

<b>Item No.</b>	<b>Classification:</b> Open	<b>Date:</b> 1 July 2019	<b>Decision Taker:</b> Strategic Director of Housing and Modernisation
<b>Report title:</b>		GW2 - Approval of the procurement of contractor services - Welsford Street	
<b>Ward(s) or groups affected:</b>		South Bermondsey Ward	
<b>From:</b>		Director of New Homes	

### RECOMMENDATION(S)

The Strategic Director of Housing & Modernisation:

1. Approves the award of a works contract for Welsford Street, SE1 to Bonds Builders and Contractors Limited for a contract sum of £2,957,576 for a period of 52 weeks from site possession commencing 19 September 2019.
2. Notes the total project costs as detailed in paragraph 60.

### BACKGROUND INFORMATION

3. Planning permission was granted on 22 June 2018 for the provision of 10 social rent units. The project comprises the demolition of 30 single storey garages and the design and construction of 10 houses; 6x4bed and 4x2bed (inclusive of 1 wheelchair house) and a pocket park. The location of the site is Welsford Street, SE1.
4. The planned procurement strategy was the subject of a Gateway 1 report which covered a number of sites in phase 3 and was approved by the Strategic Director of Housing and Modernisation on 19 September 2016.
5. The Gateway 1 report approved procuring a works contract by undertaking a tender exercise using the Councils Approved Contractors List (managed by EXOR).
6. The procurement strategy relates to the council's 11,000 new homes programme.
7. The tenders sought for a JCT Design & Build Contract 2016 based on Southwark's Employers Requirements and Stage 4 scheme designs.
8. The works contract will be for a fixed period of 52 weeks from date of the transfer of site possession from the council to the contractor.

## Procurement project plan (Key Decision)

Activity	Completed by/Complete by:
Briefed relevant cabinet member over £100K	23/05/16
Approval of Gateway 1: Procurement Strategy Report	19/09/16
Add scheme to forward plan	11/03/19
Invitation to tender	12/02/19
Closing date for return of tenders	09/04/19
Completion of evaluation of tenders	11/04/19
DCRB Review Gateway 2:	10/06/19
Notification of forthcoming decision	17/06/19
Approval of Gateway 2:Contract Award Report	25/06/19
Scrutiny Call – in period and notification of implementation of Gateway 2 decision	04/07/19
Contract award	26/07/19
Add to Contract Register	26/07/19
Contract start	19/09/19
Publication of award notice on Contracts Finder	12/08/19
Contract completion date	29/09/20
Contract completion date – if extension(s) exercised	N/A

### KEY ISSUES FOR CONSIDERATION

#### Description of procurement outcomes

9. This procurement will deliver 10 new homes contributing to the council's objective of delivering 2,500 homes by 2022 and 11,000 new homes by 2043 overall.

#### Key decisions

10. This report deals with a key decision.

#### Policy implications

11. These 10 new homes at Welsford Street, SE1 are in line with the council's principles and visions for a new housing strategy which is aimed at increasing the availability, affordability and quality of homes in the borough. The new homes will play a key role in assisting the council to achieve its overall target of building 11,000 new homes by 2043.

## **Tender process**

12. The new homes delivery team procured this works contract via the Council's approved list ensuring that opportunity has been given to local small and medium-sized contractors. A number of companies were approached in advance of the tendering exercise to ensure that if they were invited they would submit a tender. In accordance with contract standing orders five contractors were invited to tender. Those invited to tender were:
  - 1 Company A
  - 2 Company B
  - 3 Company C
  - 4 Company D
  - 5 Bonds Builders & Contractors Ltd
13. The Invitation to Tender was issued via the council's E portal system Pro Contract on the 12<sup>th</sup> February 2019 with the closing date for the receipt of tender submissions set as the 9<sup>th</sup> April 2019.
14. The tenders were reviewed internally by Southwark on the 11<sup>th</sup> April 2019. Three of the five companies invited to tender submitted a tender. These were:
  1. Bonds Builders and Contractors Ltd
  2. Company B
  3. Company D
15. The two companies who did not submit a tender were Company A and Company C. No reasons were given for non-submission.
16. Tender Clarifications were sought on a number of points as detailed in the Tender Report in Appendix 1 of the closed report.

## **Tender evaluation**

17. Tenders were evaluated in accordance with the evaluation methodology, quality being evaluated by the officers from the council (Development Manager and Project Manager) and the Employers Agent for the project and pricing contract sum analysis was evaluated by the consultant Quantity Surveyor for the project.
18. The price and contract sum analysis were examined by Pellings LLP (appointed as Quantity Surveyor for the project). Financial checks on each tenderer were completed by the council's Finance and Governance department.
19. As detailed in the Gateway 1 and ITT documents, tenders were evaluated on the basis of the Most Economic Advantageous Tender (MEAT) using a weighted model of 60%/40% price/quality ratio.
20. Tenderers were required to provide information to support their quality submission that demonstrated their ability to fulfil the requirements of the contract, the questions asked were focused around the following:
  - a. Experience - 8%
  - b. Delivery, Quality and Compliance – 8%
  - c. Design Management - 3%
  - d. Subcontractors - 3%

- e. Health and Safety - 5%
  - f. Constraints and Delivery – 4%
  - g. Fire Safety – 5%
  - h. Local Community and Engagement – 2%
  - i. Living Wage, Apprenticeships and Local Labour – 2%
21. The questions within the quality assessment were weighted and are detailed in the tender evaluation assessment criteria included within the tender documents.
22. A summary of the outcome of the quality scores are provided in the table below:

<b>Tenderer</b>	<b>Quality score</b>
Bonds Builders and Contractors Ltd	23.60%

23. Tenderers were required to provide as part of their Form of Tender a contract sum and a contract sum analysis, which was scrutinised by the Employers Agent.
24. The lowest tendered total price submission was awarded 60%. Each of the remaining tenderers were awarded points on a pro rata basis as detailed in the following table (full details included in closed report):

	Bonds Builders and Contractors Ltd
<b>Form of tender</b>	£2,957,576
<b>Total award</b>	60.00%

25. The formula used for the price score is below:

$$\text{Price score} = 60\% \left( \frac{\text{bidders form of tender price}}{\text{Form of Tender Price of the lowest bid}} \right)$$

26. The form of tender price of the lowest bid is Bonds Builders and Contractors Ltd.
27. Each tenderers price and quality scores were combined to provide a total score out of 100% as detailed in the following table:

<b>Overall Summary – including exclusions</b>				
<b>Tenderer</b>	<b>Quality 40%</b>	<b>Price 60%</b>	<b>Total (100%)</b>	<b>Rank</b>
Bonds Builders and Contractors Ltd	23.60%	60.0%	83.60%	1
Company B			81.79%	2
Company D			72.11%	3

28. The successful tenderer submitted a contract sum of £2,957,576.
29. A full breakdown of the quality and cost scores for all tenderers on each package is provided at Appendix 1 of the closed report.
30. Bonds Builders and Contractors Ltd scored 83.60% overall which was the highest score. It is recommended that the council award this contract to Bonds Builders and Contractors Ltd.

#### **Plans for the transition from the old to the new contract**

31. Not applicable

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

32. The project management, including the management and administration of the contractor appointment will be run and resourced through the New Homes Delivery Team based in the New Homes Division of the Housing & Modernisation Department. Performance of the construction team will be subject to constant scrutiny and monthly formal review including reviews on cost, quality and programme. The 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 site meetings and monthly progress reports
  - Monthly financial statements by the contractor and verification by the Employers Agent
  - Monthly appraisals of progress against programme
  - Tracking and chasing actions on critical issues
  - Periodic project team 'look ahead' workshops covering key phases of work and risks
  - Risk and issues log
33. Payment will be made monthly on the basis of a valuation that has been verified and agreed by the Employers Agent.
34. Internal governance arrangements for the programme were reported to cabinet in December 2014. These confirmed that ultimate responsibility for the overall programme resides with the Delivery Programme Board, chaired by the Strategic Director of Housing and Modernisation.

#### **Identified risks for the new contract**

35. The below table highlights the risks that have been identified for the new contract and the approach to mitigate them.

RISK		RISK LEVEL	MITIGATION ACTION
1	Contractor has inadequate resources and management arrangements to mobilise and deliver the contract	Low	The New Homes Delivery Team will monitor the contract and regularly review performance.
2.	Contractor risk of insolvency	Medium	The New Homes Delivery Team has undertaken a credit check and is satisfied that the credit scoring is satisfactory. The Finance department have also undertaken financial checks and are satisfied with the financial standing of the company. A performance bond/guarantee for this project will be sought.
3.	Project cost overruns	Low	The contract sum is all inclusive subject to any provisional sums and future variations. All the surveys which the council anticipates will be necessary have been carried out which should help mitigate against there being any unforeseen site conditions or abnormalities. Any future variations will be fully scrutinised, justified and costed by the Employers Agent prior to instruction. Value engineering will take place where necessary to ensure that the budget is achieved.
4.	Project delivery delays resulting from discharge of planning conditions and liaison with third party organisations.	Medium	The new homes delivery team will assist where possible with liaison with third parties to help mitigate delays, particularly any which may result from the discharge of planning conditions or necessary approvals from within the council. Reliance on utility companies remains a risk, particularly in relation to the relocation of the electrical substation. However the tender process tested the contractors experience in delivering construction projects, relying on successful liaison with third party organisations.
5.	Project delivery delays (general)	Medium	Liquidated ascertained damages sums have been included as part of the contract and will be claimable should the project overrun without any justification. Any extension of

			times will be fully scrutinised, justified and costed by the Employers Agent prior to agreement. Project progress will be monitored and slow progress will be addressed in the monthly project meetings.
6.	Contractor seeking further negotiations on contractual terms prior to entering into contract.	Low	A standard JCT works contract is being utilised, with the council's amendments to the terms clearly set out from the start of the tender process. The tender documents and clarifications during the tender process have been robust and clearly define the terms of the contract.

36. A performance bond/guarantee will be provided for this contract.

**Other considerations (For Housing Department works contracts only)**

37. Southwark council has standard specifications in a number of areas of work and these will be used as appropriate. This will include using Southwark Housing Design Standards and the Council's Employers Requirements.

**Community impact statement**

38. 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 that there is a shortage of affordable housing in the borough, particularly of larger homes. Households from black and ethnic minority communities tend to be over-represented among those living in overcrowded, poor quality housing.

39. Cabinet agreed a new vision for Southwark through its 2013 to 2043 housing strategy which included a principle to use every tool at our disposal to increase the supply of all kinds of homes across Southwark.

40. The proposals to increase the supply of affordable, good quality homes will benefits households in need from all Southwark communities, and will increase the housing options available for older people and people with disabilities.

41. Those households in the vicinity of the new developments may experience inconvenience and disruption in the short term, whilst works are taking place but such communities will benefit in the longer term from the provision of new homes. Particularly as 50% of these homes will be let to existing tenants from the local area subject to an agreed local lettings policy.

42. Local residents will continue to be consulted at each stage of the development proposals as outlined in the Charter of Principles agreed by cabinet in November 2014 and reviewed on 27<sup>th</sup> September 2017.

**Social Value considerations**

43. 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 social value considerations included in the tender (as outlined in

the Gateway 1 report) are set out in the following paragraphs in relation to the tender responses, evaluation and commitments to be delivered under the proposed contract.

#### **Economic considerations**

44. The design briefs for the new homes will be developed in consultation with the '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 and easy to maintain with low running costs.
45. The council is an officially accredited London Living Wage (LLW) Employer and is committed to ensuring that, where appropriate our contractors and subcontractors pay their staff at a minimum rate equivalent to the LLW rate. The Gateway 1 report dated 19 September 2016 confirmed, for the reasons stated in that report; payment of LLW was an appropriate and best value requirement for this contract. The 11,000 new homes programme is a strategically important undertaking for the council and its benefits are expected to be realised in a number of ways, including the recruitment of qualified staff, retention of staff and an improved service delivery to the council. Bonds Builders has agreed to pay the LLW. Following award, quality improvements and costs implications linked to the payment of LLW will be monitored as part of the contract review process.

#### **Social considerations**

46. The new housing will provide high quality affordable housing for local people in need of accommodation. At least 50% of these homes will be made available to existing tenants in the local area based 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.
47. The new homes will be let at social rent levels.
48. Apprenticeship and work placement opportunities will be sought from suppliers as expected by the council linked to the size of the contract, it is anticipated that at least 3 apprenticeship opportunities will result from this contract. This will be secured within this contract. The facilitation of the apprentice opportunities will be coordinated with the council's Local Economy Team.
49. The appointed contractor will be participating in a local employment and training initiative in line with Southwark Economic Wellbeing Strategy 2012-20. The initiative will generally conform to any Local Government policy including requirements set-out by the Homes and Community Agency and/or Greater London Authority 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.

#### **Environmental/Sustainability considerations**

50. By investing in high quality and well designed buildings and estates the Council aim to achieve positive impacts which will benefit the environment and increase the stock of environmentally friendly buildings within the borough.



51. As part of the design development process, there will be a requirement for environmental assessments to be completed, with a view to identifying what impact would be caused by any proposed development.
52. The councils approach to procurement of design, development and construction process will ensure a requirement to maintain and improve the sustainability of each tendered project.
53. 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
  - Incorporation of environmentally benign heating and lighting provision
  - Provision of facilities and equipment to encourage the re-use and recycling of materials including, where practical, water recycling.
  - Ensuring projects achieve Code of Sustainable Homes criteria or any successor requirement.

#### **Market considerations**

54. The market for construction related construction services is well developed. Of the five companies from the Council's Works Approved list invited to tender, three subsequently provided a bid. This level of response is considered to be good.

#### **Staffing implications**

55. There are no specific staffing implications to this report.

#### **Financial implications**

56. The value of the works contract arising from the procurement described in this report is £2,957,576 which forms part of a wider programme. The project will also have associated on costs of £311,140.
57. The costs of delivery of new Council rented homes will be funded from £1,000,000 GLA Building Homes for Londoners Programme grant funding and other council resources, potentially developer contributions under section 106 or borrowing. The costs will be reported on the project code H-8888- 9446 for effective monitoring and reporting. The budget will be from the allocated budget for New Build.
58. There are currently 30 garages on this site that are to be demolished to make way for the new homes. There will be a loss of rent on the garages from the time they become void and whilst construction works are ongoing until the new homes are completed and let.
59. The following table shows the scheme costs and estimated apportioned costs of the residential units, with further details given in the closed report:

<b>Total Scheme Cost Breakdown</b>	
Works	2,957,576
Consultancy Fees	157,343
Surveys	28,993
Planning Payments	6,500
Internal Fee (4%)	118,304

60. Bonds Builders & Contractors Ltd tender price is considered value for money and compares favourably with other projects within the 11,000 new homes programme.

#### **Investment implications**

61. The costs of this contract will be charged to the respective project cost programmed in the capital allocation for new homes delivery budgeted within the council's Housing Investment Programme.

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

62. A MINT check has been undertaken, which details the following:
- A credit scoring of 64 which means Bonds Builders and Contractors Ltd are financially secure
  - A credit limit of £12,971

#### **Legal Implications**

63. Please refer to paragraph 67 of this report for the legal concurrent.

#### **Consultation**

64. Local residents were consulted at each stage of the development as outlined in the Charter of Principles agreed by Cabinet in November 2014.

#### **Other implications or issues**

65. Not applicable.

#### **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

##### **Head of Procurement**

66. Not required as scheme is below EU threshold.

**Director of Law & Democracy**

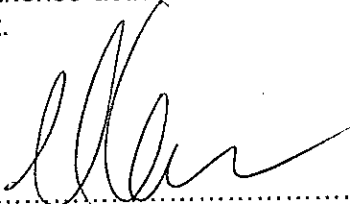
- 67. This report seeks the approval of the Strategic Director of Housing and Modernisation to the to the award of a works contract for Welsford Street to Bonds Builders as further detailed in paragraphs 1 and 2.
- 68. The value of the works is such that they are subject to taking all reasonable steps to obtain at least five tenders (where those invited to submit tenders must be selected from the council's Works Approved List) in accordance with contract standing order ("CSO") 4.3. Paragraph 13 confirms that five organisations were invited to tender.
- 69. The decision on the award of the contract is reserved to the relevant chief officer (or under their delegated authority) in accordance with CSO 6.5.2(i).
- 70. CSO 2.3 requires that no steps should be taken to award a contract unless the expenditure has been approved. Paragraphs 57-60 confirm the financial implications.

**Strategic Director of Finance and Governance (H&M19/035)**

- 71. This report seeks the approval of the Strategic Director of Housing and Modernisation to award the contract of building 10 new social units for the Welsford Street scheme to Bonds Builders for a contract sum of £2,957,576.
- 72. The report identifies the total cost of the works including fees and contingency to be £3,416,595. The financial implications section provides details on how these costs are to be funded. Any other costs connected with this works order but outside the scope of this report are to be contained within existing departmental revenue budgets.
- 73. There is an estimated resource shortfall for the Housing Investment Programme. There is also likely to be further demand on the capital programme and it is therefore important that the costs of these works are carefully monitored and that accurate forecasting is in place to enable efficient financing of capital expenditure over the life of the programme.
- 74. Any other variation or extension of the contract beyond the scope of this report will require further approval in line with the council's procurement protocols

**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 11 July 2019  
**Michael Scorer, Strategic Director of Housing and Modernisation**

## BACKGROUND DOCUMENTS

Background documents	Held At	Contact
GW1 Contractor Procurement – Under OJEU	160 Tooley Street, SE1	Tim Bostridge

## APPENDICES

No	Title
n/a	

## AUDIT TRAIL

<b>Lead Officer</b>	Stuart Davis, Director of New Homes	
<b>Report Author</b>	Danielle Patten, Project Manager	
<b>Version</b>	Final	
<b>Dated</b>	1 July 2019	
<b>Key Decision?</b>	Yes	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments included</b>
Strategic Director of Finance and Governance	Yes	Yes
Head of Procurement	Yes	Yes
Director of Law and Democracy	Yes	Yes
<b>Cabinet</b>	N/a	N/a
<b>Date final report sent to Constitutional Team</b>		n/a