

	Date	Ward
<b>Decision report of the Corporate Director of Housing and Adult Social Services</b>	29 <sup>th</sup> September 2017	Clerkenwell

**THE APPENDIX TO THIS REPORT IS NOT FOR PUBLICATION**

**SUBJECT: AWARD FOR CONSTRUCTION OF A COMMUNITY CENTRE, A COMMERCIAL UNIT AND 25 HOMES AT CHARLES SIMMONS HOUSE, LONDON. WC1X 0HP.**

**1.0 Synopsis**

- 1.1 This report seeks approval for the award of a pre-construction services contract in respect of enabling/early works for £698,932.46 (exc. VAT). These early works will de-risk the Main Contract to construct the new development consisting of 25 residential homes, a community centre and a commercial unit replacing the existing building and garages.
- 1.2 Due to the complexity of the project which includes building over existing railway tunnels it was not possible to utilise Islington’s new build framework. The project was tendered as a traditional contract to allow more specialist contractors to tender for the project. The council intends to appoint the Main Contract upon completion of the pre-construction services.
- 1.3 The Main Contract award would be subject to Network Rail and London Underground approval to build over their existing railway tunnels. The Council may not award the Main Contract if in its opinion the award does not offer value for money. The cost for main contract value is £7,967,218
- 1.4 The submitted tender for the pre-construction and construction works has been assessed as fair and reasonable by our appointed QS Consultants Baily Garner.

**2.0 Recommendation**

- 2.1 It is recommended that the pre-construction services contract be awarded to Mid Group (Mid Group Ltd) who will undertake enabling / early works.
- 2.2 It is recommended that following the completion of the pre-construction stage the Council may decide to award the Main Contract. The Main Contract will be awarded to Mid Group Ltd to undertake construction of the Charles Simmons House development.

**3.0 Date the decision is to be taken**

- 3.1 Decision date is 29 September 2017

## 4.0 Background

- 4.1 Charles Simmons House is a residential block located adjacent to Farringdon Road and between Margery Street and Lloyd Baker Street and consists of predominantly bedsits, a community centre and 3 garages. The building is in a poor state of repair and the proposed new homes and facilities will significantly improve the existing site.
- 4.2 The proposal is to construct a six-storey new build mix tenure development replacing the existing block. The new residential homes will comprise of 14 units for Social Rent and 11 units for Sale.
- 4.3 Following consultation with the Tenant and Residents Association and local residents, the scheme was submitted for planning approval in July 2015 and received planning consent on 16 December 2015.
- 4.4 The Executive on 19 January 2017 agreed the procurement strategy which covered in detail the project and procurement process.

## 5.0 Procurement

- 5.1 The competitive procurement process was conducted and an OJEU advert was placed on 24 May 2017. In addition, an advert was also placed on Contracts Finder. The procurement was conducted via an Open Procedure. 35 expressions of interest were received but only 2 bids were received on 26 June 2017 (Mid Group Ltd and J Murphy & Sons).
- 5.2 The evaluation panel consisted of council officers from Housing and the Council's appointed Employers Agents. The tenders have been evaluated based upon the advertised Award Criteria. Mid Group scored the highest combined score based on quality and price. Their proposal was robust and included details on how they will mitigate risks associated to pre-construction stage and discussions with key stakeholders. Mid Group is recommended to carry out the pre-construction services for the contract.
- 5.3 Mid Group as part of the pre-construction services will include site investigations and provision of construction drawings to obtain the approvals to develop over the Network Rail and London Underground existing railway tunnels. Following the completion of this service Mid Group may be awarded the Main Contract based on the tender submission on 26 June 2017 and any pre-award clarifications
- 5.4 As part of the early works agreement Mid Group needs to carry out design work for Network Rail and London Underground to get their approval to construct over their railway tunnels. Mid Group will undertake site surveys and investigations to provide an accurate contract price, and mitigate against price uncertainty, design and contractual risks.
- 5.5 Mid Group has agreed they and their sub-contractors will pay all employees the London Living Wage.
- 5.6 Further, Mid Group has signed a declaration to confirm that they have not and/or will not participate in the blacklisting of trade union members or activists contrary to the Employment Relations Act 1999 (Blacklisting) Regulations 2010 and the Data Protection Act 1998.
- 5.7 Mid Group proposed price for the pre-construction services at £698,932.46. Costs in regards to the Main Contract have been provided at £7,967,218.

## 6.0 Risk Management Implications

- 6.1 All construction projects have an inherent element of risk which the project team have worked to identify and have developed mitigation strategies to enable them to manage during the construction phase.
- 6.2 Despite the pre-contract investigations undertaken by LBI not all risks may be fully mitigated and some may still have to be borne by the contractor. A contingency allowance has been included in the budget to cover any unforeseen issues for which the contractor cannot be held responsible.
- 6.3 Awarding a contract for pre-construction services to Mid Group Limited to undertake the enabling and early works allows for accurate design and construction costs and critically will de-risk the development by obtaining the approvals to build over the Network Rail and London Underground tunnels.

## 7.0 Implications

### 7.1 Financial implications:

- 7.1.1 The current 7year new build programme (as at 2017-18) budget setting includes a net Budget of £2.5m (after the deduction of 141 RTB receipts & OMS receipts).
- 7.1.2 The latest estimated costs (for 14 social rented and 11 OMS) in terms of the overall construction price **including these enabling works** and including the non-residential construction costs is £8m, estimated fees are £2.6m and leaseholder buy backs already incurred totalled £1.6m giving a total estimated cost of £12.2m of which we are anticipating OMS receipts of £7.8mCR & 141 RTB receipts of £1.8mCR leaving £2.6m to be funded from other Housing capital resources which is in line with our 2017-18 budgeted position.

### 7.2 Legal Implications:

- 7.2.1 The council as a local housing authority has powers to provide housing accommodation by erecting houses on land held or acquired for that purpose under Section 9, Housing Act 1985. The Council has power to enter into works contracts for that purpose under section 1 of the Local Government (Contracts) Act 1997. The procurement strategy for this contract was approved by the Executive on 19 January 2017 when the Executive also provided authority for the Corporate Director for Housing and Adult Social Services to award the contract following a competitive tendering procedure.
- 7.2.2 The proposed contract is a contract for works. The threshold for application of the Public Contracts Regulations 2015 (the Regulations) is currently £4,104,394.00 for works contracts. Contracts above this threshold must be procured with advertisement in the Official Journal of the European Union and with full compliance of the Regulations. The council's Procurement Rules also require contracts over the value of £164,176.00 to be subject to competitive tender.
- 7.2.3 In accordance with the requirements of the Regulations and the Council's Procurement Rules the contract has been subject to competitive tender with advertisement in the Official Journal of the European Union (OJEU). Bids were evaluated in accordance with the evaluation model. The highest scoring tenderer was Mid Group Ltd. Therefore, the contract may be awarded as recommended in the report. In deciding whether to award the contract as recommended the Corporate Director for Housing and Adult Social Services should be satisfied as to the competence of the supplier to undertake the works and that the tender price represents value for money for the Council. Regard must also be had to the information set out in the attached appendix.

### 7.3 Environmental Implications:

- 7.3.1 It will be essential during both the preliminary works and construction period to ensure the contractor adheres to environmental legislation, particularly around waste regulations. The contractor will be required to implement the waste hierarchy, giving priority to reuse and

recycling, and the council has a duty of care to ensure that the contractor has the appropriate waste licences and permits.

- 7.3.2 During any site works, careful management of local nuisance issues such as noise, dust and air pollution will be required. The contractor should also be aware of any biodiversity risks, such as potential disturbance to nesting birds. Travel to and from the site should be minimised to reduce the impact of vehicular emissions and traffic congestion. There will also be the usual environmental impacts associated with office usage by the contractor.
- 7.3.3 With regards to design, the major environmental implications are related to the building materials and energy efficiency. When choosing building materials, whole-life costs, including embedded emissions should be taken into consideration. The energy efficiency of the new buildings should be maximised, potentially including the installation of renewable energy.

## **8.0 Resident Impact Assessment:**

- 8.1 The Council must, in carrying out its functions, have due regard to the need to eliminate unlawful discrimination and harassment and to promote equality of opportunity in relation to disability, race and gender and the need to take steps to take account of disabilities, even where that involves treating the disabled more favourably than others (section 49A Disability Discrimination Act 1995; section 71 Race Relations Act 1976; section 76A Sex Discrimination Act 1975).
- 8.2 A Resident Impact Assessment (RIA) was completed on 1<sup>st</sup> November 2016 which identified that there would be no negative impacts and that this project would benefit people with physical disabilities due to the provision of the wheelchair accessible units. It also identified socio-economic benefits for the local area as this project will provide new homes for social rent.
- 8.3 A copy of the RIA is available upon request from Mathew Carvalho, Housing Development Project Manager (Tel: 020 7527 8796 Email: [mathew.carvalho@islington.gov.uk](mailto:mathew.carvalho@islington.gov.uk))

## **9.0 Conclusion and reasons for recommendations**

- 9.1 In conclusion Mid Group Limited have provided acceptable cost values in order to carry out the necessary construction designs, enabling works and surveys required to be awarded a service contract for the pre-construction phase of this new build project.
- 9.2 The cost values have been assessed as fair and reasonable by our appointed QS Consultants, Baily Garner, and therefore the tender price is considered to represent VFM for the council.
- 9.3 It is therefore recommended that a service contract for pre-construction works to the value of £698,932.46 (exc. VAT) be awarded to Mid Group Limited on the Charles Simmons House development.
- 9.4 Following completion of the service contract for pre-construction works the Council may award the Main Contract subject to value for money assessment. The cost for main contract value is £7,967,218.

## **Appendices**

### **Appendix A – Tender Report on Contractor Procurement**

Final report clearance:

Corporate Director for Housing and Adult Social      Date  
Services

Report Author: Mathew Carvalho, Housing Development Project Manager  
Tel: 020 7527 8796  
Email: [mathew.carvalho@islington.gov.uk](mailto:mathew.carvalho@islington.gov.uk)