

Item No.	Classification: Open	Date: 20 February 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 professional services consultant for various sites	
Ward(s) or groups affected:		Camberwell Green, Chaucer, Nunhead, Peckham, South Bermondsey, South Camberwell and The Lane	
From:		Chief Executive	

RECOMMENDATION

That the cabinet member for regeneration and corporate strategy

1. Approves the award of the professional services contract for Phase 1B of the directly funded housing delivery programme to Mott MacDonald Ltd (“Mott MacDonald”) at an estimated sum given in the closed version of this report, based on their percentage fee rates applied to an estimated overall construction cost in the sum of £38.8 million, using the Improvement & Efficiency South East (IESE)/Government Procurement Services (GPS) professional consultancy framework, for a period of approximately 46 months commencing in February 2013.

BACKGROUND INFORMATION

2. 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:

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

3. Subsequent to the October cabinet meeting, a decision has been made to include the following additional schemes in Phase 1B:
 - a. *‘Centre of excellence’ for older adults with dementia and complex needs.*
The December 2012 cabinet meeting approved the vision for the ‘centre of excellence’ and a preferred location subject to further consultation with families and key stakeholders and a final decision by the Cabinet Member

for Health & Adult Social Care, and for corporate property to assist in the design and procurement of the centre. The inclusion of this project in Phase 1B will enable scoping and design work for the centre of excellence, as well as exploring any potential synergy between the new centre of excellence and the proposed extra care housing development, were they to be located on the same site.. Design proposals for the centre of excellence will be developed in consultation with families and stakeholders, including external experts. Further information on the policy implications is given in paragraphs 16 and 17, below.

b. *Re-provision of the approved premises at Ellison House, Aylesbury Estate on another site within the borough.* Although not part of the directly funded housing delivery programme, the proposed new premises is included in the Phase 1B programme on grounds of efficient procurement and timely delivery of Phase 1 of the Aylesbury regeneration programme.

4. On 21 January 2013, the Leader took a key decision under ‘strong leader’ provision to formalise the prior approval of the strategy for procuring professional project management/design services and construction works for Phase 1B using the Improvement and Efficiency South East (iESE) construction and management framework arrangements for:

- A professional services provider under the iESE/Government Procurement Service (GPS) professional consultancy framework; and
- A contractor for each of two packages under the iESE contractor framework

5. A copy of the Gateway 1 report is included as a background paper to this report, as it gives important background details on the procurement approach being adopted.

6. This report concerns the selection and appointment of a professional services provider to provide the following services for the Phase 1B development under the iESE/GPS professional consultancy framework:

- Lead Consultant/Project Manager/ Client’s Agent
- Architect
- Quantity Surveyor
- Structural Engineer
- Building Services Engineer
- Civil Engineer
- CDM Co-ordinator under the Construction Design and Management Regulations

Procurement project plan (Key Decision)

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

Activity	Completed by/Complete by:
Forward Plan for Gateway 2 decision	Oct 2012
Formalise approval of Gateway 1: Procurement Strategy Report	18 Jan 2013

Activity	Completed by/Complete by:
Invitation to tender	13 Nov 2012
Closing date for return of tenders	26 Nov 2012
Completion of evaluation of tenders	21 Jan 2013
DCRB Review Gateway 2 (this report)	28 Jan 2013
CCRB Review Gateway 2 (this report)	31 Jan 2013
Notification of forthcoming decision – Five clear working days	21-27 Feb 2013
Approval of Gateway 2: Contract Award Report	28 Feb 2013
Scrutiny Call-in period and notification of implementation of Gateway 2 decision	1-7 Mar 2013
Contract Award	8 Mar 2013
Add to Contract Register	8 Mar 2013
Contract start	11 Mar 2013
Contract completion date (expected)	Dec 2016

KEY ISSUES FOR CONSIDERATION

Description of procurement outcomes

8. This procurement provides the full range of professional services necessary to develop designs and manage the construction process for approximately 200 new council homes on nine sites as part of the council's overall programme to deliver 1000 new council homes by 2020 and, similarly, for the new building to replace the approved premises at Ellison House.
9. The professional services consultant obtained through this procurement will also assist in the process of analysis of the suitability and feasibility of the preferred location, as well as potential designs and plans, for the 'centre of excellence' (as described in paragraph 17 below). This will help inform the subsequent decision on its location (to be made by the Cabinet Member for Health and Adult Social Care later this year), and then manage the construction process necessary for implementation.
10. The packaging of sites and grouping of professional disciplines in a single professional services appointment has provided an economy of scale and facilitated bids from tenderers that offer excellent value for money.
11. Care was taken in the procurement process to secure the services of highly skilled and experienced designers capable of creating through design excellence, a positive legacy for years to come.

Key/Non Key decisions

12. This report deals with a key decision

Policy implications

13. 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.
14. The proposed extra care provision is in line with the council's vision to help people with care needs remain independent and give people more control and choice over the care they receive. It would also 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.
15. 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.
16. 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 - meaning people are supported to stay living in their own homes and communities for as long as possible, and allowing people to have a more personalised service. It also supports the aims of the council plan 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.
17. The decision to support the development of 'centre of excellence' for older people was made by cabinet on 12 December 2012. No decision was made by cabinet as to the site location, but it did identify Cator Street as a preferred site (subject to further consultation and engagement) The appointed professional services consultant resulting from this procurement, will develop detailed plans and feasibility analysis for the proposed site. These plans will be informed by a steering group made up from families and carers and external community sector and NHS partners - including external experts in dementia care – to ensure that the centre can truly be best practice in its services for people with dementia and other complex needs. The detailed plans will incorporate the latest research on dementia friendly building design. This analysis and plans plus the outcome of the engagement and consultation on the proposed site and will assist the cabinet member for health & adult social care in reaching a decision later this year as to the site location. It should be noted that the inclusion of the 'centre of excellence' within the scope of this procurement in no way pre-empt a decision on the site location.

18. The relocation of the approved premises 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.

Tender process

19. The selection panel for this procurement comprised:

Regeneration initiatives manager, regeneration initiatives, CE's department
Principal project officer (development), regeneration initiatives, CE's department
Southwark schools for the future project director, CE's department
Principal project manager, project services delivery team, property services
Project manager, project services delivery team, property services

20. The selection process for the professional services provider followed standard procedures and working practices set out in the iESE framework arrangements.

21. Expressions of interest were invited on 30 October 2012 from the iESE/GPS panel of 12 professional services providers using a standard iESE template, customised for Phase 1B of the directly funded housing delivery programme. Firms wishing to express interest were required to submit preliminary information for evaluation by 9 November 2012, covering the following areas:

- a) Extent to which they have sufficient resource to meet the programme – 25%
- b) Availability of suitably qualified sector experienced personnel in the timescales – 25%
- c) Project specific question to solicit evidence that the proposed team is highly experienced, with a proven track record of success in the design and delivery of inner city social housing, temporary accommodation and day centre projects, including reference to:
 - New build general needs housing
 - New build 'extra care' housing
 - New build short stay accommodation
 - Day centres for older people
 - Transforming and refurbishing existing buildings
 - Urban design, master planning and landscape design – 50%

22. Four out of twelve firms expressed interest by submitting the required information, namely:

- Tenderer A
- Tenderer B
- Tenderer C
- Tenderer D

23. Of the firms that did not express interest, three firms declined in writing and five firms did not respond. One of the three declining firms stated "...opportunity not

right for us” in their response but, other than this, no reasons were given by firms that declined.

24. The panel anticipated that a number of firms would decline from expressing interest because residential development has previously been in minimal demand from authorities and, therefore, may not align with the business expectations for all of the framework providers. Nevertheless, the panel considered that as all of the firms that did express interest had good experience in the residential sector, a sufficient level of competition existed with which to proceed.
25. In accordance with standard iESE requirements, iESE was responsible for the evaluation of items a) and b) and the council’s selection panel was responsible for the evaluation of item c).
26. Scores by the council’s selection panel for item c) were arrived at by consensus using a three-staged approach:

Stage 1: evaluation and scoring was done by each individual panel member
 Stage 2: the initial scores were collectively reviewed and, where appropriate, moderated by each panel member
 Stage 3: Final scores were arrived at by taking the average of individual panel members’ scores, expressed as a pro rata score out of 5.

27. The scores for short listing were, as follows:

	Scores for a) and b) - out of 5	Scores for c) - out of 5	Total scores – out of 10
Tenderer A	4.9	4.25	9.15
Tenderer B	4.1	2.5	6.60
Tenderer C	4.9	4.75	9.65
Tenderer D	4.4	3.25	7.75

28. Standard iESE practice is to short list three firms and, accordingly, the three highest scoring firms, namely, Tenderer A, Tenderer C and Tenderer D were short listed to participate in a mini-competition tendering process.
29. A comprehensive mini competition document, based on the standard iESE template, was prepared for invitations to tender from the three short listed firms, the contents of which are listed at Appendix 1.
30. Mini-competition tenders were invited on 13 November 2012 from the three short listed firms, with a closing date for tender returns of 26 November 2012.
31. Tenders were returned by all three tenderers by the due date and time of 12.00 noon on Monday 26 November 2012.

Tender evaluation

32. 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. The council has

discretion, however, over the choice of quality criteria and the weightings of those criteria within the overall allocation of 70% for quality.

33. 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:
 - a) Part F: Answers to four project-specific questions listed in Appendix 2
 - b) Part G: Details of expertise/experience of the proposed team, including details of four most similar projects in the sector completed within the last three years
 - c) Part H: Details of the proposed project team, including the main point of contact, team management plan, profile of individual team members, added value offered and resource profile
 - d) Part J: An outline project execution plan, including main point of contact for project delivery, management plan describing the composition of the proposed team and office location, profiles for the staff who will be involved in undertaking the project, details of any added value and a resource profile break down of the team structure and the amount of time each member will spend on the project.
 - e) Parts K/L: Presentation and interview, comprising a presentation of tender proposals and points for clarification.
34. The fee submission requirement followed the standard iESE format, which comprises a fee bid based on the percentage of construction cost, in accordance with fees quoted within the Framework Agreement, together with a breakdown of that fee for each RIBA Work Stage C to L. The estimated construction cost for fee submissions was provided for each of the Phase 1B projects. The fee proposal for each project, including a breakdown by RIBA Work Stage, was required to be confirmed in Part M of the mini-competition tender document, 'Summary and Bona fide tender declaration', as a signed and dated record of the fee offer. On receipt of tenders, the iESE commercial manager reviews each price submission to ensure compliance with the framework rates.
35. The evaluation of fees was based on the aggregate fee offer for all Phase 1B projects submitted by each tenderer. The aggregate fees were converted to points using the standard methodology in accordance with the iESE framework rules.
36. Information on health & safety and equalities & 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.
37. Each tenderer was also required to submit a signed Designers Competence and Resources Statement in respect of the Construction (Design and Management) Regulations 2007.

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

Criteria	Weighting
Answers to the tender questions (Part F) - listed in Appendix 2 of this report:	
• Question 1	10%
• Question 2	5%
• Question 3	5%
• Question 4	5%
Sub-total:	25%
Expertise/Experience (Part G)	10%
Proposed Project Team (Part H)	17.5%
Outline Project Execution Plan (Part J)	17.5%
Interview / Presentation (for clarification purposes only)	0%
Additional information on:	Pass/Fail
• Health & Safety (Appendices 18-1 and 18-2)	
• Equalities & Diversity (Appendices 19-1 and 19-2)	
Quality total	70%
Price (Fees) total	30%
GRAND TOTAL	100%

39. 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 and an evaluation score sheet for each tenderer.
40. 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.
41. Tenders were opened and the price submissions recorded by the property records & systems manager and project services delivery team project manager on the morning of Monday 26 November 2012. The price submissions are given in a table in the closed version of this report.

Quality evaluation

42. Tenderers' quality submissions were forwarded to the evaluation panel for scoring (following the process described in paragraph 26 of this report) which, including presentation/interviews, took place over the period to Friday 30 November 2012, the outcome of which is given in a chart in the closed version of this report.
43. Panel members reviewed the tenderers' quality submissions and agreed a series of questions aimed at clarifying a number of matters in the interview/presentation to which all tenderers were invited. At the interview/presentation, each candidate was asked to present their bid (in order to 'bring it to life') and to answer a series

of questions relating to the quality criteria aimed at clarifying particular aspects of the written submissions. The same questions were put to each tenderer. The Panel scored the tenderers submissions following the interviews, by consensus based on the criteria set out in the tender document.

Price evaluation

- 44. 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.
- 45. The check of submissions for completeness and commercial review by iESE gave rise to a number of points for clarification, as set out in the closed version of this report.
- 46. It should be noted that in the course of preparing this report, officers discovered an inconsistency in the iESE price scoring mechanism. The implications of this have been explored and do not affect the outcome of the process. The scoring mechanism to be used in future, however, will be clarified for the next procurement.

Price and quality – overall result

- 47. The three bids were evaluated as described above. Full details of the scoring are included in the closed version of this report.
- 48. Based on the evaluation, Tenderer C (Mott MacDonald Ltd) has submitted the most economically advantageous tender and is recommended by the selection panel for appointment.
- 49. Mott MacDonald scored, as follows:

Criteria	Out of	Mott MacDonald
Quality	70	63
Price	30	12
Total (Quality and Price)	100	75

- 50. Mott MacDonald made a strong quality submission that addressed all criteria in convincing detail. In particular, coherent and practical arrangements for delivering the overall programme covered all professional disciplines, including proposed resource allocation and arrangements for programme co-ordination. Also, their proposed project team is highly experienced and cover all specialist areas highlighted in the mini-competition document.
- 51. Mott MacDonald is currently on the council's approved list and their financial status, which is checked by Exor annually, indicates a safe trading level considerably in excess of the contract value of this appointment. This is verified also by a recent Experian financial risk report dated 1 January 2013.
- 52. Mott MacDonald has been assessed as having passed the council’s health & safety and equality & diversity requirements.

Plans for the transition from the old to the new contract

53. Not applicable.

Plans for monitoring and management of the contract

54. The project clienting, including the management and administration of the professional services appointment, will be run and resourced through the project services delivery team in conjunction with the housing regeneration initiatives team, both from within the regeneration division.
55. 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, 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
56. In addition, monthly management meetings will be held at which the consultant's performance will be measured against the quality method statements submitted through the mini-competition process.
57. Previous experience of working with Tenderer C in a similar role has been positive, for example, on two other council projects, the details of which are given in the closed version of this report and which are both subject to the same management and control regime as described above, in paragraph 55.
58. 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 the consultant's Agreement and then passed to the regeneration initiatives manager to authorise for payment.

Identified risks for the new contract

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

	RISK	RISK LEVEL	MITIGATION ACTION
1.	Consultant deploys inadequate resources and management arrangements to deliver the programme	Low	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, for director-level resolution.
2.	Delay by consultant 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 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.
3.	Preconstruction delays by the professional consultant.	Low	Provide clear information on key milestones to the professional services consultant and obtain credible proposals for achieving the milestones in their project execution plan. Monitor and control the delivery process.
4.	Costs exceed budget.	Low	For each project, ensure that the consultant establishes comprehensive Employer's Requirements and a robust and reliable cost plan that has the agreement of all parties. Ensure that the consultant 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.
5.	Construction delays on site.	Low	For each project, ensure that the consultant conducts a thorough site investigation at an early stage. Ensure that the consultant identifies the need to pre-order components with a long delivery period and arranges through the contractor for site operations to be comprehensively and realistically planned, prior to commencement of the works.

	RISK	RISK LEVEL	MITIGATION ACTION
6.	Insolvency of framework professional services consultant	Low	Closely monitor performance of consultant, including regular liaison with the iESE framework manager on financial checks and other feedback..

Community impact statement

60. This report gives effect to a previous decision regarding the overall directly funded housing delivery programme. The appointed consultant will contribute to the community benefits identified previously through efficiently and effectively delivering the programme, so that much needed affordable housing becomes available to meet local needs as reflected in the council's policies.
61. The proposals to increase the supply of affordable, good quality homes, including extra care units, 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.
62. The homes for rent in the new housing developments will be subject to 'local lettings' arrangements whereby 50% of the lettings in each development will be made available for tenants living on an estate within an agreed boundary. The lettings will be to households in priority need geared to releasing existing properties on an estate for re-letting, within the scope of the lettings policy. These lettings would be made through Homesearch, but with a filter applied to the system that allowed only eligible local residents to bid. Offers would therefore be made to successful bidders in priority and date order in accordance with lettings policy. The remaining properties would be let under the normal arrangements.
63. Community consultation has been undertaken on the schemes in phase 1 commensurate with the stage each project has reached. Some have a relatively long history of ongoing community engagement in other contexts; others have been consulted on previously and will need a refresher approach. Others are in relatively early stages and will therefore require further work as outlined in paragraph 87.
64. 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 the appointed consultant 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.
65. The community impact assessment considered by the cabinet in December 2012 in relation to the proposed centre of excellence, found that it would have a positive impact upon the lives of older people and women carers in particular.

Economic considerations

66. The design briefs for general needs and extra care housing developed for this programme in consultation with 'user client' officers, 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.

67. The successful professional services consultant, together with the works contractors, will seek to deliver direct benefits to the local community and local residents, including:
- 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.
68. 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. Although the implementation of the package will largely rest with the works contractors, the consultant will assist in facilitating these objectives. In particular, the appointed consultant will assist in monitoring the works contractor's performance in delivering to the agreed targets.

Social considerations

69. The consultant will deliver the projects in Phase 1B to 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.
70. The appointed professional services consultant and sub-contractors will pay their employees not less than the current London Living Wage levels.

Environmental considerations

71. The consultant will produce designs and specifications that meet Code for Sustainable Homes Level 4 standard and will set targets to minimise the adverse environmental impact of carrying out the works for each project.
72. 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 by the consultant in their specification of materials, 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 (MMM): 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.

73. 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

Market considerations

74. The successful tenderer is a private organisation.
75. The successful tenderer has over 250 employees.
76. The successful tenderer has a national area of activity.
77. Discussions on the potential for employment and/or training opportunities for local people will take place with the consultant prior to appointment.

Staffing implications

78. The staff resources deployed to this procurement are sufficient to meet the proposed timetable.
79. The project will be resourced by existing staff, within existing budgets.
80. 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

81. The estimated value of professional fees arising from the procurement of Phase 1B, as described in this report, is in the sum stated in the closed version of this report. This sum is calculated on a percentage fee basis and assumes an overall construction works value of £38.8 million.
82. The estimated value of professional fees excludes costs and receipts unrelated to the procurement, such as:
- Cost of works
 - Cost of surveys, tests, etc,
 - In-house salaries relating to programme delivery
 - Statutory fees
 - Payments arising from planning consent

- Receipts from sales

83. The cash flow forecast for professional fees is given in a chart included in the closed version of this report.

Investment implications (inv/ii2649/28January2013/rjb)

84. 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 (AHF), and the release of these resources will require approval by planning committee. There will therefore be costs incurred in working up projects which may need to be paid prior to the release of the associated funding, including professional fees arising from the proposed appointment.

85. These initial costs will be met from the housing investment programme (HIP), and charged to AHF resources where appropriate as these become available within the same financial year. A bid will be made for the provision of an allocation within the HIP to meet the costs for new build schemes which cannot be funded through the AHF, either due to their nature or due to the timing of the availability of resources. There are sufficient uncommitted resources in the HIP to meet such costs likely to arise from this report.

86. 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

87. Please see concurrent from the director of legal services

Consultation

88. The council (together with the professional services provider) will consult on each Phase 1B project 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.

Other implications or issues

89. None.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Head of Procurement

90. This report is seeking approval to award a professional services contract for Phase 1B of the directly funded housing delivery programme.
91. The report confirms that the previously approved procurement strategy has been followed with a further competition process being conducted through the IESE framework.
92. Paragraphs 19 - 31 describe the tender process that was followed and the results at each stage. Only 4 out of 12 providers appearing on the framework list expressed an interest in this contract. Whilst this level of interest appears low, the report confirms it was anticipated by officers and after consideration officers felt that there was sufficient competition to continue with the process.
93. Paragraphs 32 – 52 describe the approach taken to evaluate the submissions and the results achieved. The report confirms that whilst council officers evaluated the quality of the proposals submitted, the commercial manager at Hampshire County Council (acting for IESE) evaluated the prices submitted.
94. Paragraph 46 highlights that council officers uncovered an inconsistency in the price scoring methodology used by IESE. The written description published did not correspond with the formula that was also published and used. The report confirms that officers explored the implications of this and were satisfied that the inconsistency, if corrected, would not change the outcome on this particular procurement. It is however vital that the council addresses this inconsistency on any future procurements conducted through the IESE framework.
95. The monitoring and management arrangements for this contract are described in paragraphs 54 – 58. Performance of the provider will be monitored on two levels, through the progress of the housing delivery programme and the individual projects that fall within that and more specifically through contract management meetings.

Director of Legal Services

96. This report seeks the approval of the cabinet member for regeneration and corporate strategy to the appointment of Mott MacDonald for professional services for Phase 1B, as further detailed in paragraph 1 of this report. At this value, the decision to award this contract is reserved to the relevant cabinet member under Contract Standing Orders.
97. The scope and value of the contract is such that it is also subject to the procurement requirements of the EU Regulations, and as such should be subject to the full tendering requirements of those regulations. However the IESE/GPS framework agreement (through which this appointment has been procured) was set up following an EU compliant tendering process and therefore tendering through this framework satisfies those EU requirements. The council, using the IESE/GPS framework evaluation methodology, has identified that Mott MacDonald has submitted the most economically advantageous tender, and is therefore recommended for award.

98. 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. Paragraphs 83-85 confirm the investment implications for this appointment.

Strategic Director of Finance and Corporate Services (FC/13/105)

99. The strategic director of finance and corporate services notes the recommendation in this report to award the professional services contract for Phase 1B of the directly funded housing at an estimated cost given in the closed version of this report. The costs are set out in the table in paragraph 100 of the closed version of this report, and will be met from the Affordable Housing fund and from the council's capital programme. The spend starts in 2013/14, continuing up to 2016/17.
100. The project will be resourced by existing staff, within existing revenue budgets. The strategic director notes that consideration will be given to an alternative treatment dependant on the current accounting rules and regulations, and that 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.
101. The report notes that there may be additional costs arising from appropriation costs where sites are not in the housing revenue account, and that these will also need to be met from HIP resources.
102. 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. The strategic director notes that these factors will be considered in more detail as part of the gateway 2 reports for the individual works contracts relating to those sites.
103. The report outlines that the risk that the costs exceed the budget are considered to be low.

BACKGROUND DOCUMENTS

Background documents	Held At	Contact
IESE documents and guidance	http://www.southeastiep.gov.uk/categories/construction-and-asset-management	Andrew Brown – 020 7525 5538
Gateway 1 report dated 11 January 2013	http://moderngov.southwark.gov.uk/ieDecisionDetails.aspx?ID=3484	Andrew Brown – 020 7525 5538

APPENDICES

No	Title
Appendix 1	Consultant mini-competition document contents list
Appendix 2	List of project-specific questions (tender questions)

AUDIT TRAIL

Lead Officer	Eleanor Kelly, Chief Executive	
Report Author	Andrew Brown, Project Services Delivery Team, Regeneration	
Version	Final (Open)	
Dated	20 February 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 for Health and Adult Social Care	Yes	No
Contract Review Boards		
Departmental Contract Review Board	Yes	Yes
Corporate Contract Review Board	Yes	Yes
Cabinet Member	Yes	No
Date final report sent to Constitutional Team		20 February 2013