

Item No.	Classification: Open	Date: 10 October 2013	Decision Taker: Cabinet Member for Regeneration and Corporate Strategy
Report title:		Gateway 2 - Contract Award Approval Directly funded housing delivery (Phase 1B) – Procurement of contractor for Stage 1 (pre- construction services) for various sites	
Ward(s) or groups affected:		Camberwell Green, Chaucer, Nunhead, Peckham, South Bermondsey, South Camberwell and The Lane	
From:		Chief Executive	

RECOMMENDATIONS

That the Cabinet Member for Regeneration and Corporate Strategy:

1. Approves the appointment of the contractor, Geoffrey Osborne Ltd for project sites under Lot 1, to provide pre-construction (Stage 1) services in the sum of £807,509.00 for the new general needs housing at East Dulwich Estate (Gatebeck House and Southdown House), garages sites at Clifton Estate and Masterman House, extra care housing and centre of excellence at Cator Street commencing on 25 October 2013 for a period of approximately six months.
2. Approves the appointment of the contractor, Morgan Sindall plc for project sites under Lot 2, to provide pre-construction (Stage 1) services in the sum of £762,010.02 for the new general needs housing at Nunhead Green Site B, Long Lane, Sumner Road workshops site and Old Kent Road/St James Road, commencing on 25 October 2013 for a period of approximately six months.

BACKGROUND INFORMATION

3. The October 2012 cabinet meeting approved proposals for working up the following schemes as Phase 1 of the overall programme for the direct delivery of new council housing on council owned sites:

Phase 1A:

- Willow Walk
- Nunhead Green Site B

Phase 1B:

- 169 Long Lane - former Borough and Bankside housing office
- Cator Street extra care - area fronting the existing learning resource centre
- 80 Sumner Road - vacant former housing site
- Sites of Southdown House and Gatebeck House, East Dulwich Estate
- Clifton Estate, garage site fronting Clayton Road
- Masterman House, garage site

4. Subsequent to the October 2012 cabinet meeting, a decision was made to include the following additional schemes in Phase 1B:
 - a. Cator Street 'centre of excellence' for older adults with dementia and complex needs, on the ground floor of the existing Learning Resource Centre. The December 2012 cabinet meeting approved the vision for the 'centre of excellence' and for corporate property to assist in the design and procurement of the centre. The inclusion of this project in Phase 1B will enable the synergy between the new centre of excellence and the proposed extra care housing development on the same site, to be fully explored.
 - b. Re-provision of the Home Office hostel at Ellison House, Aylesbury Estate on a site at the junction of Old Kent Road / St James Road. Although not part of the directly funded housing delivery programme, the proposed new hostel is included in the Phase 1B programme on grounds of efficient procurement and timely delivery of Phase 1 of the Aylesbury regeneration programme.
5. In March 2013, the proposed re-provision of the Approved Premises was put on hold and the site at Old Kent Road / St James Road was made available for general housing development.
6. The Gateway 1 report outlining the procurement strategy was approved by the Leader of the council, on 21 January 2013. This provided for the procurement of two contractors, one for each of two Lots.
7. This report concerns the selection and appointment of two contractors to provide pre-construction services for the following sites under the iESE contractor framework:

Lot 1 sites:

 - Cator Street Extra Care / Cator Street (Centre of Excellence)
 - Sites of Southdown House and Gatebeck House, East Dulwich Estate
 - Clifton Estate, garage site fronting Clayton Road
 - Masterman House, garage site

Lot 2 sites:

 - Nunhead Green Site B
 - Long Lane - former Borough and Bankside housing office
 - Sumner Road workshop site
 - Old Kent Road/St James Road
8. The pre-construction services to be provided by the successful firms are described in detail at Appendix 2 and are summarised, as follows:
 - Project planning and management, including project programme development and control
 - Completion of the consultant's design from RIBA Work Stage E onwards
 - Cost management, including value engineering as necessary to remain within budget

- Procurement, including open book competitive tendering of works packages as necessary to obtain a final contract sum for council Gateway 2 acceptance
- Risk management
- Meetings attendance
- Quality assurance (QA) processes and reviews at RIBA Work Stage D, H and L

9. The Stage 1 pre-construction services culminate in a proposed contract sum by the Stage 1 contractors, which will be the subject of separate Gateway 2 reports for each site and a decision by the council. The estimated contract sum for each scheme is, as follows:

Cator Street Extra Care / Cator Street Centre of Excellence	£10.38m
Sites of Southdown House and Gatebeck House, East Dulwich Estate	£2.79m
Clifton Estate garage site	£1.43m
Masterman House garage site	£3.90m
Nunhead Green Site B	£1.60m
Long Lane - former Borough and Bankside housing office	£4.19m
Sumner Road workshop site	£10.34m
Old Kent Road/St James Road	£2.85m

10. The Gateway 2 report for construction for each site will therefore be a 'key decision'. There will be no obligation on the part of the council to accept the Stage 1 contractors' proposed contract sum for the various sites, but the intention is for the Stage 1 contractors to proceed to Stage 2. Each project / site will have its own works contract.

11. The appointment of a contractor for the pre-construction services for Willow Walk (under Phase 1A) was the subject of a separate gateway 2 report, which was approved by the chief executive on 30 January 2013.

12. The appointment of the professional consultant team, under Mott MacDonald Limited, were the subject of the following separate Gateway 2 reports:

- For Willow Walk (under Phase 1A), appointment was approved by the Chief Executive on 11 April 2012;
- For Nunhead Green Site B (under Phase 1A) appointment was approved by the Chief Executive on 5 December 2012;
- For Phase 1B appointment was approved by the Chief Executive on 28 February 2013

Procurement project plan (Key Decision)

13. The timetable for this procurement process is, as follows:

Activity	Completed by/Complete by:
Forward Plan for Gateway 2 decision	July 2013
Approval of Gateway 1: Procurement Strategy Report	21 Jan 2013

Activity	Completed by/Complete by:
Issue Notice of Intention	21 Nov 2012
Invitation to tender (mini-competition part 1)	3 Dec 2012
Closing date for return of tenders (mini-competition part 1)	17 Dec 2012
Invitation to tender (mini-competition part 2)	13 Mar 2013
Closing date for return of tenders (mini-competition part 2)	15 Apr 2013
Completion of evaluation of tenders	1 Aug 2013
DCRB Review Gateway 2 for Stage 1 (pre-construction services): Contract award report	23 Sept 2013
Notification of forthcoming decision – Five clear working days	3 Oct 2013
Approval of Gateway 2 for Stage 1 (pre-construction services): Contract Award Report	17 Oct 2013
Scrutiny Call-in period and notification of implementation of Gateway 2 decision	18-24 Oct 2013
Contract award for Stage 1 (pre-construction services)	25 Oct 2013
Add to Contract Register	25 Oct 2013
Contract start	25 Oct 2013
Contract completion date for Stage 1 (pre-construction services)	March 2014

14. The scope of the contractor's role in Stage 1 (pre-construction) within the context of the programme is illustrated in the Procurement process map included at Appendix 3, and shown in red.

KEY ISSUES FOR CONSIDERATION

Description of procurement outcomes

15. The intended outcome of this procurement is for the council to have obtained fully developed designs for the various general housing, extra care and centre of excellence projects and a robust Contractor's Proposal and Pricing Document for delivering high quality housing developments, that are sustainable, accessible and which are delivered on time and within budget.
16. The proposed developments at the various sites are as follows:

Lot 1 sites:

- Cator Street Extra Care – 42 self-contained units with associated office, dining, communal and ancillary areas.
- Cator Street (Centre of Excellence) – refurbishment and fit-out to the existing Learning Resource Centre building on the ground floor. Alterations on the first floor and upgrading works to the building envelop are also included.
- Sites of Southdown House and Gatebeck House, East Dulwich Estate – 9 units at Gatebeck House and 18 units at Southdown House comprising a

mix of accommodation types. All the units will be for social rent. The project received planning approval on 26 March 2013.

- Clifton Estate, garage site fronting Clayton Road – The existing garages are to be demolished to allow the construction of approximately 9 general needs housing units comprising a mix of accommodation types. All units will be for social rent.
- Masterman House, garage site – The existing garages are to be demolished. Between 25–27 housing units are proposed on this site, comprising of a mix in accommodation types. There is a requirement for a minimum of 35% of the development to be for market sale, the remainder of the development to be social rent. It is assumed that the council will be constructing the private units.

Lot 2 sites:

- Nunhead Green Site B – The existing Nunhead Community Centre is to be demolished and replaced (by others) on a nearby site. 8 terrace houses are to be developed around an existing courtyard shared with adjoining residents. There is an intention to upgrade the courtyard. All the new houses will be social rented. A formal planning application was made in June 2013.
 - Long Lane (former Borough and Bankside housing office) – The existing vacant building will be demolished. Around 21 general needs housing and a small commercial unit are proposed on this site. All housing units will be social rented and comprise of a mix in accommodation types.
 - Sumner Road - The proposed development is on a largely vacant site. There is a requirement for a minimum of 35% of the development to be for market sale. The new development will comprise of about 70 units for general housing needs and about 50 units for market sale. There is also a planning requirement for the affordable units to have a tenure mix of social rent and intermediate. An existing substation and boiler plant block is located at the corner of the site. The proposal will retain the existing substation as it is currently in use.
 - Old Kent Road / St James Road – the decision to develop general needs housing on this site was relatively recent and as such, the capacity studies have only commenced. Ongoing discussions are taking place with the planning department to ascertain the planning and design parameters for the site.
17. In broad terms, the contractor's design pre-construction services for the new general needs housing will comprise an essential step towards providing:
- New high quality general needs housing accommodation for client/residents in need of suitable accommodation from the council's housing register.
 - A contribution to the council's intention to build 1,000 new council homes in Southwark by 2020.
18. The council's detailed requirements for the project have been developed in close liaison with the teams from housing regeneration initiatives, temporary accommodation, housing management, housing maintenance and planning policy, and are incorporated in a preliminary design brief which was included in the tender documents. This sets out:

- A building overview and the background to the project;
- The vision, objectives and success criteria;
- Key considerations for the works needed to make the buildings / development suitable for occupation;
- A current description of intended occupiers and their key requirements;
- Design considerations and requirements;
- Test fit layouts; and
- Building surveys, programme options and estimated costs.

Key/Non Key decisions

19. This report deals with a key decision

Policy implications

20. The proposed development of general needs housing at the various sites form part of the Affordable Housing Fund (AHF) programme. Homes delivered as part of the AFH programme will assist in increasing the supply of good quality affordable housing and will contribute the following targets;
- Policy 5 of the Core Strategy sets a housing target for the borough of 24,450 net new homes between 2011 and 2026 (1,630 per year).
 - The London Plan sets the borough a housing target of 20,050 net new homes between 2011 and 2021 (2,005 per year)
 - Core Strategy policy 6 sets an affordable housing target of 8,558 net affordable housing units between 2011 and 2026.
21. Sharing the benefits of economic growth and regeneration is an underpinning principle in implementation of the Southwark Economic Development strategy 2010 - 2016. The AHF has the potential to support the strategy by engaging with housing partners and council contractors to identify and develop entry points for priority groups to access local employment and training opportunities, promote and develop apprenticeships and work placements and embed local economic benefits into procurement.

Tender process

22. The selection process for the contractor followed standard procedures and working practices set out in the iESE framework arrangements.
23. This procurement for Stage 1, pre-construction services follows the standard IESE two-stage approach, in which the contractor has the following core responsibilities:

Stage 1 (pre-construction)

- Fully developing the consultant's design proposals from RIBA Work Stage E onwards
- Packaging and competitively tendering the works on an open book basis
- Submitting contractor's proposals and pricing document, including the proposed contract sum, for decision by the council.

Stage 2 (construction) – subject to a separate gateway 2 approval

- Carrying out and completing the works in compliance with the contract documents
24. The iESE evaluation methodology was followed, which provides for the award to be based on the most economically advantageous tender. A mandatory feature of the iESE methodology is a 70:30 ratio of quality to price for the mini-competition. The council has discretion, however, over the choice of quality criteria and sub-weightings, subject to the allowable percentage range suggested by the iESE.
25. The mini-competition document is in two parts:
- Part 1 – was used in the evaluation of the expressions of interest. The results contribute 30% of the 70% Quality score in the overall evaluation
 - Part 2 – invites the shortlisted contractors to submit further information on quality which contributes to the remaining 40% of the Quality score and their price.
26. Expressions of interest (Part 1 of the mini-competition) were invited on 3 December 2012 from the iESE panel of eight contractors to bid for both Lot 1 and Lot 2, but stating that the council intended to appoint a different contractor for each of the two Lots. Firms expressed interest by responding to Part 1 of the mini competition document, which was prepared using the standard iESE template. The content of the mini competition document is listed in Appendix 1. Part 1 responses were evaluated using the following criteria which were carried forward to Part 2 and contribute to 30% of the overall Quality score for shortlisted firms:
- Availability – Yes/No
 - Availability of resources – 10%:
 - Project Understanding – 20%
27. Four out of eight firms expressed interest by submitting the required information.
28. Full details of the short listing scores are stated in paragraph 3 of the closed report, in descending order the scores were as follows:

	Expressions of Interest % score (out of 30)
Tenderer A	22.4
Tenderer B	19.6
Tenderer C	19.8
Tenderer D	18.2

29. iESE had advised that their usual practice is to short list three firms. However due to the size of the programme and council's intention to appoint two contractors, all four firms were short listed to participate in the mini-competition Part 2 tendering process.
30. For Part 2 of the process, an updated version of the mini competition document was issued to the four short listed firms.
31. The following submission requirements (based on a standard iESE format), together with appropriate weightings, were developed and endorsed by the

selection panel for evaluating the quality element and included in the mini-competition tendering document:

- Answers to four programme management questions on parallel working; proposed approach to ensuring high quality design and long-lasting defects-free build quality; ensuring that target programmes are met and cost of works is contained within the client's budget; approach to delivering the indicative employment and training targets set out in the mini-competition document and approach to delivering the strategic objectives in collaboration with the council, council's consultants and the contractor of the other Lot.
- Answers to project specific questions on:
 - Draft project execution plan
 - Logistics report
 - Draft pre-construction and construction stage programmes

32. The price submission requirement followed the standard iESE format, which comprises the following elements of cost:

Stage 1:

- Pre-construction stage:
 - Pre-construction stage management
- Consultants' fees

Stage 2:

- Construction stage:
 - Construction stage management
 - Project specific preliminaries (including inflation and insurances)
 - Overheads and profit
- Consultants' fees

33. It should be noted that although the evaluation of the price submission relates to the overall sum, covering both Stages 1 and 2, the commitment arising from the approval to the recommendations of this report relate to Stage 1 only.

34. In order to assist tenderers with pricing, the mini-competition document included the following information:

- Key details of proposed works contract Preliminaries
- Amendments to contract conditions for the Pre-construction Agreement
- Amendments to contract conditions for the Construction contract – JCT 2005 Design & Build (Revision 2 - 2009)
- Draft Abstract of Particulars for the Construction contract
- Budgetary estimates of the construction costs for each project

35. Tenderers were not asked to offer an alternative to the stipulated calendar week works contract period for each of the different projects.

36. A single price proposal, which is fixed whether or not an alternative contract period was offered, was required to be confirmed in a 'Summary and Bona fide tender declaration', as a signed and dated record of offer.

37. Information on health & safety and equality & diversity for the project, using

formats advised by the corporate health and safety manager and corporate procurement, was also requested to ensure that the council's standards are satisfied prior to making an appointment. As these elements were to be evaluated on a pass or fail basis, no score was allocated to them.

38. The weightings allocated to the quality and price criteria are summarised in the following chart:

Criteria	Weighting
Mini-competition Part 1: Expressions of Interest	30%
Mini-competition Part 2:	
- Answers to the tender questions	16%
- Draft project execution plan	8%
- Logistics report	8%
- Draft pre-construction and construction stage programmes	8%
* Additional information on: <ul style="list-style-type: none"> • Health & Safety • Equality & Diversity 	0% Pass / Fail Pass / Fail
Quality (total)	70%
Fees	30%
TOTAL	100%

39. Equal scores were allocated to the four Tender Questions in the mini-competition Part 2 document.
40. A reading pack was prepared to assist the selection panel in their evaluation of tenders. This comprised reading tips, a scoring legend to provide a definition for each score 0 – 5, an evaluation score sheet for each tenderer, and detailed guidance on adequate, good and excellent responses for each criteria.
41. A quality scoring threshold was included stating that the council reserved the right to reject any proposal where the tenderer achieved a score of:
- Less than 50% for any one quality criteria
 - Less than 60% overall for quality
42. The mini-competition document also included the methodology to be used for converting the price submission to points.
43. The mini-competition document also outlined the final selection and

recommendation criteria, as follows:

- Within each lot, scores for quality and price will be added together to give a total score. Bids will be ranked in accordance with their overall total weighted score.
- In the event of a tie break (where two or more top scoring bidders have the same total weighted score including both quality and price), the council shall select from amongst those bidders the submission of the bidder with the highest weighted score for quality. In the event that this still results in a tie break the council shall select from amongst those bidders the submission with the highest weighted score for price.
- In the event that one provider is ranked highest in both Lots 1 and 2, the council will award the bidder the Lot that was indicated by the bidder as being its preferred Lot.

44. Mini-competition tenders were invited on 13 March 2013 from the four short listed firms, with a closing date for tender returns of 15 April 2013.
45. Tenders were returned by all four tenderers by the due date and time of noon on 15 April 2013.
46. Tenders were opened and the price submissions recorded by the property records & systems manager's representative, project services delivery team project manager and representatives from legal services in the afternoon of 15 April 2013. The original price submissions (prior to evaluations) are given in the closed version of this report.

Tender evaluation

47. The selection panel for this procurement (including short listing) comprised:
 - Housing regeneration initiatives manager
 - Housing supply manager (housing regeneration – development)
 - Project director (project services delivery), property services
 - Principal project manager, project services delivery team, property services
 - Project manager, project services delivery team, property services
48. In order to facilitate the evaluation of price and quality submissions in isolation from one another, the project services delivery team project manager took responsibility for co-ordinating the opening of tenders, copying and distributing documents to the responsible parties for price and quality evaluation, respectively, and for liaising with the IESE representative responsible for validating the price submissions. The remaining four members of the selection panel were thus free to give exclusive attention to the evaluation of the quality submissions.
49. Tenderers' price submission details were forwarded to the Commercial Manager at Hampshire County Council (acting for IESE) for commercial review and validation to ensure consistency with the Framework fee templates. Submissions were also sent to the consultant quantity surveyor for price evaluation.

Quality evaluation

50. Tenderers' quality submissions were forwarded to the evaluation panel for

review.

51. Scores by the council's selection panel were arrived at by using a four-staged approach:

Stage 1: evaluation and scoring was done by each individual panel member

Stage 2: Each tenderer was interviewed to clarify points included in their quality submission.

Stage 3: the initial scores were collectively reviewed and, where appropriate, moderated by each panel member

Stage 4: Final scores were arrived at by taking the average of individual panel members' scores, expressed as a pro rata score out of 5.

52. A single evaluation of quality submissions was applied to both Lots, for each tenderer.

53. The outcome of the panel's evaluation of the quality submissions is given in the following table:

CRITERIA	WEIGHT-INGS	LBS PANEL WEIGHTED SCORES			
		Tenderer A	Tenderer B	Tenderer C	Tenderer D
PART 1					
Evaluation carried forward (as para 28, above)	30	22.4	19.6	19.8	18.2
PART 2					
Draft project execution plan	8	4.8	4.8	5.6	5.6
Logistics report	8	5.6	4.8	5.6	4.8
Draft pre-construction and construction stage programmes	8	5.6	4.8	5.6	5.6
Tender Question 1	4	2.4	2.4	2.4	2.4
Tender Question 2	4	2.4	2.0	2.4	2.0
Tender Question 3	4	2.4	2.4	2.8	2.0
Tender Question 4	4	2.4	2.4	3.2	2.0
Quality TOTAL:	40	25.6	23.6	27.6	24.4
PART 1 + PART 2					
Quality total:	70	48.0	43.2	47.4	42.6
Ranking order:		1	3	2	4

Price Evaluation

54. Price submissions were forwarded for commercial review to the IESE commercial manager to check compliance of the financial information with the IESE framework arrangements and consistency with the relevant framework templates.

55. The commentary on the IESE commercial review was forwarded to the

consultant quantity surveyor so that these can be considered in the evaluation of the overall tender prices.

56. When the consultant quantity surveyor examined the returned project preliminaries it revealed that the tenderers, without exception, had not priced key preliminaries items such as scaffolding that would be required to carry out the works on site.
57. In order to make an accurate comparison of the tender returns the contractors were asked to review their pricing of their project preliminaries. The tenderers were issued with schedules for each of the sites summarising their project preliminaries pricing as well as highlighting what were considered to be key items that had not been priced in their original return. The tenderers were asked to insert prices against these missing items.
58. All the tenderers returned the revised preliminaries pricing by the due date. These were reviewed and in most cases the tenderers had priced the previously unpriced items that had been highlighted. For tender analysis purposes these costs were added to the contractors' original project preliminaries pricing. For any key items which still remained unpriced, an average of the other tenderers price was inserted to "normalise" the returns so that a direct comparison could be made between all of the tenderers.
59. The consultant quantity surveyor's tender evaluation also took into account the IESE commercial commentary, in particular a number of items which did not comply with the framework rates. These were found to be relatively minor, which if adjusted, would not change the ranking order of tenders and result in a nett increase in the prices. No adjustments were made therefore.

Adjusted tenders

60. Due to the disparity in items quoted under the preliminaries, the adjusted tender prices from the clarification process above resulted in revised tender sums, mainly in the preliminaries that are applicable to Stage 2 (construction).
61. The price evaluation and score for each Lot, including the original and adjusted tender prices, is given in the closed version of this report.

Tenderers' alternative contract period proposals

62. Alternative contract period proposals were not requested in the mini-competition.

Price and Quality evaluation summary

63. The overall result of the quality and price evaluations is given in the following chart:

CRITERIA	LBS PANEL SCORES			
	Tenderer A	Tenderer B	Tenderer C	Tenderer D
LOT 1 sites:				
Quality (taken from paragraph 53), out of 70%	48.0	43.2	47.4	42.6

CRITERIA	LBS PANEL SCORES			
	Tenderer A	Tenderer B	Tenderer C	Tenderer D
Price (taken from paragraph 6 and Appendix 5, both of the closed version of this report), out of 30%	24.8	14.7	30.0	29.5
Total (Quality and Price) out of 100%	72.8	57.9	77.4	72.1
<i>Ranking order:</i>	2	4	1	3
LOT 2 sites:				
Quality (taken from paragraph 53), out of 70%	48.0	43.2	47.4	42.6
Price (taken from paragraph 6 and Appendix 5, both of the closed version of this report), out of 30%	23.9	12.6	30.0	28.9
Total (Quality and Price) out of 100%	71.9	55.8	77.4	71.5
<i>Ranking order:</i>	2	4	1	3

Health & Safety

64. The health and safety assessment was undertaken by the corporate health and safety manager, based on information submitted by the four tenderers. Vetting criteria adopted by the council focussed on activities to be undertaken in the projects and targeted evidence of the successful implementation of sound practice by the respective tenderers. The result of the assessment is as follows:
- Tenderer A – fail
 - Tenderer B – pass
 - Tenderer C – pass
 - Tenderer D - pass
65. The council's health and safety manager assessed the health and safety submissions from all the contractors, details of which are included in paragraphs 9 to 11 of the closed report.
66. It has been verified by iESE that their procurement approach is for the client to tailor the mini-competition to meet their specific project needs and evaluate the responses using their own criteria. This is in addition to the more generic health and safety vet undertaken when the framework was established. In this case Tenderer A failed to satisfy the council's more detailed and focused health and safety criteria and iESE has confirmed its support for the council's approach.
67. Tenderer A was therefore considered unsuitable for appointment on the grounds of their non-compliant health and safety submission. This conclusion has been endorsed by the director of regeneration.

Other matters

68. With respect to the equality and diversity submissions, the panel noted that Tenderer C had already been successfully evaluated in their application to be included on the council's approved list and that Tenderer D and Tenderer B had similarly made satisfactory submissions in their tenders for previous council projects. The equality & diversity submission by Tenderer A was not evaluated as they had already failed in their evaluation of their health and safety submission.
69. References taken up with contacts provided by the four contractors for similar residential projects, the format for which evaluates performance against comprehensive range of criteria, give the following average scores:
- Tenderer A - 8.2 out of 10
 - Tenderer B - 8.0 out of 10
 - Tenderer C - 8.4 out of 10
 - Tenderer D - 8.2 out of 10
70. These were all considered to be satisfactory, although not included in the formal evaluation.

Selection Panel's recommendation

71. Based on the foregoing evaluation, Tenderer C has submitted the most economically advantageous tenders for both Lots 1 and 2. As such, the final selection criteria (in paragraph 43 above) would apply. Tenderer C expressed a preference of Lot 2 over Lot 1 and is therefore recommended by the selection panel for appointment on Lot 2.
72. Tenderer A submitted the second most economically advantageous tender but failed the health and safety evaluation, which was a pass/fail criteria. However after taking into account the council's health and safety officer's comments and concerns (in paragraphs 9 to 11 of the closed report), the selection panel's recommendation is not to appoint Tenderer A but instead offer the appointment to the third ranking tenderer, Tenderer D, for Lot 1.
73. The commitment arising from the panel's recommendation for appointment in respect of the pre-construction services is given for each contractor in the closed version of this report.

Plans for the transition from the old to the new contract

74. Not applicable.

Plans for monitoring and management of the contract

75. The project clienting, will be run and resourced through the project services delivery team in conjunction with the housing regeneration & development team, both from within the regeneration division.
76. Progress with the contract works and performance of the contractor teams will be subject to constant scrutiny and monthly formal review, including reviews on cost, programme and quality. The experienced officer client team, together with

the consultant, will use a number of mechanisms 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 quantity surveyor/contractor
- Monthly appraisals of progress against the contract programme
- Monthly progress reports by:
 - The lead consultant
 - Main contractor
 - Other design consultants
- Monthly progress meetings on site
- Tracking and chasing actions on critical issues
- Monthly 'look ahead' meetings with principals / directors
- Periodic project team 'look ahead' workshops covering key phases of work and risks
- Risk and issues logs

77. In addition, monthly management meetings will be held at which the contractors' performance will be measured against the quality method statements submitted through the mini-competition process.

78. Previous experience of working with Morgan Sindall (Tenderer C) in a similar role has been positive, for example, in the design and fit-out of office accommodation at Queens Road Blocks F, C and currently J, which had a construction value of between £2 million and £4.3 million.

79. A monthly payment schedule will be drawn up, based on the Phase 1B programme for delivery. Invoices will be vetted by the council's project services delivery team to ensure compliance with the terms of their Agreement and then passed to the regeneration initiatives manager to authorise for payment.

80. The projects sit within the directly funded housing delivery programme governance arrangements, with ultimate accountability to the housing investment board.

Identified risks for the new contract

81. An assessment of risks and mitigation measures has been conducted, as follows:

RISK		MITIGATION ACTION
1.	Client decisions and approvals become subject to delay.	Ensure effective forward planning, communications and co-ordination with all relevant parties to the decision-making.
2.	Delay in obtaining/failure to obtain statutory consents, e.g. planning, building regulations.	Conduct early discussions with statutory authorities and build realistic timescales into the project programme for preparing, submitting and determining applications.
3.	Contractor deploys inadequate resources and management arrangements to deliver the programme	Exercise a strict 'management and control' regime throughout the life of the project and escalate significant issues concerning progress, cost control or quality, if necessary,

RISK		MITIGATION ACTION
		for director-level resolution.
4.	Preconstruction delays by the contractor.	Provide clear information on key milestones to the contractor and obtain credible proposals for achieving the milestones in their project execution plan. Monitor and control the delivery process.
5.	Costs exceed budget.	For each project, ensure that the contractor establishes comprehensive Contractor's Proposals and a robust and reliable contract sum analysis that has the agreement of all parties. Ensure that the contractor builds in time for value engineering as an integral part of pre-construction activities, in agreement with the project (consultant and contractor) team, to ensure that costs align to the budget.
6.	Insolvency of framework contractor	Closely monitor performance of contractor, including regular liaison with the iESE framework manager on financial checks and other feedback.
7.	Construction delays on site.	For each project, ensure that the consultant conducts a thorough site investigation at an early stage. Ensure that the contractor identifies the need to pre-order components with a long delivery period and arranges for site operations to be comprehensively and realistically planned, prior to commencement of the works.

Community impact statement

82. The projects / sites fall within various wards. The redevelopment of the various sites will benefit residents throughout the borough by providing better quality accommodation and increase the supply of affordable, good quality homes and benefit households in need from all Southwark's communities.
83. Those living in the vicinity of the new developments may experience some inconvenience and disruption in the short-term while works are taking place but that community as a whole will benefit in the longer term from the new homes. The effects will be eased, in part by working closely with residents on the delivery process, and also through the specific planning requirements to mitigate the effect of development.

Economic considerations

84. The project will provide new high quality general needs affordable housing for client/residents in need of suitable accommodation from the council's housing register.

85. Data on contractors' local employment schemes, held by IESE, will be referred to in discussions with the successful contractor on potential employment opportunities for local people under their scheme.
86. The successful contractor will be expected to offer direct benefits to the local community and local residents. It is proposed that these benefits will be delivered through some or all of the following possible means:
- Supply chain and procurement with local businesses;
 - The use of local labour and training initiatives,
 - Including a construction employment, skills and training scheme linked to the council's Building London Creating Futures programme, which aims to match local residents with construction vacancies especially where these are linked to key development sites and regeneration activities; and
 - The council will expect to see a commitment to construction apprenticeships in proportion to the size and scale of the development and to targeted procurement, including a commitment to meet the buyer events and to commit to work with Supply Southwark construction initiative, which assists developers and contractors to source high-quality local firms for invitation to competitive bidding;
 - Corporate social responsibility and sustainability.
87. The planning consent conditions for each project/site are expected to include targets for employment and training opportunities. The indicative target requirements was included in the mini-competition pack of information and made known to the tenderers.
88. Construction personnel and, once occupied, staff, residents and visitors using the new buildings are likely to bring economic benefit to local traders through increased trade.

Social considerations

89. The project will provide new high quality general needs affordable housing for client/residents in need of suitable accommodation from the council's housing register.
90. The contractor will carry out the works under the Considerate Contractor scheme which seeks to minimise disturbance and disruption in the locality.
91. The appointed consultant project manager/designer and the works contractors will pay their employees and sub-contractors not less than the current London Living Wage levels.
92. The Planning Consent Conditions for each project/site are expected to include targets for employment and training opportunities. The indicative target requirements was included in the mini-competition pack of information and made known to the tenderers.

Environmental considerations

93. A low energy, efficient and cost effective building engineering services design that keeps running costs to a minimum is an essential component of the project brief. Key considerations include:

- Whole life-cycle costs;
- Sustainable sourcing, including locally produced materials and, where possible, timber from renewable resources.
- Selection of contractors should take into account their environmental policies;
- Incorporation of environmentally benign heating and lighting provision;
- Provision of facilities and equipment to encourage the re-use and recycling of materials including, where practicable, water recycling;
- Ensuring projects achieve BREEAM very good rating for the community facility in Sumner Road, BREEAM 'excellent' in the commercial unit in Long Lane and minimum Code for Sustainable Homes level 4 for the general needs housing.

94. The project brief prescribes material and components to be specified for the works. In terms of excluded construction materials, good practice in the selection of construction materials is to be adopted, including:

- Asbestos products: not to be specified
- Brick slips: only to be used where cast onto pre-cast elements as risk of failure is unacceptably high
- Man-made mineral fibre (MMMf): the material to be encapsulated in all applications
- No insulation materials in which hydro fluorocarbons (HFCs) are used in their manufacture or application
- No hardwood unless from FSC or equivalent sources.

95. BREEAM/Code for sustainable homes requirements will cover design and specification and will set targets for minimising the adverse environmental impact of carrying out the works.

Market considerations

96. The successful tenderers are private organisations.

97. The successful tenderers have over 250 employees.

98. The successful tenderers have a national area of activity.

99. Discussions will take place with both Morgan Sindall plc and Geoffrey Osborne on implementing the local labour, local supply and apprenticeships scheme requirements.

Staffing implications

100. The project will be resourced by existing staff.

101. The staff resources deployed to this project procurement are sufficient to meet the project timetable.

102. Officer time relating to the management of this project is funded from existing revenue budgeted resources. Consideration will be given to an alternative treatment dependent on the current accounting rules and regulations. Should any of the revenue costs be allowable as capital costs, these will be included

within the expenditure to be set against the existing approved capital programme budget.

103. There are no specific implications other than those covered elsewhere in this report.

Financial implications

104. A breakdown of the estimated costs for Stage 1 (pre-construction services) for each project and Lot are summarised at paragraph 20 of the closed report and included within Appendix 5 of the closed report.
105. These costs will initially be charged to the general fund revenue account and subsequently recharged to existing projects within the current capital programme, where appropriate. Forward funding for the Centre of Excellence in Lot 1, in the sum of £173,672, will also be sourced from the housing regeneration and delivery.
106. The majority of these costs are expected to be recharged to Affordable Housing Fund (AHF) schemes. Approval for AHF resources will be sought from Planning Committee once planning consent is in place and scheme costs have been confirmed.
107. The capital report to cabinet dated 23 October 2012, outlined the financial resources that are in place to deliver Phase 1 of the directly funded housing delivery programme, with a budget of £44.5million.

Investment implications

108. The projects at Masterman and Sumner Road include a number of units for market sale. The receipts from the sale of these units will be used to fund further projects under the programme.

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

109. A check on the financial standing of Morgan Sindall plc (Tenderer C) and the parent company Morgan Sindall Group plc, was undertaken on 31 July 2013, the results of which are summarised in the closed version of this report, and found to be satisfactory
110. A check on the financial standing of Geoffrey Osborne Ltd was undertaken on 31 July 2013, the results of which are summarised in the closed version of this report, and found to be satisfactory.

Legal implications

111. The legal implications are addressed in paragraphs 122 to 125, below.

Consultation

112. Public consultations will be undertaken in support of the planning application for each site.
113. Meetings and discussions with the various tenant and residents associations for

each site were also held and draft design proposals presented.

Other implications or issues

114. A parent company guarantee will be provided by Morgan Sindall Group plc in respect of the contracting subsidiary, Morgan Sindall plc (Tenderer C).
115. A performance bond undertaking has been provided by the Geoffrey Osborne Ltd (Tenderer D) as part of their Stage 1 tender submission.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Head of Procurement

116. This report is seeking to award two contracts for the delivery of pre construction services in relation to phase 1B of the directly funded housing delivery programme (Lots 1 and 2).
117. The report confirms that the previously approved procurement strategy has been followed to appoint two contractors via the IESE framework following a mini competition process.
118. Paragraphs 22 – 46 describe the tender process and the evaluation methodology adopted. As lots 1 and 2 are for similar works, one submission for quality assessment was requested along with two sets of prices (one for each lot). Whilst tenderers could submit proposals for both lots, the council would only award one lot to any contractor. Working within the operating rules of the framework, officers designed the evaluation process to accommodate the council's specific requirements. This included assessments of health and safety and equalities to ensure the councils standard in these areas are met. The evaluation criteria were communicated to the tenderers prior to the return of tender submissions.
119. Paragraphs 47 – 70 describe the results of the evaluation highlighting that Tenderer A failed to satisfy the council's standard for health and safety. This resulted in Tenderer A not being considered further for the award of any work. It would appear that officers took the necessary steps to clarify the submission with Tenderer A but their response was unsatisfactory.
120. The report confirms that the recommended contractors have met or exceeded the standards set for all areas assessed. Morgan Sindall plc (Tenderer C) achieved the highest combined (quality and price) scores for both lots. Paragraph 71 confirms how the lot allocation decision was reached.
121. The proposed monitoring and management arrangements for these contracts are outlined in paragraphs 75 – 80.

Director of Legal Services

122. This report seeks the cabinet member's approval to the award of contracts for lots 1 and 2 of phase B of the directly funded housing delivery, as further detailed in paragraphs 1 and 2. At these values the decision to award these contracts may be made by the relevant chief officer.

123. The scope and value of the pre-construction services and later stage 2 construction is such that these contracts are subject to the procurement requirements of the EU Regulations. However the IESE contractor framework (through which these appointments have been procured) was established following an EU compliant tendering process, and therefore tendering through this framework satisfies those EU tendering requirements.
124. The council, using the IESE framework evaluation methodology has identified Morgan Sindall plc (Tenderer C) and Geoffrey Osborne Ltd (Tenderer D) as having submitted the most economically advantageous tenders, and these are therefore recommended for award. As noted in paragraph 37, bidders were required to pass an additional health and safety assessment before being considered for award. Whilst Tenderer A's scoring was initially ranked in second place, they failed to pass the health and safety evaluation, and therefore the third ranked bidder Geoffrey Osborne Ltd (Tenderer D) is recommended for award of lot 1. Whilst the council must conduct its mini-competition in accordance with the IESE framework requirements, the council is permitted to tailor the competition to meet its project specific needs. Paragraph 66 confirms that the health and safety assessment was focussed on those activities required for this project, so the inclusion of this additional assessment is permitted and was supported by IESE.
125. Contract standing order 2.3 requires that no steps may be taken to award a contract unless the expenditure involved has been included in approved estimates, or otherwise approved by the council. The financial implications of awarding the pre-construction services contracts is noted in paragraphs 104 to 107. The construction contracts will be subject to later gateway 2 reports.

Strategic Director of Finance and Corporate Services (CE/13/019)

126. This report seeks approval to the appointment of contractors for Stage 1 (pre-construction services) for various sites within the directly funded housing delivery (Phase 1B). The financial and investment implications are detailed in paragraphs 104 to 107.
127. The strategic director of finance and corporate services notes the intention to transfers some expenditure to capital. Officers will need to ensure this is qualifying expenditure and can be contained within the available capital programme resources.
128. In the event that the planning committee does not grant approval to any of these sites then costs will need to be met from within existing revenue budgets. Officer time to implement this decision can be contained within existing resources.

BACKGROUND DOCUMENTS

Background documents	Held At	Contact
None		

APPENDICES

No	Title
Appendix 1	Contractor mini-competition document contents list
Appendix 2	Duties of Framework Contractor
Appendix 3	Procurement map

AUDIT TRAIL

Lead Officer	Eleanor Kelly, Chief Executive	
Report Author	Andrew Brown, Principal Project Manager, Property Services, Regeneration	
Version	Final Open	
Dated	9 October 2013	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments Included
Head of Procurement	Yes	Yes
Director of Legal Services	Yes	Yes
Strategic Director of Finance and Corporate Services	Yes	Yes
Cabinet Member	No	No
Contract Review Boards		
Departmental Contract Review Board	Yes	Yes
Corporate Contract Review Board	N/A	N/A
Cabinet	Yes	No
Date final report sent to Constitutional Team		9 October 2013