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| Item No. | Classification: Open | Date: 10 November 2014 | Decision Taker: Chief Executive |
| Report title: | | Gateway 2 - Contract Award Approval Direct housing delivery (Phase 1B) – Proposed new build general needs housing at 169 Long Lane, SE1 – appointment of contractor for main construction works | |
| Ward(s) or groups affected: | | Grange | |
| From: | | Head of Regeneration – Capital Works | |

RECOMMENDATION(S)

That the Chief Executive:

1. Approves the award of the main works contract for the general needs housing at 169 Long Lane, SE1, to Morgan Sindall plc, in the sum of £4,685,850.40 for a contract period of 64 calendar weeks commencing on 5 January 2015 (excludes 4 calendar weeks mobilisation period starting from 21 November 2014);
2. Notes the need for sub-structure works to be undertaken in advance of the main works contract for the reasons given in paragraphs 10 - 12;
3. Formally approves the previously agreed award of the sub-structure works contract for the general needs housing at 169 Long Lane, SE1, to Morgan Sindall plc, in the sum of £310,550.60 for a contract period of 5 calendar weeks commencing on 21 November 2014 (excludes 2 weeks mobilisation period starting from 7 November 2014).

BACKGROUND INFORMATION

4. 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 comprise of the site at Willow Walk.

Phase 1B is divided into 2 lots.

Lot 1:

- Sites of Southdown House and Gatebeck House, East Dulwich Estate
- Clifton Estate, garage site fronting Clayton Road
- Masterman House, garage site fronting Masterman Tower block
- Cator Street extra care – vacant area fronting the existing learning and resource centre
- Cator St (Centre of Excellence) – refurbishment and retrofitting works to the existing learning and resource centre

Lot 2:

- Nunhead Green Site B
- 169 Long Lane - former Borough and Bankside housing office

- 80 Sumner Road - vacant former housing site

5. Gateway 1 proposals for procuring contractors and construction works for the various sites, under the Improvement and Efficiency South East (iESE) regional framework arrangements for construction and management using the design and build method was approved by the leader of the Council on 21 January 2013.
6. On 28 February 2013, the cabinet member for regeneration and corporate strategy approved the appointment of Mott MacDonald Ltd ("Mott MacDonald") under the iESE/GPS professional consultancy framework. Mott MacDonald was appointed to provide the following multidisciplinary 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
7. On 18 October 2013, the cabinet member for regeneration and corporate strategy approved the appointment of Geoffrey Osborne Limited and Morgan Sindall plc for the project sites under Lots 1 and 2 respectively, to provide pre-construction (Stage 1) services under the iESE contractor framework.
8. In May 2014, the chief executive approved the gateway 2 report to appoint Morgan Sindall plc, under the iESE contractor framework to carry out enabling works on the Long Lane site. These works were satisfactorily completed in July 2014.
9. This project has obtained approval for partial funding from the GLA. One of the criteria for the funding was that the project needed to complete by March 2016. Council officers had extensive discussions with both the consultancy and contractor teams on the construction programme to deliver the project. In order to meet the March 2016 deadline, the sub-structure works needed to commence and complete before Christmas 2014 so that all above ground works can start in January 2015. A prior approval was requested from the chief executive, to enable the sub-structure works to proceed ahead of the approval of this gateway report.
10. The proposed sub-structure works will comprise the groundworks, piling, piling mat up to and including the ground beams, further site investigation surveys and electrical cable diversions.
11. It was further made known to the contractor that the sub-structure works contracts shall stand alone at this stage and the council makes no guarantee that it will award the main works. In the event the council awards a contract for the main works to the contractor, the sub-structure works shall be incorporated into the scope of the main works under such contract.
12. In summary, the proposed development at Long Lane comprises:
 - 21 general needs housing units contained in a part 2 / part 4 / part 6 storey

- block, with a mixture of 1, 2 and 3 bedroom apartments
- One commercial unit on the ground floor
- associated highways and landscape works

13. The site location plan can be found in Appendix 1. The bar chart given in Appendix 2 shows the overall project programme and highlights activities relating to the main works package in red.

Procurement project plan (Key Decision)

14. The procurement plan is as follows:

| Activity | Completed by/Complete by: |
|--|---------------------------|
| Forward Plan for Gateway 2 decision | October 2014 |
| Approval of Gateway 1: Procurement Strategy Report | 21 Jan 2013 |
| Issue Notice of Intention | N/A |
| Invitation to tender | 20 Dec 2013 |
| Closing date for return of tenders | 23 Sep 2014 |
| Completion of evaluation of tenders | 5 Nov 2014 |
| Issue Notice of Proposal | N/A |
| DCRB Review Gateway 2 | 10 Nov 2014 |
| CCRB Review Gateway 2 | N/A |
| Notification of forthcoming decision – Five clear working days | 1 Dec 2014 |
| Approval of Gateway 2: Contract Award Report | 19 Nov 2014 |
| Scrutiny Call-in period and notification of implementation of Gateway 2 decision | 9 Dec 2014 |
| Alcatel Standstill Period (if applicable) | N/A |
| Contract award <ul style="list-style-type: none"> • Sub-structure works • Main works | 6 Nov 2014 16 Dec 2014 |
| Add to Contract Register | 17 Dec 2014 |
| Contract start <ul style="list-style-type: none"> • Sub-structure works • Main works | 7 Nov 2014 17 Dec 2014 |
| TUPE Consultation period | N/A |
| Publication of award notice in Official Journal of European (OJEU) | N/A |

| | |
|--|------------|
| Contract completion date | March 2017 |
| Contract completion date – if extension(s) exercised | N/A |

KEY ISSUES FOR CONSIDERATION

Description of procurement outcomes

15. The intended outcome of this procurement is to deliver a new build general needs housing block of flats, ready for occupation, by March 2016.
16. Subject to the approval of this gateway report for the works contract, the project when completed will comprise 21 nos. new council flats for social rent and a commercial unit.

Key/Non Key decisions

17. This report deals with a key decision.

Policy implications

18. The proposed development forms part of the overall direct delivery programme to develop 1000 new council homes by 2020. Homes delivered as part of the direct delivery 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.
19. Sharing the benefits of economic growth and regeneration is an underpinning principle in implementation of the Southwark Economic Development strategy 2010 - 2016. Direct Delivery has the potential to support the strategy by engaging with housing partners and council contractors to identify and develop entry points for priority groups to access local employment and training opportunities, promote and develop apprenticeships and work placements and embed local economic benefits into procurement.

Tender process

20. The selection process for the contractor followed standard procedures and working practices set out in the iESE framework arrangements as outlined in the Gateway 1 report dated 21 January 2013. The Gateway 1 provides further detailed information on the main features and benefits of the iESE framework arrangements.
21. As previously stated in the gateway 1 report, a mandatory feature of the iESE framework arrangements is the early involvement of the contractor by means of a transparent, two-stage process, comprising:

Stage 1 (pre-construction)

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

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

- Carrying out and completing the works in compliance with the contract documents for:
 - enabling works (where necessary)
 - main works
22. The process described in paragraph 21 would give rise to the following gateway reports:
- From the Stage 1 process - a gateway 2 report for preconstruction services (the first gateway 2 report)
 - From the Stage 2 process:
 - a gateway 2 report for enabling works (the second gateway 2 report)
 - a gateway 2 report for main works (this report)
23. With this two stage approach to procurement, there is an expectation and likelihood that the contractor appointed for pre-construction services would be appointed for the works contract, subject to the formal decision of the contracting authority to proceed.
24. This report deals with the third gateway 2 report as outlined in paragraph 22 above for the project at Long Lane only. The procurement and appointment of a main contractor for the other sites listed under Phase 1B of paragraph 4 will be subject to separate gateway 2 reports.
25. The design and specification for the project was developed by the consultant team under the direction of Mott MacDonald Ltd, which together with the overall scheme proposals were issued to Morgan Sindall plc in the form of Employer's Requirements. Final information was issued to the contractor on 20 December 2013.
26. Following the process of design development and packaging of the scheme proposals, the contractor obtained competitively tendered prices for the various packages which, together with their construction phase core costs (previously tendered and reported in the Gateway 2 for pre-construction services) combine to make up the proposed contract sum for the main works.
27. It is to be noted that when the contractor carried out their procurement process, they encountered difficulties in obtaining competitive quotations from sub-contractors and suppliers which, they explained, was due to a surge of demand for construction work in London and a shortage of supply affecting both labour and materials. The proposed contract sum and contractor's proposals were to be submitted on 18 August 2014 but was received on 23 September 2014. Throughout the process, the council officers and the consultancy team was kept informed of the progress and regular updates including the issuance of procurement schedules by the contractor.

28. Tendered prices and an apportionment of relevant core costs for the main works package, were submitted as part of the Contractor's Proposals to the council and the consultant quantity surveyor for evaluation on 23 September 2014, in the proposed sum of £5,293,345 (inclusive of the sub-structure works).

Tender evaluation

29. Discussions were held between the contractor, council officers from Regeneration – Capital Works and Housing – Major Works; and the design team to clarify a number of items in the proposed scope.
30. The contractor's pricing was arithmetically checked and the consultant quantity surveyor confirmed and agreed with the contractor that there was an error in the carrying forward of figures in the preliminaries and there were items not priced in their proposed tender sum, which included the costs of insurances and overheads & profits. The contract sum analysis was corrected to £5,435,247 (inclusive of sub-structure works).
31. Clarifications on certain matters not limited to the inflated cost for construction risks, provision of curtain walling and photo voltaic panels; and subsequent reduction in associated preliminaries, costs for inflation, overheads & profits and insurances due to the above clarifications, led to the contract sum being revised to £4,996,401 (inclusive of sub-structure works). The costs of the sub-structure works at £310,550.60 was extracted from the main works total sum and include a proportion of preliminaries, overheads & profits and insurances.
32. The consultant quantity surveyor confirmed that the percentage fees for overheads and profits and insurances for the project were in line with the iESE framework rates and outlined in the closed report.
33. The resultant value for money comparison is outlined in the closed report.
34. The Contractor's contract sum analysis for the main works package for the project was evaluated by the consultant quantity surveyor, who was satisfied that a bona fide price submission had been made that was competitively priced, represented good value for money and was consistent with the allowances in the cost plan for the project, upon which the project budget was based. Despite the protracted procurement process outlined in paragraph 27 above, the contractor had been able to obtain a minimum of three competitive quotes for all of the main packages. This demonstrated a reasonable level of competition and the rates returned were considered to be consistent with current market conditions.

Conclusion

35. Based on the foregoing evaluation, Morgan Sindall plc had submitted acceptable Contractor's Proposals for the main works package and their price in the sum of £4,996,401 is, therefore, recommended for acceptance. This price comprise of £310,550.60 for the sub-structure works and £4,685,850.40 for the remainder of the main works.
36. A breakdown of the contractor's pricing for the main works (total) package and sub-structure works, as submitted by the contractor and the revised sums is included in Appendices 3A and 3B of the closed report.

37. The proposed form of works contract for the Stage 2 contractor appointment is JCT Agreement Design and Build 2005 (Revision 2 2009), incorporating council's standard and special amendments to the conditions of contract as advised by the contracts section of legal services.
38. The contractor is in the process of developing their construction stage health and safety plans for the individual sites. Written confirmation is required from the CDM-Coordinator that the construction plans were received and had been sufficiently developed before the main works commence.

Plans for the transition from the old to the new contract

39. Not applicable.

Plans for monitoring and management of the contract

40. The project clienting, including the management and administration of the consultant and contractor appointments, will be run and resourced through the Regeneration - Capital Works team in conjunction with the Housing - Major Works team. 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
41. In addition, Morgan Sindall plc was required to enter into a Partnering Agreement with the council and the contractor for Lot 1 that is Geoffrey Osborne Limited. This agreement overlays the separate contracts between each contractor and the council and provides a mechanism for managing performance and efficiencies across the Direct Delivery Programme, embracing topics such as supply chain development, continuous improvement, employment and training opportunities and reserve contractor status. The form of agreement was included in the mini-competition documents at the point of procurement of contractors.
42. 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 for 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 to. The internal

governance arrangement for the programme has recently changed with the transfer of the responsibility for the delivery of new council homes to the Housing and Community Services Department as agreed by cabinet on 22 July 2014. As before the ultimate responsibility for the programme remains with the Housing Investment Board (HIB), chaired by the Strategic Director for Finance and Corporate Services. However, a newly established Housing Delivery Programme Board (HPDB) chaired by the strategic director of housing and community Services, will assume the role previously undertaken by the Housing Project Group (HPG) in terms of reviewing all aspects of the programme including design, costs, procurement and community impacts and will report to the HIB.

Identified risks for the new contract

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

| | RISK | RISK LEVEL | MITIGATION ACTION |
|----|--|------------|--|
| 1. | Contractor has inadequate resources and management arrangements to deliver the main works project | Low | Ensure prior to appointment – (1) that the contractor plans to deploy adequate resources and is willing to supplement additional resources to the project, if required. (2) that the contractor proposes to put adequate management arrangements in place to deliver the project. |
| 2. | Insolvency of framework contractor | Low | An up-to-date Experian check was obtained and this found the contractor to be at 'very low risk' (paragraph 79). Morgan Sindall plc to provide of a parent company guarantee as a condition of contract. Include provision for 'reserve contractor' in the works contract packages. Closely monitor performance of firms once appointed. |
| 3. | Award of contract delay disrupts pre-ordering programme | Low | Adhere to procurement timetable. Allow provision within contract sum for cancellation charges and costs. |
| 4. | Construction delays on site due to: <ul style="list-style-type: none"> • Hidden obstructions below ground • Contamination below ground • Discovery of antiquities • Unexploded bombs | Low | Desktop studies and non-intrusive surveys have been undertaken to anticipate and plan for potential hazards on site. Investigation and remediation works undertaken in enabling works contract have de-risked the site in readiness for the main contract works. |

| | RISK | RISK LEVEL | MITIGATION ACTION |
|----|---|-------------------|---|
| 5. | Construction delays on site and additional costs | Low | Pre-order components with long delivery period. Ensure that site operations are thoroughly and realistically planned by the contractor, prior to commencement of the works. Allow appropriate contingency provision in the programme to cover possible loss and expense claims arising from delay and disruption of the works. Include Liquidated Damages for non-completion of contract by the contractor. |
| 6. | Significant design and/or latent defects emerge post completion. | Low | Quality control regime to be put in place. Clerk of works to be employed. |
| 7. | Default by key subcontractor/supplier. | Low | A select list of well established sub-contractors by trade maintained by the main contractor, which includes financial health checks and performance monitoring. |
| 8. | Belated, uncoordinated or contradicting client instructions. | Low | Ensure effective forward planning, communications and co-ordination with all relevant parties to the decision-making process. |
| 9. | Failure of contractor to co-ordinate effectively with statutory undertaker gives rise to programme delay. | Low | Contractor to maintain early dialogue with utilities companies to ensure compliance with their technical requirements and lead-in times. |

Community impact statement

44. The proposals to increase the supply of affordable, good quality homes will benefit households in need from all Southwark's communities.
45. When construction works commence on site, those living in the vicinity of the new developments may experience some inconvenience and disruption in the short-term, while works are taking place but that community as a whole will benefit in the longer term from the new homes. 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.

Sustainability considerations

46. The Public Services (Social Value) Act 2012 requires the council to consider a number of issues including how what is proposed to be procured may improve the economic, social and environmental well-being of the local area. These issues are considered in the following paragraphs which set out economic, social and environmental considerations.

Economic considerations

47. The successful works contractor 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.

The contractor will be expected to demonstrate the above benefits throughout the construction of the project.

48. The Planning Consent Conditions for the projects include targets for employment and training opportunities. The indicative target requirements were included in the mini-competition pack of information and made known to the tenderers. Discussions will be held with the appointed contractor on their detailed proposals for implementation on award of the main works contract.
49. Construction personnel and, once occupied, staff, residents and visitors using the new building are likely to bring economic benefit to local traders through increased trade.

Social considerations

50. The project will provide new high quality general needs affordable housing for local people in need of suitable accommodation from the council's housing register.
51. The appointed contractor will carry out the works under the Considerate Contractor scheme, which seeks to minimise disturbance and disruption in the locality during the construction phase.
52. The council is an officially accredited London Living Wage (LLW) Employer and is committed to ensuring that, where appropriate, contractors and subcontractors engaged by the council to provide works or services within Southwark pay their staff at a minimum rate equivalent to the LLW rate. It is expected that payment of the LLW by the successful contractor for this contract will result in quality improvements for the council. These should include a higher calibre of multi-skilled operatives that will contribute to the delivery of works on site and will

provide best value for the council. It is therefore considered appropriate for the payment of LLW to be required. Anticipated benefits include a more incentivised workforce and improved staff retention. Following award, these quality improvements and any cost implications will be monitored as part of the contract review process.

Environmental considerations

53. 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.
54. The project brief prescribes materials and components to be specified for the works. In terms of excluded construction materials, good practice is to be adopted:
 - 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 (MMMMF): 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.
55. 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

56. The successful tenderer is a private organisation.
57. The successful tenderer has over 250 employees.
58. The successful tenderer has a national area of activity.

Staffing implications

59. The staff resources deployed to this procurement is sufficient to meet the proposed timetable.
60. The project will be resourced by existing staff, within existing budgets.

61. 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.

Financial implications

62. These works will be part of the Housing Investment Capital programme and a new capital code will be set up for this scheme. The total cost of these works including the sub-structure works is £4,996,401.
63. The cost of these works will be funded from the budget allocated and from the GLA grant "Building the pipe line". The breakdown of the funding structure is outlined in the closed report.
64. An application will be made to Planning Committee to fund these works from the S106 Affordable Housing Fund. If this application is successful it will reduce the budget allocation.
65. The anticipated annual profile of expenditure for the main works contracts is outlined in the closed report.
66. Staffing and any other costs connected with this contract will be contained within existing departmental revenue budgets.
67. The commercial unit is to be retained and the letting of this unit will be undertaken by the portfolio team within the council's property unit. As the management of the new residential units is likely to be undertaken by the Leathermarket JMB, there is an intention for them to manage the commercial unit as well, subject to further discussions and satisfactory agreement.

Investment implications

68. Nil

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

69. Not applicable

Legal implications

70. All legal implications regarding this award are dealt with in the body of the report. The report has been reviewed by officers from legal services.

Consultation

71. The design brief for general needs 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.
72. Public consultation was undertaken in support of the planning application for the site.
73. The council has consulted with the neighbouring tenants & residents associations (T&RAs including the Leathermarket JMB) before design proposals

are finalised and during the pre-construction services stage. A thorough consultative exercise with local residents and T&RAs was also carried out throughout the planning process. This included a letter/leaflet drop, laminated notices and public meetings/ exhibition. Additionally, the council consulted with the area neighbourhood office a number of registered providers and private landlords where applicable. Further consultations will be held prior to the main works commencing on site.

Other implications or issues

74. It should be noted that Morgan Sindall plc's tender is formulated on the basis that the works will be undertaken by their sister company, Lovell Partnerships Ltd, who are recognised specialists in housebuilding contracts, both companies coming under a single parent company, the Morgan Sindall Group plc. A supplementary agreement between Morgan Sindall plc and the council will be drafted with advice from the council's legal services to give consent to Morgan Sindall plc to sub-let the whole of the works under the contract to Lovell Partnerships Ltd in terms that protect the council's interest. This includes responsibility for health and safety on site and the role of principal contractor under the Construction (Design and Management) Regulations 2007. The agreement satisfies the requirement of the corporate health and safety manager for the responsibilities of Morgan Sindall plc and Lovell Partnerships Ltd to be unambiguous. The agreement similarly resolves responsibilities in respect of the equality and diversity assessment.
75. The form of contract for the sub-structure works will be the same as the main works containing the same terms and conditions. A special condition as advised by the contracts section of legal services will be drafted stating that the sub-structure works contract will be subsumed by the main works contract once the latter is let. This was also the standard approach adopted for the enabling works contract (paragraph 8 refers).
76. A parent company guarantee will be provided by Morgan Sindall Group plc in respect of the contracting subsidiary, Morgan Sindall plc.
77. A check on the financial standing of Morgan Sindall plc and the parent company Morgan Sindall Group plc and Lovell Partnerships Ltd, was undertaken in November 2014. All three companies were classified as "very low risk".
78. Previous experience of working with Morgan Sindall plc in a similar role has been positive, for example, in the design and fit-out of office accommodation at Queens Road Blocks F, C and J, which had a construction value of between £2 million and £4.3 million.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Head of Procurement

79. This report is seeking approval for the award of the main works for general needs housing and to formalise a prior approval for the award of the sub-structure works contract at Long Lane.
80. The report explains that the contractor was awarded the pre-construction services through the IESE professional contractor framework and that there is an

expectation that the same contractor would be appointed for the works contracts subject to certain criteria being met to ensure value for money and good performance. Paragraphs 33 and 34 sets out the value for money comparisons that have been carried out and confirms that value for money has been satisfied for these works. Paragraph 78 explains that satisfactory performance has been demonstrated by this contractor.

81. Paragraph 40 - 42 outlines the monitoring and management arrangements that will be in place during the life of the contract. This should go some way to ensure that a satisfactory outcome is achieved.

Director of Legal Services

82. This report seeks approval of the award of a contract for the main construction works relating to general needs housing at 169 Long Lane, London SE1 and of the formalisation of a previous decision to award a contract for the construction of associated sub-structure works.
83. The value of the main works contract is such that the procurement of a suitable contractor is subject to the application of the EU Procurement Regulations. Morgan Sindall plc has been appointed to a contractor framework operated and managed by iESE which has been procured in line with those Regulations. Paragraph 21 outlines the process required under the iESE framework arrangements and paragraphs 26 to 38 describe the detail of that process.
84. The proposed contract awards are consistent with statutory requirements and with corporate policy and the contracts will incorporate particular conditions advised by the director of legal services.
85. Under the council's Contract Standing Orders ("CSOs") the decision to approve the recommended contract awards may be taken by the relevant chief officer or under his/her delegated authority. CSOs also provide that no contract may be awarded unless the expenditure has been included in approved revenue or capital estimates, or has been otherwise approved by or on behalf of the council. The relevant budgetary arrangements are confirmed within the Financial Implications section set out between paragraphs 62 and 69.

Strategic Director of Finance and Corporate Services (CAP14/088)

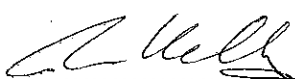
86. The report is requesting delegated approval from the chief executive to award both the main works contract package entitled "Direct housing delivery (Phase 1B) – Proposed new build general needs housing at 169 Long Lane, SE1" and also approve the sub-structure works contracts to Morgan Sindall plc (MS) at a cost of £4,685,850.40 and £310,550.60 respectively.
87. The report identifies the total cost of the works to be £4,996,401. The financial implications details the funding arrangements for these cost and potential funding from S106 Affordable Housing Fund (AHF) once the schemes are progressed.
88. It is noted that budgets will be transferred and re-profiled against the project as required for monitoring and reporting the contract costs against approved budgets
89. Staffing and any other costs connected with this contract to be contained within existing departmental revenue budget.

Head of Specialist Housing Services (For Housing contracts only)

90. Not applicable.

FOR DELEGATED APPROVAL

Under the powers delegated to me in accordance with the Council's Contract Standing Orders, I authorise action in accordance with the recommendation(s) contained in the above report.

Signature 

Date 10/12/14

Designation CHIEF EXECUTIVE

BACKGROUND DOCUMENTS

| Background documents | Held At | Contact |
|----------------------|---|---------------------------------------|
| Project records | Regeneration - Capital Works, 160 Tooley Street, SE1 2QH | Bruce Glockling - 020 7525 0138 |

APPENDICES

| No | Title |
|------------|---------------------------------------|
| Appendix 1 | Location Plan |
| Appendix 2 | Overall Project Programme - Long Lane |

AUDIT TRAIL

| | | |
|---|---|--------------------------|
| Lead Officer | Stephen Platts, Director of Regeneration | |
| Report Author | Bruce Glockling, Head of Regeneration – Capital Works | |
| Version | Open Final | |
| Dated | 28 November 2014 | |
| Key Decision? | Yes | |
| CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER | | |
| Officer Title | Comments Sought | Comments included |
| Head of Procurement | Yes | |
| Director of Legal Services | Yes | Yes |
| Strategic Director of Finance and Corporate Services | Yes | Yes |
| Head of Specialist Housing Services | No | No |
| Cabinet Member | No | No |
| Contract Review Boards | | |
| Departmental Contract Review Board | Yes | Yes |
| Corporate Contract Review Board | No | No |
| Cabinet | No | No |
| Date final report sent to Constitutional/Community Council/Scrutiny Team | 28 November 2014 | |