

<b>Decision Taker:</b>	Strategic Director of Children and Adult Services
<b>Date:</b>	22 July 2024
<b>Report title:</b>	<b>Gateway 2 – Contract Award Approval</b> Installation of an Air Source Heat Pump at Crampton Primary School
<b>Ward(s) or groups affected:</b>	Newington
<b>Classification:</b>	Open
<b>Reason for lateness (if applicable):</b>	N/A
<b>From:</b>	Head of Sustainable Growth

## RECOMMENDATION

1. That the Strategic Director of Children and Adult Services approve the award of a contract to install an Air Source Heat Pump at Crampton Primary School to Stonegrove Ltd., work to commence in the school summer holidays 2024 and complete by September 2025.

## BACKGROUND INFORMATION

2. In June 2022 the Strategic Director of Children and Adult Services approved the procurement of professional services to design, tender and administer carbon reduction projects at Crampton and Brunswick Park Primary schools.
3. Approval was granted to use the CCS Framework, from which Atkins Realis were appointed following a tender exercise.
4. Atkins Realis subsequently designed and tendered work at both schools and made recommendations.
5. Funding for both schools has been confirmed from the Climate Change Team (CCT) in the Environment, Neighbourhoods and Growth Directorate.
6. The design team on reviewing the energy improvement works needed at both schools found that Crampton School is in urgent need of a new heating system. The CCT agreed to realign the funding for Crampton School as the cost of the Air Source Heat Pump (ASHP) system exceeded the original estimate. The gas boiler plants at Crampton School are beyond repair and now require urgent replacement. The installation of a heat pump will replace the function of gas boilers, along with new radiators, energy controls and circulating pipework.

## Procurement project plan (Key Decision)

7.

Activity	Completed by/Complete by:
Forward Plan for Gateway 2 decision	N/A
Briefed relevant cabinet member (over £100k)	19/07/2024
Approval of Gateway 1: Procurement Strategy Report	08/06/2022
Invitation to tender	09/05/2024
Closing date for return of tenders	28/05/2024
Completion of evaluation of tenders	24/06/2024
DCRB Review Gateway 2:	17/07/2024
Notification of forthcoming decision – Five clear working days	N/A
Approval of Gateway 2: Contract Award Report	22/07/2024
Scrutiny Call-in period and notification of implementation of Gateway 2 decision	N/A
Debrief Notice and Standstill Period (if applicable)	N/A
Contract award	22/07/2024
Add to Contract Register	22/07/2024
TUPE Consultation period (if applicable)	N/A
Contract start	29/07/2024
Publication of award notice in Find a Tender Service	N/A
Publication of award notice on Contracts Finder	22/07/2024
Contract completion date	29/08/2025
Contract completion date – if extension(s) exercised	N/A

## KEY ISSUES FOR CONSIDERATION

### Description of procurement outcomes

8. Subject to approval of the recommendation contained in this report, this procurement will result in the replacement of the school's ageing and inefficient gas boilers with an electric powered ASHP, resulting in both a reduction in the school's overall energy consumption, and the removal of all CO<sub>2</sub> emissions associated with heating and hot water services.

9. The work will be phased to allow the replacement of the school's radiators and pipework over the summer holidays of 2024, and removal of the boilers and installation of the ASHP in the summer holidays of 2025. Planning permission is required for the new ASHP.
10. The new replacement pipework and radiators are essential to allow the ASHP, which operates at a lower temperature than a gas boiler, to operate efficiently. In the heating season between 2024 and 2025, the gas boilers will continue to operate, using the new pipework and radiators.

### **Key/Non Key decisions**

11. This report deals with a key decision.

### **Policy implications**

12. This has taken into account the council's procurement strategy, related procurement policies and Contract Standing Orders.
13. The works proposed in this report will provide improved facilities and help to maintain a warm, dry and safe environment for schools, and reduce the buildings' carbon emissions in support of the council's policies for supporting the best start in life for the borough's children and working towards a carbon neutral borough by 2030.
14. The works also support the council's borough plan values whereby:  
  
*"we want every child in Southwark to grow up in a safe, healthy and happy environment. We'll continue to invest in our young people to ensure they have the opportunity to reach their potential".*
15. Reflecting the values in the borough plan, the works have been procured and will be delivered in a way which is "open, honest and accountable".

### **Tender process**

16. Five contractors from the council's Works Approved List were invited to tender.
17. The documents for tendered packages were uploaded onto the council's ProContract e-tendering portal within the submission deadlines and construction dates for each site. Tender returns and all clarifications were managed through the portal.

### **Tender evaluation**

18. All five invited contractors returned valid tenders.
19. Tenders were assessed both on price and quality, weighted 70% on price and 30% on quality.

20. It is recommended that Stonegrove Ltd. be awarded the contract.
21. Once approved, the statements included within the tender responses will be included as part of the Contract as the Contractor's accepted method of working throughout the Contract Period.
22. The evaluation methodology and the basis of the council's scoring criteria were made clear to bidders at the time of invitation to tender in the instructions to tenderers. For each tender, bidders were instructed to provide a detailed priced specification along with a programme, response to quality questions and completed Form of Tender. The documentation for return was to be completed following a site visit and based upon the information provided within the tender documentation pack.

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

23. There are no plans for the transition from the old to the new contract to be considered in this report.

**Plans for monitoring and management of the contract**

24. The role of the project client, including the management and administration of the consultant and contractor appointments, will be resourced and managed through the Sustainable Growth (Capital Projects) team . Progress with the contract works and performance of the consultant team will be subject to constant scrutiny and fortnightly review, including cost, programme and quality.
25. Overall project progress will be reported and monitored by the Children and Adult Services Capital Programme and Place Planning Board.
26. A pre-start and regular progress meetings will be held with the contractor, school management, and other stakeholders to ensure the successful delivery of the work at each of its phases.

**Identified risks for the new contract**

	<b>RISK</b>	<b>RISK LEVEL</b>	<b>MITIGATION ACTION</b>
1	Unforeseen additional works discovered on site cause prolongation of site operations	Low	There will be regular reporting of progress by the contractor and a requirement for early notification of any events or circumstances which might cause delay.  The budget for this project allows for a 10% contingency sum to be kept available for unforeseen works or costs.

RISK		RISK LEVEL	MITIGATION ACTION
2	Delay by the contractor causes prolongation of site operations	Low	The contract conditions include provision for liquidated damages to be levied from the contractor.
4	Contractor fails to maintain safe access for school operations during term time	Low	As Principal Designer under the Construction Design and Management (CDM) Regulations, Atkins Realis will not sanction works to commence on site without a satisfactory construction phase health and safety plan being in place. A health and safety check will be conducted and the head teacher consulted by the Sustainable Growth team and the works contractor prior to the start of term should any work be required during term time. Contract conditions require the contractor to carry out the works in compliance with all statutory requirements, including those governing health and safety.
3	Procurement challenge	Low	The project team have followed Southwark's processes to ensure that the tender process is fair, open and transparent.
4	Construction prices inflate to the extent that projects become unaffordable	Low	Works have been tendered and prices agreed and fixed.
5	Availability of materials causes delay to works	Medium	Works are to be commissioned as soon as possible so that materials can be ordered.

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

### **Community impact statement**

27. The works proposed in this report will help to ensure that the physical condition of the school buildings provides a suitable environment in which school activities can take place.
28. Those living in close proximity to the school may experience some short term inconvenience due to the works. This will be appropriately managed by the professional services provider and works contractor, respectively.

29. The professional services provider, Atkins Realis, 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**

30. 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**

31. This contract will form part of the council's commitment to ensure all schools are warm, dry and safe. The works will have a positive impact on staff and pupils' health by eliminating the production of CO<sub>2</sub> and other flue gases at the site.

### **Climate change implications**

32. The specifications for these works have been written in the context of the council's climate change strategy towards Net Zero Carbon by 2030.

### **Social Value considerations**

33. 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**

34. Investment in heat pump technology will reduce the overall energy needs of the school.

## **Social considerations**

35. The council is an officially accredited London Living Wage (LLW) Employer and is committed to ensuring that, where appropriate, our contractors and subcontractors engaged by the council to provide works or services within Southwark pay their staff at a minimum rate equivalent to the LLW rate. The successful contractor referred to in this report has confirmed that they will meet the LLW requirements. Following award, quality improvements and cost implications will be monitored as part of the contract review process.
36. The council has requested the necessary information from tenderers (using the council's standard documentation in relation to blacklisting). The winning tenderer has confirmed that they comply with the requirements of the Employment Relations Act 1999 (Blacklists) Regulations and shall ensure that they will not during the provision of the works be a party to or concur in any discriminatory employment practice which could be construed as blacklisting or boycotting any person who has sought employment with the winning tenderer in breach of those Regulations.
37. The contract conditions also include an express condition requiring compliance with the blacklist regulations, and include a provision to allow the contract to be terminated for breach of these requirements
38. The council believes that to Build Back Fairer for all in Southwark, all staff working within our borough deserve a fair wage reflecting the environment in which they work, regardless of whether they are employed directly by the council or by our contractors or sub-contractors.

## **Environmental/Sustainability considerations**

39. Generally, the construction works will use recycled and low carbon materials where possible and energy efficient components where appropriate.
40. These works will reduce carbon emissions by the school, both locally at the school site, and globally through reduced energy needs.

## **Market considerations**

41. The supply of materials to the construction market has been severely impacted by the ongoing issues with high construction inflation and Brexit causing an increased demand for materials, coupled with a shortage of labour.
42. In relation to this contract the successful tenderer:
- Has submitted a fixed price that is within budget
  - Is a private organisation
  - Will employ all staff engaged in the delivery of the works at the current prescribed LLW levels
  - Complies with the Equality Act 2010

### **Staffing implications**

43. The project will be resourced by existing council staff.

### **Financial implications**

44. 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.

45. The remaining grant will be used towards funding for the ASHP installation at Brunswick Park School.

46. The cost of the works, plus 10% contingency and 10% professional fees can be contained within the overall project budget.

47. Sustainable Growth's fees will be apportioned in accordance with the agreed Service Level Agreement between Children and Adult Services and Sustainable Growth.

### **Investment implications**

48. The school is owned by the council and the works will provide a sustainable investment to the school by ensuring that the buildings are fit for purpose and meet the requirements for the service users and the statutory bodies.

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

49. A second stage financial appraisal has been carried out for the preferred contractor.

### **Legal implications**

50. The proposed contract has been procured in accordance with all relevant legislative requirements and in line with the council's Contract Standing Orders as set out in the council's constitution.

51. These works will be delivered under the JCT Intermediate Works Contract with standard amendments 2016.

### **Consultation**

52. The Capital Works team have worked closely with the school's management and the Education Directorate regarding the works and programme. A pre start contract meeting will be held prior to each phase to ensure staff are consulted, engaged and involved.



## **Other implications or issues**

53. There are no other implications or issues for consideration.

## **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

### **Strategic Director of Finance (CAS24/04)**

54. The Strategic Director notes the contents of this report. The costs presented here are within the overall budget for the project and will not create additional financial pressures.

55. Costs for the project will need to be managed robustly to mitigate increases to projects and remain within the overall budget. Any increases in the cost for this project will impact the amount of grant left for the works at Brunswick Park School.

### **Head of Procurement**

56. A formal concurrent is not required for this report as the estimated value is below the advertising threshold for works of this nature, as prescribed by the Public Contracts Regulations 2015 (PCR2015). However, it is confirmed that the contract award recommendation as outlined, acknowledging use of the council's works approved list, is consistent with PCR2015 and the council's Contract Standing Orders (CSO). In accordance with CSO, the award decision must be taken by the relevant chief officer, or under their delegated authority, in line with the department's scheme of management.

### **Assistant Chief Executive – Governance and Assurance REF: [B080724]**

57. As the estimated value of the proposed contract is below the advertising threshold for works as prescribed by the Public Contracts Regulations 2015 a formal concurrent is not required. It is, however confirmed that the procurement process described in this report from paragraph 16 is consistent both with those Regulations and with the council's Contract Standing Orders, which reserve the decision to the relevant chief officer, or under their delegated authority, in line with the department's scheme of management.

### **Director of Children Service for the Children and Families Directorate**

58. I support this decision for Crampton School. It is a local authority maintained primary school, recently graded outstanding by Ofsted and one of the top 1% of schools in the country in an area of high deprivation in the borough. This will greatly benefit the pupils attending that school.

**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 **22 July 2024**

Designation **Strategic Director of Children and Adult Service**

**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).

<b>1. DECISION(S)</b>
As set out in the recommendations of the report.
<b>2. REASONS FOR DECISION</b>
As set out in the report.
<b>3. ALTERNATIVE OPTIONS CONSIDERED AND REJECTED BY THE OFFICER WHEN MAKING THE DECISION</b>
Not applicable.
<b>4. ANY CONFLICT OF INTEREST DECLARED BY ANY CABINET MEMBER WHO IS CONSULTED BY THE OFFICER WHICH RELATES TO THIS DECISION</b>
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 **22 July 2024**

Designation **Strategic Director of Children and Adult Service**

**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 **22 July 2024**

Designation **Strategic Director of Children and Adult Service**

\* 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
None		

## APPENDICES

No	Title
None	

## AUDIT TRAIL

<b>Lead Officer</b>	David Quirke-Thornton, Strategic Director of Children and Adult Services	
<b>Report Author</b>	Jeremy Peakin, Project Manager, Sustainable Growth, Environment Neighbourhoods and Growth	
<b>Version</b>	Final Draft	
<b>Dated</b>	18 July 2024	
<b>Key Decision?</b>	Yes	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments included</b>
Strategic Director of Finance	Yes	No
Head of Procurement	Yes	Yes
Assistant Chief Executive – Governance and Assurance	Yes	Yes
Director of Exchequer (for housing contracts only)	N/A	N/A
Cabinet Member	Yes	No
<b>Contract Review Boards</b>		
Departmental Contract Review Board	Yes	No
Corporate Contract Review Board	No	No
<b>Cabinet</b>	No	No
<b>Date final report sent to Constitutional Team</b>		22 July 2024