INFORMATION

5. 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.
6. The redevelopment of the Sceaux Gardens Estate included within the council's Southwark Construction Programme, will contribute to the council's commitment to build thousands of new homes by 2043, delivering up to 79 homes. This scheme is part of the commitment to deliver 2,500 new homes which have already started on site. Proposals will provide a mix of one to four bed units for social rent across three sites; Florian and Racine bungalow blocks and Marie Curie garage site.
7. The initial Gateway 1 (GW1) report setting out the procurement strategy to deliver this scheme was presented to cabinet in January 2019 with the title Procurement Strategy Approval - contractor services for the delivery of Sceaux Gardens. This report was approved and the subsequent two stage restricted OJEU procurement resulted in the appointment of Engie Regeneration Ltd. Following the award of contract, issues were identified and in light of escalating costs, significant delays to the programme contributing to additional costs and very little progress in the design development the decision was taken to terminate the contract. Formal approval to terminate the contract was granted in March 2022.

8. Due to delays already encountered as a result of the terminated contract, a review of options available to the council resulted in a recommendation to utilise the Scape framework.
9. Following the termination of the contract that was subsequently awarded, a revised procurement strategy report was not presented to cabinet, but a recommendation to provide continuity on the scheme was presented to the Strategic Director of Housing.
10. Having considered all options, prior approval was given, by the Strategic Director of Housing, for Southwark Construction to approach Wilmott Dixon Construction, via the Scape framework, to undertake design development under a PSA together with a RIBA stage 3 design appointment. This appointment was confirmed via prior approval in the GW2 report approved by the Strategic Director of Housing on 6 September 2022. A subsequent appointment to progress detailed design development (RIBA stage 4) was then awarded on 18 November 2022.
11. The demolition works for Florian and Racine along with associated enabling works, commenced on 6 March 2023 and will be completed by 31 July 2023. This appointment was approved by the Strategic Director of Housing via a separate GW2 report dated 2 February 2023.
12. The Southwark Construction approved budget for this project is £40,564,260 and the contract sum analysis (CSA) value of £47,001,717 for the works currently exceeds the approved budget. A full breakdown of these costs is set out under financial implications in the closed report..

Procurement project plan (Key Decision)

Activity	Complete by
Brief relevant cabinet member (over £100k)	30/01/2023
Approval of Gateway 1: Procurement Strategy Report	19/01/2019
DCRB Review Gateway 2:	02/05/2023
CCRB Review Gateway 2:	11/05/2023
Notification of forthcoming decision – Dispatch of cabinet agenda papers	05/06/2023
Approval of Gateway 2: Contract Award Report	13/06/2023
Scrutiny Call-in period and notification of implementation of Gateway 2 decision	21/06/2023
Contract award	31/06/2023
Add to Contract Register	01/07/2023
Contract Start	03/07/2023
Publication of award notice on Contracts Finder	01/07/2023

Activity	Complete by
Contract completion date	02/11/2026

KEY ISSUES FOR CONSIDERATION

Description of procurement outcomes

13. This procurement is designed to select a main contractor to re-develop the Sceaux Gardens Estate, including the demolition of Florian and Racine bungalow blocks and Marie Curie Garages and construction of three new residential blocks. 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 the Sceaux Gardens Estate.
14. Please see the accommodation breakdown below.

Block	No of Flats Social Rent
Florian	34 units
Racine (over 2 blocks)	24 units
Marie Curie Garages	21 units
Total	79 units

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.

Tender process

20. As detailed in paragraph 10, Willmott Dixon were appointed to deliver the PSA via the SCAPE Framework. As this scheme had already undergone a procurement exercise via the tendered route and due to the amount of time lost in progressing the works it was necessary to expedite the appointment of a main contractor to move the scheme forward.
21. A competitive award via an existing framework would offer the council the opportunity of engaging with suppliers who are willing to undertake this scheme, are accustomed to the two stage process and regulated by SCAPE's governance process for which a SCAPE representative oversees.
22. The council approached the SCAPE framework for early discussions with their delivery partners. The SCAPE framework consists of three lots; Lot 1: £0-7m Morgan Sindall and Kier, Lot 2: £7.5m -75m Willmott Dixon and Morgan Sindall and Lot 3: £75m plus Mace and Sisk. Utilising this framework allows for a delivery partner to be selected without a pre-qualification or prescribed selection process as the sifting and selection process of the contractor's suitability for each lot has been completed by the framework.
23. Lot 2 was the most suitable for the council to use given the value of the scheme that could potentially be procured via the SCAPE framework. Lot 3 was ruled out because of its value band and the scheme would not fall into that value bracket.
24. The contractors from lot 2 were provided with expressions of interest information packs for Sceaux Gardens and were asked to prepare a presentation to representatives from the Southwark Construction team as a sifting exercise to enable the council to decide which contractor should be directly appointed to take forward the scheme. This was carried out in April 2022.
25. Both contractors provided a presentation that identified some of the key risks for the project, their delivery strategy, programme and general approach in delivering the scheme within the SCAPE parameters and accordance with the council milestones.

26. Further details of the second presentation is set out in paragraph 13 of the closed report.
27. The decision was confirmed by the Strategic Director of Housing for the scheme to be procured via the SCAPE framework and Willmott Dixon would be awarded a PSA contract for Sceaux Gardens. They demonstrated capacity to resource the project immediately and had a good level of experience in delivering similar schemes.
28. Willmott Dixon have a good track record in the sector and have also delivered over 34 schemes via the SCAPE framework since 2019.
29. The process has allowed the council to work with a contractor that:
 - a. Deliver the best quality outcomes for the project with Willmott Dixon already identifying complex and over specified components in the RIBA 3+ proposals which has enabled value engineering to be carried out.
 - b. Ensure that all of the project risks are identified, addressed and costed prior to entering into the contract.
 - c. Have a greater understanding of the market conditions and a steady and experienced supply chain.
30. The next stage in the SCAPE procurement process was for Willmott Dixon to prepare a feasibility study with an outline cost estimate. This provided the council with an outline programme and process map should the council wish to proceed to the next stage of the procurement process which was to enter into a PSA for the scheme designs and risks mitigation process to take place.
31. A PSA was entered into with Willmott Dixon in August 2022 this agreement and activities are currently underway and due for completion in June 2023. This has provided the council with the not to exceed contract sum for which this paper seeks approval for.
32. During the PSA process a number of the surveys have been completed and the detailed design (RIBA 4) has also taken place. These activities would normally have taken place post contract using the traditional single stage route which doesn't afford the council an opportunity to carry out a detailed assessment of the scheme alongside the council as it progresses. Items that could be value engineered were identified and also agreed reducing the cost of the scheme in some areas.
33. The award of this contract will enable Willmott Dixon to commence start on site for the main works during July 2022. The demolition of Florian and Racine are due to commence in June 2023 which will include the erecting hoardings and disconnection of utilities.

34. The desire to commence expediently reflects the current and persistent rise in costs in the market and securing the price at this particular time provides the most cost benefit to the council.
35. As part of the Council's Charter of Principle residents have been consulted throughout the design and development stages of the project and have made essential contribution to shaping the improvements to the landscaping and open space areas.

Tender evaluation

36. Following on from the pre-tender estimate received in March 2022, an updated cost estimate was received from Willmott Dixon in March 2023 and is set out in paragraph 15 of the closed report.
37. The increase in cost led the project team to reviewing the strategy for delivery of this scheme which resulted in the approach as outlined in paragraph 10 of this report.
38. Calfordseaden, who have been appointed as Employers Agent and Quantity Surveyor for this scheme, reviewed the estimates and provided a comparative breakdown. The evaluation highlighted a significant increase in line with the BCIS index as well as other factors owing to the planning requirements for specific use of materials as the site sits within a conservation area.
39. Surveys carried out during the PSA stage highlighted elements of redesign in order to fit the building envelope within the parameters required by utility companies so as to not disturb any existing underground networks.
40. At this stage in the project, options were considered as to how to progress the scheme which formed the basis of the report presented at the Housing Investment Board (HIB). The following options were presented to the Cabinet Member for Housing and Homelessness with the following assessments:
 - **Option 1** - Do not proceed: Reputational risk to the council as these schemes have been ongoing for some time. Significant resident consultation and engagement has progressed the schemes post planning. Residents are in support of the scheme. The risk of leaving empty properties on the estate and abortive PSA costs to date would have a significant impact on the trust built with the wider community. This will create anti-social behaviour (ASB) and potential other avoidable issues for our communities
 - **Option 2** - Proceed as is: Funding shortfall will need to be found by not proceeding with another scheme in the programme or a receipt generated into the programme to offset shortfall. Either of these remain a possibility during the period when the majority of works progresses.

- **Option 3** - Proceed as per latest estimate and convert some block(s) to private tenure: Marginal gain in terms of income to the council and loss of council homes. Extended programme due to planning revision. However, no extra funding required to cover the cost of the scheme.
- **Option 4** - Proceed with main works but omit or phase the build out to bring it back within the approved budget: Opportunity to commence with elements of the scheme within the funding envelope while market conditions stabilise and more financial certainty identified. Continue to deliver council homes and maintain positive engagement with residents and stakeholders

41. The Cabinet Member for Housing and Homelessness in liaison with the Leader, supported Southwark Construction to proceed with option 4 for this scheme.
42. By proceeding with a phased approach for this scheme the council is working to a lower financial risk by entering into the main contract with an agreed break clause. The council can assess the Marie Curie garage block phase before works commence and agree a fixed sum. If the completion of the second phase of the scheme exceeds the affordability envelope, a break clause at the completion of Florian and Racine blocks will allow the termination of the main works contract. In addition, an inflation clause will provide certainty of price that is deemed fair and reasonable in the current market.
43. The project team are recommending to cabinet that Wilmott Dixon proceed on the basis of the not to exceed sum noted in the contract sum analysis.

Plans for the transition from the old to the new contract

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

Plans for monitoring and management of the contract

45. 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.
46. 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.

47. 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.
48. 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.
49. 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

50.

Risk		Risk level	Mitigation action
1.	Project delivery delays resulting from discharge of planning conditions and liaison with third party organisations.	Medium	<ul style="list-style-type: none"> • The Southwark Construction team has ensured that pre-commencement conditions affecting the demolition aspect of the project have been discharged. • 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. • 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.
2.	Contractor has inadequate resources and management arrangements to mobilise and deliver	Low	<ul style="list-style-type: none"> • Wilmott Dixon Construction has successfully passed a financial credit check. • The Southwark Construction team and employer's agent (EA) will monitor the

Risk		Risk level	Mitigation action
	the contract		contract and regularly review performance, as per the department's process.
3.	Contractor becomes insolvent, ceases trading and goes into administration	Low	<ul style="list-style-type: none"> As part of due diligence a credit check has been carried out on Wilmott Dixon Construction proving the company to be financially sound and in line with 'the council's thresholds'. A performance bond at 10% of the contract value or parent company guarantee (PCG) will be provided with this contract.
4.	Project cost overruns / inflationary increase for Phase 2	Medium	<ul style="list-style-type: none"> The form of contract used for this project is a SCAPE NEC Contract and the contract sum is all-inclusive subject to any provisional sums and future variations. 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 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. Programme will be monitored by Project Management team and Employer's Agent. Should costs exceed accepted viability levels, a break clause for the construction of the garage site works is included in the contract to allow the council to halt the development of garage block.
5.	Project delivery delays (General)	Medium	<ul style="list-style-type: none"> 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. Project progress will be monitored and slow progress will be addressed at monthly project meetings.
6.	Contractor seeks negotiations on contractual terms	Medium	<ul style="list-style-type: none"> A standard NEC4 contract is being utilised with the council's amendments to the terms clearly set out from the

Risk		Risk level	Mitigation action
	prior to entering into contract		<p>start of the tender process.</p> <ul style="list-style-type: none"> The tender documents and clarifications during the tender process have been robust and clearly define the terms of the contract. Agreement on all terms has been confirmed prior to entering into a contract
7.	Market conditions	Medium	<ul style="list-style-type: none"> 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 Wilmott Dixon Construction having an established supply chain. Nevertheless, this will be monitored together with national and local guidance on policy and supply chain activity.
9.	Impact from national/global events	Medium	<ul style="list-style-type: none"> 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. 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. The programme will be fixed as soon we enter into contract with the contractor so the council's risks are reduced/mitigated. 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.
10.	Impact on approved designs due to changes in building legislation	Medium	<ul style="list-style-type: none"> The government has recently completed consultation on amendments to the Building Safety Act. 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.

Other considerations (For Housing Department works contracts only)

51. None.

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

Community impact statement

52. The redevelopment proposals entail the demolition of 33 homes, which were no longer deemed fit for purpose and beyond economic repair. The re-provision of new homes, will be of a high quality and compliant with current statutory policies, requirements and regulations including fire safety and sustainability.
53. 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.
54. The provision of homes (based on habitable room) for council rent will help address housing need identified on the Sceaux Gardens Estate and provide homes for others across the borough with most need for safe and secure housing. Although the delivery of 21 accessible homes will need to be reviewed should the break clause be implemented.
55. 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

56. The successful contractor will be required to adhere to the council's equality and diversity policies.
57. 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 Sceaux Gardens Estate specific local letting process.

Health impact statement

58. 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.
59. 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.

60. 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

61. 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.
62. 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%.
63. 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.
64. 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.
65. 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.

Social Value considerations

66. 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 are set out in the following paragraphs in relation to the tender responses, evaluation and commitments to be delivered under the proposed contract.
67. The opportunities for social value commitments were set using the National TOMs (Themes, Outcomes and Measures). Listed below is Willmott Dixon Construction's Social Value commitments included within Willmott Dixon tender submission, with further details included at paragraph 26 of the closed report:

TOMs reference	Measure
NT1	No. of local direct employees (FTE) hired or retained (for re-tendered contracts) on contract for one year or the whole duration of the contract, whichever is shorter
NT1c	No. of local people (FTE) on contract employed through the supply chain
NT3	No. of employees (FTE) hired on the contract who are long term unemployed (unemployed for a year or longer) as a result of a recruitment programme
NT4	No. of employees (FTE) hired on the contract who are Not in Employment, Education, or Training (NEETs) as a result of a recruitment programme
NT5	No. of 18+ y.o. employees (FTE) hired on the contract who are rehabilitating or ex-offenders as a result of a recruitment programme
NT6	No. of disabled employees (FTE) hired on the contract as a result of a recruitment programme
NT7	No. of hours of support into work provided to over 24 y.o. unemployed people through career mentoring, including mock interviews, CV advice, and careers guidance
NT8	No. of staff hours spent on local school and college visits e.g. delivering career talks, curriculum support, literacy support, safety talks (including preparation time)
NT9	No. of weeks of training opportunities on the contract (BTEC, City & Guilds, NVQ, HNC) that have either been completed during the year, or that will be supported by the organisation until completion in the following years - Level 2,3, or 4+
NT10	No. of weeks of apprenticeships on the contract that have either been completed during the year, or that will be supported by the organisation until completion in the following years - Level 2,3, or

TOMs reference	Measure
	4+
NT11`	No. of hours of support into work provided to under 24 y.o. (young people) unemployed people through career mentoring, including mock interviews, CV advice, and careers guidance
NT12	No. of weeks spent on meaningful work placements or pre-employment course; 1-6 weeks student placements (unpaid)
RE10	No. site visits for school children or local residents
NT21	Equality, diversity and inclusion training provided both for staff and supply chain staff
NT39	Mental Health campaigns for staff on the contract to create community of acceptance, remove stigma around mental health
NT26	Initiatives taken or supported to engage people in health interventions (e.g. stop smoking, obesity, alcoholism, drugs, etc.) or wellbeing initiatives in the community, including physical activities for adults and children
NT27	Initiatives to be taken to support older, disabled and vulnerable people to build stronger community networks (e.g. befriending schemes, digital inclusion clubs)
NT28	Donations or in-kind contributions to local community projects (£ & materials)
NT29	No. of hours volunteering time provided to support local community projects

Economic considerations

68. 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.
69. Following award, quality improvements and costs implications linked to the payment of LLW will be monitored as part of the contract review process.

Environmental/Sustainability considerations

70. 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.

71. 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

72. Given current market conditions, the level of detail in responses received is considered a positive outcome and has allowed for appropriate cost benchmarking.
73. The successful bidder Wilmott Dixon Construction is a well-established family owned and operated company founded in 1852.
74. 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.
75. 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.
76. It is worth noting that the wider British economy has also 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/economy/inflationandcosts/articlesandreports/articles/cpih-annual-rate-00-all-items-2015=100)) with an increase from 6.2% in March 2022 to 8.9% in March 2023 (latest ONS release 19 April 2023)
77. The council want, and need, to continue to provide new council homes for our residents. Like all local authorities building new homes, the council have been impacted by dramatic increases in construction costs, major new fire safety regulatory standards, and a surge in inflation. As a council, we are facing enormous financial demands, and we need to uphold our commitments to maintaining and improving our existing housing stock, together with complying with improvements which include, fire safety, building improvements and thermal efficiency. The average per sqm cost has increased by 23% from Q2 to Q3 2022-23 as evidenced by the Beacon Partnership (housing development and regeneration consultancy) report. This demonstrates that other housing providers are facing similar challenges.

78. To deliver new homes the council can no longer rely on borrowing to fund the increase in scheme costs due to the market changes. Therefore it needs to carefully consider alternative phasing models to deliver scheme.

Staffing implications

79. The staff resources deployed to this project is sufficient to meet the proposed timetable.
80. 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

81. The total contract figure of £47,001,717 submitted by Wilmott Dixon is a fixed fee to deliver all three blocks across two phases, but does not include any professional services fees. As confirmed in paragraph 12, this figure currently exceeds the total approved budget available for this project. The table in paragraph 31 of the closed report sets out the difference between total scheme cost and approved budget.
82. The contract sum analysis (CSA) submitted by Wilmott Dixon is costed as a phased delivery of the blocks. It should be noted there are savings to be made of circa £2.5m, against the prelims, should the Marie Curie garages block be delivered in line with the original proposals.
83. A break clause will be included in the contract at the point of completion of Florian and Racine. If no additional funding or income has been secured, by 27 November 2023 the council will not be obliged to take forward the development of the garages site and the break clause can be implemented.
84. This method of delivery will ensure that the project stays within the allocated budget and should we receive additional income during the build of Florian and Racine, this may allow the council to deliver the garage block. Options for further funding are being investigated, including the use of S106 monies and / or income from private sales.
85. This project was part of the GLA replacement homes funding stream which ended in March 2023. The commencement of the enabling works was undertaken before the end of Q4 of 2022-23 which has secured the GLA grant funding for the 33 replacement homes and the 46 new homes provided by this project.
86. Grant funding has contributed £100k for each council rent home built and, for this project, 95% of £7.9m (£7.5m) has now been received. Should the council postpone or not proceed with this project, the council will forfeit the GLA grant received. In the event that the garages block is not

delivered, the council would then be required to reimburse the GLA for the 21 homes not built; equating to £2.1m.

87. In reviewing the monetary values for the overall scheme it clearly shows the delivery of all three blocks exceeds the approved budget however, the following should be noted:

Delivering all three blocks as one phase	Delivering three blocks across two phases
<ul style="list-style-type: none"> Provides fixed price certainty in a volatile market 	<ul style="list-style-type: none"> Second phase subject to inflationary pressures
<ul style="list-style-type: none"> Lower per unit cost due to prelims efficiencies at £595k per unit 	<ul style="list-style-type: none"> Higher cost per unit cost across the scheme: <ul style="list-style-type: none"> - circa £600k for Florian & Racine - circa £579k (plus any inflation uplift) for Marie Curie garages
<ul style="list-style-type: none"> Guarantees delivery of 79 new homes for council rent 	<ul style="list-style-type: none"> Delays delivery of 21 homes including all the accessible homes proposed for this scheme
<ul style="list-style-type: none"> Fully complies with the planning approval (all accessible homes are within the garages block) 	<ul style="list-style-type: none"> Whilst planning permission will remain in place, any future changes to government legislation or design standards will impact on the design and delivery of the garages block
<ul style="list-style-type: none"> Avoids any duplication of professional fees / on costs and prelims together with any early termination claims by consultants 	<ul style="list-style-type: none"> Consultants and sub-consultants will require phased appointments and no efficiency savings on prelims
<ul style="list-style-type: none"> Cannot be delivered within current funding envelope 	

88. The projected cash flow for the entire project is set out in the table at paragraph 37 of the closed report with the break clause, should it be required, needing to be implemented in the 2024 / 2025 financial year.
89. It should be noted that the previous year's spend includes payments to Engie as part of the previous procurement and contract award.
90. Any VAT applicable to this contract will be recoverable by the council.
91. The cost is to be borne by the Sceaux Gardens Estate redevelopment project budget and will be charged to WBS code H-8888-9495.01
92. This project is funded by a combination of GLA grant and the Housing Revenue Account (HRA) resources supporting the New Build programme which includes borrowing. The recommended contract price is within the

allocated budget and will be monitored on the project code (H-8888-9495.01).

Investment implications

93. 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)

94. Utilising the Scape framework has resulted in continuity to the delivery of the project and, given the current volatile construction market, will mean much needed homes are delivered for council tenants.

Legal implications

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

Consultation

96. Local residents have been involved in consultation meetings with council officers since the beginning of the design process in 2015 as outlined in the Charter of Principles agreed by cabinet in November 2014.
97. 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

98. None identified.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Finance (H&M) (H&M 23/017)

99. This report is seeking approval to award the main contract for the Sceaux Gardens Estate redevelopment to Wilmott Dixon Construction Limited for the sum of £47,001,717. The total cost of this project, including fees and contingency is set out in the closed version of the report.
100. 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

101. This report seeks approval from cabinet for the award of the main contract for the Sceaux Gardens Estate redevelopment, to Wilmott Dixon Construction Ltd procured via the Scape Framework for a period of 160 weeks for a contract value not to exceed £47,001,717 which is split into two phases as detailed in paragraphs 1 to 2.
102. Cabinet note the procurement is detailed in paragraphs 13 to 14 and 20 to 43, management and monitoring of the contract is detailed in paragraphs 45 to 49, the risks are detailed in paragraph 50, the impact on equalities, health and climate change are detailed in paragraphs 56 to 65, social value commitments are detailed in paragraph 67, confirmation of the payment of LLW is detailed in paragraph 68.

Assistant Chief Executive for Governance and Assurance

103. This report seeks the approval of the Cabinet to the award of contract for Sceaux Gardens Estate redevelopment to Wilmott Dixon Construction Limited as further detailed in paragraphs 1-4. As the contract relates to a Strategic Procurement then by virtue of CSO 6.5.2(a) the award decision is reserved to Cabinet, after consideration of the report by CCRB.
104. The nature and value of these works are such that they are subject to the full tendering requirements of the Public Contract Regulations 2015 (PCR15). However, the council is awarding this contract through the Scape framework (lot 2) which was established following a PCR compliant tendering process, and therefore the tendering requirements of PCR15 are satisfied. The council, following the shortlisting process noted in paragraphs 24-26 identified Wilmott Dixon for award of the PSA and enabling works contracts, and following completion of activities in the PSA, a 'not to exceed' sum for the works contract has now been identified to which this approval relates.
105. The Cabinet's attention is drawn to the Public Sector Equality duty (PSED General Duty) under the Equality Act 2010, which requires public bodies to have regard, when making decisions, to the need to eliminate discrimination, advance equality of opportunity and foster good relations between persons who share a relevant protected characteristic and those who do not share it. The Cabinet is specifically referred to the community, equalities (including socio-economic) and health impacts at paragraphs 52-60 setting out the consideration that has been given to equalities issues which should be considered when approving the recommendations in this report.
106. Contract Standing Order 2.3 requires that no steps are taken to award a contract unless the expenditure involved has been included in approved

estimates, or otherwise approved by the council. Paragraphs 81-92 confirm the financial implications of this award.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Benchmarking Construction for London – Beacon Partnership / Calfordseaden Quarter 3 2022-23	Housing, Southwark Construction	Laura James 020 7525 5352
Agenda for Cabinet on Tuesday 13 June 2023, 11.00 am - Southwark Council (item 14)		

APPENDICES

No.	Title
None	

AUDIT TRAIL

Cabinet Member	Cabinet Member for Council Homes and Homelessness	
Lead Officer	Michael Scorer, Strategic Director of Housing	
Report Author	Hemali Topiwala, Strategic Lead	
Version	Final	
Dated	5 June 2023	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments Included
Strategic Director of Finance	Yes	Yes
Head of Procurement	Yes	Yes
Assistant Chief Executive - Governance and Assurance	Yes	Yes
Cabinet Member	Yes	Yes
Contract Review Boards		
Departmental Contract Review Board	Yes	Yes
Corporate Contract Review Board	Yes	Yes
Date final report sent to Constitutional Team		5 June 2023