

Item No. 18.	Classification: Open	Date: 13 March 2018	Meeting Name: Cabinet
Report title:		Gateway 1 - Procurement Strategy Approval Abbeyfield Estate HINE (Maydew House) works	
Ward(s) or groups affected:		Rotherhithe	
Cabinet Member:		Councillor Stephanie Cryan, Deputy Leader and Cabinet Member for Housing	

FOREWORD – COUNCILLOR STEPHANIE CRYAN, DEPUTY LEADER AND CABINET MEMBER FOR HOUSING

London is facing a housing crisis and in Southwark we are witnessing the effects, with over 11,500 households registered on our housing allocations list. We have made the bold commitment to build 11,000 new council homes by 2043 and the proposal for the Abbey Field Estate will help us to deliver on this commitment.

Prior to 2010 the only proposal being considered for Maydew House was to hand the building over for private development. The recommendations highlighted in this report mean that we are able to re-provide 112 of the flats in Maydew House as council homes. The refurbishment of Maydew House, releasing the current Bede Centre site and the proposal to build above Damory House and Thaxted Court provides an opportunity to deliver 199 council homes. This will see an increase of 60 council homes on the Abbeyfield Estate with half of the homes available for residents in the local area in line with the Council's local lettings policy.

This report outlines the revised procurement strategy to allow the refurbishment of Maydew House and for a new site for the Bede Centre using the EU restricted tender process and for Cabinet to approve this procurement route.

RECOMMENDATIONS

That Cabinet:

1. approves a further revised procurement strategy set out in this report reverting back to the EU restricted tender process with a total estimated contract value of £61.5 million, which is split across Abbeyfield Estate HINE (Maydew House) with an estimated value of £39 million and the new build development at the Bede Centre with an estimated value of £22.5 million, for an estimated period of 208 weeks from July 2019.
2. notes that there are estimated professional fees of £4 million which includes £1 million recharged to capital for the internal staff element. This makes a total estimated scheme cost of £65.5 million.

BACKGROUND INFORMATION

3. Cabinet approved the enhanced refurbishment works to Abbeyfield Estate designating a high investment needs estate (HINE) on 20 March 2012.

4. Cabinet approved the gateway 1 for the procurement process on 22 July 2014 for an EU restricted tender procurement, however this procurement did not proceed due to the requirement to appoint specialist architects which subsequently had an impact on the procurement timetable, this is further explained in paragraph 10. Following this Cabinet further approved a revised procurement process on 13 December 2016 for the use of the Greater London authority (GLA) London Development Panel (LDP) framework. It is now not viable to procure the works through this route as interest was received from only 2 contractors of which one further withdrew and one contractor remained undecided. Prior to the Grenfell tragedy this was previously identified as a low risk as soft market testing was carried out and a bidders day was held to promote the programme.
5. Interest from the contractors on the GLA LDP framework deteriorated since the tragic events at Grenfell. The council has considered using another framework (i.e. the South East Consortium) but the outcome may well be the same as the interest from the LDP framework. It was also recognised that whilst the GLA LDP framework had 25 companies on it there were restriction around certain companies who could tender because of their alignment with Registered Providers (RP's) which was a possible cause of little interest.
6. The proposed scheme is the redevelopment of the Abbeyfield Estate in two phases. Phase I comprises of works to the base of Maydew House to relocate the Bede Centre, the re-siting of the main entrance from the current podium level to the ground level and the removal of the podium link to Damory House and Thaxted Court. An additional five storeys will be constructed on top of Maydew, the existing flats within the building will be fully refurbished, the ramps and external access stairs will be removed, soft and hard landscaping to the block surrounds will be created, the entrance to Thaxted Court will be repositioned in order to enhance the interaction between the park and housing and additional access will be created directly into Southwark Park.
7. Once Phase I is completed, Phase II will start. The Council's aims and objectives for Phase II of the scheme are as follows:
 - To demolish the then vacant Bede Centre and to provide 87 new residential properties.
 - To provide high quality shared and private amenity space by enhancing current landscaped areas adjacent to Maydew House and Thaxted Court.
 - To ensure a safe and secure development for existing and new residents.
 - To enhance the character, use and appearance of the site and surrounding area.
8. The additional storeys on Maydew will consist of 24 units for sale on the open market. The council will need to sell approximately 32 of the refurbished existing units in the block to balance the estimated costs. This will be re-evaluated at tender stage. In addition there will be an 87 new properties built on the current Bede site which will be Phase II of the project. This is demonstrated as follows:

Original Tenanted dwellings	139
Original Leasehold dwellings	5
Total number of dwellings	144
New units	24
Total number of dwellings in refurbished Maydew	168

Bede site development new tenanted units	87
Total units in scheme	255
Sale of units to cover the estimated building costs	32
Sale of the new units	24
Number of units the council will retain for social rent*	199

*This includes 25 tenants who have requested the right to return

9. In December 2015 a mini competition process was undertaken through the Peabody framework to select and appoint new architects for the scheme to join Calfordseaden who were acting as Employers Agent, Quantity Surveyors, Mechanical & Electrical Engineers, Structural Engineers and Principal Designers, Calfordseaden were appointed as the Employers Agent through the councils long term agreement. Howarth Tompkins, a suitably qualified and experienced architectural firm, was appointed on the Peabody framework through mini-competition in respect of the design services for the Abbeyfield Estate following the approval of the Gateway 2 on 8 February 2016.
10. Haworth Tompkins architects immediately began to look at the block and discuss the options with the team and stakeholders. Meetings were held with the Bede Centre to establish their needs and ways in which they operate. Several options were provided and agreed. The internal layout of the residential units was also reviewed and although the existing flat layouts could not realistically be altered the lift core was reviewed along with the proposals for the new five additional stories. The architects' brief was also increased to include the provision of an estate wide master plan, this was considered necessary to incorporate other blocks which, although not part of the Maydew scheme, were intrinsic from a planning perspective. Meetings were held with the council's Building Control and Fire Safety Team in respect of the implications of adding the additional stories.
11. The master plan that has been prepared for the estate provides a wider vision for the area including a new entrance to the park. Although works under the current scheme will be restricted to the areas immediately adjacent to the block the master plan will provide a wider picture for future possible works.
12. The scheme has progressed significantly with design complete and planning submitted. Approval is expected in March 2018.
13. Due to the recent economic changes in the last twelve months, most notably the decision to leave the European Union, a gradual slump in the market especially around prime and inner London markets, the decline in the buy to let market and the tragic fire at Grenfell Tower, advice was sought from a prominent property consultancy firm on the mortgageability of the sale units within Maydew.
14. Advice given showed that with current market conditions, mortgages could be difficult. However the housing market is constantly fluctuating and the properties in Maydew will not come on to the housing market for three years, so the position could very well change and there may also be some cash buyers for the properties.
15. Option 1: As agreed at Housing Investment Board (HIB) on 1 February 2018, to proceed with the scheme under the current proposals, as it is very possible that mortgages could be available in three years time and aligned with cash buyers,

all the properties could be expected to sell with minimal issues. In order to reduce the risk to the Council, at tender stage the contractors will be given the option of taking on ownership of the properties to be sold, and then selling them themselves. The value of the works would be discounted and there would be a pricing structure laid out in the contract that if the contractors sell flats for higher amounts the Council would receive a percentage of the higher amount.

16. Other options considered were:

- Option 2: The Maydew refurbishment with roof top homes and the new build on the Bede site can be seen as one package, so if the Council decides to sell the properties itself and is unable to sell them all, it could sell some of the equivalent numbers of properties in the Bede site new development. This would greatly reduce any risk to the Council whilst ensuring the planned refurbishment and development of the whole area, whilst maintaining the same numbers of social housing.
- Option 3 to refurbish Maydew House as it is, without the roof top homes development, and not selling any homes bearing the full costs from the HRA.
- Option 4 to refurbish Maydew House as it is, without the roof top homes development but selling refurbished existing units. Reducing the costs to the HRA.

17. The risk, benefits and issues associated with the options above are as follows

	Issues	Benefits/Risks
Option 1	The council has to forward fund a large amount (£65.5m)	The council carries all the risk for the for sale units (£29.9m) The council can also realise the receipt from the sales
Option 1 (with the contractor taking on ownership of the for sale properties)	It won't be clear until it is market tested what the cost will be to the contractors taking the risk or if there will be interest.	The contractor takes the risk on for the sale units, but this will come at a cost. The forward funding is reduced. The council will only realise a share of the profit if above the expected sales values are achieved.
Option 2	The council has to forward fund a large amount (£65.5m). Need better estimated sales values to assess this model Reduces access to s106/RTB resources going into the scheme.	Risk on sales reduced as no longer on an existing high rise building

	Issues	Benefits/Risks
Option 3	No receipt from sales and the costs of the scheme will never be recouped.	Risk reduced as scheme not expecting sales and some reduction on resources required. An increased number of social homes.
Option 4	No receipt from rooftop development.	The risk reduced as the scheme is not funding or reliant on sales from the rooftop development; however, this also reduces the potential of a receipt / profit from these units.

18. On completion of the building and refurbishment works if the properties can not sell the council could undertake private rented sales on 15 to 20 year leases, consider intermediate rental options or negotiate with other registered providers. Whichever option is taken there will be no net loss to council rented homes.
19. The costs for Maydew HINE, including the Maydew build on top, the refurbishment of the existing flats and the provision of new build housing on the Bede Site are in the business plan.

Summary of the business case/justification for the procurement

20. The cabinet report in March 2012 highlighted the finding of an options appraisal for the enhanced refurbishment to the Abbeyfield Estate comprising of Maydew House, Damory House, Thaxted Court and the Bede centre
21. The option appraisal followed on from previously shelved contracts for asbestos removal which identified the need for residents in Maydew House to be relocated due to the levels of asbestos contained within the block and for the fact that the communal heating and hot water infrastructure needed full replacement. As such Maydew House has required a large amount of investment for a number of years and the building fabric has been in decline whilst the council decided the future of the block.
22. Arrangements (approved on 11 May 2012) are in place to use the reserve contractor, Keepmoat, to deliver the necessary works to Damory and Thaxted Houses in order to mitigate delays for the residents in these 2 blocks.
23. Following meetings with residents, local Tenants and Residents Associations (TRAs) and council officers, extensive major improvements to the fabric of Maydew House and the surrounding areas has been identified – which includes the building of additional floors on top of Maydew and the re-provision of the Bede facility within the curtilage of Maydew House and redevelop the area currently occupied by Bede for new council housing.
24. The works to Maydew House are to be funded by the sale of a proportion of the newly created flats and a number of the refurbished flats plus funds previously approved. The new build on the land freed up by relocating the Bede is to form

part of the 11,000 new council homes the council are committed to deliver and will be funded accordingly.

Market considerations

25. Market testing by contacting prospective contractors who would normally carry out this type of construction will be contacted to ascertain their interest and gauge and assess whether there is an appetite for this type of development via a two stage process.
26. An open day will be arranged on site in order that prospective contractors can see the scale and magnitude of the development with allocated time slots in order to maintain competitiveness within the market place.
27. A Prior Information Notice, (PIN), will be announced and circulated which notifies and sets out the procurement process and informs the market that they should expect a procurement within the next 12 months or earlier depending upon timescales.

KEY ISSUES FOR CONSIDERATION

Options for procurement route including procurement approach

28. The following options have been considered:
29. **Do nothing** – Maydew house has been completely stripped out in preparation for the refurbishment works. The council could loose the number of social rented units as described in paragraph 8.
30. **Provide the works in house** – there is no resource or expertise that existed within the council to undertake this type of work.
31. **Use of the GLA LDP or Hyde framework** – this is not feasible as explained in paragraph 4 & 5.
32. **Undertake an EU procurement route (traditional tendering)** – The Contractor builds to a defined scope of work for a fixed lump sum regardless of cost. In the main, the council remains responsible for the design and the performance of consultants under the building contract. This process is generally considered to have a high propensity for confrontation, is slow in mobilisation and has only a moderate level of construction expertise input to design. Confrontation normally occurs on issues of cost and delays caused by clients or the consultants, as well as contractor culpable delays. Currently Maydew House and the Bede site have been advanced on the understanding of a Design and Build Contract, a traditional contract would need the production of a full set of Bills of Quantities which have not been produced.
33. **Undertake an EU restricted tender** utilising a design and build contract - This design and build transfers maximum risk to the contractor and has a good reputation for controlling the specification output and the councils costs. The design however, will be the most commercial response that a contractor can produce to satisfy the contract conditions. This arrangement enables the contractor's expertise to be applied to the design production programme and has financial incentive to manage the whole process effectively. A well briefed and managed design and build procurement route with adequate mechanisms to

control quality and design parameters is the procurement option that best satisfies and safeguards the councils interests/priorities.

34. **Breaking contract into lots** – this is not feasible for the size of the contract and the development is to be located on one site.
35. **Project to be delivered by regeneration** - Legal advise was sought to see if the project could be delivered under existing council contracts, but there are no contracts applicable.
36. From the above it is recommended that the EU restricted tender process design and build is carried out to procure these works as it transfers maximum risk to the contractor and has a good reputation for controlling the specification output and the councils costs.

Proposed procurement route

37. It is recommended that the procurement undertaken follows the EU restricted procedure. This is a two stage tender and companies interested in tendering will be required to formally express an interest, satisfactorily pass the prequalification stage in order to proceed to the invitation to tender stage.
38. As the market remains volatile with unpredictable interest and returns to tenders, the best solution to this current market status which involves early engagement with the tenderers through the ITT process via a two stage process.
39. The selection process for the contractor shall follow standard procedures and working practices to allow 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 stage 4 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.
- the council may request the tenderers to come in for clarification meeting meetings and an interview which may form part of the quality evaluation.

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

40. The process described above would give rise to the following gateway reports:
 - From the Stage 1 process - a gateway 2 report for preconstruction services
 - From the Stage 2 process:
 - a gateway 2 report for enabling works (if required)
 - a gateway 2 report for main works

41. 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

Identified risks for the procurement

42. The table below identifies a number of risks associated with this procurement, the likelihood of occurrence and the control in place to mitigate the risks:

R/N	Risk identification	Likelihood	Risk Control
R1	Challenges to procurement outcome	Low	Ensure robust procurement in line with EU procurement regulations
R2	Tenderer is not financially secure.	Low	Ensure SQ document is drafted to ensure only financially sound companies are shortlisted for tender. Ensure further external financial risk analysis is obtained during the tender analysis period.
R3	Procurement process is delayed.	Low	Effective procurement and project management. Providing realistic timescales.
R4	Insufficient market interest	Low	A wide range of contractors are available through the OJEU process and the council will undertake market testing as well as publish a Prior Information Notice (PIN) whereas the framework limited the number of contractors as explained in paragraphs 4 & 5.
R5	Planning consent not in place	Low	Regular meetings with the planning team are in place to ensure all documents and conditions have been met prior to the proposed planning committee date.
R6	Poor performance or poor quality workmanship of successful contractor when awarded.	Low	Regular meetings to review performance schedule from the outset of the work with successful contractor. As well as reviewing their responses to questions set out in the Supplier Questionnaire (SQ) Establish processes of quality control and works inspections before sign off. The contract will include a 12 month defects liability period for all works undertaken and the new build elements will be subject to an extended warranty such as that provided by the National House Building Council (NHBC)

R/N	Risk identification	Likelihood	Risk Control
			The contractor will be managed by an experienced team led by Calfordseaden whose recent experience includes the Bermondsey Spa Regeneration project for Hyde Housing
R7	Mortgage ability of the new units	Medium	Other options have been considered as explained in paragraphs 14 to 19

43. A Performance Bond is required for this scheme and retention will be held as the works progress.
44. A Parent Company Guarantee will be required if the successful contractor has a parent company.

Key /Non Key decisions

45. This is considered a key decision because it deals with a strategic procurement.

Policy Implications

46. To improve housing standards and build more homes of every kind, including 11,000 new council homes with 1,500 by 2018.
47. To make all council homes warm, dry and safe and start the roll out of our quality kitchen and bathroom guarantee.
48. To revitalise neighborhoods to make them places in which we can all be proud to live and work.
49. To deliver value for money across all our high quality services

Procurement Project Plan (Key Decisions)

Activity	Complete by:
Enter Gateway 1 decision on the Forward Plan	13/11/2017
DCRB Review Gateway 1	27/11/2017
CCRB Review Gateway 1	07/12/2017
Brief relevant cabinet member (over £100k)	12/02/2018
Notification of forthcoming decision - Cabinet	19/02/2018
Approval of Gateway 1: Procurement strategy report	13/03/2018
Scrutiny Call-in period and notification of implementation of Gateway 1 decision	21/03/2018
Completion of tender documentation	25/04/2018
Publication of OJEU Notice	26/04/2018
Publication of Opportunity on Contracts Finder	27/04/2018

Activity	Complete by:
Closing date for receipt of expressions of interest	28/05/2018
Completion of short-listing of applicants	10/7/2018
Invitation to Stage 1 tender to 5 tenderers	13/7/2018
Closing date for return of tenders	26/8/2018
Completion of any clarification meetings/presentations/evaluation interviews	04/10/2018
Completion of evaluation of tenders	01/11/2018
Forward Plan (if Strategic Procurement) Gateway 2	1/06/2018
DCRB Review Gateway 2 (PCSA)	18/11/2018
Notification of forthcoming decision – despatch of Cabinet agenda papers	25/11/2018
Approval of Gateway 2: Contract Award Report	3/12/2018
End of scrutiny Call-in period and notification of implementation of Gateway 2 decision	12/12/2018
Debrief Notice and Standstill Period (if applicable)	16/12/2018
Stage 2 tender to successful contractor	5/01/2019
Closing date for return of tender	23/02/2019
Stage 2 tender review	23/03/2019
Forward Plan (if Strategic Procurement) Gateway 2	1/12/2018
DCRB Review Gateway 2:	6/04/2019
CCRB Review Gateway 2	16/04/2019
Notification of forthcoming decision – despatch of Cabinet agenda papers	May 2019
Approval of Gateway 2: Contract Award Report	May 2019
End of scrutiny Call-in period and notification of implementation of Gateway 2 decision	May 2019
Debrief Notice and Standstill Period (if applicable)	May 2019
Contract award	Jun 2019
Add to Contract Register	Jun 2019
Place award notice in Official Journal of European (OJEU)	Jun 2019
Place award notice on Contracts Finder	Jun 2019
Contract start	July 2019
Initial contract completion date	June 2023
Contract completion date – (if extension(s) exercised)	NA

TUPE/Pensions implications

50. TUPE should not apply to the appointment of a contractor to deliver these works to Abbeyfield Estate and should not apply on the expiry of the contract, as the works will have been completed.

Development of the tender documentation

51. An Employers Agent Calfordseaden LLP has been appointed, who as part of their role, will undertake the responsibility for developing the tender documents in the form of JCT Design and Build 2016. Technical designs requirements and specifications will be developed based on Southwark's Design Standards and Technical specifications. The Head of Investment, Delivery Manager, Project Manager in the Investment Team will work with the Employers Agent to develop the tender documentation. Other Council Officers and legal including procurement will also be involved to ensure smooth running of the procurement and to identify and resolve any key issues that may arise

Advertising the contract

52. A PIN will be issued setting out details of the planned procurement and inviting suppliers to a meeting.
53. The contract will be advertised by way of an official notice that will be published in the official Journal of the European Union (OJEU), contracts finder and Pro-contract (the councils E-procurement portal).

Evaluation

54. The prequalification questionnaires (PAS 91) returned will be evaluated by a panel comprising the council's area project manager, the council's Head of Investment and representatives from Calfordseaden. The selection process will be an evaluation of each contractor's economic and financial standing and their technical knowledge, accreditation, experience and ability and capacity to do the work.
55. Following evaluation of responses to the PAS 91 a short list of the top five highest ranked potential suppliers will be drawn up. As this is a two stage tender the shortlisted suppliers will be selected to participate in the Stage 1 Invitation to Tender (ITT) phase.
56. The council's standard evaluation criterion is based on 70% price and 30% quality and the tenders when received, will be evaluated on this basis. The methodology of the evaluation and the criterion to be evaluated will be agreed with the procurement and legal services sections to ensure the legality and robustness of the tender process.
57. Price evaluation will be undertaken by Calfordseaden's quantity surveyor (QS) and quality will be evaluated by a panel comprising the council's project contract manager, the council's area project manager, a representative from Calfordseaden and the council's Head of Investment manager for major works.
58. At Stage 1 the tenderers are to provide their requirements in relation to Overheads, Profit and Preliminaries on the project and are also required to price a base Elemental Schedule. The document will include quantities for the scheme

and the rates are to be populated by the tenderers. The document will form part of the analysis for stage one and negotiation during the second stage of the tender with the preferred contractor.

59. At stage one of the process the design will be available for Maydew House and Bede site development up to the production of the employers' requirements (ERs).
60. The pricing of the cost plan will account for 70% of the tender score. The build up will be Maydew house 62% and Bede centre redevelopment 38%. Within each, the scores will be allocated; overhead and profits, 19.2%; preliminaries, 40.8% and cost plan(excluding overhead and preliminaries), 40%.
61. Quality is likely to make up 30% of the score. Areas likely to be assessed are:
 - Management of directly employed staff and sub-contractors
 - Design stage, i.e. value engineering and qualitative enhancement to design
 - Delivery stage
 - Post completion
 - Design and management of fire prevention
 - Working on high rise buildings
62. Each quality question will be awarded appropriate marks from zero, unacceptable or no response given to five, excellent response. Each question will be scored and then the criteria weighting applied to give a weighted score for quality.
63. Written submissions may be clarified for veracity and accuracy by clarification meetings and /or presentations.
64. At Stage 2 the contractor will be selected through the Stage 1 tender process and will be engaged under a Pre-Construction Services Agreement (PCSA). The selected contractor will be required to:
 - work with LBS on an open book basis
 - procure any surveys or investigations required to mitigate any risks associate with the existing building, ground conditions, below ground services and other areas of project risk
 - validate and adopt the Stage 3 + design
 - agree the scope of subcontract packages
 - agree a list of at least three sub-contractors for each package
 - prepare subcontractor tender packages clearly setting out scope of each subcontract including preparation of pricing document as required
 - send out tenders to at least three subcontractors and obtain a lump sum price for the works packages
 - review subcontractor tender returns and make recommendation
 - lead on value engineering (VE) exercise where sub-contractor packages exceed budget
 - once all the subcontract packages have been returned confirm lump sum cost for completing the works in accordance with the ERs
65. As detailed in paragraphs 51, a project board will be established and this board will approve all documentation prior to its issue to prospective tenderers and will

ratify all of the evaluations completed by officers or agents of the council on this scheme.

66. The Employers Agent will submit a tender and value for money report with the conclusion reached by the panel.

Community impact statement

67. Southwark is a borough with high levels of deprivation, low income levels and high levels of housing need. Southwark's Housing Strategy 2009-16 identified a shortage of affordable housing in the borough, particularly larger homes. Households from black and ethnic minority communities tend to be those living in overcrowded, poor quality housing.
68. Cabinet agreed in June 2016 a new vision for the future housing strategy including a principle to use every tool at our disposal to increase the supply of all kinds of homes across Southwark.
69. The proposal to increase the supply of affordable, good quality homes will benefit households in need from all Southwark communities, and will increase the Housing options available for older people and people with disabilities.
70. Those households in the vicinity of the new developments may experience inconvenience and disruption whilst works are taking place but such communities will benefit in the long term from the provision of new homes. Particularly as 50% of these homes will be let to existing families from the local area subject to an agreed local lettings policy

Social Value considerations

71. The Public Services (Social Value) Act 2012 requires that the council considers, before commencing a procurement process, how wider social, economic and environmental benefits that may improve the well being of the local area can be secured. The details of how social value will be incorporated within the tender are set out in the following paragraphs.

Economic considerations

72. It is envisaged that expressions of interest will be submitted by interested parties within the EU in response to the published OJEU advertisement. As the contract will also be advertised on the councils website, it is anticipated that this will also attract the interest of more local companies.
73. The design brief for the new homes has been developed in consultation with the 'user client' officers and it was made clear that the Council is seeking developments that are not only attractive and functional in their design but also durable and easy to maintain with low running costs.
74. 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. The successful contractor will be expected to meet LLW requirements and contract conditions requiring the payment of LLW will be included in the tender documents. As part of the tender process, bidders will also be required to confirm how productivity will be improved by payment of LLW. Following award, these quality improvements and any cost implications will be monitored as part of the contract review process.

75. The council will be seeking the appointed contractor to participate in local employment initiative. The initiative will generally conform to any Local Government policy that generally will encompass the Contractor, wherever possible, being encouraged to employ local subcontractors and labour and shall involve the training and employment of local people. Such employment and training will be relevant to the needs of the local community. The contract will require the successful contractor to provide apprenticeships.

Social considerations

76. The new housing will provide high quality affordable housing for local people in need of accommodation. 50% of these homes will be made available to existing families in need on an agreed local lettings policy. The remainder will be made available to other households in need of accommodation from the council's housing register.
77. The new rented homes will be let at social rent levels.
78. Those tenants who were required to move to allow for the works will have the right to return to Maydew House.
79. The council conditions will also include an express condition requiring compliance with the blacklist regulations, and include provision to allow the contract to be terminated for breach of these requirements.
80. The council can exclude companies, and their subcontractors, who break the law by blacklisting from public contracts if they are either still blacklisting or have not put into place genuine past blacklisting activities. The council can require "self cleaning" which enables a potential contractor to show that it has or will take measures to put right its earlier wrongdoing and to prevent them from re-occurring and to provide evidence that the measures taken are sufficient to demonstrate it has:
 - "Owned Up": clarified the fact and circumstances in a comprehensive manner by actively collaborating with the investigating authorities
 - "Clean Up": taken concrete technical, organisational and personnel measures that are appropriate to prevent further criminal offences or misconduct, and
 - "Paid Up": paid or undertaken to pay compensation in respect of any damages caused.

Environmental/sustainability considerations

81. In line with the Energy and Carbon Reduction Strategy, the Council will work towards the target reduction rate for new council build homes of 15% by 2022.

82. The Council will aspire to achieve Code for Sustainable Homes Level 5, and therefore have to reduce carbon emissions, conserve fuel and energy as set out in Building Regulations (Part L) Value the Environment.
83. Specifications outline that there should be an efficient approach to waste management. At design stage there is direction for designers to exercise reasonable skill and diligence in the selection of materials. At construction stage contractors are required to minimise construction waste and maximise the use of recyclable/ reusable products and materials.
84. Specifications stipulated within the Employers Requirements will ensure that the development activity is controlled in a way that positively contributes to achieving sustainability.
85. At design stage, requirements will be in place to meet sustainability specifications including the following:
 - Energy efficiency
 - Reduce carbon emissions
 - Conserve water and energy
 - Mitigate flooding risk
 - Safeguarding biodiversity.
86. During construction the appointed contractor/developer will be required to adhere to guidelines outlined in the London Construction Guide which include and are not restricted to the following
 - Procuring and using material sustainably
 - Selecting materials with low lifecycle impacts
 - Using local materials
 - Use of materials with high recycling
 - Meet minimum standards set out in Building Regulations.
87. The council's approach to procurement of the design, development and construction processes will ensure a requirement to maintain and improve sustainability to the project
88. The homes will have to achieve the Code for Sustainable Homes Level 5 (CfSH5); measures will have to be taken at all stages of development to achieve this.

Plans for the monitoring and management of the contract

89. The contract will be managed on a day to day basis by a team within Calfordseaden including building surveyors, clerk of works, structural and mechanical engineers, a Fire Safety Surveyors, Valuers and Quantity Surveyors. Finances will be managed by Calfordseaden's QS with an overview by council officers.
90. In addition to the professional staff provided by Calfordseaden, there will be a contract manager, a customer relationship officer and a project manager from the council's Investment team allocated to this scheme, supported by Mechanical and Electrical engineers and Fire Safety Surveyors from the

engineering team within Asset Management. The investment team will monitor both the external and internal professional staff and the successful contractor's performance and arrange regular meetings with the residents' project team at which contractor performance will be discussed.

91. The officer team detailed above will report on a monthly basis to a project board comprising the Director of Asset Management, Head of Investment and the Investment Delivery Manager.
92. This project board will scrutinise performance against; programme, spend forecast, income levels, resident satisfaction and completions as well as ratify decisions made by the site team within the previous period and ensure the project as a whole remains within identified acceptable parameters.
93. Resident involvement in the monitoring of the project will be via the resident project team which has been established and meets regularly and incorporates residents who have expressed an interest in returning to the refurbished block and as well as residents from the neighbouring blocks.

Staffing/procurement implications

94. The staff resources deployed to this procurement is sufficient to meet the proposed timetable.
95. The project will be resourced by existing staff, within existing budgets.
96. Officer time relating to the management of this project is funded from the capital budget for individual projects.
97. Management of this project is funded from the capital budget for individual projects.

Financial implications

98. The anticipated profile of expenditure is set out below:

Previous years	£1m
2017/18	£1m
2018/19	£ 2m
2019/20	£21m
2020/21	£15.5m
2021/22	£10m
2022/23-2024/25	£15m
Total	£ 65.5m

99. The estimated professional fees for Abbeyfield HINE are approximately £4 million and will be confirmed at gateway 2 stage.

100. The estimated costs are made up as follows:

Maydew refurbishment	£30.0m
Additional floors/units for Maydew	£ 6.9m
Re-provision of Bede	£ 2.1m
<u>New Build on Bede site</u>	<u>£22.5m</u>
Total	£61.5m

Investment implications

101. Following approval of the report to cabinet in March 2012, provision has been built into the housing investment programme (HIP) for the proposed expenditure to cover the full scheme costs as identified in this report.
102. The additional flats created by extending Maydew House vertically will be for sale along with approximately 32 of the refurbished flats in the block. The sale receipts (forward funded from other resources) along with previously approved funding from council resources, are expected to fund this scheme.
103. The new build on adjacent land that will be made available by the re-siting of the Bede Centre within the curtilage of Maydew House will be funded from section 106 and right to buy receipts.
104. Depending on the market conditions prior to the time of the proposed sale of homes at Maydew, the council will consider its options to ensure that it achieves the maximum value from the development

Legal implications

105. Please see concurrent from the director of law and democracy.

Consultation

106. Extensive consultation has been carried out with Local residents councillors and other stakeholder since the first options appraisal in 2011. They have been consulted at each stage of proposals. Ward Councillors are being fully briefed prior to any public consultation and their comments and feedback incorporated in any proposals. Council Officers have met and will continue to meet with T&RA groups following Councillor briefings.
107. More recently the following consultation meeting has been held:
- 21 September 2016 - Friends of Southwark Park Annual General Meeting
 - 22 September 2016 - BEDE Board of Trustees
 - 13 October 2016 - Maydew House Returning Residents
 - 19 October 2016 - Friends of Southwark Park Monthly Meeting
 - 1 March 2017 - Bradley House Residents (Substation)
 - 16 March 2017 - Abbeyfield Estate Residents (Bede Site)
 - 25 May 2017 - BEDE Board of Trustees
 - 21 June 2017 - Friends of Southwark Park Monthly Meeting
 - 22 June 2017 - Bradley House Residents (Substation/Parking)
 - 21 September 2017 - Councillor briefing:

108. A further public consultation meeting will be held once planning approval has been granted.

Other implications or issues

109. None.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Finance and Governance (H&M17/117)

110. The strategic director of finance and governance notes the recommendations in this report for the revised procurement strategy for development partners for the Abbeyfield Estate HINE (Maydew House) works.

111. The estimated costs of the scheme are included in the financial implications, including the profile of anticipated spend. These costs will be confirmed at the GW2 contract award stage.

112. There is an estimated resource shortfall for the Housing Investment programme for 2017-18 and also over the life of the programme. There is also likely to be further demand on the capital programme as a consequence of local or national demands for resources following the tragic Grenfell fire. It is, therefore, important that the cost of these works is carefully monitored and that accurate forecasting is in place.

113. Any variation or extension to the contract beyond the scope of this report will require further approval in line with council's procurement protocols

Head of Procurement

114. This report is seeking approval of the procurement strategy for a two stage construction project for the Abbeyfield Estate HINE (Maydew House) works.

115. The report references the previous decisions taken to refurbish the site (20 March 2012) and procurement routes chosen to deliver these works. The report details the latest procurement options considered and the rationale for undertaking an EU restricted tender, a two-stage process that requires bidders to express an interest and successfully pass a prequalification stage before being invited to tender.

116. The report confirms that this EU restricted (2 stage) procurement process is in line with the regulations and satisfies the council's contract standing orders.

117. The timeline for the project is achievable provided the appropriate resources are available when necessary. The report confirms that the project will be supported by external and internal resources. Paragraphs 54 to 66 details the evaluation methodology and the project governance arrangements for both preconstruction and construction phases that will be in place throughout the project to help ensure the project delivers on target.

Director of Law and Democracy

118. This report seeks the approval of cabinet to the procurement strategy for Abbeyfield Estate HINE (Maydew House) works.
119. This contract is classified as a strategic procurement and therefore Contract Standing Orders (CSO) paragraph 6.4.3 reserves the decision to the cabinet or cabinet committee to authorise the proposed procurement process, after consideration by the corporate contracts review board (CCRB) of the report.
120. CSO 4.4 states that all contracts above the EU threshold values require compliance with the Public Contracts Regulations 2015 following a publicly advertised competitive tendering process, as set out in the CSOs and in line with the procurement guidelines. It is considered that these works fall under the Public Contracts Regulations 2015.
121. Paragraph 36 of this report confirms that a restricted two stage tendering procedure is proposed which will comply with EU regulations and CSO tendering requirements. The works will involve a preconstruction stage and a construction stage which will be subject to separate gateway 2 reports as set out in paragraphs 39-41 of this report.

Director of Exchequer

122. The council has bought back all the sold flats in Maydew, so there are no service charge implications for this contract. Further HINE work to the other blocks on the estate (Thaxted and Damory) will be service chargeable, and will be carried out under a separate scheme so that statutory consultation with the leaseholders can be carried out.
123. Vacant units which are sold with a view to funding the project will need to be sold on similar terms to the current right to buy leases to allow the future management of the block and construction, billing and collection of service charges.
124. There are garages under Maydew House which will be demolished as part of the work to the block. These garages have been unoccupied (and unlettable) for a considerable period of time, with a consequent loss of income. As there is no proposal for reprovision of the garages there will be a loss of amenity to the area.

BACKGROUND DOCUMENTS

Background Documents	Held At	Contact
Gateway 1 - Procurement Strategy Approval Abbeyfield Estate HINE (Maydew House) Works – 13 December 2016	Constitutional Team 160 Tooley Street London SE1 2QH	Paula Thornton 020 7525 4395
Link (copy and paste into your browser): http://modern.gov.southwark.gov.uk/documents/s65508/Report%20Gateway%201%20-%20Procurement%20Strategy%20Approval%20-%20Abbeyfield%20Estate%20HINE%20Maydew%20House.pdf		

Gateway 1 - Procurement Strategy Approval Abbeyfield Estate HINE (Maydew House) works – 22 July 2014	Constitutional Team 160 Tooley Street London SE1 2QH	Paula Thornton 020 7525 4395
Link (copy and paste into your browser): http://modern.gov.southwark.gov.uk/documents/s47539/Report%20Gateway%201%20Abbeyfield%20Estate%20HINE%20Maydew%20House%20Works.pdf		

APPENDICES

No	Title
None.	

AUDIT TRAIL

Cabinet Member	Councillor Stephanie Cryan, Deputy Leader and Cabinet Member for Housing	
Lead Officer	David Markham, Director of Asset Management	
Report Author	Cheryl Phillips, Project Manager	
Version	Final	
Dated	1 March 2018	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Strategic Director of Finance and Governance	Yes	Yes
Head of Procurement	Yes	Yes
Director of Law and Democracy	Yes	Yes
Director of Exchequer	Yes	Yes
Contract Review Boards		
Departmental Contract Review Board	Yes	No
Corporate Contract Review Board	Yes	No
Cabinet Member	Yes	No
Date final report sent to Constitutional Team		2 March 2018