

<b>Item No.</b>	<b>Classification:</b> Open	<b>Date:</b> 11 January 2013	<b>Decision Taker:</b> Leader of the Council
<b>Report title:</b>		<b>Gateway 1 Procurement Strategy Approval:</b> Directly funded housing delivery (Phase 1B) – procurement of contractors for various sites	
<b>Ward(s) or groups affected:</b>		Camberwell Green, Chaucer, Nunhead, Peckham, South Bermondsey, South Camberwell and The Lane	
<b>From:</b>		Chief Executive	

## RECOMMENDATIONS

That the Leader of the Council

1. Notes the list of Phase 1B projects and proposed packaging, as described in paragraphs 26 to 28 and Appendix 8, including the following items added subsequent to the October 2012 cabinet meeting :
  - Conversion of the existing learning resource centre at Cator Street to provide a 'Centre of Excellence' for older people (ref. paragraphs 10 i).
  - Replacement of the Home Office hostel at Ellison House, Aylesbury Estate on a new site within the borough (ref. paragraphs 10 ii).
  - Proposed new general needs council homes at Nunhead Green Site B – transfer of works contractor procurement only from Phase 1A to 1B (ref. paragraph 10 iii).
  
2. Approves the procurement strategy as outlined in paragraphs 19 to 30 of this report, for the revised Phase 1B of the directly funded housing delivery programme, using the Improvement and Efficiency South East (iESE) construction and management framework arrangements and comprising the following appointments:
  - Professional design and project management services contract using the iESE/Government Procurement Services (GPS) professional consultancy framework (estimated value: £2.26m);
  - Two contractor contracts (one for each of two packages) for pre-construction services using the iESE contractor framework (estimated value for each package: £0.7m).
  - A series of works contracts with each package contractor for the construction stage of individual projects within their respective package using the iESE contractor framework (estimated total value of £36.72m, comprising a range of project values from £1.6m to £10.3m).

## BACKGROUND INFORMATION

3. On 23 October 2012, cabinet approved a number of recommendations regarding the directly funded housing delivery programme with the aim of building 1000 new council homes by 2020, including:

- i) That the schemes listed at paragraph 41 (reproduced in Appendix 2 of this report) are worked up in accordance with the individually identified recommendations as Phase 1 of an overall programme for direct delivery of new council housing on council owned sites.
  - ii) To work up proposals for an extra care facility at Cator Street as part of Phase 1, to assist with meeting the objectives of the Housing Strategy (2009-2016), Older People's Delivery Plan and the council's Future Vision for Social Care to deliver a further 150 units of extra care housing and increase housing choices for adults living with a disability.
4. The full set of recommendations approved at the cabinet meeting is reproduced in Appendix 1, for ease of reference.
5. The October 2012 cabinet report also outlined the procurement considerations for Phase 1, including a commentary on the procurement arrangements already being pursued for Phase 1A and the preferred procurement strategy for Phase 1B.
6. This report provides an update of the proposed scope and procurement arrangements for Phase 1 of the programme and, in particular, seeks to formalise approval to the procurement strategy for schemes included in Phase 1B and to note the inclusion of three additional items in the package (described in paragraph 10 below).
7. As described in the report to cabinet in October 2012, the Phase 1 development sites are split between two sub-phases, as follows:

#### **Phase 1A**

8. The procurement of design services has already taken place and resident consultation and liaison with the planners is at an advanced stage for the following two sites that comprise Phase 1A. Gateway 1 approval was given for each scheme by the deputy chief executive in January 2012 and chief executive in November 2012, respectively.
  - a) Willow Walk: The proposed scheme comprises the replacement of existing temporary accommodation with a new 54-unit temporary accommodation hostel, to be funded separately from the housing investment programme, and 21 new general needs housing units to be funded from the Affordable Housing Fund (AHF). A planning application was submitted in October and the works contractor was appointed for pre-construction services on 17 December 2012.
  - b) Nunhead Green Site B: The site is currently occupied by the former Nunhead Lane community centre adjacent to Citron Terrace. Replacement community provision is to be developed on an adjacent site (Site A), along with new build private housing, allowing the opportunity for new council homes to be developed on Site B. A design consultant was appointed on 6 December 2012 to develop the design for of Site B in association with the development of private housing/ community provision on Site A, to ensure a coordinated approach across the two sites in respect of the planning application and consent.

#### **Phase 1B**

9. With the exception of the two East Dulwich Estate sites, the design development and resident consultation for the Phase 1B sites are at an earlier stage of than the Phase 1A sites. A capacity study has been undertaken for each site, including in-house planning consultancy advice and high level cost advice.
- c) Long Lane (formerly Borough/Bankside Housing Office). The site is on the edge of the area managed by Leathermarket Joint Management Board (JMB) and in a prime location of the borough.
  - d) Cator Street, utilising the area fronting the existing Learning Resource Centre, adjacent to Commercial Way. 'Extra care' housing is envisaged in this location, possibly linked to the conversion of the ground floor of the existing centre to create a day centre for the elderly (subject to consultation and formal decision).
  - e) Sumner Road (vacant housing site). This is one of the last undeveloped sites in the former Peckham Partnership area. There is a planning policy requirement for 35% private housing in this location. Whilst the council will obtain planning consent for the overall development, it is envisaged that the private housing element will be marketed for others to develop but that the social housing element will be developed by the council as part of the Phase 1B programme. The practicality of including non-residential space for community use by local residents will be explored in the design development process.
  - f) Sites of Southdown House and Gatebeck House, East Dulwich Estate. These sites have arisen because of the demolition of former housing blocks. Currently earmarked for disposal to a housing association, these two sites are now proposed for the provision of council homes. An updated report is to be brought to cabinet on the overall East Dulwich Estate regeneration scheme, which will include consideration of pursuing development by the council.
  - g) Clifton Estate, garage site fronting Clayton Road. This small site adjacent to Witcombe Point has potential as a council homes development.
  - h) Masterman House, garage site fronting Lomond Grove. This site to the rear of Masterman House offers potential for residential development, which will also need to satisfy the planning policy requirement for 35% private housing.
10. Subsequent to the October cabinet meeting a decision has been made to include the following additional items in Phase 1B,:
- i) Consultation has recently taken place on whether to create a centre of excellence for older adults with dementia and complex needs, on the ground floor of the existing Learning Resource Centre. A feasibility study has been undertaken that makes proposals for converting the existing space into a state-of-the-art day centre and identifies items for refurbishment necessary to bring the building into peak condition. Cabinet considered this matter at its meeting on 11 December 2012 and approved the vision for the centre of excellence with Cator Street as the preferred location, subject to further consultation with families and stakeholders, and that corporate property 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.

- ii) The Home Office hostel at Ellison House, Aylesbury Estate is to be relocated. The site of the current hostel occupies council-owned land in a prime location opposite Burgess Park now required for building 800 new homes as part of Phase 1 of the Aylesbury regeneration programme. The Home Office agrees in principle to the council providing a like-for-like replacement facility elsewhere in the borough and optional sites are currently under consideration. A decision by cabinet on the preferred new location is anticipated in the near future. Although not part of the directly funded housing delivery programme, the proposed new hostel is included in the Phase 1B programme as an option on grounds of efficient procurement and timely delivery of Phase 1 of the Aylesbury regeneration programme.
- iii) As stated in paragraph 8 b) above, the main reason for including Nunhead Green Site B in Phase 1A was to enable close co-ordination of the design and programme for making a single planning application for Site A and Site B and professional services have been procured accordingly. It is proposed that the council's interests would be best served, however, if the works procurement be included together with the Phase 1B sites as this is likely to attract greater commercial interest and economies of scale from tendering works contractors.

11. The estimated value of services and works arising from the Phase 1B procurement is £2.26 million and £38.12 million, respectively. A breakdown of these sums is given in Appendix 8. This is based on a preliminary assessment of 200 units being constructed by the council in Phase 1B.

12. Detailed information about the Improvement and Efficiency South East (iESE) Construction and Management framework arrangements, referred to in paragraph 8 above in connection with the procurement of professional services and works for projects in Phase 1A and referred to below in relation to Phase 1B, is given in Appendix 3. In summary, the development of a project using the iESE framework arrangements follows a highly collaborative design and build approach, typically comprising the following activities:

Activities		Main Responsibility
<b>STAGE 1: Pre-construction</b>		
1.	Procure and appoint professional design consultant team, subject to Gateway 2 approval (this report).	Client
2.	Undertake scheme appraisal and prepare a report with recommended next steps for client sign-off.	Consultant
3.	Instruct consultant on how to proceed.	Client
4.	Procure and appoint contractor for pre-construction services, subject to Gateway 2 approval.	Client
5.	Develop scheme design up to RIBA Work Stage D+ and obtain planning consent.	Consultant
6.	Prepare Employer's Requirements for main contract works	Consultant
7.	Develop detailed design to RIBA Work Stages E & F,	Contractor

<b>Activities</b>		<b>Main Responsibility</b>
<b>STAGE 1: Pre-construction</b>		
	package and obtain competitive prices for main contract works.	
8.	Submit Contractor's Proposals for main contract works.	Contractor
9.	Evaluate Contractor's Proposals for contract works	Consultant/Client
10.	Obtain Gateway 2 approval to proceed to STAGE 2.	Client
<b>STAGE 2: Construction</b>		
11.	Appoint contractor for main contract works, subject to Gateway 2 approval.	Client
12.	Oversee main contract works as Employer's Agent and act as technical/design advisor to the council	Consultant
13.	Mobilisation	Contractor
14.	Site operations	Contractor
15.	Completion/Ready for use	Consultant/Contractor

### **Summary of the business case/justification for the procurement**

13. In July 2012, Cabinet agreed in principle to the council directly building and providing new affordable homes in the borough within the financial limits of the affordable housing fund (AHF) as set out in the director of regeneration's report and in line with the council's local planning policy framework.
14. A report by the director of regeneration, describing the initiative in further detail, was approved by cabinet at the meeting on 23 October 2012. This included details of delivery proposals, consideration of the planning framework and circumstances that give rise to AHF, the obligations arising from the relevant planning agreements and the allocation of AHF resources to particular schemes. The report also considered delivery arrangements, governance, the composition of the proposed first phase including and preferred procurement arrangements, and financial resourcing of the overall programme.
15. The inclusion of the 'centre of excellence' for older people with dementia and complex needs was presented in Phase 1B will enable the design and construction work to be closely coordinated with the new build extra care provision proposed on the adjacent site.
16. The inclusion in Phase 1B of a new hostel to replace the Ellison House facility will enable the timescale requirements of Phase 1 of the Aylesbury regeneration programme to be met.

### **Market considerations**

17. With the current downturn in the construction industry, competitive prices can be anticipated for both the works and professional fees.
18. Informal discussions with contractors from among the respective iESE framework firms indicate keen interest in the programme and a preference for the sites to be marketed in a single package or packages that are as large as possible, for reasons of efficiency of delivery and economy of scale.

## KEY ISSUES FOR CONSIDERATION

### Options for procurement route including procurement approach

19. The procurement options and strategy for Phase 1B were described in the report to cabinet in October 2012. The leader of the council was further briefed by officers at a meeting on 8 November 2012 on the timetable for procurement. On 8 January 2013 the Leader gave notice that the Gateway 1 report recommendations to confirm the procurement approach as previously reported to cabinet would be taken by the Leader of the Council as a 'strong leader' decision.
20. The strategic options and considerations for procuring professional services and construction works are summarised, as follows:
  - *EU procurement route.* Estimated costs indicate that the European public contracts directive (2004/18/EC) will apply to both professional services and construction for the Phase 1 programme. Procurement under EU regulations is a relatively lengthy statutory process, which would constrain progress in starting up the programme at a time when the council would wish to gain momentum. It also does not add balancing advantages over other approaches outlined below. Use of an appropriate existing EU-compliant arrangement (such as those described below), however, would comply with EU procurement requirements, save time and offer other benefits to the programme.
  - *Use of the LEP.* Southwark completed procurement of its Local Education Partnership (LEP), 4 Futures, in May 2009 to deliver the council's £200m BSF programme. The OJEU notice for the LEP included an upper threshold of £400m. The council therefore has the flexibility to procure up to an additional £200m worth of works and services through 4 Futures. The OJEU notice defined the nature of the works and services that can be procured through 4 Futures and the notice was drafted widely to give the council flexibility, including building, facilities management, ICT and advisory services. When considering 4 Futures for the delivery of new projects consideration needs to be given to the potential for any legal challenge by alternative suppliers and the need to align projects with the 4 Futures' core business either with similar clients and/or similar services. 4 Futures' involvement in the delivery of residential developments is considered to represent an increased risk of legal challenge when compared to education or community/leisure projects. Also, in the short and medium term there is a significant investment programme anticipated within the schools estate. It is expected that 4 Futures will form a key part of the overall procurement solution to deliver this programme and as such the headroom remaining within the original procurement value should be focussed on the delivery of these projects.
  - *Use of iESE framework arrangements.* The Improvement & Efficiency South East (iESE) regional framework arrangements were established in 2007 by OGC Buying Solutions (now known as Government Procurement Services or GPS) in conjunction with a consortium of public bodies in the south-east region led by Hampshire County Council in order to assist authorities in the efficient and effective delivery of construction projects of over £1 million in

value. The arrangements comprise two regional frameworks, namely, a construction framework with eight contractors and a professional services framework with twelve multi-disciplinary professional consultants (based on the GPS framework). Southwark Council is one of over 70 public sector organisations eligible to use the arrangements. Use of the iESE framework arrangements would bring the following benefits:

- The time and cost of running tender processes in compliance with the Public Contracts Regulations 2006 is avoided as the iESE framework arrangements already comply
  - Flexibility in the choice of form of contract, including design and build
  - Early involvement of the contractor by means of a transparent two-stage appointment process, facilitating a highly integrated design and build approach
  - Active promotion of value for money, cost and programme certainty, high quality performance and effective control of risk through benchmarking and performance management
  - Promotion of employment and training opportunities
  - Access to the Strategic Alliance for Value and Efficiency (SAVE) scheme which offers discount on the eighteen most common packages of works procured by the eight iESE framework contractors
- *Use of other frameworks.* Use of arrangements managed by Scape, a local authority controlled company based in the Midlands, has been considered. Their framework for construction work has been rejected, however, as it includes (amongst other limitations) a single contractor only. This would preclude the option of dividing the Phase 1B projects into more than one construction package should the council wish to spread its risk. It may be possible to buy into existing frameworks managed by individual organisations but this would need considerable research and is unlikely to offer any greater benefit than the iESE regional framework arrangements, which have been tailored to the needs of the constituent authorities, including Southwark Council.

21. Use of a traditional procurement route, involving full design services by the consultant and the production of fully quantified bills of quantities for single stage selective competitive tendering to works contractors was rejected in favour of a design and build approach for the following reasons:
  - the benefits of early contractor involvement in design and specification, programming, cost planning and the like would be precluded;
  - the timescale for achieving a start on site would be significantly longer; and
22. An analysis of the procurement timescale using the iESE framework arrangements compared to following a fresh EU procurement process indicates a time saving of approximately six months using the former.
23. The iESE framework arrangements have been previously used by the council with considerable success, for example, in the design and fit-out of office accommodation at Queens Road, which had a construction value of £4.3 million and was delivered on time, within budget and to a high standard in terms of process and end product.
24. A design and build approach using the iESE professional services consultancy and contractor frameworks (as described in appendix 3) is proposed, as this

provides the fastest route to delivering the Phase 1B programme, offers the best platform for successful programme delivery, including collaborative working arrangements, cost and time certainty, value for money and quality of end product and is likely to secure best value for the council.

### **Proposed packaging of professional services**

25. The professional services consultancy will comprise a multi-disciplinary team including architect, building services engineer, structural engineer, quantity surveyor, CDM Co-ordinator. A single professional services consultant appointment is proposed for Phase 1B as this will provide a single point of reference across all schemes, ensuring a consistent and co-ordinated approach by all parties. In view of the type of work and number of projects included in the Phase 1B package, tenderers will be required to field a minimum of two architects in their team, each with highly developed skills and experience in social housing. An exception will be made, however, for the Gatebeck House and Southdown House sites at East Dulwich Estate, where it is proposed that the existing architect, Baily Garner, will continue to provide architectural services under current arrangements. This appointment is subject to a separate Gateway process.

### **Proposed packaging of works**

26. It is proposed that the projects in Phase 1B be divided into two packages, each of roughly equal value. Bidders will be required to tender for both packages but would only be allowed to win one package, thereby ensuring the appointment of two contractors. This will allow the council to spread its risk in terms of contractor performance and introduce an element of competitive edge to the appointments. Each package contractor would also be 'reserve contractor' for the other package in the event of default by the other contractor.

27. The proposed make-up of the two packages is, as follows:

#### Package 1

- Cator Street (Extra Care)
- Clifton Estate garages
- Masterman House garages
- Gatebeck House, East Dulwich Estate
- Southdown House, East Dulwich Estate
- Cator Street (Centre for Excellence)

#### Package 2

- Sumner Road workshops
- 169 Long Lane
- Nunhead Green (Site B)
- Home Office Hostel

28. There will be no dependencies between each project in each package. Each project will comprise a stand alone works contract and be subject to Gateway 2 approval.

### **Proposed procurement route**

29. The proposed procurement route is the iESE/GPS framework arrangement for



professional consultancy services (as a single package) and the iESE regional construction framework for construction works (in two packages).

30. The proposed procurement strategy will give rise to the following gateway report profile:

- Gateway 2 report for the award of a professional design and project management services contract using the iESE/Government Procurement Services (GPS) professional consultancy framework (estimated value: £2.26m);
- Two Gateway 2 reports for the award of two contractor appointments (one for each of two packages) for pre-construction services using the iESE contractor framework (estimated value for each package: £0.7m).
- Gateway 2 reports for the award of a series of works contracts with each package contractor for the construction stage of individual projects within their respective package using the iESE contractor framework (estimated range of project value: from £1.6m to £10.3m).

**Identified risks for the procurement**

31. An assessment of programme risks and mitigation measures has been conducted, as follows

	<b>RISK</b>	<b>RISK LEVEL</b>	<b>MITIGATION ACTION</b>
1.	Insufficient interest from the iESE consultancy and contractor firms to enable a meaningful procurement exercise	Low	In conjunction with iESE staff, engage with the consultant and contractor firms to inform them of the council’s programme and timescales. Conduct soft market testing to gauge interest, particularly from works contractors.
2.	Consultant and contractor has inadequate resources and management arrangements to deliver the programme	Low	Ensure at procurement stage and prior to appointment – (1) that the tenderer plans to deploy adequate resources and is willing to supplement additional resources to the programme, if required. (2) that the tenderer proposes to put adequate management arrangements in place to deliver the programme.
3.	The framework contractor’s housing ‘arm’ fails to follow the iESE methodology and ethos	Low	Ensure at procurement stage that tenderer’s demonstrate how their organisation’s knowledge and experience of collaborative working within the iESE framework will be harnessed in their proposed delivery arrangements.
4.	Delay in obtaining/failure to obtain statutory consents, e.g. planning,	Medium	For each project, make reference in the tender documents to the need for early discussions with statutory authorities and

	<b>RISK</b>	<b>RISK LEVEL</b>	<b>MITIGATION ACTION</b>
	buildings regulations.		realistic timescales for preparing, submitting and determining applications. Designate an in-house planning for the programme to give planning advice and co-ordinate planning application submissions.
5.	Preconstruction delays by the professional consultant and/or contractor.	Low	Provide clear information on key milestones to the professional services consultant and contractor in the selection process and obtain credible proposals for achieving the milestones in their quality submissions. Monitor and control the delivery process.
6.	Costs exceed budget.	Low	For each project, establish comprehensive Employer's Requirements and a robust and reliable cost plan that has the agreement of all parties. Build 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.
7.	Insufficient electrical power exists on site / project to meet the council's forecast demand.	Low	For each project, establish through UK Power Networks the capacity of electricity supply and, if available, enter into an agreement to reserve the supply, at the earliest possible time.
8.	Construction delays on site.	Low	For each project, ensure that a thorough site investigation and survey is undertaken at an early stage. Pre-order components with long delivery period. Ensure that site operations are comprehensively and realistically planned by the contractor, prior to commencement of the works.
9.	Insolvency of framework professional services consultant and/or contractor	Low	Prior to appointment, obtain up-to-date Experian report and consult iESE on their latest financial information. Make the ability to provide of a parent company guarantee or performance bond, as appropriate, a condition of contract. Include provision for 'reserve contractor' in the works contract packages. Closely monitor performance of firms once appointed.

## Key /Non Key decisions

32. This report deals with a key decision

## Policy implications

33. The proposed developments in Phase 1B form part of the overall Affordable Housing Fund (AFH) 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.

34. The proposed Extra care provision would assist in meeting the aim in the Mayor of London's draft revised Housing Strategy to increase the supply of extra care housing, with an estimated 16,700 homes required over the next six years.

35. 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.

36. The new service model for the Centre of Excellence will support the aims of the Southwark Council Plan "A Fairer Future for All" and its commitments to protect the most vulnerable; by looking after every penny as if it was our own; by working with local people, communities and businesses to innovate, improve and transform public services; and standing up for everyone's rights. The Council Plan also contains 11 key targets for adult care in support of this pledge, one of which relates to the transformation of day services to allow a more personalised and outcome focused approach.

37. The relocation of the Home Office hostel at Ellison House (to a suitable alternative site to be approved) will release a significant site for residential development within Phase 1 of the Aylesbury regeneration programme in accordance with the Aylesbury Area Action Plan, adopted by the council in 2010. The regeneration of Aylesbury estate is a key priority, identified in the Leader's ten fairer future promises and the corporate plan.

## Procurement project plan (Key decisions)

Activity	Complete by:
GATEWAY 1	
Forward Plan	Oct 2012

<b>Activity</b>	<b>Complete by:</b>
DCRB Review Gateway 1 (this report)	17 Dec 2012
CCRB Review Gateway 1	20 Dec 2012
Notification of forthcoming decision	7 Jan 2013
Approval of Gateway 1: Procurement strategy report	18 Jan 2013
Notification of implementation of Gateway 1 decision	21–25 Jan 2013
<b>PROFESSIONAL SERVICES CONSULTANT</b>	
Completion of tender documentation	30 Oct 12
Closing date for expressions of interest	9 Nov 12
Completion of short-listing of applicants	9 Nov 12
Invitation to tender	13 Nov 12
Closing date for return of tenders	26 Nov 12
Completion of any interviews	29 Nov 12
Completion of evaluation of tenders	21 Dec 12
DCRB Review Gateway 2: Contract award report	14 Jan 13
CCRB Review Gateway 2: Contract award report	17 Jan 13
Notification of forthcoming decision	21 Jan 13
Approval of Gateway 2: Contract Award Report	28 Jan 13
Notification of implementation of Gateway 2 decision	29 Jan – 5 Feb 13
Contract award	6 Feb 13
Contract start	7 Feb 13
Approximate contract completion date	Oct 16
<b>CONTRACTOR STAGE 1: TYPICAL PRE-CONSTRUCTION PHASE PROCUREMENT</b>	
Completion of tender documentation	30 Nov 12
Closing date for expressions of interest	17 Dec 12
Completion of short-listing of applicants	21 Dec 12
Invitation to tender	11 Jan 13
Closing date for return of tenders	4 Feb 13
Completion of any interviews	11 Feb 13

<b>Activity</b>	<b>Complete by:</b>
Completion of evaluation of tenders	18 Feb 13
DCRB Review Gateway 2: Contract award report	25 Feb 13
CCRB Review Gateway 2: Contract award report	28 Feb 13
Notification of forthcoming decision	8 Mar 13
Approval of Gateway 2: Contract Award Report	15 Mar 13
Notification of implementation of Gateway 2 decision	18 Mar 13
Contract award	25 Mar 13
Contract start	26 Mar 13
Approximate contract completion date	Dec 13

38. Activities and dates for procurement leading to the construction stage are not shown in the project procurement plan as these have yet to be finalised and will vary for each project. The generic indicative project programme in Appendix 4, however, shows typical timescales and timings of key activities.

#### **TUPE/Pensions implications**

39. Not applicable.

#### **Development of the tender documentation**

40. The documentation for the professional services consultant and contractor mini competition will follow the respective IESE template.
41. The contents of the consultant and contractor mini competition documents are listed in Appendix 5 and Appendix 6, respectively.
42. The proposed form of agreement for the consultant appointment is the GPS/IESE Standard Model Contract 1, which is based on GC/Works/5 (1998). The director of legal services (acting through the contracts section of the corporate team) will advise on any amendments to the terms and conditions necessary to meet the council's specific requirements.
43. The Stage 1 contractor appointment for pre-construction services will be entered into using the IESE Major Framework Model Pre Construction Agreement.
44. The proposed form of works contract the Stage 2 contractor appointment is JCT 2005 Design & Build (Revision 2 - 2009), incorporating standard and special amendments to the conditions of contract as advised by the director of legal services (acting through the contracts section of the corporate team).
45. The following briefing documents have been prepared for tenderers in close consultation with relevant 'user client' officers, setting out the council's requirements:

- General Brief for Housing
- Draft Brief for Cator Street Extra Care housing
- Draft Schedule of Requirements for the Home Office hostel

46. The following studies have been prepared in consultation with the in-house planning consultant and relevant 'user client' officers, and made available to tenderers:

- Cator Street Extra Care site capacity study
- Clifton Estate garages site capacity study
- Masterman House garages site capacity study
- Long Lane site capacity study
- Sumner Road workshops site capacity study
- Cator Street Centre for Excellence feasibility study

47. Planning application scheme design drawings for Gatebeck and Southdown, East Dulwich Estate have similarly been made available to tenderers.

48. Approximate construction values for each site, included in the mini-competition documents, are based on strategic cost advice provided by consultant quantity surveying, Davies Langdon.

49. Employment and training targets will be established in consultation with the council's relevant corporate strategy manager, director of planning and iESE for inclusion in the mini-competition documents.

### **Advertising the contract**

50. The advertisement for expressions of interest in tendering for professional services and construction is ring fenced to firms on each respective iESE framework.

### **Evaluation**

51. The selection process for both the professional services consultant and contractor will follow the requirements of the iESE framework arrangements, as set out in their standard procedures and working practices. .

52. The selection panel will comprise the following officer representation from chief executive's department:

- Principal Project Officer – Development, Regeneration Initiatives
- Project Co-ordinator - Development, Regeneration Initiatives
- Project Director – Project Services Delivery, Southwark Schools for the Future
- Principal Project Manager – Project Services Delivery
- Project Manager – Project Services Delivery

### **Consultant**

53. Submissions from those professional consultants out of the panel of twelve firms that submit an expression of interest in being short listed for the mini competition are evaluated against the following criteria and weightings:

- Extent to which they have sufficient resource to meet the programme – 20%
  - Availability of suitably qualified sector experienced personnel in the timescales – 20%
  - Ability to meet special terms (relating to programme objectives and co-ordination with third parties – 10%
  - High level approach to achieving design excellence, cost certainty, time certainty and pleasant environmental conditions – 50%
54. The three highest scoring professional consultants are short listed to participate in the mini competition, for which the following criteria and weightings apply:
- Answers to questions from the mini competition on design ability, ability to meet the programme timescales, approach to maintainability of end product and ability to manage and co-ordinate the overall programme – 25%
  - Expertise/experience – 10%
  - Proposed project team – 17.5%
  - Outline project execution plan – 17.5%
  - Fees – 30%
55. The 70:30 ratio of quality to price is a mandatory feature of the IESE professional services framework. The council has discretion, however, over the quality criteria and weightings.
56. Interviews will take place with all tenderers in order to clarify points from their submissions. The panel may then moderate their previous scores where appropriate.
57. Information on health & safety and equalities & diversity for the project, as advised by the health & safety Manager and corporate procurement, will also be requested and checked as necessary to ensure that the council's standards are satisfied prior to making an appointment.

### **Contractor**

58. The mini-competition document is issued to all eight contractors out of the panel of eight firms on the IESE contractor framework. Firms express interest by responding to Part 1 of the mini competition document. Part 1 responses are evaluated using the following criteria, which also contributes up to 30% of the overall score for those firms that are shortlisted:
- Availability – Yes/No
  - Available resource details – 10%
  - Project understanding – 20%
59. It is proposed that a short list of three to six firms will be selected in ranking order.
60. Each short listed tenderer will be invited to participate in Part 2 of the mini-competition by submitting a price and quality submission for both packages. Submissions for each package will be evaluated using the following criteria and provisional weightings:
- Part 1 evaluation – 30%
  - Draft project execution plan – 10%
  - Logistics report – 10%

- Pre-construction and Construction phase programmes – 10%
  - Text of “ability” question – 10%
  - Pricing submission, comprising pre-construction services and works contract core costs (project specific preliminaries, management overheads and profit) – 30%
61. The 70:30 ratio of expression of interest to quality to price is a mandatory feature of the iESE contractor framework. The council has discretion, however, over the quality criteria and weightings.
  62. Each package will be offered to highest scoring tenderer. In the event of the same tenderer getting the highest score for both packages, then one of the packages will be offered to the second highest scoring tenderer based on the allocation of packages that gives the best value for money to the council.
  63. Interviews will take place with all tenderers in order to clarify points from their submissions. The panel may then moderate their previous scores where appropriate.
  64. Information on health & safety and equality & diversity for the project, as advised by the health & safety manager and Southwark procurement, will also be requested and checked as necessary to ensure that the council’s standards are satisfied prior to making an appointment.

**Community impact statement**

65. Southwark is a borough with high levels of deprivation, low median income levels, and high levels of housing need. Southwark’s Housing Strategy 2009-2016 identified that there is a shortage of affordable housing in the borough, particularly of larger homes. Households from black and minority ethnic communities tend to be over-represented among those living in overcrowded, poor quality housing.
66. Southwark has an ageing population, particularly those aged 85 plus. By 2020 the number of older people over the age of 85 is expected to grow by 21.0%. There is a shortage of extra care sheltered housing for older people as an alternative to residential care. Surveys of older people have found residential care to be an unpopular housing option among older people.
67. There are similar demographic pressures arising in the disabled population in Southwark. The number of people with learning disabilities is projected to increase by 22% by 2030; this will inevitably create increased demand for ordinary housing options for people with disabilities living in the borough.
68. The proposals to increase the supply of affordable, good quality homes will benefit households in need from all Southwark’s communities, and will increase the housing options available for older people and people with disabilities living in Southwark
69. 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 communities as a whole will benefit in the longer term from the new homes. In local areas, 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 in that local area.



## **Economic considerations**

70. The design briefs for general needs and extra care housing have been developed in consultation with 'user client' officers and make it clear that the council is seeking developments that are not only attractive and functional in their design but also durable, easy to maintain and with low running costs.
71. The successful professional services consultant and works contractors will be expected to deliver 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;
  - 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;
  - A commitment to construction apprenticeships in proportion to the size and scale of the development; and
  - Corporate social responsibility and sustainability.
72. An employment and training package for Phase 1B will be agreed in consultation with the senior strategy officer of the chief executive's corporate strategy team, the director of planning and iESE. An initial proposal for targeting 20 apprenticeships under the Phase 1B programme is included at Appendix 7.

## **Social considerations**

73. The projects in Phase 1B will provide new high quality general needs and extra care affordable housing for local people in need of suitable accommodation from the council's housing register.
74. The appointed contractors will carry out the works under the Considerate Contractor scheme, which seeks to minimise disturbance and disruption in the locality during the construction phase.
75. The appointed professional services consultant and works contractors will pay their employees and sub-contractors not less than the current London Living Wage levels.

## **Environmental considerations**

76. The Code for Sustainable Homes requirements will cover the construction process as well as design and specification and will set targets for minimising the adverse environmental impact of carrying out the works for each project.
77. The project briefs prescribe materials and components to be specified for the works. In terms of excluded construction materials, good practice is to be adopted, including the exclusion of:
- 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.

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

- Consideration of whole life-cycle costs;
- Sustainable sourcing, 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 project achieves Code for Sustainable Homes criteria

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

79. The project clienting, including the management and administration of the consultant and contractor appointments, will be run and resourced through the Project Services Delivery team in conjunction with the Housing Regeneration Initiatives team, both from within Property Services. Progress with the contract works and performance of the consultant team will be subject to constant scrutiny and monthly formal review, including reviews on cost, programme and quality. The experienced officer client team 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

80. Internal governance arrangements for the programme were reported to cabinet in October 2012. These confirmed that ultimate responsibility for the overall programme resides with the Housing Investment Board (HIB), chaired by the strategic director of finance and corporate services. Reporting to the HIB will be the Housing Projects Group (HPG), chaired by the director of regeneration, to which the client team for the Phase 1 programme will report.

### **Staffing/procurement implications**

81. The staff resources deployed to this procurement are sufficient to meet the proposed timetable.
82. The project will be resourced by existing staff, within existing budgets.
83. Officer time relating to the management of this project is funded from existing revenue budgeted resources. Consideration will be given to an alternative treatment dependant 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.

### **Financial implications**

84. The estimated value of professional fees and works costs arising from the procurement of Phase 1B, as described in this report, is given in Appendix 8. The proposed source of funding is also indicated. This forecast is based on a preliminary assessment of the number of units to be constructed,
85. The figures given in Appendix 8 exclude any costs and receipts unrelated to the procurement, such as:
  - The cost of surveys, tests, etc,
  - In-house salaries relating to programme delivery
  - Statutory fees
  - Payments arising from planning consent
  - Receipts from sales
86. The cost per unit used in Appendix 8 to calculate the estimated works cost are based on strategic cost advice received from consultant quantity surveyor, Davies Langdon.

### **Investment implications** (inv/ii2646/08January2013/rjb)

87. The proposed projects will largely form part of the directly funded housing delivery programme. Funding for this programme will be through the use of developer contributions to the affordable housing fund, and the release of these resources will require approval by planning committee. There will therefore be costs incurred in working up projects which will need to be paid prior to the release of the associated funding.
88. These initial costs will be met from the housing investment programme (HIP), and charged to AHF resources where these become available within the same financial year. A bid will be made for the provision of an allocation within the HIP to meet those costs for new build schemes which due to their timing cannot be funded through the AHF. There are sufficient uncommitted resources in the HIP to meet such costs likely to arise from this report.
89. Where sites are not currently held within the HRA, appropriation costs incurred before development can take place may also need to be met from HIP resources. Some sites may generate capital receipts from the sale of land or private dwellings, and these will be recycled into the direct delivery programme. Other

funding streams may also be realised for the specialised developments for extra care, day centre and hostel uses. These factors will be considered in more detail as part of the gateway 2 reports for the individual works contracts relating to those sites.

### **Legal implications**

90. Please see concurrent from the director of legal services

### **Consultation**

91. The council will consult with the neighbouring tenants & residents associations before design proposals are finalised. A thorough consultative exercise with local residents and T&RAs will be carried out throughout the design and the planning process. This will include a letter/leaflet drop, laminated notices and public meetings/ exhibition. Additionally, the council will seek to consult with the area neighbourhood office a number of registered providers and private landlords.

## **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

### **Head of Procurement**

92. This report is seeking to formalise the procurement strategy decision for the phase 1B of the directly funded housing delivery programme. Three contracts will initially be procured; one for professional design and project management services and two for preconstruction services.
93. For contracts of this size and nature, the EU regulations apply. The procurement options that have been considered for these contracts are contained in paragraphs 19 – 21. The recommended procurement route involves the use of the IESE framework.
94. The IESE framework has previously been used by the council and provides an efficient EU compliant route for procurement provided the rules surrounding the framework are adhered to. These rules include the adoption of a weighted evaluation model in favour of quality which differs from the council's current recommended weighting (currently set at 70/30 in favour of price).
95. The procurement timeline appears challenging but is achievable provided appropriate resources are available to carry out the necessary tasks during the procurement.
96. The report confirms that the two providers appointed to deliver the pre construction services will later be awarded a series of contracts relating to the individual schemes that collectively form the 1B programme. These contracts will all have different specifications, values etc. and will follow different timelines. They will all be the subject of separate gateway two reports.
97. The contract monitoring and management arrangements are described in paragraph 79 and the governance arrangements supporting the delivery of the programme are outlined in paragraph 80. During tendering, it is important that there is appropriate scrutiny of the procurement process and supporting documentation to ensure that the timeline is met and the best outcome achieved for the council

## Director of Legal Services

98. This report seeks the Leader's formalisation of the procurement strategy relating to phase 1B of the directly funded housing delivery programme, as more further detailed in paragraph 2 of this report.
99. Both the services contract for the professional design and management, and the 2 contractor contracts (pre-construction and works) are subject to the full application of the EU procurement regulations. However the proposal is to undertake a further competition using the IESE/GPS professional consultancy framework and IESE contractor framework for these 2 procurements which are both EU compliant frameworks. Officers from the contract team in legal services will work with the report author and advise on any amendments to the terms and conditions of contract which must be used as part of both IESE frameworks, to ensure that these take into account any southwark specific requirements.
100. At this value, the approval of the procurement strategy for these contracts would usually be reserved to the cabinet (as strategic procurements). However, the Leader can delegate the executive function to take this decision himself , and as noted in paragraph 19 will be approving these matters under his strong leader powers.

## Strategic Director of Finance and Corporate Services

101. The works in phase 1B of the Directly Funded Housing Delivery have been fully costed as stated in the financial implications in this report and detailed in Appendix 8. They can be funded from the Affordable Housing Fund (£34.1m) and existing capital resources (£6.2m).

## BACKGROUND DOCUMENTS

Background Documents	Held At	Contact
Project records - hard copy and digital	Property Services, Regeneration, 160 Tooley Street, SE1 2QH	Andrew Brown – 020 7525 5538
IESE documents and guidance	Property Services, Regeneration, 160 Tooley Street, SE1 2QH	Andrew Brown – 020 7525 5538
Contract Register Entry Form	Property Services, Regeneration, 160 Tooley Street, SE1 2QH	Andrew Brown – 020 7525 5538

## APPENDICES

No	Title
Appendix 1	Extract from minutes of Cabinet meeting of Tuesday 23 <sup>rd</sup> October 2012
Appendix 2	Proposed phase 1 sites reported to October 2012 cabinet
Appendix 3	Information on the Improvement and Efficiency South East (IESE) regional frameworks
Appendix 4	Indicative programme for Phase 1B
Appendix 5	Consultant mini-competition document contents list
Appendix 6	Contractor mini-competition document contents list
Appendix 7	iESE proposed apprenticeship and trainee scheme
Appendix 8	Estimated procurement values for Phase 1B

## AUDIT TRAIL

<b>Lead Officer</b>	Eleanor Kelly, Chief Executive	
<b>Report Author</b>	Andrew Brown, Project Services Delivery Team, Regeneration,	
<b>Version</b>	Final	
<b>Dated</b>	11 January 2013	
<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>
Head of Procurement	Yes	Yes
Director of Legal Services	Yes	Yes
Strategic Director of Finance and Corporate Services	Yes	Yes
<b>Contract Review Boards</b>		
Departmental Contract Review Board	Yes	Yes
Corporate Contract Review Board	Yes	Yes
<b>Cabinet Member</b>	Yes	No
<b>Date final report sent to Constitutional Team</b>	11 January 2013	