

Item No. 27.	Classification: Open	Date: 24 March 2020	Meeting Name: Cabinet
Report title:		Gateway 1 - Procurement Strategy Approval Main Contractor Procurement: Queens Road 4	
Ward(s) or groups affected:		Nunhead and Queens Road	
Cabinet Member:		Councillor Kieron Williams, Housing Management and Modernisation	

FOREWORD – COUNCILLOR KIERON WILLIAMS, CABINET MEMBER FOR HOUSING MANAGEMENT AND MODERNISATION

Southwark Council is committed to delivering high quality, value for money services and ensuring our organisation and our services are fit for the future. Our Modernisation Strategy is central to this. The proposal for a new operational building on Queens Road is a substantial step towards achieving this.

The new building will allow us to bring together services and staff currently spread across five different buildings in Peckham. This will allow us to make more efficient use of our assets and free up sites for much needed housing. This project will deliver great value for money, but it is about so much more than that.

Many of the existing offices are frankly sub-standard, demoralising and in some cases even unwelcoming places to work and visit. This project is an opportunity to provide a substantially improved and welcoming environment for families at risk of homelessness and for vulnerable children, as well as for our staff who work so hard to provide these vital services.

The design of the new office will enable staff to work in new ways in a building that is fit for purpose. It will enable residents, particularly families and children, to access our services in pleasant, modern spaces and meet our aspiration to treat all residents as we would valued members of our own family. The new building will be an exemplar for the type of changes we want to make across all our frontline services and workplaces. It will also be delivered to a modern low carbon standard.

RECOMMENDATIONS

That Cabinet:

1. Approves the procurement strategy outlined in this report to undertake a single supplier negotiation as a direct award to Wernick Buildings Limited under the LHC framework for the contract for the construction of Queens Road 4 (128-148 Asylum Road, SE15), at a maximum contract value of £14.7m for an anticipated period of 14 months commencing in July 2020.
2. Notes that the Gateway 2 decision report to award the main works contract will be taken by the Strategic Director of Housing and Modernisation in consultation with the Cabinet Member for Housing Management and Modernisation in line with Contract Standing Orders (CSO).

BACKGROUND INFORMATION

3. In November 2016, Cabinet endorsed Southwark's Fairer Future Modernisation Programme which outlined how Southwark will become a transformed, forward thinking, dynamic council that effectively embraces modern ways of working in order to serve our customers.
4. The workplace strategy proposed fully developing the council's office accommodation across the two centre model by increasing capacity at the Queens Road complex. This development could be seen as the council's 'end game' for its office based estate and a solution for the co-location, consolidation and re-engineering of our customer facing services by: eliminating our remaining sub-optimal office accommodation, delivering modern office accommodation for the majority within a refreshed IT environment.
5. On 12 December 2017 Cabinet confirmed that 133-137 Queens Road SE15 2ND as the location for the new development to be known as Queens Road 4 (as the existing office accommodation is referenced as Queens Road 1-3). The new development is to provide front of house services currently based at Bournemouth Road, Sumner House, Curlew House, Talfourd Place and St Mary's Road allow the council to move staff out of substandard office accommodation at Sumner House and Bournemouth Road and to provide service users with a safe and efficient means to access services.
6. The new development will also provide modern staff accommodation to increase the capacity of the Queens Road Campus enabling staff to deliver services to residents in a safe, efficient and coordinated way. Cabinet were also advised, in the light of the restricted nature of the site, that off-site construction was likely to be preferred.
7. A feasibility design at Royal Institute of British Architects (RIBA) stage 2 confirmed that the new building should be positioned on the Asylum Road elevation of the site with a supplementary entrance on Queens Road. The new address for this building would be 128-148 Asylum Road SE15. This provides the opportunity to develop a separate building of a mix of residential and commercial units on Queens Road as a separate scheme, to make efficient use of the whole site.
8. The designs for the proposed office building have been submitted to the planners for pre-application assessment and this has also been reviewed by the Design Review Panel. The scheme is currently at RIBA Stage 4 and has been submitted in November 2019 for a planning decision.
9. A professional design services team has been appointed by Wernick to design the scheme through the LHC Framework following a separate Gateway process. Wernicks are one of the UK's leading manufacturers of modular buildings with recent projects working for major clients. This design team is led by Allies & Morrison architects and is supported by a wider range of consultants to deliver the complete building.
10. The default position for procurement of all council capital projects is competitive tendering. Tendering frequently takes the form of single stage or two stage tendering to up to 5 contractors competing for a fixed price, balanced with a quality assessment. Two stage tendering provides a cost on a specification and design at RIBA Stage 3, with further tendering of sub-contractor packages to reach an agreed

fixed price. These tender packages are reviewed and evaluated to confirm that best value for money has been secured across all sub-contractor packages and that risk allocation has been priced and accepted. This provides for relatively early engagement of the contractor to ensure that the designed solution is cost effective and deliverable.

11. The analysis in this report considers whether tendering of packages with a single supplier on a full open book basis will produce the most advantageous outcome for the council, versus seeking a competitive lump sum tender. With either option, two stage tendering would be required given the complications of design and the necessity of contractor input of their system to match it to the design.
12. An elemental cost plan has been prepared by Wernicks, and that it is the council's view (following review by the council's cost consultant and based on RIBA Stage 3 design information) that the contract value will not exceed £14.7m (inclusive of contingency sums). In reaching this sum, Wernicks have undertaken substantial market engagement. Where possible Wernick have approached at least three supply chain partners for each package.

Summary of the business case/justification for the procurement

13. The council has identified that they have an office accommodation deficit and Cabinet on the 12 December 2017 confirmed that a new building on 133-137 Queens Road should be developed to provide modern staff accommodation and delivery of front line services. The buildings identified to be released as part of providing the new office building are sub-standard for staff and users accessing council services. The buildings on Sumner Road, Bournemouth Road, Curlew and Talfourd Place can all be released into the council (housing) new homes programme, to provide valuable council owned sites to develop new homes as well as affordable business space.
14. The proposed new office will provide a modern, low carbon and sustainable building. The existing buildings are high energy consuming and inefficient in their use of space and shared working. New working practices and co-location of services will mean that service users do not have to make separate journeys between each site to access the council services that they may need, the new office will have those entire front of house services in one location reducing the need for travelling, especially by private car.
15. The delivery of the proposed new office will maximise and enhance the utility, value and quality of council owned land and will deliver high quality office space and facilities for community groups and vulnerable service users. The new office space should also help with staff retention and recruitment and improve efficiency through cross department working by providing modern ways of working in a suitable environment.

Market considerations

16. The market for modular contractors is a niche market and the LHC Framework contains the major players in this market. The LHC Framework has assessed the contractors included in its framework to ensure their competence and that they are appropriate to use. The LHC tendered rates for providing modular buildings is also considered to be more competitive than the alternative Fusion 21 framework, providing better value for money to the council. Wernick have been appointed under

the LHC framework MB1, which covers modular construction for a design and build approach.

17. A comparison of the construction costs of building offices in London shows that the current construction cost for QR4 falls within the low to medium end of the range and under the average rate of £3,027 per m² (based on Gross Internal Area (GIA)) and QR4 cost is projected to be £2,797 per m² based on current design information.
18. A preliminary search for office premises available on the market has been undertaken to compare QR4 against market alternatives in terms of both price and suitability. There are currently no office buildings available of a similar size to QR4 outside SE1 area. Of those available in SE1 a majority tend to be parts of multi let office buildings with shared receptions which would be unsuitable for the services proposed to occupy QR4. Quoting rents range from £60-70 per square foot giving an annual rental on average of £2.6 million per annum, there are currently none available to purchase freehold. Applying an appropriate yield of say 5% to capitalise the rent payable equates to a comparable capital cost of £52 million. It can therefore be concluded that there are no alternative market options which are suitable or affordable.

KEY ISSUES FOR CONSIDERATION

Options for procurement route including procurement approach

19. The advice from the LHC is that a direct appointment is the preferred route taking into account the bespoke nature and scale of the design and the LHC recommended that we appoint a single provider under a 'turnkey solution' (ready for occupation on completion of the build works).
20. **Do nothing** – this is not possible due to the council's commitment to deliver this project and the need to provide suitable office space in the borough.
21. **Use an existing third party framework** – the frameworks relevant to this procurement are detailed below:
 - The LHC Framework – In 2017 the LHC set up a national modular building framework (MB1). The framework commenced on June 2017 and will run until April 2021. The framework consists of three workstream areas (Education, Healthcare, Permanent and Temporary buildings) there are seven contractors on the framework and these are split across the workstreams depending on their competence and capacity to deliver the types of buildings. The framework allows for direct awards as well as mini-competitions involving all of the companies. The council has signed an access agreement with the LHC and there is a 1% fee payable on the works via the appointed contractor applicable on this framework. The rate for providing a modular building on this framework is £1,072 per m².
 - Fusion 21 (Modular Buildings) – this is a social enterprise based in Knowsley and providing a range of frameworks directed at public bodies. The modular framework has 5 lots (Lot 1 – Hire of Temporary buildings, Lot 2 New buildings upto a value of £750k, Lot 3 New buildings with a value of £750k to £3m, Lot 4 New buildings with a value over £3m and Lot 5 Education and Health Buildings) If we were to use this framework then it would fall under Lot 4 and the only contractor on this lot is Wernick Buildings Limited. This would be

under a direct award under the framework rules. The council is a member of this framework but there is a 1% fee payable on the works via the appointed contractor applicable on this framework. The rate for providing a modular building on this framework is £1,152 per m², which is higher rate than the LHC framework.

22. **OJEU procurement using the restricted procedure** – this would mean the council would procure from the niche market of contractors and only a few modular contractors are of a size to be able to deliver this scheme. The contractors that we would be tendering to are also on the above frameworks. However, due to the length of time this process takes, this route would delay the commencement date for the works starting on site. There is also significant risk that a new modular contractor would have to repeat the earlier design stages in order for their modular system to work with our design.
23. Whilst full competitive tendering is the conventional route for the council, this specific design is best suited to contractor involvement from the earliest possible stage to design a building that is suited to off-site construction. The procurement is via a single supplier negotiated tender based on LHC framework rates with competitive tendering for the individual work packages.
24. The design comprises a steel frame, cross laminated timber (CLT) floors and off site formed office units which would be constructed in the Wernick factory in Wales. Mechanical and electrical (M&E) services run vertically and horizontally through the floor voids. Full tendering to another supplier would mean that tenderers would need to allow for the integration of the council's design to their system of modular construction. Contractors would need to allow for this within their lump sum tender as they will need to repeat all the work that Wernick's design team have undertaken with the council to RIBA Stage 3 resulting in likely cost increases.
25. Other procurement routes have been explored such as traditional construction approaches, but this would entail moving away from modular construction and entail significant redesign of the structure, foundations and M&E systems. The programme for delivery of a traditional construction contract would also take longer and involve greater site construction logistics on a restricted site with limited compound area. Benchmarking of this approach would also indicate that it would be more expensive.

Proposed procurement route

26. Taking the above into consideration, using the LHC framework will be the fastest and most cost efficient way for the procurement as it enables the council to tender directly to the modular contractor Wernick and use the council's amended version of the JCT 2016 design and build contract. As the direct appointment route under the LHC framework is being proposed, under the council's Contract Standing Order 5.1.3 then this must be treated as a single supplier negotiation.
27. It is intended to undertake any further design work necessary and procure extensive surveys, to mitigate design and construction risk prior to tender (up to RIBA Stage 4). This process will enable the modular contractor to develop robust construction strategies and market test their subcontractor packages in advance of submitting their contract sum analysis (CSA) thereby producing the best value for money for the council.

28. The council's cost consultant has developed a tender strategy for Wernick to use to help to ensure a robust tender approach and that best value is being achieved. This has been captured as part of the Negotiated Tender Requirements and it provides for a transparent tender process which includes any sub-contractor packages and their costs.
29. The council's cost consultant has already reviewed and set a target cost for the CSA. The tender strategy approach mentioned above will have elemental cost targets to meet which are based on current market rates. The LHC framework will also be supporting the council in reviewing the tender costs to ensure that they are within the framework matrix of costs for modular units.
30. Each returned sub-contractor tender submission will be vetted for compliance with the council's requirements and for competitiveness in relation to value for money. Where the supply chain partners have influenced the design they will be asked to provide alternative product options or costings to satisfy value for money. The final decision on the products proposed will be determined by the council. Collateral Warranties will be required from all designers, principal sub-contractors and those with any design responsibility in the normal way.
31. To assist with the construction programme Mechanical and Electrical supply chain partners will be required to undertake first fix installation within the modular factory. This will help to maintain quality in the M&E installation and should help to avoid delays on site.
32. Once fully assessed the works contracts will be awarded following approval of a Gateway 2 report as noted in paragraph 2.
33. Off-site construction using a modular system allows for much more certainty over traditional forms of construction as all of the design has to be completed before manufacture commences and this gives greater reliability over construction time and quality. The contractor would be involved in the design process from the very beginning to ensure that the development is buildable with their system. This also brings more confidence over the costs as this is largely controlled at the factory level.
34. The main benefits of using off site construction are:
 - Time – On average off site buildings are constructed 30-50% quicker than one using traditional methods saving time and money.
 - Weather – As the major parts of construction are undertaken in a factory, modular off site builds are relatively unaffected by weather conditions.
 - Health, safety and quality – Factory conditions for the modular off site construction mean that all areas of the build can be controlled. Quality can be assured as the module will be inspected and signed off before it leaves the factory.
 - Environmentally friendly – Off site modular builds are more energy-efficient, create less waste and increase the use of sustainable materials (such as CLT timber)
 - Community Impact – Traditional construction can be noisy, create traffic, dust, mess and disruption. With modular this is significantly reduced as the modules are already manufactured and the site presence is substantially reduced.

35. The lead cabinet member and the strategic director of housing and modernisation will take the decision to award the contract following CSO's and a separate Gateway 2 report. This will enable a quicker transition process from contract recommendation to award which is necessary for the council to meet its programme targets for completion of this scheme.

Identified risks for the procurement

36. The key risks for the main works are as follows:

Risk No.	Identified Risk	Likelihood	Risk Control
1.	Does not achieve competitive-ness and value for money.	Low	The Council is using the LHC framework that has already been tendered at an OJEU level and the LHC will be providing assistance to the council in assessing the CSA meets their matrix of cost targets for modular systems. The design will be at RIBA Stage 4 giving certainty over the design to be delivered. The cost consultant has developed a robust approach for Wernicks to adhere to when submitting their CSA and that each construction element has a cost target for Wernicks to meet and that each sub-contractor package has to have clear cost transparency. Wernick and the Council have been using the principles of value engineering to ensure the budget cost is contained. Wernick and the councils cost advisors have also been price testing at each design stage to keep track of any cost variations of work packages and adjust the works to meet the cost envelope. Wernick as part of the quality analysis will also issue a separate contract schedule on how they can deliver the quality standards on this scheme.
2.	Construction market inflation.	Medium	Cost manager and contractor to work together to mitigate and foresee construction market inflation risks. Council to ensure that they have an adequate project contingency going forward into the construction stage prior to commencing procurement.
3.	Contractor becomes insolvent or no longer has the capacity to deliver scheme	Low	Robust financial assessments will be undertaken including independent financial and credit checks of businesses prior to award.
4.	Mobilisation/ construction delayed due to unforeseen site issues	Low	Council to ensure that the internal and external resources are in place to deliver the project in a timely manner Site has been de-risked through extensive site investigations and entering in to Pre Contract Services Agreement (PCSA) to eliminate pre construction design and technical issues prior to start on site.

Risk No.	Identified Risk	Likelihood	Risk Control
5.	Procurement challenge	Low	The LHC framework to use Wernick's have been procured in line with the Public Contract Regulations 2015. The Wernick appointment under the LHC framework a direct appointment was recommended by the LHC due to the specific nature of the modular design system to be used and that another supplier would be unable to match this, without undertaking significant redesign work.

Key/Non Key decisions

37. This is a non key decision.

Policy implications

38. The delivery of this project aligns with the councils objectives as outlined in the council plan but specifically:

- Commitment – A place to call home
- Commitment – A Greener Borough
- Commitment – A healthier life
- Commitment – A safer community

Procurement Project Plan (Key Decisions)

Activity	Complete by:
Enter Gateway 1 decision on the Forward Plan	23/09/2019
DCRB Review Gateway 1	03/02/2020
CCRB Review Gateway 1	13/02/2020
Brief relevant cabinet member (over £100k)	14/02/2020
Notification of forthcoming decision - Cabinet	17/02/2020
Approval of Gateway 1: Procurement strategy report	24/03/2020
Completion of Contractor Proposals and Contract Sum Analysis	24/05/2020
Completion of any clarification meetings/presentations/evaluation interviews	24/05/2020
Completion of evaluation of contractors proposals	02/05/2020
Forward Plan (if Strategic Procurement) Gateway 2	13/03/2020
DCRB Review Gateway 2: key	June 2020
CCRB Review Gateway 2	June 2020
Notification of forthcoming decision –	June 2020
Approval of Gateway 2: Contract Award Report	June 2020

Activity	Complete by:
End of scrutiny Call-in period and notification of implementation of Gateway 2 decision	July 2020
Debrief Notice and Standstill Period (if applicable)	July 2020
Contract award	July 2020
Add to Contract Register	July 2020
Place award notice on Contracts Finder	July 2020
Contract start	July 2020
Initial contract completion date	September 2021

TUPE/Pensions implications

39. There are no TUPE implications for the council as an employer as there are no, nor will there be, council employees undertaking these works being procured through the LHC framework. This is a new contract for discrete work and there is not currently a contractor nor are there any council staff delivering the work which is being procured. TUPE should not apply on the expiry of the contract as the works will have been completed. However, the position will need to be reviewed in the event that during the course of the contract the council has to appoint a replacement contractor or brings the work in-house or if a contractor appoints a replacement sub-contractor during the course of any relevant sub-contracted works.

Development of the tender documentation

40. Due to the programme timescales and the associated benefits of engaging the modular contractor as early as possible in the design process, the project team have identified a design and build process as the most effective means of procurement and securing value for money. It is proposed to use a JCT 2016 Design Build contract, with council specific amendments.
41. A Pre Construction Services Agreement with Wernick is in place to develop the plans and designs for the building under separate approvals. The council and its professional advisors have compiled a detailed brief and set of employer requirements (ERs) for Wernicks to work to and respond to with their contractors proposals (CPs) as part of the tender.
42. As mentioned in paragraph 28 the councils cost advisors have prepared a tender strategy for Wernick to use for their tender return. This will give complete transparency on the tender process and value for money being achieved.
43. The design team have been appointed by Wernick and will complete the designs up to RIBA Stage 4 ensuring that the plans for the building are at an advanced stage to enable the contractor to realistically cost the works to ensure best value and give the council certainty over the final designs and to ensure a quality building is delivered.
44. Wernick have confirmed that the design team will be appointed into the works phases (RIBA Stage 5 onwards) to ensure the construction detailing is delivered.

Advertising the contract

45. The LHC framework has already been advertised and does not need to be re-advertised.

Evaluation

46. There are no specific evaluation requirements stipulated within the LHC framework and as this is a direct award to a single supplier the main criteria will be based on price. The council's cost consultant has agreed a target cost for this work. Wernick will respond to this as part of the tender with their CSA. The CSA will match the tender strategy put in place by the council for Wernick to conform to.
47. As well as submitting their CSA and agreement to a lump sum fixed price, as part of the criteria for the completion of the initial design stage Wernick will have to produce the following information to the councils satisfaction as part of their tender, this will be reviewed by regeneration Project Manager, consultant Project manager and the Principal Designer:
- Full design information, specification, surveys and reports (up to RIBA Stage 4).
 - Construction programme
 - Risk log
 - Quality statement
 - Planning permission and matrix of responsibilities to discharge the conditions
 - Building Regulations approval
 - CDM/Principal Contractor information
 - Agreement to the councils amended form of contract JCT 2016 Design & Build
48. Price (via the contractors CSA) shall be evaluated by the council's appointed cost consultants who will compile a tender report with recommendations based on cost of overheads, preliminaries, profits and the comparison to the target cost of the main works.
49. A separate value for money report will be compiled by the LHC and the councils cost consultant, on the current market value and how Wernicks cost compares to the framework rates agreed as part of the LHC framework.

Community impact statement

50. An Equality Impact Assessment (EQIA) was carried out for the former Day Care centre and its service users. The EQIA was undertaken in 2017 and service users were consulted over two periods from June to August 2017 and again between September to October 2017. The full reports are attached as a link under background papers.
51. The site was declared surplus and the former day care centre buildings were demolished in mid-2018. The planning application has been submitted in November 2019 and this has involved extensive engagement with residents/businesses, staff and service users to inform the design and use of the building. The planning application requires a number of reports to be carried out the main ones include: Daylight/Sunlight, Acoustic, Transport Assessment, Arboricultural and Flood Risk Assessment. These have to meet the planning criteria for the application to be

successful and take into account impacts on the local environment and local residents.

Social Value considerations

52. 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

53. 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 Wernick 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 Wernick 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, Wernick 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.
54. The LHC framework has already undertaken reviews of the contractors on this framework in respect of historic black listing activities. The council can exclude companies who break the law by blacklisting or have not put into place genuine actions concerning past black listing 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 personal 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.
55. The council will request the necessary information from Wernick (using the council’s standard documentation in relation to blacklisting.) The contract conditions will also include an express condition compliance with the blacklist regulations, and include a provision to allow the contract to be terminated for breach of these requirements.

Social considerations

56. The council has signed an access agreement to use the LHC framework but if the council becomes a full member of the LHC framework then it will receive a share of the profits as the LHC is a non-profit organisation.
57. For social value, this contract will commit Wernick to the appointment of an Apprenticeship for every £1 million value of the contract.

58. The contract will be let in compliance with section 149 of the Equality Act 2010 under which the council has a duty to have due regard in its decision making processes to the need to:
- a) Eliminate discrimination, harassment, victimisation or other prohibited conduct.
 - b) Advance equality of opportunity between persons who share a relevant protected characteristic and those who do not.
 - c) Foster good relations between those who share a relevant characteristic and those that do not share it.

Environmental/Sustainability considerations

59. The design of the new building will meet high levels of sustainability and is required to meet BREEAM Excellent.
60. The new building will also be designed to produce low levels of carbon in operation and exceed the new London Plan CO² levels. The new building will utilise battery technology to store and use 100% renewable electricity generated from the onsite PV's as well as managing the power required to supplement this from the national grid. The building will not be using fossil fuel boilers to generate heat and will be using air source heat pumps alongside a heat recovery system for the ventilation system. The building will be designed to use natural ventilation via openable windows all of which means the building will have a low CO² footprint in operation.
61. The modular construction allows for construction waste to be minimised and for efficient construction and recycling of materials. The main structure is using steel and cross laminated timber, Offsite manufacture also has high levels of quality control during construction, significantly reducing construction failures in areas such as cold bridging and insulation failures, which will help with the buildings energy conservation.
62. The main construction process is significantly reduced in comparison to a more traditional construction contract, as most of the construction occurs off site and the building is assembled on site. This will mean that any disruption to residents during construction will be significantly reduced.
63. There will be new tree planting around the building to replace those removed whilst the site was cleared. There will be green and brown roof coverings to the new building to encourage bats, and various insect species as well as assisting on controlling water run-off into the sewer system.
64. The building has been designed without any car parking facilities in order to discourage staff and service users from driving to the new building in personal cars. The council will actively be encouraging staff to use other means of transport to the office and will be providing electric vehicle pool cars to assist staff for in work journeys alongside cycling facilities, oyster pool cards for bus and train travel.

Plans for the monitoring and management of the contract

65. The regeneration project manager is supported by a professional consultancy team consisting of an employer's agent, quantity surveyor and principal designer.

Contract monitoring reports will be taken to DCRB and CCRB in line with contract standing order requirements.

Staffing/procurement implications

66. The project manager is responsible for the delivery of the overall programme, under the management of the Head of Regeneration - Capital Works and Development who will be responsible for ensuring that the programme is adequately resourced and coordinated to deliver its objectives and procured efficiently and effectively in accordance with best practice.

Financial implications

67. The report is recommending a procurement strategy, so at this stage there are no financial implications arising directly from the report's recommendations. The estimated cost of the construction is £14.7m.
68. The initial capital budget of £14.4m for the delivery of QR4 was approved by Cabinet in February 2018. Approval to increase this budget by £5.35m was secured from Cabinet in June 2019, revising the overall capital budget to £19.75m.

Legal implications

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

Consultation

70. The extended scope of work for Wernicks includes for the architects (Allies & Morrison using their 'Urban Practitioners') to lead on the public consultation alongside the councils communications team. A strategy for this engagement has been agreed by the Programme Board and follows the council's community engagement policy. A number of public meetings have been held to discuss the proposals before submission for planning approval. The strategy sets out required levels of public engagement for planning purposes but also expands on this to specifically engage with residents who have expressed concerns about the proposed development. This includes local businesses and the local school community. This process will continue if the scheme is granted planning approval and into the construction phase if the contract is awarded to Wernick.
71. Service user and staff consultation has been undertaken already and these groups will be consulted with further once the proposals are developed. Consultation with the local unions has also taken place and as above they will be consulted on the proposals as they are developed.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Finance and Governance (H&M 19/161)

72. The report seeks approval to undertake a single supplier negotiation and direct award under the LHC framework for construction of a new modular office building at Queens Road (known as QR4).
73. Whilst there are no specific financial implications arising directly from the recommendations at this stage, it is critical that the stated maximum contract value of £14.7m for the construction (which includes an inflation allowance and

contingency sum) is not exceeded, as this will severely impact on the overall revised project budget of £19.75m approved by Cabinet in June 2019.

74. The office accommodation strategy approved by Cabinet in December 2017 as referenced above, identified a number of buildings that were to be vacated as a result of this new facility and released for redevelopment or disposal as appropriate. However, given the planning constraints that have emerged since project inception, the size and scope of the building has had to be scaled back, which has necessitated the retention of 47B East Dulwich Road for the medium-term. This requires the extension of the current lease and some refurbishment works to the building to extend its operational life and will be funded from departmental and corporate facilities capital programme resources outside of the QR4 provision referred to above.

Head of Procurement

75. This report seeks approval of the procurement strategy for the construction of Queens Road 4 as outlined in paragraph 1.
76. As the value of the works is over the relevant EU threshold, the chosen procurement route will be to use the EU-compliant MB1 framework, under which, LHC permits direct awards. Value for money is gained through utilising the same contractor that was appointed as the design team, and who have already produced a design proposal that meets the council's requirements. An initial cost plan was provided by the contractor and reviewed by the council's cost consultant.
77. The contractor will be required to employ an apprentice for every £1m of contract spend and to pay LLW.
78. Procurement will continue to work closely with the Regeneration team on the development of the tender documentation.

Director of Law and Democracy

79. This report seeks the Cabinet's approval to the procurement strategy for the construction of Queens Road 4, as further detailed in recommendations.
80. The scope and value of the construction at an estimated value of £14.7m means that this procurement is subject to the full tendering requirements of the Public Contract Regulations 2015 (PCR15). However the LHC framework, through which it is intended to undertake single supplier negotiations for a direct award, was established following an EU compliant tendering process and therefore satisfies those PCR15 requirements. The LHC framework MB1 permits direct awards to be undertaken with justifiable reasoning, and in discussion with the LHC. As noted in paragraph 16, it is considered that a direct award to Wernick would be permitted due to the bespoke nature and scale of the project. This report only seeks approval to enter into negotiations with Wernick, and any direct award following completion of those discussions and evaluation of Wernick's proposals will be subject to approval through a separate gateway 2 report.
81. The Cabinet's attention is drawn to the Public Sector Equality duty (PSED General Duty) under the Equality Act 2010, which requires public bodies to have regard when making decisions, to the need to eliminate discrimination, advance equality of opportunity and foster good relations between persons who share a relevant protected characteristic and those who do not share it. The Cabinet is specifically

referred to the community impact statement at paragraphs 50-51, setting out the consideration that has been given to equalities issues, and to the consultation which has taken place (noted in paragraphs 70-71) which should be considered when approving the recommendations in this report.

Strategic Director of Housing and Modernisation

82. This new building is a key element in the council's strategy to deliver its services more efficiently and locate offices close to the delivery of front line services in Housing and Children's Services.
83. I have considered the balance of issues and options carefully and sought advice from the Director of Regeneration and his technical advisers. Wernick's work with the council has been of high standard to date and any alternative contractor would need to incur additional design costs to reach the same position. There are some disadvantages and risks with a single supplier option but we are of the opinion that these can be mitigated by an experienced technical and design team and do not outweigh the benefits of continuing to develop the detailed design of the building with Wernick.
84. Traditional building methods could deliver the building. However redesign would be needed as well as an additional build programme, which will be an issue with local residents and put the council at risk of construction inflation.
85. I have noted the overall cost of construction which at £2797 per m2 remains competitive alongside other new council buildings. It is also worth noting that all the sub contractor packages will be subject to open book competitive tendering. This will ensure that the council can evidence throughout that it is getting best value for money in the market and securing the benefits of off site construction.
86. I will be introducing updated governance arrangements to maintain detailed control and scrutiny of the delivery of this important council asset.

Strategic Director of Place & Wellbeing

87. The building design has been the subject of careful briefing and design with staff who will be using the accommodations with the emphasis on securing a comfortable, functional and secure building for users of the council's services. We believe that the environment of all council buildings is crucial to ensuring that residents can access the services knowing that their needs will be catered for, with support and confidentiality in an environment that is conducive to well being.
88. Delivery of this building will allow the council to release buildings that no longer serve their purpose to meet the demand of residents and young people using in Housing and Children's Adult Services.
89. It should be noted that the construction of the building will also be subject to the outcome of a submitted planning application which is presently being reviewed by the council's planning services before consideration by a Planning Committee.

BACKGROUND DOCUMENTS

Background Documents	Held At	Contact
Overview & Scrutiny Committee agendas and minutes 15 November 2017. Item 5: Call-in request	160 Tooley Street, London SE1 2QH	Paula Thornton 020 7525 4395
Link: http://moderngov.southwark.gov.uk/ieListDocuments.aspx?Cid=308&Mid=5794&Ver=4		

APPENDICES

No	Title
None	

AUDIT TRAIL

Cabinet Member	Councillor Kieron Williams, Housing Management and Modernisation	
Lead Officer	Michael Scorer, Strategic Director of Housing and Modernisation	
Report Author	John Ryan, Place & Wellbeing, Regeneration Capital Works	
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Key Decision?	No	
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
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		12 March 2020