

Report of: Executive Member for Housing and Development

Meeting of:	Date	Ward
Executive	16 July 2015	Holloway Ward
Delete as appropriate	Exempt	Non-exempt

THE APPENDIX TO THIS REPORT IS NOT FOR PUBLICATION

SUBJECT: Contract award for the construction of 20 new homes on Camden Estate land and 1-8 Rowstock Gardens & Garages opposite 77-84 Rowstock Gardens, London N7 0BG

1. Synopsis

- 1.1 Through building new council homes we can help tackle the cost of living crisis faced by many of our residents by creating more jobs for local people that pay the London Living Wage (LLW) and training opportunities, including apprenticeships, and help increase the supply of decent, genuinely affordable homes
- 1.2 This report seeks approval to award a construction contract for a development of 12 new council homes for social rent and 8 homes for outright sale and associated environmental improvements on Camden Estate, N7. A robust procurement process has been undertaken in accordance with policies and procedures adopted by the Council and the current New Build Contractor Framework. This has resulted in a direct negotiation process with a contractor who has a good track record of delivering new homes in Islington to the required quality standards and achieving value for money (VFM) for the council.

2. Recommendation

- 2.1 To approve the award of a contract to Osborne for the construction of 20 new homes, and associated environmental improvements at Camden Estate.

3. Background

- 3.1 The development consists of building 20 new homes, and environmental improvements across 2 infill sites on the Camden Estate.
- 3.2 Site A is two storey block of bedsits (1-8 Rowstock Gardens) which are no longer fit for purpose due to their poor quality. Site B consists of 22 garages. Housing are working closely with the Customer Services Manager at the local Area Housing Office to find alternative car parking spaces/parking bays

for residents. The two blue badge holders who use the garages have been found suitable alternative parking.

- 3.3 The new homes comprise of 2 x 1 bed units, 14 x 2 bed units, and 4 x 4 bed units. The 20 new homes will be designed and constructed to a high design quality to meet the needs of existing and future residents of the London Borough of Islington. 12 of the new homes will be for council rent and the remaining 8 will be for outright market sale.
- 3.5 Following extensive consultation with residents a planning application was submitted for approval and received consent on 23 April 2015 under Planning Reference P2015/0294/FUL.

4. The Procurement Process

- 4.1 We have undertaken a mini-competition in accordance with the provisions of the New Build Contractor Framework which was procured through an EU compliant process in 2014. The mini-competition process has involved all 8 contractors appointed to Lot 2 of the Framework, for contract awards over £2m, being asked to express an interest in submitting a tender for this new build project.
- 4.2 All contractors appointed to the Framework have been required to sign up to paying their own employees, and those employed by their sub-contractors, the LLW.
- 4.3 Further, all Framework contractors have 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.
- 4.4 The 2 contractors who provided a positive response were invited to submit a tender for this new build project – Stage 1.
- 4.5 Each contractor was asked to submit a Priced Schedule, incorporating preliminary items, costs for design, surveys, fees and allowances for overheads, profit and risk. They were also asked for a written submission in response to set quality questions contained within the invitation to tender.
- 4.6 All 4 companies submitted tenders which were then scored and weighted on the basis of 60% quality and 40% price.
- 4.7 Osborne achieved the highest overall score and it is therefore recommended that they are awarded the contract for the construction of 20 new homes at Camden Estate.

Value for Money

- 4.8 Osborne will be entering into a pre - construction services contract and are continuing with the detailed design and final tender price which it is anticipated will be finalised before a contract award report is finalised for inclusion on the agenda for the meeting of the Council's Executive on 16th July 2015.
- 4.9 The Employers Agent appointed by the council for this new build scheme, Walker Management have advised that the estimated final tender price should represent VFM for the council.

Quality Assessment

- 4.12 There have been extensive discussions and design review meetings with Osborne regarding the preparation of their price and further investigative works undertaken to remove conditions, provisional sums and caveats. There are no immediate concerns as to their capability of undertaking the works from a technical and resourcing point of view.
- 4.13 Additionally council officers and the Employer's Agent will be meeting with Osborne in order to confirm the acceptability of their approach, both in terms of pricing, construction methods and on-site management.

5. Implications

5.1 Financial Implications

- 5.1.1 The Council's approved 3 year (2015/16 to 2017/18) new build programme totals £118.8m. The latest indicative 7 year (2015-16 to 2021-22) new build programme totals £181.7m based on June 2015 forecast
- 5.1.2 The construction contract value of £5.3m plus demolition cost of £70k in relation to the Camden Estate new build project, which comprises 12 homes for social rent, and 8 for sale is included in the Council's June 15 forecast 7 year new build programme
- 5.1.3 The scheme will be funded from the combination of resources i.e. capital receipts from sales, RTB 1-4-1 receipts and some internal resources e.g. borrowing, RCCO and other capital receipts.
- 5.1.4 The scheme has been financially appraised based on the tender price of £5.3m & taking into account all relevant cash flows such as the net cost of the initial investment, ongoing income (rent) & expenditure is considered viable given that it produces a positive NPV over a 30 year time frame.
- 5.1.5 The scheme will be funded from the combination of resources i.e. capital receipts from sales, RTB 1-4-1 receipts and some internal resources e.g. borrowing, RCCO and other capital receipts.

5.2 Legal Implications

- 5.2.1 Under Section 9 of the Housing Act 1985 the Council has the power to provide housing accommodation by building houses on land acquired for that purpose or by converting buildings into houses and to sell part of that accommodation. Accordingly the council may enter into a contract for the proposed works (section 1 Local Government Contracts Act 1997).
- 5.2.2 Osborne have been appointed to the Council's New Build Development Framework 2014 -2018 following a competitive tendering exercise in accordance with EU Procurement Legislation. Under the Framework Agreement a new build works contract may be awarded to a Framework Constructor following a mini competition or by direct selection. In this case, Osborne were selected to take scheme forward having submitted the most favourable tender in a mini competition.

In these circumstances it would be reasonable for the construction contract to be awarded to Osborne provided that the Executive are satisfied that their price represents value for money.

5.3 Environmental Implications

- 5.3.1 It will be essential during both the demolition and construction periods 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 of the material from the demolished buildings. The council also has a duty of care to ensure that the contractor has the appropriate waste licences and permits.
- 5.3.2 Clearly defined roles on who is responsible for waste management and disposal, obtaining licences and permits and liability will be essential before work commences. Appropriate legislation will be applied rigorously and full method statements for all activities will be required from the contractor before commencement in order to mitigate these risks.
- 5.3.3 With regards to design, environmental implications include the building materials and energy efficiency. When choosing building materials, whole-life costs, including embedded emissions should be taken into consideration, and during purchasing, priority should be given to sustainable materials, such as FSC- or PEFC-certified timber. The energy efficiency of the new buildings should be maximised,

potentially including the installation of renewable energy; the buildings will meet at least Level 4 of the Code for Sustainable Homes.

5.4 Resident Impact Assessment

5.4.1 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

5.4.2 A Resident Impact Assessment has been carried out and it has identified that there will be positive impacts on people living in the new dwellings and the immediate neighbourhood. There are no identifiable negative impacts.

5.4.3 A copy of the RIA is available from the author upon request.

6. Conclusions and Reasons for Recommendations

6.1 In conclusion, and based on the outcome of the direct negotiation process outlined in this report, Osborne has offered a contract price that has been shown to be financially competitive with their quality proposals deemed to meet the required standards.

6.2 It is, therefore, recommended that a contract be awarded to Osborne for the construction of 20 new homes as their tendered price forms an acceptable basis for agreeing the final contract sum.

Appendices:

Exempt Appendix 1: Tender evaluation and value for money assessment

Final report clearance:

Signed by:



Executive Member for Housing and Development

Date: 29 June 2015

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