

<b>Item No.</b>	<b>Classification:</b> Open	<b>Date:</b> 22 February 2021	<b>Decision Taker:</b> Strategic Director of Housing and Modernisation
<b>Report title:</b>		<b>Gateway 2 - Contract Award Approval:</b> Cator Street 2 Main works – stage 1	
<b>Ward(s) or groups affected:</b>		Peckham	
<b>From:</b>		Head of Regeneration – Capital Works and Development	

## RECOMMENDATION(S)

That the Strategic Director of Housing and Modernisation, in consultation with the Cabinet Member for Housing:

1. Formalises his prior approval of the revised procurement strategy for the enabling works package as set out in paragraph 12 of this report;
2. Approves the award of the pre-construction services agreement (PCSA), stage one of the design and build contract, for the construction of 50 extra care housing units, additional seven wheelchair units and a multi-purpose community space to **Engie Regeneration Limited** in the sum of **£724,500** for a period of 30 weeks commencing on 16 March 2021.
3. Approves the award of the enabling works package, to run concurrently with the PCSA, for the substation relocation to Engie Regeneration Limited for the sum of £370,500.
4. Notes the client contingency sums as set out in paragraph 89 of the closed report.

## BACKGROUND INFORMATION

5. Cator Street 2 is a second phase of development on this site. The first phase was for Tayo Situ House, comprising a new 42-unit extra care facility and was completed in early 2017.
6. The Cator Street 2 project is a proposed new build development on the site of the former learning resource centre. The initial Invitation to Tender (ITT) issued on 25 February 2020 was to provide 50 additional extra (or flexi) care homes on the upper floors and a new dementia day care centre and community & information hub on the ground floor, in accordance with the GW1 report approved by cabinet in March 2019. Due to the outbreak of Covid-19, and an adult social care review of service provision, the proposed use for the ground floor was amended in August 2020 so that the new proposals removed the new dementia day centre and community & information hub and replaced them with circa. 7 additional wheelchair units and a new community multi-purpose space.
7. The extra care homes at Cator Street 2 will link with Tayo Situ House to create a single service delivering a total of 92 extra care homes that will be more economical to manage for the adult social care service.

8. The site for this project is currently vacant, with the previous learning & resource centre having been declared surplus to requirements and demolished in 2017. All that remains of the building are some in ground foundations and a basement substation that is to be relocated.
9. A professional services team was appointed in October 2018 and detailed design work has been ongoing since then. Further detailed background information is available in both the Gateway 1 report and the Gateway 2 approval of contract for professional services (listed in background documents with links).
10. Under the Gateway 1 report for the procurement strategy approved by cabinet in March 2019, cabinet delegated approval of this GW2 report to the Strategic Director of Housing and Modernisation, in consultation with the Cabinet Member for Housing.
11. The GW1 report recommended that the substation relocation be procured separately from the main contractor. However, early in the tender process, as the designs progressed, it became clear that the electrical cabling running between the substation, Tayo Situ House and the new development were much more integrated than initially thought and it would not be possible to let a contract for the substation relocation alone.
12. A proposal to include these works as an enabling works package to the main contract was proposed to the project board. The board discussed the proposal to now include the substation relocation and confirmed this as an enabling works package. An addendum confirming the relocation of the substation was issued to all tenderers and set out in more detail in paragraphs 24 and 25 of this report.

### Procurement project plan (Key Decision)

Activity	Completed by/Complete by:
Forward Plan for Gateway 2 decision	01/12/2020
Briefed relevant cabinet member (over £100k)	18/01/2021
Approval of Gateway 1: Procurement Strategy Report	12/03/2019
Invitation to tender	25/02/2020
Closing date for return of tenders	01/06/2020
Completion of evaluation of tenders	05/08/2020
DCRB Review Gateway 2:	25/01/2021
CCRB Review Gateway 2:	11/02/2021
Notification of forthcoming decision – Five clear working days	19/02/2021
Approval of Gateway 2: Contract Award Report	01/03/2021
Scrutiny Call-in period and notification of implementation of Gateway 2 decision	09/03/2021
Debrief Notice and Standstill Period	16/03/2021
Contract award	16/03/2021

Activity	Completed by/Complete by:
Add to Contract Register	16/03/2021
Contract start	16/03/2021
Publication of award notice on Contracts Finder	16/03/2021
PCSA & Enabling Works contract completion date	23/07/2021
Closing date for main contract return	23/07/2021
Completion of evaluation of return	13/08/2021
DCRB Review of Gateway 2 for main works contract (stage 2)	06/09/2021
CCRB Review of Gateway 2 for main works contract (stage 2)	16/09/2021
Notification of forthcoming decision – five clear working days	17/09/2021
Approval of Gateway 2: Contract Award Report	27/09/2021
Scrutiny Call-in period and notification of implementation of Gateway 2 decision	05/10/2021
Debrief Notice and Standstill Period	12/10/2021
Contract award	12/10/2021
Publication of award notice on Contracts Finder	12/10/2021
Contract completion date	28/04/2023

## KEY ISSUES FOR CONSIDERATION

### Description of procurement outcomes

13. This report seeks to award the PCSA which is the first stage of a two stage tender process. The first stage involves the award of a PCSA contract, which will allow the contractor to finalise and confirm the costs for the main works and progress towards starting works on site. Including undertaking ground and site surveys, finalising the design and discharging any planning conditions. When undertaking a two stage procurement, there is an expectation that the tenderer awarded the PCSA contract will progress to be awarded the main works contract, however it is not mandatory to do so, and this would be subject to a final assessment of the contract sum, and value for money being obtained. Confirmation of this will be detailed in a separate Gateway 2 report to be submitted for formal approval in September 2021.
14. This report also seeks to award the enabling works contract for the relocation of a substation for the development to Engie Regeneration Ltd.
15. The appointment is to be made under the Notting Hill Genesis Framework and will deliver the following in an accessible environment with appropriate landscaping and public realm improvements:
  - **Extra Care Residential Accommodation** – as mentioned in paragraph 6 of this report, the additional 50 extra care units will link in with the existing 42 units at Tayo Situ House, this will allow for efficiencies in service

delivery. The proposed extra care housing development will be of benefit to this vulnerable group within the local community

- **Additional Wheelchair Units** – for general purpose council housing, circa seven ground floor stand-alone two bed wheelchair homes
- **Multi-Purpose Space** – a revised offer for a flexible community space for service providers, on site residents and the wider community.
- **Relocation of existing Substation** – in order to unlock the site, the substation that was located in the former basement of the learning and resource centre is to be relocated above ground and to the perimeter of the site, clearing the way for the new development. Further details are set out in paragraphs 24 and 25 of this report.

16. This appointment will cover the finalisation of the design stages, details etc. and a new planning permission as well as the preparatory works required for the main works to be fully priced.
17. Further design work is required in order to re-configure the ground floor space from an intended specialist day care centre to a multi-purpose flexible space and wheelchair homes. The tender proposals received include preparing detailed designs for the ground floor and securing planning approval for the revised development.

### **Key/Non Key decisions**

18. This report deals with a key decision

### **Covid-19 Implications for the Adult Social Care service**

19. The impact of Covid-19 on the Adult Social Care service has been immense and has resulted in a change in the way services will be delivered going forward. As a result, the Adult Social Care team are undertaking a review of service provision across the department and have confirmed that a specialist day care centre and community and information hub are no longer fit for the purposes of the service. Instead, a multi-purpose and flexible space would be better suited to provide a wider range of services to clients and the wider community.

### **Policy implications**

20. The recommendations in this report will facilitate;
  - a. The provision of 57 new council homes against the target of 11,000 homes by 2043, as set out in the Fairer Future promise for quality affordable homes; and
  - b. The council's aim of enabling vulnerable residents to remain in their homes and to lead and enjoy independent lives for longer, as set out in the Fairer Future 'healthy active lives' proposals.

### **Tender process**

21. In line with the March 2019 Gateway 1 report, a high level assessment of relevant expertise was undertaken on the 23 contractors listed on the Notting Hill Genesis Framework. This provided a list of eight contractors who were approached for soft market testing to understand their capacity and interest in a project of this nature.

22. Initial meetings were then held with five of the eight contractors that were shortlisted following the soft market testing, to provide more information on the timetable and to assess whether the timing of the contract would be of interest. To this end, four contractors confirmed interest and an ITT was issued on 25 February 2020 via the council's portal system, Pro-Contract3, to the contractors listed in the closed report:
23. Unfortunately, despite the soft market testing, two days after issuing, the council received confirmation from one of the suppliers that they were no longer able to commit the resources to the tender and they withdrew. The council then approached the sixth contractor (as the fifth also declined) and they were invited to tender. As one tenderer was invited a week later and subsequently the UK went into lockdown due to Covid-19, a request was made by more than one tenderer for a three week extension to the original return date. Under the circumstances, the council considered this reasonable and the extension was granted, providing a revised return date of 1 June 2020.
24. As mentioned in paragraphs 11 and 12 of this report, the initial ITT circulated on 25 February 2020 was for the PCSA and main works contract. As stated in the GW1 report, the relocation of the substation was to be tendered as a separate procurement to allow the works to be completed ahead of the main works. Early in to the tender process, the design team provided further information regarding the relocation of the substation and it became apparent that whilst the substation building could be delivered, the electrical cabling required was integral to the main structure and could not be completed without input from the main contractor. This meant the proposal to procure the relocation separately would not be ideal unless the same contractor was appointed – which is not guaranteed in a procurement exercise.
25. An option to include the relocation of the substation within this procurement was presented to the project board and it was confirmed it should be included within the ITT as an enabling works package. To this end, all tenderers were notified of the council's intent to include the relocation on 12 March 2020, with detailed information on the proposals circulated to all tenderers on 16 March 2020 as an addendum.
26. Further addendum information on various elements of the project was provided by the council during the course of the tender period to keep the tenderers up to date on various design developments.
27. Requests for information received from all contractors throughout the tender period were responded to in a timely manner and circulated to all tenderers via the council's eProcurement portal.
28. A mid tender meeting was offered, together with a design workshop, to all tenderers, in order to clarify any queries regarding the tender proposals. The meetings were accepted by all of the contractors, but the design workshops were only accepted by three of the contractors. The workshop was declined by one tenderer, as they were comfortable with the design proposals and confirmed they did not require any additional information. The meetings were held on 31 March 2020 and the design workshops were held on 6 May 2020 and all responses to queries raised were noted and circulated to all tenderers following the meetings and workshops.

29. The initial tender period expired on 1 June (including the three week extension) and the responses from the contractors were as set out in the closed report.
30. Tenders were received from four contractors and it was confirmed all four responded with compliant tenders within the deadline. As mentioned, one tenderer withdrew at an early stage.
31. Following an early review of the tender returns, it was confirmed there were clarifications needed and a set of clarification queries were issued to all tenderers.
32. On receipt of tenderers' responses to the clarification queries, two tenderers' submissions were not substantially changed, however further clarifications were required from the two other tenderers. Post tender clarification meetings were then held where their submissions were further interrogated and subsequently confirmed as set out in the tender evaluation report attached as Appendix 1 to the closed report and set out in this report in paragraphs 44 to 50.
33. In August 2020 adult social care instructed a change to the ground floor of the development. It was confirmed that due to a review of service provision, in light of the Covid-19 pandemic, adult social care no longer required a specialist dementia day care centre and community & information hub. A multi-purpose community space would be preferred by the service. As this would not fill the entire ground floor, housing colleagues advised that additional wheelchair accommodation would also be beneficial.
34. As a result, the project team undertook a test fit exercise to amend the ground floor layout to understand whether additional housing would be achievable within the existing structure. The test fit exercise demonstrated it would be possible to include circa seven additional 2-bed stand-alone wheelchair homes, for general purpose council housing, and a multi-purpose community space.
35. These proposals were presented to the project board in September 2020 and approval to proceed on this basis was granted.
36. As the proposals for the 50 extra (flexi) care units remained unchanged and designed to RIBA stage 4, which forms approximately 75% of the development, external legal advice was sought from Sharpe Pritchard as to the best way forward on this procurement. The advice provided took the form of two options:
  - **Cautious option** – confirm no award of contract to all tenderers and undertake a new procurement process.
  - **Addendum** – Issue the ground floor only as an addendum to all tenderers, ensuring the exercise is to be undertaken as an 'add' and 'omit' exercise for pricing.
37. In discussions with procurement colleagues it was agreed that in light of the robust 13 week procurement process already completed, at significant expense to tenderers, the best option for both the council, so as not to lose the time and money already invested in this project, and the tenderers was to ensure all tenderers were made aware of the change and all were asked to submit a response to an addendum.

38. The addendum instructions clearly set out that pricing of the addendum would take the form of an 'add and omit' exercise, with tenderers to take the confirmed tender price submitted in July 2020 as their starting point, as stated in the table included in the closed report.
39. As significant design work is now required for the ground floor, together with the requirement for the contractor to secure planning approval, there were additional quality questions for tenderers to respond to. Further external legal advice was sought from Sharpe Pritchard on the best way to reflect the additional quality questions, and resulting scores, and the advice provided was to confirm to all tenderers that their initial quality score was to be re-profiled. The original quality marks now represent 25% of the total 30% allocated for quality. The additional quality questions included in the addendum would then form the balance of 5% for the total 30% quality mark.
40. This revised procurement approach was confirmed by the council's procurement team and the project board and the revised scope for the ground floor was communicated to all tenderers on 12 October 2020 and all addendum details were issued on 22 October 2020.
41. Proposals were requested back on 4 December 2020 with responses received as set out in the closed report.
42. Addendum responses were received from three of the tenderers and all were compliant. Ardmore were asked why no response was submitted to the addendum, but the council did not receive a response.
43. As with the initial tender, clarification of certain elements was required and clarification queries were circulated to all tenderers and responses have been received from all three tenderers. A full list of the clarifications is enclosed as appendix E of the tender report with the full evaluation of the addendum responses set out in sections 6-8 of the tender report attached as appendix 1 of the closed report.

### **Tender evaluation**

44. The evaluation of both the initial ITT and the subsequent addendum followed the methodology set out in the ITT, with a 70% price and 30% quality split. This split differed from the original proposal in the Gateway 1 report, which stated 60:40 for the price: quality ratio. The ratio was revised prior to issuing the ITT due to the designs, at that point, being advanced to early RIBA stage 4. As the employer's requirements were able to be specified as part of the tender, it was agreed the quality of the project was sufficiently covered and project board confirmed the council should look to maximise value for money. This revised procurement strategy was also confirmed by the Cabinet Member for Housing.
45. The Notting Hill Framework does not explicitly set a social value element, therefore the council's evaluation of social value was included as part of the quality questions and comprised 4% of the total 30% awarded for quality.
46. The tender and addendum returns were reviewed by the consultants Faithful and Gould (F+G) and Regeneration Capital Works Project Manager and Programme Manager. The evaluation of the tenders commenced on receipt of the compliant

tenders and a full tender evaluation report is attached at Appendix 1. A summary of the evaluation follows.

## Price

47. Price was evaluated against the criteria stated in the tender documentation. 70% overall was allocated to the price element, this was broken down to 65% for the overall tender sum and 5% was allocated for the provisional sum. The lowest price for each element scored full marks and each other tenderer was scored proportionally against that sum.
48. The council's cost consultant provided a pre tender estimate for the works and further details are set out in the closed report.
49. The table included in the closed report sets out the original costs submitted by the tenderers.
50. These agreed tender sums were then used as the starting point for the 'add and omit' exercise undertaken as part of the ground floor addendum.
51. Following all clarifications, the revised total tender costs were confirmed as set out in the table included in the closed report:
52. With both the lowest tender sum and provisional sum, Engie were awarded maximum points for the price element. This was consistent for both the original tender and the addendum returns, as set out in the table included in the closed report.

## Quality

53. Quality was evaluated on written returns to questions that initially covered six subjects, amended to eight with the issuing of the tender addendum These can be summarised as:

Criterion	Quality – 30%	Weighting
1	Proposed Project Team and Experience	6%
2	Cost Control and Proposed Design Team	5%
3	Project Methodology, Risk and Commissioning	7%
4	Logistics, Disruption and Access	4%
5	Programme and Design Deliverables	4%
6	Economic and Social Value	4%
<i>Total</i>		<i>30%</i>
<b>Revised value of original quality scores</b>		<b>25%</b>
7	Design Team and Experience	2%
8	Methodology to Obtaining Planning Permission	3%
<b>Final Total</b>		<b>30%</b>

54. All of the returns were of high quality and this was reflected in the scores allocated and the tight range of the overall quality scores. Further details are in the closed version of this report.
55. The scores were then combined for each of the tenderers to provide an overall total and ranking. These are set out in the closed report:



56. The main difference between the tenderers was cost. With the majority of the marks allocated to the price score, this has meant Engie are clearly ahead of the next tenderer, as set out in the closed report.
57. The recommendation for this report is to award the contract only for the PCSA and enabling works contracts as set out in paragraphs 1 to 3. A separate Gateway 2 report will follow to confirm any award of contract for stage 2. The enabling works contract will be subsumed into the main works contract.

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

58. Not Applicable.

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

59. The scheme will be monitored by officers in the Regeneration – Capital Works & Development Team acting as clients for the duration of the works whilst the council’s consultant (F+G) will provide a single point of delivery of project management design oversight and cost control.
60. During the PCSA period the contractor will be subject to scrutiny and monthly formal review, including cost, programme and quality.
61. The council’s project officer 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 progress reports by:
    - a. The council’s consultant Project Manager
    - b. PCSA contractor
  - Risk and issues log
  - Regular reports to the Cator Street 2 Project Board
62. Overall project progress will be reported to and monitored by the Housing and Modernisation Capital Programmes.
63. Annual performance reviews will also be prepared in line with the council’s contract standing orders (CSOs).

**Identified risks for the new contract**

No.	Risk	Risk Level	Mitigating Action
1	Additional costs in relation to re-design of ground floor	Med	Ensuring the use of the ground floor area is clearly set out, and agreed by the project board, and communicated to the design team will reduce the need for any further changes to the proposed designs.
2	Contractor has inadequate resources and management arrangements to deliver the project	Low	The council checked at the procurement stage and prior to appointment have established that the contractor plans to allocate adequate resources and is willing to

			<p>supplement additional resources to the project, if required.</p> <p>Through the tender period the contractor confirmed adequate management arrangements in place to deliver the project.</p>
3	Preconstruction delays by the contractor.	Low	<p>Clear information on key milestones was provided to the contractor in the selection process. Project team will monitor and control the delivery process.</p>
4	Fees exceed budget	Low	<p>An appropriate client contingency is to be set aside to cover any unforeseen issues.</p>
5	Delay in obtaining/failure to obtain utility consents, where it applies, e.g. PowerOn, UKPN, SGN	Low	<p>References were made in the appointment documents to the need for early discussions with all utilities and initial agreements have been made between the council and PowerOn in order to secure the relocation of the substation</p>
6	Insolvency of contractor	Low	<p>An up-to-date financial check has been obtained from Mint, which indicates that Engie financial standing is secure.</p>
7	Interruptions to work programme due to Covid-19	Med	<p>Whilst the risk of local lockdowns remains in place, the contractor has confirmed at tender stage that all works are to be completed in line with the government guidance on social distancing and that appropriate PPE is to be worn at all times. The project team will monitor this and any amendments to working practices that impact on the programme or cost will need to be agreed under the change control process</p>
8.	Interruptions to work programme due to Brexit supply chain delays	Med	<p>The main works for this project are not scheduled to commence until Nov 2021. By that stage, it will be clearer to both the contractor and the council what the impact of any supply chain delays is likely to be. This will be an ongoing risk that will be monitored throughout the contract.</p>

## **Community impact statement**

64. The proposal to increase the supply of affordable, good quality homes will benefit those requiring extra care accommodation from all Southwark's communities, and will increase the housing options available for older people and people with disabilities living in Southwark.
65. There will be a small impact on the disabled and frail elderly community due to the change from a dedicated dementia day care centre to a more flexible community space however, the adult social care team continue to manage the need for specialised care and having access to a multi-purpose community space will allow for a wider ranges of services to be provided; from within the council and from external providers, such as Age UK.
66. Extensive consultation has been carried out with different stakeholders and comments regarding any inconvenience caused by the previous construction of Tayo Situ House have been noted and passed to the contractor to implement
67. Those living in the vicinity of the new developments may experience some inconvenience and disruption while works are taking place, but the community as a whole will benefit in the longer term from the new homes. In local areas, the effects will be eased, in part by working closely with residents on the delivery process, and also through the specific planning requirements to mitigate any potential adverse effects of development in that local area.

## **Social Value considerations**

68. 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**

69. Consultancy personnel and, once occupied, staff, residents and visitors using the new buildings are likely to bring economic benefit to local traders through increased trade.
70. The engagement of local subcontractors and apprentices is included in the contract documentation in line with the council's apprenticeship requirement.

## **Social considerations**

71. The project will provide new high quality extra care and independent wheelchair housing for people in need of suitable accommodation from the council's housing register.
72. The council is an officially accredited London Living Wage (LLW) Employer and is committed to ensuring that, where appropriate, consultants and contractors engaged by the council to provide works or services within Southwark pay their staff at a minimum rate equivalent to the LLW rate. Payment of the LLW is a council requirement. This will provide best value for the council. Anticipated

benefits include a more incentivised workforce and improved staff retention. Engie Regeneration Limited pays the LLW to its staff. Quality improvements and any cost implications will be monitored as part of the contract review process.

73. 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 actions concerning past blacklisting activities.
74. 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:
  - (a) "Owned Up": clarified the facts and circumstances in a comprehensive manner by actively collaborating with the investigating authorities;
  - (b) "Cleaned Up": taken concrete technical, organisational and personnel measures that are appropriate to prevent further criminal offences or misconduct, and
  - (c) "Paid Up": paid or undertaken to pay compensation in respect of any damage caused.
75. The council included a request for the necessary information from tenderers (using the council's standard documentation in relation to blacklisting). The council's contract conditions include an express condition requiring compliance with the blacklisting regulations and include a provision to allow the contract to be terminated for breach of these requirements

### **Environmental/Sustainability considerations**

76. The Code for Sustainable Homes, although no longer a formal requirement, together with BREEAM (Building Research Establishment Environmental Assessment Method) will be used as a guide to cover the construction process and will set targets for minimising the adverse environmental impact of carrying out the works for the project.
77. The employer's requirements prescribes materials and components to be specified for the works. In terms of excluded construction materials, good practice is to be adopted:
  - Asbestos products: not to be specified
  - Brick slips: only to be used where cast onto pre-cast elements as risk of failure is unacceptably high
  - Man-made mineral fibre (MMMMF): the material to be encapsulated in all applications
  - No insulation materials in which hydro fluorocarbons (HFCs) are used in their manufacture or application
  - No hardwood unless from FSC or equivalent sources.
78. A low energy, efficient and cost effective building engineering services design that keeps running costs to a minimum, has been an essential component of the project. Key considerations included:
  - Whole life-cycle costs;

- Sustainable sourcing, including locally produced materials and, where possible, timber from renewable resources.
  - Incorporation of environmentally benign heating and lighting provision;
  - Provision of facilities and equipment to encourage the re-use and recycling of materials including, where practicable, water recycling;
79. Ensuring the project achieves a standard equivalent to the former Code for Sustainable Homes Level 4 criteria and BREEAM 'excellent'. The Code for Sustainable Homes requirements covers the construction process as well as design and specification and set targets for minimising the adverse environmental impact of carrying out the works for the project.

### **Market considerations**

80. Originally part of the Keepmoat group, Engie Regeneration was sold to Engie, the French multi-national power company, in 2017 for approx. £330m. Globally they have a turnover of approx. £650m with over 2000 employees.
81. Since the sale to Engie the business has been subject to some restructuring which has impacted their published financial results, although the underlying metrics of the business show them to be a viable and stable business. Additionally Engie have made further significant investments to create a business that will deliver their long term ambitions to remain a key player in the regeneration market in the UK.
82. Engie Regeneration has an extensive customer base across the UK with many Local Authorities and housing associations. They are keen to maintain and grow this relationship with these organisations.
83. An updated Mint report was requested in January 2021 to ensure financial stability, the scores are acceptable however, it should be noted these do not reflect the latest company house figures for the 2019/20 financial year, for which the audit was signed off on 23 December 2020. While highlighting the market uncertainties arising from the COVID 19 pandemic, no material concerns were identified in the statement of accounts or Auditor's report that would likely adversely impact on the award of this contract.

### **Staffing implications**

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

### **Financial implications**

86. This report recommends awarding a PCSA and enabling works package as stated in paragraphs 1 to 3. The values for these are £724,500 and £370,500 plus the contingency amounts set out in the closed report.
87. The proposed client contingency sums are included for the reasons set out in the closed report.
88. The total approved budget for this project is set out in the closed report.

89. The PCSA and enabling works packages, together with the client contingency amounts, are able to be fully funded from the approved capital budget for this project. Whilst not evaluated separately, the final breakdown of the PCSA and enabling works price submissions are set out in the closed report.
90. The latest projection for spend across the life of this project is also set out in the closed report.
91. A full cash flow will be provided and monitored once the contractor has been appointed.

### **Investment implications**

92. Scheme proposals for the extra care residential component have been subject to investment checks using the Council's internal viability appraisal model and returned a favourable outcome for the cost per unit. By including the additional seven wheelchair homes into the costs, as well as the multi-purpose community space, the revised cost per unit is as set out in the closed report.
93. The design for the extra care units and communal space seeks to minimise running costs and provide a more economical facility than its predecessor establishments.
94. Both the extra care and wheelchair homes will generate a rental income for the council as well as provide outstanding accommodation for residents. An excellent facility for visitors to the multi-purpose community space is also to be provided.

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

95. To be completed following stage 1 appointment.

### **Legal implications**

96. Please see comments from the Director of Law and Governance below.

### **Consultation**

97. The council is committed to keeping the community informed of the works as they progress and will arrange for public presentations to be held in order for the community to 'meet the contractor' and understand the proposals and the likely impact.
98. Engie have a dedicated resident liaison officer and they will be in regular contact with the local Tenants and Residents Association (T&RA) as well as the wider community in the area.
99. Further community and member consultation will be undertaken as part of the re-design of the ground floor. Once appointed, the council and Engie will work together to prepare a schedule for community engagement which will include information leaflet drops, virtual meetings and consultation events at appropriate stages of design to ensure everyone is aware of the proposed amendments to the ground floor. Statutory consultation will also take place once the proposals are submitted for planning.

100. In line with the approval authority delegated by cabinet in the GW1, this report was presented to the Cabinet Member for Housing on 18 January 2021 and to the Adult Social Care Capital board on Wed 20 January 2021 where this report was cleared for further circulation.

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

101. None.

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

#### **Strategic Director of Finance and Governance (H&M 20/147)**

102. This report seeks approval from the Strategic Director of Housing and Modernisation, in consultation with the Cabinet Member for Housing to award the pre-construction services agreement (PCSA), stage one of the design and build contract for the Cator Street 2 project to Engie Regeneration Limited for the sum of £724,500. The report also seeks approval from the same individuals to the award of the enabling works package for the substation relocation to Engie Regeneration Limited for the sum of £370,500 as well as contingency sums for both contracts as set out in paragraph 89 of the closed report.
103. This project, once delivered, is expected to provide 50 additional extra care homes, seven additional wheelchair units and a new community multi-purpose space and will be financed from resources supporting the council's Housing Investment Programme. There is an estimated resource shortfall for the Housing Investment Programme over the life of the programme. There is also likely to be further demand on the capital programme as a consequence of local or national demands for resources following the tragic Grenfell fire and the programme may be disrupted by the ongoing COVID 19 pandemic. It is, therefore, important that the cost of these works is carefully monitored and that accurate forecasting is in place.
104. Any variation or extension of the contract beyond the scope of this report will require further approval in line with the council's procurement protocols.

#### **Head of Procurement**

105. This report formalises the prior approval of the Strategic Director of Housing and Modernisation, in consultation with the Cabinet Member for Housing for the revised procurement strategy for the enabling works package as set out in paragraph 12 of this report. It also seeks the approval of the Strategic Director of Housing and Modernisation, in consultation with the Cabinet Member for Housing to award the pre-construction services agreement (PCSA) to Engie Renegeration Limited. This is for stage one of the design and build contract for the construction of 50 extra care housing units, additional seven wheelchair units and a multi-purpose community space for the Cator Street 2 at a cost of **£724,500** for a period of 30 weeks commencing on 16 March 2021.
106. The report seeks the approval of the Strategic Director of Housing and Modernisation, in consultation with the Cabinet Member for Housing, for the award of the enabling works package, to run concurrently with the PCSA, for the substation relocation to Engie Regeneration Limited for the sum of £370,500.

107. The report sets out the procurement process that has been undertaken and details the social value in paragraphs 68-79, with London Living Wage confirmed it is paid in paragraph 72.
108. The plans for the management and monitoring of the contract are set out in paragraphs 59-63.

#### **Director of Law and Governance**

109. This report seeks the approval of the Strategic Director of Housing and Modernisation, in consultation with the Cabinet Member for Housing to the award of a Preconstruction Services Contract (PCSA) for the Cator Street 2 project to Engie Regeneration Limited as set out in paragraph 2 of this report.
110. This report also seeks the approval of the Strategic Director of Housing and Modernisation, in consultation with the Cabinet Member for Housing to the award of the enabling works package to Engie Regeneration Limited, to run concurrently with the PCSA as outlined in paragraph 3 of this report. In addition, this report seeks approval to formalise the prior approval of the Strategic Director of Housing and Modernisation, in consultation with the Cabinet Member for Housing for the revised procurement strategy for the enabling works package as outlined in paragraph 12 of this report.
111. On the basis of the information contained in this report it is confirmed that this procurement was carried out in accordance with Contract Standing Orders and the relevant legal requirements
112. The council's Contract Standing Order (CSO) 5.1.4 provides that any procurement involving the use of a third party's Framework contract is subject to usual Gateway 2 procedures and this report seeks the appropriate approval following a mini competition exercise under the Notting hill Genesis Framework.
113. Paragraphs 21 to 43 of this report sets out the tender process and paragraphs 44 to 57 sets out the evaluation process which includes the quality and price evaluation.
114. As part of the contract award process, the council will undertake a voluntary standstill period of a minimum of 10 calendar days between notification of the successful tenderer that they have won the contract and the award of the contract to that tenderer, so as to allow unsuccessful tenderers the opportunity to challenge (if they decide to) the award of the contract.
115. CSO 2.3 provides that a contract may only be awarded if the expenditure has been included in approved revenue or capital estimates or has been otherwise approved by, or on behalf of the Council. Paragraph 89 of this report confirms the PCSA and the enabling works, together with the client contingency are to be fully funded from the approved capital budget for this project.

#### **PART A – TO BE COMPLETED FOR ALL DELEGATED DECISIONS**

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 (and as otherwise recorded in Part B below).





4 March 2021

Signature .....

Date .....

**Michael Scorer, Strategic Director of Housing and Modernisation**

**PART B – TO BE COMPLETED BY THE DECISION TAKER FOR:**

- 1) All key decisions taken by officers
- 2) Any non-key decisions that are sufficiently important and/or sensitive that a reasonable member of the public would reasonably expect it to be publicly available (see 'FOR DELEGATED DECISIONS' section of the guidance).

<b>1. DECISION(S)</b>
As set out in the recommendations of the report.

<b>2. REASONS FOR DECISION</b>
As set out in the report.

<b>3. ALTERNATIVE OPTIONS CONSIDERED AND REJECTED BY THE OFFICER WHEN MAKING THE DECISION</b>
Not applicable.

<b>4. ANY CONFLICT OF INTEREST DECLARED BY ANY CABINET MEMBER WHO IS CONSULTED BY THE OFFICER WHICH RELATES TO THIS DECISION</b>

<b>5. NOTE OF ANY DISPENSATION GRANTED BY THE MONITORING OFFICER, IN RESPECT OF ANY DECLARED CONFLICT OF INTEREST</b>
<i>If a decision taker or cabinet member is unsure as to whether there is a conflict of interest they should contact the legal governance team for advice.</i>

<b>6. DECLARATION ON CONFLICTS OF INTERESTS</b>
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**I declare that I was informed of no conflicts of interests.\***

or

**~~I declare that I was informed of the conflicts of interests set out in Part B4.\*~~**

(\* - Please delete as appropriate)

## BACKGROUND DOCUMENTS

Background documents	Held At	Contact
Gateway 1 - Procurement Strategy Approval Main Contractor Procurement: Cator Street 2	www.southwark.gov.uk	Laura Wannop 0207 525 5352
Link: Item No. 14 at: <a href="http://moderngov.southwark.gov.uk/ieListDocuments.aspx?CId=302&amp;MId=6088&amp;Ver=4">http://moderngov.southwark.gov.uk/ieListDocuments.aspx?CId=302&amp;MId=6088&amp;Ver=4</a>		
Gateway 2: Contract Award for Cator Street 2 - Professional services only	Place & Wellbeing	Laura Wannop 0207 525 5352
Link: <a href="http://moderngov.southwark.gov.uk/mglIssueHistoryHome.aspx?IId=50018433&amp;Opt=0">http://moderngov.southwark.gov.uk/mglIssueHistoryHome.aspx?IId=50018433&amp;Opt=0</a>		

## APPENDICES

No	Title
Appendix 1	As set out in the closed report

## AUDIT TRAIL

<b>Lead Officer</b>	Bruce Glockling, Head of Regeneration – Capital Works and Development	
<b>Report Author</b>	Laura Wannop, Project Manager	
<b>Version</b>	Final	
<b>Dated</b>	22 Feb 2021	
<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 Governance	Yes	Yes
<b>Cabinet Member</b>	N/A	N/A
<b>Date final report sent to Constitutional team</b>		4 March 2021