

Item No.	Classification: Open	Date: 1 August 2023	Meeting Name: Strategic Director of Children and Adult Services
Report title:		Gateway 2 - Contract Award Approval Main Works at 18 St Mary's Road	
Ward(s) or groups affected:		Nunhead & Queens' Road	
From:		Head of Sustainable Growth	

RECOMMENDATION

1. That the Strategic Director of Children and Adult Services approve the award of the main works contract to Standage & Co Ltd in the sum of £1,202,194 for a period of 33 weeks starting in August 2023.

BACKGROUND INFORMATION

2. The Children Act 1989 (section 22c) places a duty on the Local Authority to provide sufficient placements locally, in so far as possible. In line with the commitments set out in Southwark's Children Looked After and Care Leavers Placement Sufficiency Strategy 2018-2022, children's services has successfully reduced the number of children in residential care over recent years, with more children placed with families and foster carers.
3. However, there are a number of children whose complex needs mean that a foster family is not a viable option and a more intensive package of residential care is required. At present all of these children are placed outside of the borough.
4. The overall vision for Southwark's Residential Strategy is that children's residential care should be a placement of choice, based on an assessment of need and careful matching, and within the borough as so far as possible.
5. Southwark was successful in bidding for grant funding of £1,851,979 to provide a new children's home at 18 St Mary's Road. This funding is time limited and has to be spent by end of March 2024 (this was extended by the Department for Education by a year to March 2024). A separate design team was appointed in November 2021 and has been working up the design and specification for the works.
6. On 1 June 2022, the Strategic Director of Children and Adult Services approved Gateway 1 report on the procurement strategy for the 18 St Mary's Road works contract at an estimated value of £1.5m. The tender process was designed to result in award of a two stage design and build contract.

7. On 31 August 2022, the Strategic Director of Children and Adult Services formalised a Gateway 2 award (prior approval dated 16 August 2022) of the Pre-Construction Services Agreement (PCSA) at a cost of £71,033 and enabling works contract to Standage & Co. Ltd. in the sum of £137,555 for a period of 46 weeks commencing on 19 September 2022.
8. On 24 April 2023, the Director of Children and Families grant prior approval for a variation on the enabling works contract of £312,707, which would improve the delivery of the main works contract by 8 weeks. This brought the total cost for the enabling works contract to £450,262.
9. This Gateway 2 report relates to the second stage of a two-stage tender process which is for the main works to 18 St Mary's Road. The first stage was covered by the PCSA award.

Procurement project plan (Key Decision)

10.

Activity	Completed by/Complete by:
Forward Plan for Gateway 2 decision	30/06/2023
Briefed relevant cabinet member (over £100k)	07/06/2023
Approval of Gateway 1: Procurement Strategy Report	01/06/2022
Completion of evaluation of Stage 2	21/04/2023
DCRB Review Gateway 2:	07/06/2023
Notification of forthcoming decision – Five clear working days	24/07/2023
Approval of Gateway 2: Contract Award Report	01/08/2023
Scrutiny Call-in period and notification of implementation of Gateway 2 decision	11/08/2023
Contract award	09/08/2023
Add to Contract Register	09/08/2023
Contract start	16/08/2023
Contract completion date	29/03/2024
Contract completion date – if extension(s) exercised	N/A

KEY ISSUES FOR CONSIDERATION

Description of procurement outcomes

11. The works include repair and refurbishment works inclusive of the demolition of the existing garage and a double storey extension in its footprint, landscaping works, installation of new windows, doors, kitchen and WC's in accordance with building regulations and accessibility requirements, M&E equipment and significant external landscaping and redevelopment.

Key/Non Key decisions

12. This report deals with a key decision.

Policy implications

13. London Borough of Southwark (LBS) has a duty under the Children Act 1989 (section 22c) to provide sufficient placements in the locality, as far as reasonably practical, to meet the accommodation needs of children looked after and of our care leavers.

14. Southwark's Children Looked After and Care Leavers Placement Sufficiency Strategy 2018-2022 sets out the Council's vision, values and principles to meet this duty on a local level:

- Be the champions our young people deserve
- Deliver high quality care, support and accommodation services
- Do our best to enable families to stay together
- Keep children and young people safe at all times
- Keep children and young people's needs and wishes central to our work
- Keep all children and young people in care and care leavers well informed about their rights and where to go for help
- Empower children and young people to take control of their own lives and realise their full potential
- Deliver proactive support that secures the best long term outcomes for all children and young people
- Ensure the views of children, young people and their families inform service improvement

15. The Southwark Plan 2019-2036 sets out the Strategic Policies that demonstrate how the council will achieve the six policies in the plan. The provision of this service will contribute to the delivery of the following commitments.

- SP3 – A Great Start in Life states that the council aims for 'our young people a great start in life in a safe, stable and healthy environment where they have the opportunity to develop, make choices and feel in control of their lives and future'.

16. In response to the impact of COVID-19 on Black, Asian and Minority Ethnic residents, the council embarked on a listening exercise with the communities of Southwark to gain an insight into the barriers and experiences of inequalities Black, Asian and Minority Ethnic communities face in their daily lives. Southwark Stands Together commits to root out inequalities by implementing the recommendation from the Southwark Stands Together work against racial inequalities and injustice.
17. The works proposed in this report will provide the first of three children's homes in the borough. The home will provide a safe and stable environment for children in need, in support of the council's policies for supporting the best start in life for the borough's children.

Tender process

18. A two-stage design and build procurement route was selected for this project. Contractors on the council's works approved list were invited to tender.
19. Please see the gateway 2 report dated 31 August 2022 for details of the Stage 1 of the tender process as the PCSA was awarded in August 2022.

Tender evaluation

20. A first stage tender report was issued in August 2022 following which Standage were appointed as the preferred contractor for the pre-construction phase.
21. As part of the first stage tender Standage provided their fixed pre-construction fee, construction fee, Overheads and Profit (OH+P) and Preliminaries costs (staff costs, site set up and accommodation).
22. Standage have provided adequate justification of the cost by demonstrating competitive tendering was carried out and that generally the most competitive sub-contractors have been selected. Where Standage have chosen not to select the most competitive sub-contractor, they have provided reasons to justify this decision. Where Standage have not provided formal quotations, our consultants Faithful + Gould (F+G) have challenged the breakdown of these sums and undertaken assessment to validate the value for money of the offer, none of which have been identified as poor value for money. Standage issued three quotes for 17 out of the 45 packages, and two quotations for a further 9 out of the 45 packages. The remaining packages were justified and or of small value of works.
23. The programme, contractor's proposals, risk log etc. have been reviewed by the consultant team and are in line with the council's employer's requirements for this work.

Plans for the transition from the old to the new contract

24. Not applicable. There is no old contract.

Plans for monitoring and management of the contract

25. 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.

26. The contract will be managed and monitored by Sustainable Growth supported by consultants covering employer's agent, cost consultants and CDM.

Identified risks for the new contract

Risk No.	Identified Risk	Likelihood	Risk Control
1	Financial risk - inflation rates higher than projected in the cost estimates	Low	The costs have factored in inflation at current Building Cost Information Service (BCIS) rates.
2	Programme risk - material and labour shortages	Low	This was tested through the tender evaluation process. Tenderers were asked how they will manage their supply chain to achieve the programme and what measures they have put in place to mitigate supply chain disruption. Post-contract, the risks are transferred to the contractor.
3	Problems in the ground on site	Low	Ground works formed part of the Enabling Works contract to derisk the main works and improve the programme time.
4	Unforeseen works in the house during refurbishment	Low	The house has been fully stripped out so all areas are visible for inspection and pricing purposes.
5	Contractor goes bankrupt.	Low	Financial checks have been undertaken

6	Procurement risk	Low	Council will ensure compliance with the PCR 2015
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Community, equalities (including socio-economic) and health impacts

Community impact statement

27. The improved physical condition of the property will contribute towards providing a suitable and safe environment for children in need of a home. The outcomes from consultation will be fed into the design and operation of the new home. Those living in close proximity to the property may experience some short term inconvenience due to the initial demolition and subsequent construction works. These will be appropriately managed by the professional services provider and works contractor, respectively. The professional services consultant will be responsible for monitoring the performance of the contractor who will carry out the works under the Considerate Constructor scheme, which seeks to minimise disturbance and disruption in the neighbourhood.

Equalities (including socio-economic) impact statement

28. Officers are mindful of the need to have due regard to the Public Sector Equality Duty imposed by section 149 of the Equality Act 2010, which requires the Council to:
- i. Eliminate discrimination, harassment, victimisation, or other prohibited conduct;
 - ii. Advance equality of opportunity between persons who share a relevant protected characteristic and those who do not share it;
 - iii. Foster good relations between persons who share a relevant protected characteristic and those who do not share it.

Health impact statement

29. This project seeks to establish the first children's home in the borough to ensure that children have an appropriate and safe space to call home. The works will have a positive outcome on children's health through providing high quality accommodation including individual bedrooms, communal areas and a large garden, managed by staff providing support and guidance to vulnerable children.

Climate change implications

30. The services scope includes the Council's climate change strategy towards Net Zero Carbon by 2030 and that all works should factor this into the specifications.
31. The new home is being designed as a low carbon home with no connection to fossil fuels for heating and hot water supplies.

Social Value considerations

32. The Public Services (Social Value) Act 2012 requires that the council considers, before commencing a procurement process, how wider social, economic and environmental benefits that may improve the wellbeing of the local area can be secured. The social value considerations included in the tender (as outlined in the Gateway 1 report) are set out in the following paragraphs in relation to the tender responses, evaluation and commitments to be delivered under the proposed contract.

Economic considerations

33. The council is using a local company; Standage is a Small Medium Enterprise (SME) in delivering this work it will encourage local businesses and employment.
34. Key areas of social value commitments include:
- Job creation and local economy
 - Local employment opportunities
 - Payment of London Living Wage where appropriate
 - Environmental and sustainability considerations
 - Health and wellbeing considerations
35. For all contracts over £1m in value, the expectation will be that where practical at least one apprenticeship will be provided per £1m of contract value.

Social considerations

36. The council is an officially accredited London Living Wage (LLW) Employer and is committed to ensuring that, where appropriate, services engaged by the council to provide works or services within Southwark pay their staff at a minimum rate equivalent to the LLW rate.
37. The conditions requiring payment of LLW will be included in the contract documents which will result in quality improvements for the council. These should include a higher calibre of multi-skilled operatives that will contribute to the delivery of works on site and provide best value to the council.
38. Following award, quality improvements and cost implications linked to the payment of LLW will be monitored as part of the contract review process.

39. The relevant protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation. The Public Sector Equalities Duty (PSED) also applies to marriage and civil partnership, but only in relation to above. This report sets out the considerations which have been given to the PSED General Duty.

40. The services delivered under this contract will ensure that the completed works will benefit the local community.

Environmental/Sustainability considerations

41. The Public Services (Social Value) Act 2012 requires the council to consider a number of issues including how what is proposed to be procured may improve the economic, social and environmental well-being of the local area for higher value contracts. The council is committed to these principles for all contracts and relevant issues were identified in the attached Gateway 1 report.

Market considerations

42. The costs presented by Standage are in line with current procurements for similar services. The market has been adequately tested to demonstrate value for money.

Staffing implications

43. No staffing implications

Financial implications

44. The estimated total cost of this project has increased by between £350k and £400k when compared with original estimates, mainly because of project delays and a higher inflationary environment. Southwark is applying to the DfE for additional funding as this is allowed for by the DfE. If the DfE funds 50% or more of the additional cost then the project is still forecasted to be break even from a Council perspective. Anything less, and the project will overspend and will require additional Council funding.

45. 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. Seeking further advice from VAT helpdesk in regards DRC.

46. The contract value including and excluding VAT is:

	Cost excluding VAT	Cost inclusive of VAT
Original total cost	1,202,194	1,502,743
Enabling Works cost	450,262	562,828
PCSA cost	71,033	88,791
Revised total cost	1,723,489	2,154,362

Investment implications

47. There are no investment implications.

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

48. A credit check has been carried out on Standage and confirms they are secure with a credit score of 99.

Legal implications

49. Please see comments from the Assistant Chief Executive - Governance and Assurance.

Consultation

50. The project has achieved full planning approval and as part of this the wider community were consulted on the new children's home. The contractor has also made contact with STAC and local neighbours to ensure any issues are dealt with promptly.

Other implications or issues

51. There are no other implications or issues to consider.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Finance REF: [21DK2023-24]

52. The Strategic Director of Finance notes the contents of this report, and in particular the comments within the Financial Implications section.

Head of Procurement

53. There were no procurement comments required for this report.

Assistant Chief Executive – Governance and Assurance

54. A concurrent was not required for this report.

Director of Children and Families

55. I have read this GW2 Report and note the thoroughness of the scrutiny process around cost and the 33 week timeline for completion of this project, taking this in my estimation to mid-January 2024. I support this decision and am keen for the works to progress as soon as possible.

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 **1 August 2023**
Designation **David Quirke-Thornton**
Strategic Director for Children and Adult Services

PART B – TO BE COMPLETED BY THE DECISION TAKER FOR:

- 1) All key decisions taken by officers
- 2) Any non-key decisions that are sufficiently important and/or sensitive that a reasonable member of the public would reasonably expect it to be publicly available (see ‘FOR DELEGATED DECISIONS’ section of the guidance).

1. DECISION(S)
As set out in the recommendations of the report.
2. REASONS FOR DECISION
As set out in the report.
3. ALTERNATIVE OPTIONS CONSIDERED AND REJECTED BY THE OFFICER WHEN MAKING THE DECISION
Not applicable.

4. ANY CONFLICT OF INTEREST DECLARED BY ANY CABINET MEMBER WHO IS CONSULTED BY THE OFFICER WHICH RELATES TO THIS DECISION

None.

5. NOTE OF ANY DISPENSATION GRANTED BY THE MONITORING OFFICER, IN RESPECT OF ANY DECLARED CONFLICT OF INTEREST

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

None.

6. DECLARATION ON CONFLICTS OF INTERESTS

I declare that I was informed of no conflicts of interests.*

Signature



Date 1 August 2023

David Quirke-Thornton

Designation **Strategic Director for Children and Adult Services**

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).*

Signature



Date 1 August 2023

David Quirke-Thornton

Designation **Strategic Director for Children and Adult Services**

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

BACKGROUND DOCUMENTS

Background documents	Held At	Contact
Children Looked After and Care Leavers Placement Sufficiency Strategy 2018-2022	Sustainable Growth, Capital Works, Environment, Neighbourhoods and Growth, 5 th Floor 160 Tooley Street, London, SE1 2QH	Claire Boadu 07938740285
Link: https://moderngov.southwark.gov.uk/documents/s76190/Appendix%201.pdf		
Southwark Plan 2022	Sustainable Growth, Capital Works, Environment, Neighbourhoods and Growth, 5 th Floor 160 Tooley Street, London, SE1 2QH	Claire Boadu 07938740285
Link: https://www.southwark.gov.uk/planning-and-building-control/planning-policy-and-guidance/development-plan/new-southwark-plan		

APPENDICES

No	Title
None	

AUDIT TRAIL

Lead Officer	David Quirke-Thornton Strategic Director for Children and Adult Services	
Report Author	Claire Boadu, Assistant Project Manager, Sustainable Growth, Capital Works	
Version	Final	
Dated	26 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	No	No
Cabinet	No	No
Date final report sent to Constitutional Team		1 August 2023