

Key Decision Report of the Corporate Director of Housing and Adult Social Services

Officer Key Decision	Date: 30 November 2017	Ward: Tollington
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Delete as appropriate	Exempt	Non-exempt
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SUBJECT: Procurement Strategy for the Construction of 8 New Homes – Hanley Crouch New Build

1. Synopsis

- 1.1 This report seeks pre-tender approval for the procurement strategy in respect of the construction of the “Hanley Crouch” scheme in accordance with Rule 2.5 of the Council’s Procurement Rules.
- 1.2 The Council intends to procure a contractor to construct a new build scheme of eight houses, under a design and build contract using a scheme specific competitive tender as opposed to the New Build Contractors Framework which is the reason for the need to obtain approval for this process. The scheme is called “Hanley Crouch”, the Laundry Club site - N19 4EL. It comprises of 8 terraced 4 bedroom houses which will be for outright sale.

2. Recommendation

- 2.1 To approve the procurement strategy for the construction of eight new build houses at Hanley Crouch Laundry site N19 4EL as outlined in this report.

3. Date the decision is to be taken

30 November 2017

4. Background

- 4.1 Nature of the service
Islington’s vision for housing as laid down in the Housing Strategy 2014 – 2019 is to make sure everyone in Islington has a place to live that is affordable, decent and secure. Secure and affordable housing is recognised as an enabler. Housing has an important role in shaping healthy places, preventing ill health, supporting residents into work and tackling child poverty.

Since 2012, Islington has delivered over 1600 new affordable homes by working with other social housing providers. Of the 1600 homes Islington New Build Team has a target to deliver 500 new social rented homes by 2019.

Hanley Crouch is the second phase of the Ivy Hall Scheme, Phase 1 delivered a new community centre and 23 new social rent homes schemes. This was completed in September 2017.

Hanley Crouch will deliver eight new build houses for private sale to cross subsidy Phase 1 of the Ivy Hall scheme. The eight new homes will be on the site of the former Hanley Crouch community centre which will relocate to the newly completed Brickworks Community Centre, 42 Crouch Hill, N19 in autumn 2017.

The scheme has planning consent and a Project Team has been set up to manage the appointment of consultants and contractor and deliver the scheme to completion. The Project Team has met with the LBI Strategic Procurement Team (SPT), and a procurement project plan has been agreed.

4.2 Estimated Value

The scheme funding is secured through the Council's new build housing budget and is included in the latest 7-year New Build Capital Programme.

£212k been spent on this project from inception to date. This has been spent on obtaining a planning permission, site development costs, fees, site investigation works and preliminary piling works.

The estimated value of the works contract is £3m - from independent cost consultants, based on their assessment of the current market and tender returns for similar projects. The approved project budget includes a 10% contingency.

Following the tender settlement process, the Council's independent cost consultant, will review the tendered prices and benchmark them against tenders in the current market. They will then produce a "value for money" statement to support the recommendation to appoint the selected contractor.

The Council is building this scheme for sale, to generate a surplus to cross subsidise the affordable housing programme. After the contract is let, we will work with the selected contractor to optimise the sales value and minimise cost. During the detailed design stage, the Project Team and contractor will investigate potential cost savings as part of a value engineering process. Through the construction programme, the Project Team will seek advice from a marketing consultant on design and specification decisions, to optimise the sales value and marketability of the scheme. Design or specification decisions will be considered, based on a cost/benefit analysis.

4.3 Timetable

This procurement strategy has been discussed with the LBI strategic Procurement Team and a Project Plan has been issued, as summarised out below:

Contract notice to be published	Winter 2018
Shortlisting Completed	Winter 2018
Tenders issued	Spring 2018
Tender evaluation	Spring 2018
Contract award	Summer 2018
Estimated start on site	Autumn 2018

4.4 Options appraisal

The Project Team has considered three routes for the procurement of main contractor:

- 1 using the existing LBI frameworks for main contractors,
- 2 using existing frameworks run by registered providers,
- 3 running a scheme specific external tender.

The procurement route preferred by the Project Team is to run a scheme specific external tender. This is deemed to be the route most likely to procure a suitable contractor. This preference was supported by the LBI Strategic Procurement Team (SPT).

The first procurement route considered was to use the existing LBI framework for major works. LBI's framework is divided into contracts below £2m and those over £2m. As the estimated value of the contract is £3M, the Project Team considered the contractors on the £2m+ framework. Generally, these are larger contractors and our experience is that this band of contractors are not interested in a small scheme of 8 units, and will not be able to offer the best value to the Council.

The second route considered was to use a pre-existing external framework run by a Registered Provider (RP). The advantage of this route is that the contractors are pre-vetted and in principle LBI could tender to contractors from the framework. However, the Project Team would still have to adhere to the LBI procurement policy, and the tender would still need to be based on LBI standard JCT contract amendments. This will conflict with the operation of external frameworks where the Council will be obliged to accept the framework criteria over those of LBI.

Given the disadvantages of the first two options the Project Team has concluded that running a scheme specific external tender, will be the most effective procurement route for this site. The advantages being that LBI would be able to tender to appropriately sized and qualified contractors, best suited to deliver the scheme. The tender will be administered by the LBI SPT to ensure full compliance with LBI contract policy.

Therefore, the preferred option for the construction of these 8 Homes for sale at Hanley Crouch is to procure the works through a scheme specific tender.

4.5 Key Considerations

The main social benefit of this project is that the income generated from the sales will be ploughed back into the Council's programme for new council housing for social rent.

As part of the procurement process LBI will require tenderers to provide details of the employment and training opportunities that they will offer to LBI residents. Potential contractors may be involved with pre-existing training and apprenticeship schemes, which could be extended to LBI residents. The LBI New Build team are also working on proposals to pool resources across the whole LBI new build programme to provide two-year apprenticeships. Given the expected contract length of 12-18 months we would be looking for an apprentice bursary for 1 paid placement for no less than 26 weeks. The contractor will be required to monitor and report local labour employed on the site. This will be reviewed by LBI staff on a monthly basis.

The Assessment Criteria are designed to focus on economic and environmental benefits offered by the tenderers. 60% of the assessment is based on the price. This is a reflection of the need to optimise the financial return to the Council. 40% of the assessment is based on "quality criteria". This will allow LBI to take a best value approach to assessing the returns.

The London Living Wage will apply, as the works contract meets the Council's policy criteria. A commitment to paying the London Living Wage will be included in the tender documents. This will apply to subcontractors.

The LBI Environmental Policy will be included in the tender information. The successful contractor will be obliged to commit to the Council's policy in regards to:

- Seek to prevent all forms of pollution wherever possible
- Minimise its carbon emissions from buildings as well as maximising renewable energy

- generation
- Minimise the amount of waste it generates and ensure the remaining waste is recycled where possible
- Take sustainability and supply chain impacts into account during procurement
- Consider new technologies with the potential to reduce the council's impact

In terms of accessibility, the scheme design and planning conditions require compliance with the London Plan, Islington's Core Strategy and Part M of the Building Regulations, which require the creation/maintenance of an inclusive environment. The design requirements include Islington's Accessible Housing SPD and Islington's Inclusive Landscape Design SPD. These requirements are detailed in the planning consent, which will form part of the contract documents and obligations.

In terms of sustainability, the planning conditions require compliance with Code of Sustainable Homes rating of no less than 'Level 4' and Energy Strategy, which shall provide for no less than a 25% on-site, total CO2 reduction in comparison with Building Regulations 2010. Assessments will have to be submitted by the contractor to the LBI Planners for approval prior to any superstructure works commencing on site.

During the contract, the quality of works will be monitored at monthly site meetings. The LBI "Clerk of Works" will visit site weekly. At key stages throughout the programme, there would be additional visits by Employer's Agent, Clerk of Work and Project Manager.

There are no TUPE, or LBI pensions and staffing implications.

4.6 Evaluation

The tender will be conducted in two stages, known as the "Restricted Procedure" as the tender is 'restricted' to a limited number of organisations.

The first stage is Selection Criteria through a Selection Questionnaire (SQ), which establishes whether an organisation meets the financial requirements, is competent and capable and has the necessary resources to carry out the contract

A limited or 'restricted' number of these organisations meeting the SQ requirements as specified in the advertisement will then be "invited to tender" (ITT), which is the second stage.

At the ITT stage, the proposed breakdown of cost/quality award criteria is 60% works cost and 40% quality criteria. The aim of this development is to create a surplus for LBI to cross subsidise the Council's affordable housing programme. To maximise the surplus, the Council will place a 60% weighting on the cost, to encourage contractors to tender competitively.

A weighting of 40% is proposed for the "quality" assessment of the tender returns. This will allow the Council the ability to take a best value approach to the assessment of the submissions.

The ITT quality criteria focus on the issues deemed to be of greatest importance to the successful delivery of the scheme.

Cost	60%
Quality – made up of	40%
1. Structure and quality of project delivery team	5
2. Residents and wider community engagement and customer care and social benefits	5
3. Programme and site management	10
4. Design and Build management	10

5.Optimising sales values and marketability of the scheme	5
6.Health and safety	5
Total	100%

4.7 Business Risks

There is a risk that when the tenders are returned the cost of the build is higher than estimated. We have managed this by ensuring the project has undergone a series of cost-plan assessments based on current cost indices.

The main opportunities associated with this procurement would be that the tendering process results in a tender return, which demonstrates high quality tenders which are tested in the market place demonstrating best value for the council.

Business risks associated with the financial strength of potential contractors will be managed in the following way. The form of contract will be approved by LBI legal and LBI's standard contract amendments will apply. After the SQ stage there will be a financial evaluation of the potential contractors before they are accepted on the shortlist for the ITT. Once the winning bidder has been selected, LBI will request and assess financial information and any other form of 'proof' required.

There are no internal service user implications to be considered. As the scheme is for sale, a marketing consultant will be appointed to advise on the design and specification of the units. This will allow LBI to tailor the design and specification to optimise the sales values and marketability of the scheme.

- 4.8 The Employment Relations Act 1999 (Blacklist) Regulations 2010 explicitly prohibit the compilation, use, sale or supply of blacklists containing details of trade union members and their activities. Following a motion to full Council on 26 March 2013, all tenderers will be required to sign the Council's anti-blacklisting declaration. Where an organisation is unable to declare that they have never blacklisted, they will be required to evidence that they have 'self-cleansed'. The Council will not award a contract to organisations found guilty of blacklisting unless they have demonstrated 'self-cleansing' and taken adequate measures to remedy past actions and prevent re-occurrences. The adequacy of these measures will initially be assessed by officers and the outcome of that assessment will be reviewed by the Council's Procurement Board

- 4.9 The following relevant information is required to be specifically approved by the Executive in accordance with rule 2.6 of the Procurement Rules:

Relevant information	Information/section in report
1 Nature of the service	The Council wishes to procure design and build construction services for the development of a scheme of eight family houses for sale. See paragraph 3.1
2 Estimated value	The total value of the service is estimated at £3M. See paragraph 3.2
3 Timetable	<ul style="list-style-type: none"> • Contract notice to be published Winter 2018 • Shortlisting Completed Winter 2018 • Tenders issued Spring 2018 • Tender evaluation Spring 2018 • Contract award Summer 2018 • Estimated start on site Autumn 2018 <p>See paragraph 3.3</p>

4 Options appraisal for tender procedure including consideration of collaboration opportunities	A scheme specific competitive external tender is recommended. See paragraph 3.4.
5 Consideration of: Social benefit clauses; London Living Wage; Best value; TUPE, pensions and other staffing implications	Social, economic, environmental considerations including Equality, diversity and inclusion will for part of the bidder's proposals See paragraph 3.5
6 Evaluation criteria	The overall award criteria price/quality split is 60% cost and 40% quality. The award criteria price/quality breakdown is described in paragraph 3.6 of this report.
7 Any business risks associated with entering the contract	Business risks are described in paragraph 3.7 of this report
8 Any other relevant financial, legal or other considerations.	As the scheme is for sale, a marketing consultant will be appointed to advise on the design and specification of the units, pre-contract and to manage the sales and marketing programme.

5. Implications

5.1 Financial implications:

Hanley Crouch (the scheme referred to in this report) is part of a wider combined social rented / open market sale Scheme.

The Hanley Crouch element of the scheme covers the build of 8 open market sale properties at an estimated construction cost of £2.8m, fees are estimated at £1.1m hence the scheme totals £3.9m. It is anticipated that the properties will sell for around £9.4m generating a surplus of £5.5m.

This Surplus of £5.5m is contributing towards the cost of the Ivy Hall part of the combined scheme which is now complete & delivered 23 social housing units at an estimated final cost of around £8.5m.

The remaining Ivy Hall costs are being funded from 141 RTB receipts.

The above is fully reflected in the Council's 7 year new build programme.

5.2 Legal Implications:

The council as a local housing authority has powers to provide housing accommodation for sale by erecting houses under Section 9, Housing Act 1985. The Council has power to enter into works contracts for this purpose under section 1 of the Local Government (Contracts) Act 1997.

Corporate directors have power to approve the procurement strategy for works contracts up to the value of £5 million using capital money (council's Procurement Rule 16.2).

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 below this threshold must be procured in compliance with the principles of equal treatment and non-discrimination that underpin the Regulations. The council's Procurement Rules require contracts over the value of £164,176.00 to be subject to competitive tender. The proposed procurement strategy, to use the restricted procedure under the Regulations is in compliance with the council's Procurement Rules.

On completion of the procurement process the contract may be awarded to the highest scoring tenderer subject to the tender providing value for money for the council.

5.3 Environmental Implications

The building of new dwellings has several environmental impacts, both during the construction of the buildings (material use, waste generation, nuisances such as dust and noise) and during the long-term occupation of the dwellings (energy and water use and transport facilities).

Mitigation measures are being put into place to reduce both sets of aspects. The contractor will be required to submit proposals on how they will keep their environmental impact to a minimal including their proposals for a Site Waste Management Plan.

Environmental sustainability has also been considered in the design, and the dwellings will meet the Code for Sustainable Homes Level 4, which requires key sustainable targets and objectives to be met including low energy, low carbon and water conscious design. The proposals will also take into account Life Time Homes standards.

5.4 Resident Impact Assessment:

The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.

A resident Impact assessment was completed in September 2017. This new development will have a positive impact in that the income generated from the sale of this scheme will contribute towards the costs of the 23 new homes for social rent which include 2 wheelchair units and for a very high quality community centre with flexible community space for local residents and area. Both of these were completed earlier this year and were Phase 1 of this project.

6. Reason for the Decision

- 6.1 This report recommends the approval of the procurement strategy for the construction of 8 new homes at "Hanley Crouch", the Laundry Club site - N19 4EL. One of the Council's housing priorities in the Corporate Plan is to build new affordable homes. The building of these new homes for sale will cross subsidise the completed Phase 1 which was for 23 new homes and a new community centre. Advertising a competitive tender will ensure best value is achieved for the council, and secure a constructor that can deliver a high quality built product at a competitively tendered price.

7. Record of the decision:

- 7.1 I have today decided to take the decision set out in section 2 of this report for the reasons set out above.

Signed

by:

Corporate Director of Housing and Adult Social Services

Date

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