

Item No. 20.	Classification: Open	Date: 22 January 2018	Meeting Name: Cabinet
Report title:		Gateway 1 - Procurement Strategy Approval Contractor Services for the Delivery of Sceaux Gardens	
Ward(s) or groups affected:		St Giles	
Cabinet Member:		Councillor Leo Pollak, Social Regeneration, Great Estates and New Council Homes	

FOREWORD – COUNCILLOR LEO POLLAK, CABINET MEMBER FOR SOCIAL REGENERATION, GREAT ESTATES AND NEW COUNCIL HOMES

With over 12,000 families on our council housing waiting list, Southwark Council is committed to tackling the housing crisis head on, with a commitment to delivering an additional 1000 council homes by 2022 as part of our generational commitment to build 11,000 new council homes by 2043.

This report sets out the procurement route for delivering 78 new council homes – to be let at council rents on lifetime council tenancies - on 3 separate sites on the footprint of the Sceaux Gardens estates, on the sites of Racine, Florian and the garages east of Marie Curie. These are further to the 28 council homes currently under construction on the site of the old Lakanal shops. Residents needing rehousing in Racine and Florian will be offered personalised support, have been placed in top band for new homes becoming available in the area, and given a right to return to new homes built. In addition, at least half of the new homes at Sceaux Gardens will be reserved for tenants who live in the immediate area who have an unmet housing need. This will allow local residents to directly benefit from the new homes and maintain their local social, childcare and family connections.

In line with all other procurement on new council homes this report sets out that the successful appointee will have to pay at least the London Living Wage, employ local apprentices, and to not take part in blacklisting, or if they have previously blacklisted to have ‘owned up, paid up, and cleaned up’. It should be acknowledged too the important role the local TRA have played in developing and informing the designs for this scheme as well as the building sequence, as well as the important partnership with South London Gallery in reformatting the cut-through maintain the path to the Brick garden from the estate. At the time of writing the first phase of works will start on site in September this year and are due to complete in the Autumn of 2021.

RECOMMENDATIONS

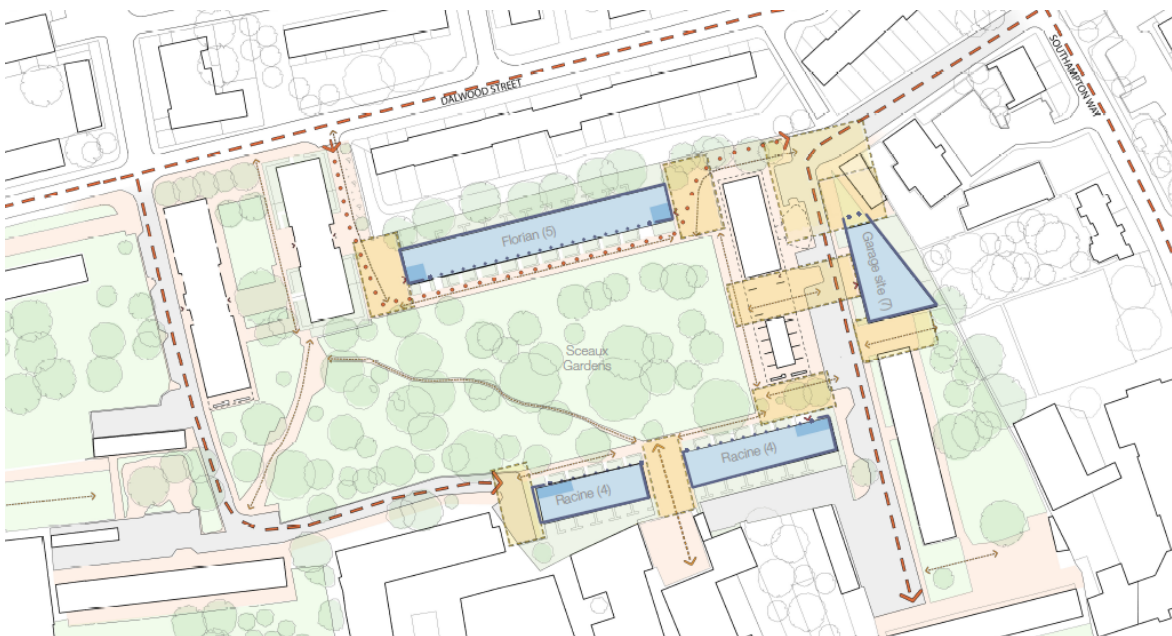
That cabinet:

1. Approves the strategy of procuring the works contractor for Sceaux Gardens through a two stage restricted OJEU tender process outlined in this report for new homes delivery with a total estimated contract sum of £24,000,000 with phase 1 expected to commence in April 2019 and be completed within 18 months, and phase 2 anticipated to be completed within 18 months following this.

2. Approves the delegation of the award decision for the three Gateway 2 reports for Sceaux Gardens (Principle Development Agreement and the subsequent build contracts for the first and second phases) to the Strategic Director of Housing and Modernisation, in consultation with the Cabinet Member for Social Regeneration, Great Estates and New Council Homes, for the reason outlined in paragraph 33.

BACKGROUND INFORMATION

3. This procurement strategy relates to the procurement of the main works construction contract for Sceaux Gardens, which is part of the council's programme to build 11,000 new homes.
4. The New Homes Development Programme is aimed at creating new homes from existing council assets and acquiring new assets. The principle of New Homes Development was agreed by Cabinet in July 2012. This site forms part of the phase 3 programme, Cabinet approved the inclusion of the Phase 3 sites within the New Homes Development Programme on the 15th September 2015.
5. Sceaux Gardens will deliver a total of 80 new homes, which will be delivered in a two-phase process. The first phase will see the development of the Colbert Garages and the homes on the Florian block (58 homes) and the second phase will be the Racine block (22 homes). The scheme will involve the demolition of 33 existing council homes.



6. It is anticipated that a planning application will be submitted in January 2019 and it being determined in spring/summer 2019.

Summary of the business case/justification for the procurement

7. The council has committed to the delivery of 11,000 new homes programme by 2043. This procurement exercise will build on the progress made to date and enable

the progression of a further 80 new homes over two phases which is anticipated to be complete by late 2022.

8. Additional key deliverables are as follows:

a) Maximise and enhance the utility, value and quality of council-owned land and buildings to deliver:

- High quality homes for rent
- Improved streetscapes and permeability
- Employment and training opportunities.

b) Deliver high quality and fit-for purpose public buildings at good value.

9. This procurement strategy looks at delivering the project in two phases. This will enable some existing tenants of the estate to be decanted into the new development and ensure that residents of other blocks on the estate are not surrounded by development works during the build programme. This was highlighted and approved in the 12 December 2017 cabinet report (Sceaux Gardens New Homes Delivery Programme).

Market considerations

10. Given the size and estimated value of this development project, it is likely to be attractive to larger national contractors; the council will conduct a soft market exercise which may include issuing a Prior Information Notice prior to the procurement commencing in order to ensure that the appropriate contractors are aware of this tender.

11. The construction industry appears to be quite buoyant at the moment, tender prices appear to be rising, and there is a high demand for construction services.

KEY ISSUES FOR CONSIDERATION

Options for procurement route including procurement approach

12. As this project is above the EU threshold for works the full tendering requirements of the Public Contract Regulations 2015 and Public Sector Directive 2014/24/EU would apply. The following procurement options are therefore available to the council:

A. Use of an Existing OJEU Compliant Framework

13. There are a number of frameworks available for the council to use, these include:

Framework	Expiry	No. of Contractors	Fee	Available to Southwark
Hyde	31 October 2019	14	£5,000	Yes
South East Consortium	20 November 2020	18	£10,000	Yes
London Construction Panel	31 May 2019	9	Free	Yes
Scape	31 May 2021	1	Free	Yes

14. Whilst most of the above frameworks offer a good range of contractors (with the exception of the scape framework), they still offer a more limited market than an OJEU process, with some of the same contractors listed on the various different

frameworks. It is also felt that there is more flexibility going through a OJEU process, which is particularly needed on this project, as we are procuring it through a phased two stage process.

B. OJEU Compliant Tender Process – Single Stage ITT

15. Unlike most projects which usually last 18 to 24 months Sceaux Gardens, with its two phased approach, is anticipated to take at least 3 years to complete. As a result of this it is likely that if the council undertook a single staged EU restricted tender not only is this likely to be unattractive to contractors due to the phased nature of the scheme, it is also likely to result in increased cost for the council as the contractors who will raise their costs as a result of the increased risk on future build and materials cost inflation.

C. Two Individual OJEU Compliant Processes

16. In order to overcome the increased costs that are likely to occur from a single staged tender the council could tender each phase of the scheme individually. However, not only is this likely to extend the project's programme, it is also felt that the potential of two separate contractors working within the same estate footprint would not be favourable in terms of value for money and would not aid smooth transition of each phase for existing estate residents and those moving into new properties.

D. OJEU Compliant Tender Process – Two Stage ITT

17. A two stage EU restricted procedure (which involves the first stage of entering into a Principle Development Agreement, which is followed by an open book tender process to enter into build contracts) would however overcome the issues discussed in options B and C as the council would 'lock-in' overheads, profit and preliminary costs for both stages at the initial ITT stage which would result in one tenderer being recommended for award for both the first and second phase subject to their cost plan being ratified at the second stage of the ITT process. At the second stage of the ITT process, the contractor, which was awarded the contract following the first stage would go through an open book sub-contract tendering process which would lock in the costs for first phase and then enter into a fixed price JCT contract. This process would be followed for phase 2 later in the programme.
18. This two staged ITT process should give contractors comfort around future costs and inflation and ensure that the contract is not overpriced in terms of contractor risk and therefore provide the council with the best value for money.

Proposed procurement route

19. Therefore due to the phased nature of this scheme and indicative timeframes, it is proposed that the build contract be conducted through a two stage restricted OJEU process. It is felt that a two stage ITT is preferable to any other tendering process for the following reasons:
 - a. To ensure good response to the tender. Contractors are more likely to tender on a two stage process as they will be able to mitigate the risks of cost price increase. This should result in the council having a better choice of contractors to select from.
 - b. To ensure value for money. Contractors will not have to price long-term price risk and this should result in a better value for money for the Council

- c. To ensure an increased number of responses. The council will be giving a number of contractors the opportunity to tender and achieve value for money in a competitive environment without the risk of overpricing on the later phase.
20. All Tenderers who are interested in the opportunity will need to submit a completed Pre-Qualification Questionnaire (PAS 91 PQQ). The council will allow a reasonable timeline for bidders to complete PAS91.
21. The PAS91 will be evaluated by the council based on agreed criteria and the council will shortlist the applicants against each criteria as detailed in paragraphs 39 to 44 of this report. Bidders will then be notified as to whether they have or have not been successful and an Invitation to Tender (ITT) will be issued to the successful bidders.
22. Once Tenderers have submitted their Invitation to Tender (ITT), this will be evaluated by the council based on agreed criteria as detailed in paragraphs 45 to 52 and the council will recommend the contract be awarded to the highest scoring tenderer.
23. Once the Gateway 2 has been approved, the successful Tenderer will need to enter into a Principle Development Agreement (PDA) which is the overarching agreement between the Council and the Developer and sets out the way in which overheads, profit and preliminary costs are calculated, and how the second stage tendering process will work.
24. For the second stage the successful Tenderer will be required to work with the other members of the client team and the design team to progress the following tendering protocol for each of the phases as detailed in paragraphs 53 to 56.
25. Following the success of the second stage tender process, the council will enter into individual JCT contracts for each of the phases.

Identified risks for the procurement

26. The following risks have been identified for this procurement:

	Identified Risk	Likelihood	Risk Control
1	Insufficient interest from contractors.	Low	A soft market exercise will be conducted prior to tender to test the market. The tendering process has also been adapted to reflect the complex nature of the scheme and to encourage maximum interest.
2	Tendering prior to receipt of planning permission could mean contractors chose not to tender due to the additional risk they would be undertaking.	Low	We will not start the OJEU tender process unless we confident that a planning permission will be forth coming and we will keep tenderers informed of the planning process.
3	Quality of submitted tender proposals do not meet the Councils expectations.	Low	The tender packs will include detailed briefs and specifications setting out the council's expectation. Tenderers will be asked rigorous quality questions at both SQ and ITT stage to ensure the meet the Council's expectation of quality.

	Identified Risk	Likelihood	Risk Control
4	Cost proposed is in excess of budget and does not deliver value for money	Low	The council have undertaken all necessary surveys and developed a cost plan that identifies any associated risk, and a detailed specification will form part of the tender pack.
5	Challenges to procurement outcome	Low	The New Homes Development Team have sought advice from the council's procurement team and legal services to ensure compliance with EU procurement regulations.
6	Contractor Insolvency	Medium	We will undertake financial and credit checks as part of the PQQ process to ensure that only financially healthy companies progress to ITT stage. We will also undertake additional credit checks prior to entering into the JCT contracts.
7	Second Phase Delivering Value for Money.	Medium	We will have locked in overheads, profits and prelim costs. We will also ensure that the tendering protocol and the process of evaluating the tender price is robust and keeps a firm grip on costs. We will also ensure that the design and specification considers value for money element for the scheme..

Key /Non Key decisions

27. This is a key decision.

Policy implications

28. The new homes delivered through the New Homes Development Programme are in line with the council's principles and vision for a new housing strategy which is aimed at increasing the availability, affordability and quality of homes in the borough.
29. This procurement exercise supports the council's Fairer Futures Commitment – A place to belong to. The new homes will play a key role in assisting the council achieving its target of building 11,000 new council homes by 2043.
30. This procurement exercise also supports Fairer Futures Promise 1 – Value for money. The competitive tender process will ensure that the Council is receiving value for money when delivering this project.
31. The long term housing vision for the borough (agreed by cabinet in January 2014) sets a clear policy direction for the council that directly impacts the delivery of the new homes set out in this report. The vision comprises four overall principles:
- The council will use every tool at our disposal to increase the supply of all kinds of homes across Southwark.

- b. The council will demand the highest standards of quality, making Southwark a place where you will not know whether you are visiting homes in private, housing association or council ownership.
- c. The council will support and encourage all residents to take pride and responsibility in their homes and local areas.
- d. The council will help vulnerable individuals and families to meet their housing needs and live as independently as possible.

Procurement Project Plan (Key Decisions)

Activity	Complete by:
Enter Gateway 1 decision on the Forward Plan	17 September 2018
DCRB Review Gateway 1	12 November 2018
CCRB Review Gateway 1	22 November 2018
Brief Cabinet Member	10 December 2018
Notification of forthcoming decision – Cabinet	27 January 2019
Approval of Gateway 1: Procurement strategy report	05 February 2019
Scrutiny Call-in period and notification of implementation of Gateway 1 decision	14 February 2019
Soft Market Testing	01 February 2019
Completion of tender documentation	04 February 2019
Estimated Date of Planning Approval	12 March 2019
Publication of OJEU Notice	18 March 2019
Publication of Opportunity on Contracts Finder	20 March 2019
Closing date for receipt of expressions of interest	26 April 2019
Completion of short-listing of applicants	10 May 2019
Invitation to tender	13 May 2019
Closing date for return of tenders	28 June 2019
Completion of any clarification meetings / presentations / evaluation interviews	12 July 2019
Completion of evaluation of tenders	19 July 2019
Forward Plan (if Strategic Procurement) Gateway 2	01 July 2019
DCRB Review Gateway 2:	22 July 2019
CCRB Review Gateway 2	25 July 2019
Notification of forthcoming decision	02 August 2019
Approval of Gateway 2: Contract Award Report	12 August 2019
End of scrutiny Call-in period and notification of implementation of Gateway 2 decision	21 August 2019
Debrief Notice and Standstill Period (if applicable)	27 August 2019
Contract award	28 August 2019

Add to Contract Register	28 August 2019
Place award notice in Official Journal of European (OJEU)	28 August 2019
Place award notice on Contracts Finder	30 August 2019
Enter PDA	30 September 2019
Contract start	30 September 2019
Initial contract completion date	30 September 2023
Contract completion date – (if extension(s) exercised)	n/a
Issue Brief/Second Stage Invitation to tender – Second Stage (Phase 1)	30 September 2019
Closing date for proposal	02 November 2019
Completion of any clarification meetings / presentations / evaluation interviews	02 November 2019
Completion of evaluation of tender	16 November 2019
Forward Plan (if Strategic Procurement) Gateway 2	01 November 2019
DCRB Review Gateway 2:	18 November 2019
CCRB Review Gateway 2	21 November 2019
Notification of forthcoming decision	29 November 2019
Approval of Gateway 2: Contract Award Report	09 December 2019
End of scrutiny Call-in period and notification of implementation of Gateway 2 decision	18 December 2019
Debrief Notice and Standstill Period (if applicable)	n/a
Contract award (JCT Phase 1)	19 December 2019
Add to Contract Register	19 December 2019
Place award notice in Official Journal of European (OJEU)	19 December 2019
Place award notice on Contracts Finder	23 December 2019
Contract start	19 December 2019
Initial contract completion date	30 June 2021
Contract completion date – (if extension(s) exercised)	n/a
Issue Brief/Second Stage Invitation to tender – Second Stage (Phase 2)	01 June 2021
Closing date for proposal	30 August 2021
Completion of any clarification meetings / presentations / evaluation interviews	30 September 2021
Completion of evaluation of tender	31 October 2021
Forward Plan (if Strategic Procurement) Gateway 2	01 October 2021
DCRB Review Gateway 2:	01 November 2021
CCRB Review Gateway 2	18 November 2021
Notification of forthcoming decision	01 December 2021

Approval of Gateway 2: Contract Award Report	09 December 2021
End of scrutiny Call-in period and notification of implementation of Gateway 2 decision	20 December 2021
Contract award (JCT Phase 2)	20 December 2021
Add to Contract Register	20 December 2021
Place award notice in Official Journal of European (OJEU)	20 December 2021
Place award notice on Contracts Finder	22 December 2021
Contract start	22 December 2021
Initial contract completion date	30 September 2023
Contract completion date – (if extension(s) exercised)	n/a

32. This report is seeking approval from cabinet to delegate all three Gateway 2 decisions to the Strategic Director of Housing and Modernisation in consultation with the cabinet member for Social Regeneration, Great Estates and New Council Homes.
33. The rationale for this is to streamline and speed up the approval process, as contractors generally only guarantee built costs for a period of 3 months. Seeking cabinet approval for each Gateway 2 is likely to add at least another 4 to 6 weeks to the timeframes set out in the procurement plan above to each phase.

TUPE/Pensions implications

34. As this procurement strategy relates to a new programme of works and there is no existing contractor delivering the work which is being tendered, TUPE should therefore not apply on its commencement. Although considered unlikely, TUPE could apply if the identity of the contractor were to change during the period of the works and relevant provisions will be included in the contract amendments to provide for this.

Development of the tender documentation

35. An Employers Agent has been appointed, who as part of their role, has assisted in the development of the OJEU tender documentation required for this scheme. This will be reviewed and adapted by the council's procurement services and legal services teams for this specific project.
36. The council intends to use a bespoke Principle Development Agreement (PDA) and the JCT Design and Build Contract 2016 with council standard amendments.

Advertising the contract

37. The contract will be advertised by way of an official notice that will be published in the Official Journal of the European Union (OJEU), after which the contract will be advertised on Contract Finder via the London Tenders Portal. The council will conduct a soft market exercise which may include issuing a Prior Information Notice prior to the procurement commencing in order to ensure that the appropriate contractors are aware of this tender.

Evaluation

38. The contract will be awarded on the basis of using a price/quality ratio of 60/40. Although this deviates from council guidelines which are 70/30, it is felt that the emphasis on quality will highlight the importance of quality in terms of design approach, materials and the general service provided by the contractor. The process will consist of following stages.

Stage One – Pre-Qualification Questionnaire (PAS 91 PQQ)

39. The purpose of the PQQ is to create a shortlist of organisations who have demonstrated that they have sufficient technical capacity and financial and economic standing and ability to be invited to tender. In order to determine sufficient financial and economic standing, and technical capacity and ability, PQQs will be evaluated in accordance with the criteria as set out in standard PQQ.
40. Applicants will need to pass an initial compliance stage of Pass/Fail questions which include:
- a. Company Information
 - b. Financial Information
 - c. Convictions
 - d. Public Contract Regulations
 - e. Health and Safety
41. Applicants will then need to pass an economic and financial standing, this will involve a credit check, an assessment of profitability and liquidity, and a review of any charges and judgements. In order to receive an overall pass tenderers will need to satisfy the following:
- a. Turnover greater than the contract amount
 - b. A good credit score and credit rating
 - c. An acceptable level of financial risk for the Council
42. Finally tenderers will also need to answer a number of method statements as part of the technical section, which will be based on the following criteria:
- a. Experience
 - b. Health & Safety
 - c. Subcontractors
 - d. Quality
 - e. Consultation
 - f. Fire Safety
43. Each method statement will be weighted and will have a minimum pass mark, which if tenderers fail to meet the council reserves the right to reject them from the process.
44. The top five bidders will be invited to submit a tender. If any other bidder is within 5% of the fifth highest bidder, at the council's discretion they will also be invited to tender.

Stage Two - Invitation to Tender

45. The Quality Assessment (40%) will be undertaken through the provision of method statements which will be used to evaluate applicants against the key quality criteria, for which there will be a minimum pass mark for each question.
46. The quality assessment will include a number of method statements based on the following criteria:
 - a. Delivery, Quality & Compliance
 - b. Design Management
 - c. Subcontractors
 - d. Health & Safety
 - e. Constraints & Delivery
 - f. Fire Safety
 - g. London Living Wage, Apprenticeships & Local Labour
47. The financial submission will consist of:
 - a. Preliminaries as a fixed sum and percentage (depending on the type of preliminary) which shall be applied to the net build cost
 - b. Overheads and Profits as a percentage which shall be applied to the net build cost and preliminaries
48. Each method statement will be weighted and will have a minimum pass mark, which if tenderers fail to meet the council reserves the right to reject them from the process.
49. For the financial assessment (60%) tenderers will need to provide the following details:
 - a. The overheads and profits percentage which will be applied to the both phases.
 - b. The preliminaries for each phase and confirmation of which elements will be fixed.
50. The aspects of the financial submission will be weighted and the tenderer with the lowest overall score will be awarded maximum points. Each remaining tenderers' price will be awarded a score based on the percentage difference between their submission and that of the most competitive. The formula for each element will be $(\text{Lowest Tender} / \text{Contractors Tender}) \times (\text{Max Points (60)} \times \text{Weighting}) = \text{Score}$.
51. The submitted tenders will be evaluated and scored by a panel made up of:
 - a. Employers Agent
 - b. Development Manager
 - c. Project Manager
 - d. Project Co-ordinator
52. The Employers Agent, will submit a Tender and Value for Money Report, this will conclude that the highest scoring tenderer be recommended for award through a Gateway 2 to enable the PDA to be entered into.

Stage Three – Tendering Protocol

53. Once the PDA has been awarded the contractor shall be required to work with the other members of the client team and the design team to progress the following tendering protocol.
54. The objectives for the this stage in the process are to:
 - a. Achieve the best value within the Work Packages during the tendering process and associated design period leading up to the conclusion of the second stage ITT process, whilst at all times maintaining the design integrity and quality required by the Employer.
 - b. Develop the Contractor's Proposals to meet the Employer's Requirements.
 - c. Deliver the design in a controlled manner that resolves to deliver the planning approved scheme and additional design intent requirements as set out by the Employer.
 - d. Develop a Lump Sum Build Cost (Contract Sum) for the relevant phase of works.
 - e. Develop a Build Programme in conjunction with the Contractor's Proposals and Contract Sum.
 - f. Appoint the appropriate Sub-contractors via the Contractor in accordance with the programme targets.
55. The Employers Agent will take responsibility for reviewing;
 - a. Content and completeness of the subcontract tender package prior to issue to tender.
 - b. All sub-contract tender returns.
 - c. Contract Sum Analysis in full in order to establish value for money for each build contract for the delivery of each phase.
56. Once the tendering has been undertaken and the contract sum analysed, and providing that it meets value for money, separated Gateway 2 reports for the two phases will be put forward for approval, after which the JCT contracts will be entered into.

Community impact statement

57. Southwark is a borough with high levels of deprivation, low income levels and high levels of housing need. Southwark's Housing Strategy to 2043 identifies that the supply of affordable housing in the borough outstrips demand. There is a demand for larger properties for younger families, many of whom are experiencing overcrowding.
58. Cabinet has agreed 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.
59. The proposals 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.
60. 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.

61. The decision to progress to planning with the scheme was approved by the council cabinet in December 2017. Due to the rehousing element of the redevelopment, officers went beyond the standard processes within the Charter of principles. The new homes team held specific meetings with the T&RA regarding the phasing of the scheme and the overall appetite for the works. Officers also held a number of one to one meetings with residents in their own homes and at estate coffee mornings. The decision to phase the development was made by the then lead member for new homes based upon the feedback from the T&RA and local residents
62. A equalities assessment data collection was undertaken, undertaken in accordance with Section 149 in September 2016. The data collected was analysed by the Independent Tenants and Leaseholders Advisor whom identified the mitigating actions required by the council. This was included in the Sceaux Gardens New Homes Delivery Programme cabinet report dated 12 December 2017, which is referred to as a background document. Report attached as appendix 1.

Social Value considerations

63. 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

64. 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.
65. The council is an officially accredited London Living Wage (LLW) Employer and is committed to ensuring that, where appropriate, contractors 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 high 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 the LLW requirements and contract conditions requiring the payment of LLW will be included in the tender documents. As part of the tender process, tenderers 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.
66. The council will be seeking the appointed contractor to participate 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.

Social considerations

67. 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 tenants in need 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.
68. The new rented homes will be let at social rent levels.
69. The council can exclude companies who break the law by blacklisting from public contracts if they are either still blacklisting or have not put into place genuine concerning 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 by the economic operator are sufficient to demonstrate it has:
 - "Owned Up": clarified the facts and circumstances in a comprehensive manner by actively collaborating with the investigating authorities
 - "Cleaned 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 damage caused.
70. The council is required to use a government standard form of pre-qualification questionnaire which allows for limited amendments. However, this will be amended to include the council's standard preliminary assessment questions relating to blacklisting. The contract conditions will also include an express condition requiring compliance with the blacklist regulations, and include a provision to allow the contract to be terminated for breach of these requirements.
71. Apprenticeship and work placement opportunities will be sought from suppliers, this will be linked to the value of the contract and we will require one apprentice for every £1m of contract value, This will be reported as part of the Gateway 2 report.

Environmental/Sustainability considerations

72. 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.
73. As part of the design development process, there will be a requirement to achieve a level of sustainability through the building regulations. In order to achieve this environmental assessments will be undertaken and potential sustainability solutions will be considered. Key considerations for this project 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.

Plans for the monitoring and management of the contract

74. The project clienting, including the management and administration of the contractor appointment will be run and resourced through the New Homes Development Team in the Asset Management Division of the Housing & Modernisation Department. Performance of the consultant 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 financial statements by the consultant
 - Monthly appraisals of progress against programme and monthly reports by the consultant
 - Tracking and chasing actions on critical issues
 - Periodic project team 'look ahead' workshops covering key phases of work and risks
 - Risk and issues log
75. 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 & Modernisation.
76. A 6 monthly contract monitoring report will be taken to DCRB and an annual contract monitoring report will be taken to CCRB.

Staffing/procurement implications

77. The staff resources deployed to this procurement is sufficient to meet the proposed timetable.
78. The project will be resourced by existing staff, within existing budgets.
79. Officer time relating to the management of this project is funded from the capital budgets for the individual projects.

Financial implications

80. The report is requesting approval for a procurement strategy, there are no financial implications arising directly from the report's recommendations. The strategy is expected to deliver 47 additional units (33 to be demolished and replaced by 80 units).
81. The estimated total cost to be procured through the strategy is £28,700,000 (£24,000,000 works contract and £4,700,000 includes leaseholder buybacks, homeloss and disturbance payments, professional fees, internal costs, and contingency). Of this estimated amount, over £15,000,000 is budgeted within the Housing Investment Programme and the additional 47 units are expected to be funded from 30% Right to Buy receipts and 70% S106. The replaced 33 units will be expected to be funded from GLA Grant and existing HRA resources. However there

might be a need to borrow depending on the outcome of the main programme final spend due to the funding shortfall within HRA capital programme.

82. This scheme has been run through the New Homes Development Team's Appraisal Toolkit, which projects the following works spend:

a. Spend to Date:	£0.6m
b. 2019/20:	£6.2m
c. 2020/21:	£8.9m
d. 2021/22:	£8.1m
e. 2022/23:	£3.9m
f. 2023/24:	£1.0m

Legal implications

83. Please see concurrent from the Director of Law and Democracy

Consultation

84. As noted in paragraph 61, local residents will be consulted at each stage of the development proposals as outlined in the Charter of Principles agreed by cabinet in September 2017.

Other implications or issues

85. None

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Finance and Governance (H&M18/066)

86. The Strategic Director of Finance and Governance notes the recommended procurement strategy for Sceaux Gardens. The report sets out the options and the justification for the preferred option, that is a two stage restricted tender process with an estimated contract cost of £24m to deliver 80 new homes. The financial implications section details the total estimated cost including fees to be £28.7m and how this will be funded. At this stage, the estimated cost is indicative and there are no specific financial implications arising from this decision.
87. The Strategic Director of Finance and Governance notes that the proposed procurement strategy seeks to achieve best value.
88. The report further requests Cabinet to approve the delegated approval of the Gateway 2 decisions for Sceaux Gardens to the Strategic Director of Housing and Modernisation in order to streamline and speed up the approval process as outlined in paragraph 33.

Head of Procurement

89. This report is seeking approval of the procurement strategy for a two stage construction contract for the Sceaux Gardens site.
90. The report details the various 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.

91. 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.
92. Paragraphs 19 to 26 explains the benefit of phasing these works ,the risks and mitigation controls that will be in place to ensure that costs are controlled and the contract delivers value for money.
93. 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 38 to 56 details the evaluation methodology and the project governance arrangements for both phases that will be in place throughout the project to help ensure the project delivers on time and within cost target.
94. Paragraphs 74 to 76 detail the contract management and monitoring arrangements with particular focus on regular reviews of the program and financial targets set within both the project and strategic cost plans. These paragraphs also confirm that internal governance arrangements reported to Cabinet in December 2014 will be followed, namely six monthly reports to Housing and Modernisation Departmental Contract Review Board and an annual report to the Corporate Contract Review board.

Director of Law and Democracy

95. This report seeks the cabinet's approval to the procurement strategy for the delivery of Sceaux Gardens by use of a two stage restricted OJEU tender process, as further detailed in paragraphs 1 and 2. As the estimated value of the works exceeds £15m, the approval of the procurement strategy is reserved to cabinet. Authority is sought to delegate the subsequent gateway 2 decisions to the strategic director to facilitate the later award of contracts.
96. The works are subject to the tendering requirements of the Public Contract Regulations 2015, and will be procured in accordance with those regulations using a 2 stage process. In the first stage of the procurement, a preferred contractor will be identified following the evaluation of information noted in paragraphs 45-52 of this report and this stage will conclude (subject to approval) with the entering into of a PDA with that contractor. At the second stage, the preferred contractor and the council will work together following the tendering protocol to develop lump sum build costs for the 2 phases of the project. Whilst there is an expectation that the contractor appointed under the PDA will be appointed for the separate works contracts, this is subject to value for money being demonstrated which will be confirmed in the relevant gateway 2 reports.
97. The cabinet's attention is drawn to the Public Sector Equality duty (PSED General Duty) under the Equality Act 2010, and when making decisions to have regard to the need to (a)eliminate discrimination, harassment, victimisation or other prohibited conduct, (b) to advance equality of opportunity and (c) foster good relations between persons who share a relevant protected characteristic and those who do not share it. The relevant characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion, religion or belief, sex and sexual orientation, The duty also applies to marriage and civil partnership but only in relation to (a). The cabinet is specifically referred to the community impact statement at paragraphs 57-62, setting out the consideration that has been given to equalities issues and to the consultation which has taken place and is due to take

place (noted in paragraph 84) which should be considered when approving the recommendations in this report.

BACKGROUND DOCUMENTS

Background Documents	Held At	Contact
Sceaux Gardens New Homes Delivery Programme – Cabinet 12 December 2018	160 Tooley Street London SE1 2QH	Paula Thornton 020 7525 4395
Link (please copy and paste into your browser): http://moderngov.southwark.gov.uk/documents/s72767/Report%20Sceaux%20Gardens%20New%20Homes%20Delivery%20Programme.pdf		

APPENDICES

No	Title
Appendix 1	Florian & Racine Equalities Impact Assessment
Appendix 2	Sceaux Garden Images

AUDIT TRAIL

Cabinet Member	Councillor Leo Pollak, Social Regeneration, Great Estates and New Homes		
Lead Officer	Stuart Davis, Interim Director of Asset Management		
Report Author	James Cross, Development Manager		
Version	Final		
Dated	14 January 2019		
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 (For Housing contracts only)		No	No
Contract Review Boards			
Departmental Contract Review Board		Yes	Yes
Corporate Contract Review Board		Yes	Yes
Cabinet Member		Yes	Yes
Date final report sent to Constitutional Team			14 January 2019