



Key Decision Report of the Corporate Director of Housing

Officer Key Decision	Date: 4 April 2019	Ward: Clerkenwell
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Delete as appropriate	Exempt	Non-exempt
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APPENDIX 1 TO THIS REPORT IS EXEMPT AND NOT FOR PUBLICATION

SUBJECT: Contract Award for the construction of 25 Homes, a Community Centre, Commercial Unit and estate improvements at Charles Simmons Housing London WC1X 0HP

1 Synopsis

- 1.1 This report seeks approval to award a Design and Build (D&B) construction contract for the demolition of the existing Charles Simmons House and garages and to provide 25 new homes, a commercial unit, a new community centre and associated estate for the sum of £9,489,748. This amount includes £698,932 (exc. VAT) already expended on the Pre Contract Service Agreement (PCSA). A robust procurement process has been undertaken in accordance with the Council's Procurement Rules and the contractor was selected following an OJEU process.
- 1.2 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. In addition, the scheme will provide community facilities and enhanced the environment in the surrounding area.

2 Recommendations

- 2.1 To award the Charles Simmons construction contract (D&B) to Mid Group & Co Ltd to undertake the main construction works of 25 new homes, a new retail unit, new community facilities and associated estate improvements for the sum of £9,489,748 (exclusive of VAT).

3 Date the decision is to be taken

4 April 2019.

4 Background

- 4.1 The Executive delegated authority to the Corporate Director Housing and Adult Social Services to award the contract at its meeting on 19 January 2017.
- 4.2 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.
- 4.3 The Executive on 19 January 2017 agreed the procurement strategy which covered in detail the project and procurement process.
- 4.4 Several residents' consultation events were held between November 2014 and Feb 2015. The scheme was granted planning consent on the 16th December 2016 under Planning Reference P2015/3050/FUL.
- 4.5 Following a successful bid to the GLA it was agreed to flip the private properties to social rent. The Charles Simmons House development is now 100% social rent.

	Units	% Units	Hab rooms	% Hab rooms
Social Rent	25	100	72	100
Totals	25	100	72	100

- 4.6 The table below shows the mix of housing in the development.

Type	Social Rent	
	Units	Habitable Rooms
1-Bed	7	14
2-Bed	16	48
3-Bed	2	10
10Total	25	72

4.7 Estimated Value

- 4.7.1 The development is being funded through the council's new build housing budget.
- 4.7.2 Grant monies received from the GLA has enabled homes which had been identified for open marked sale to be flipped into social rented.
- 4.7.3 The successful tender price for this project is £9,489,748. The contract period is 96 weeks.

4.7.4 The design and specification have been value-engineered to meet budget levels for the scale of this scheme. As part of this exercise the proposed structure and foundation solutions have been selected to achieve best value.

4.8 Timetable

4.8.1 Joint Board Approval December 2016
Executive Approval January 2017
Start on Site May 2019
Completion March 2021

4.8.2 Planning Permission was achieved in December 2016. We have consulted local residents, the Council's Planning Department, local ward councillors, the Metropolitan Police Secured by Design Officers, the Council's Legal, Finance, Energy, Refuse, Customer Services and Housing Allocation Departments. Feedback received was generally positive from all stakeholders.

4.9 Options appraisal

4.9.1 Initially the Islington contractor's framework was used to procure the works but following an expressions of interest there was only one company interested in tendering for the contract. Following several months of working up a two stage tender with the contractor, it was apparent their price for the project substantially exceeded the Council's estimated budget. It was also felt that their pricing reflected the lack of expertise from the contractor to undertake the project.

4.9.2 As there was insufficient interest from Islington's own framework it was agreed to put the tender through OJEU to select suitably qualified and experienced contractors. This has ensured competitive tendering and value for money can be benchmarked on several tenders.

4.9.3 The preferred option to procure this contact for the construction has been through an advertised open competitive tender process.

4.10 Key Consideration and Social Value

4.10.1 Developing Charles Simmons House will create genuinely affordable homes for residents. The lack of good quality affordable housing is well documented and this scheme will address the sub-standard current accommodation at Charles Simmons House and replace it with efficient, spacious and well-designed accommodation. In addition, we will provide much needed wheelchair accommodation for disabled residents in the borough.

4.10.2 Best value has been considered in terms of balancing the need to deliver this project and ensuring we have an experienced contractor to undertake this complicated scheme. A value engineering exercise has been undertaken to reduce the programme and costs without compromising the quality of homes.

4.10.3 The development has been designed to increase the density of the site creating much needed larger permanent homes for social rent. This development will have a controlled door entry system allowing for a secure and safe environment to residents. The community centre and a commercial unit will assist in achieving community based actions, diversity, cohesion and create an environment of social inclusion and a place that people want to live.

- 4.10.4 The new community centre will be a hub for the local community. It will allow residents at Charles Simmons House, Margery Estate and the wider community to use the facility for various social meetings and events to strengthen their community sense and support each other in the future. New children's play equipment will also be provided for resident's children at Charles Simmons House and the Margery Estate to use.
- 4.10.5 The new components of the building will be reinstated to modern building regulation standards and comply with Code for Sustainable Homes Level 4. The materials of the building will be of a higher quality and the insulation standard will seek to reduce energy costs to assist in tackling fuel poverty. This particularly applies to the energy efficiency of communal heating system. The future connection to Bunhill District Heating Network to reduce energy costs and a photovoltaic system will provide lighting to the internal communal areas of the building. Green roofs will be provided to enhance biodiversity and control the flow of rain water into the mainstream drainage.
- 4.10.6 Relevant impact assessments have been completed as part of this procurement including a full risk/opportunity assessment, resident impact assessment, environmental impact assessment and health and safety impact assessment.
- 4.10.7 During the construction phase the appointed contractor and the council will continue to engage with residents who live on or off the estate and with local businesses through to completion of the development.
- 4.10.8 The Council have been able to achieve a significant amount of social benefit and value through this procurement. As part of the evaluation process bidders were asked to include a response to the social value they can achieve. The social value question required bidders to consider their economic, environmental and social plans for delivery.
- 4.10.9 The intentions of Islington's development and corporate plans are to reduce poverty, deprivation, unemployment, especially those who are disadvantaged in the labour market. This commitment aligns itself with the objectives of many other organisations such as the Greater London Authority, London Councils, the Skills Funding Agency and DWP Jobcentre-plus. There will be opportunities for sustained employment for local unemployed people facilitated through the new development with the requirement for all contractors to pay the LLW.
- 4.10.10 Islington Council is committed to improving job opportunities for local residents, especially those who are disadvantaged in the labour market.
- 4.10.11 These obligations are aimed at providing full Apprenticeship employment opportunities for local unemployed residents. The obligations are as follows:
- 1 construction training placement triggered at the £1 million pounds of contract value level
 - 1 construction training placement per every 20 residential units.
- 4.10.12 There is no TUPE, pension or staffing implications.

4.11 Evaluation and Procurement process

- 4.11.1 Baily Garner Consultants who are the Employers Agent and Quantity Surveyor appointed by the council, to conduct the OJEU procurement process on 24 May 2017.
- 4.11.2 The contract will be awarded to the Most Economically Advantageous Tender (MEAT) in accordance with the Public Contracts Regulations. MEAT for this contract will be on the basis of quality 40% and cost 60%.
- 4.11.3 Mid Group have demonstrated relevant experience against the following criteria:
- Working on sites over underground tunnels, in particular rail infrastructure.
 - Working knowledge and demonstrated experience dealing with Network Rail and London Underground.
 - Working on tight infill sites.
 - Knowledge and demonstrate experience working with local authorities
- 4.11.4 The Stage One procurement attracted 35 expressions of interest but only 2 bids
- 4.11.5 The two contractors who provided a positive response were then invited to submit a tender for this new build project at Stage One. The tenders were evaluated on the agreed quality and price award criteria. The highest scoring Stage One contractor was Mid Group & Co Ltd who was awarded a Pre-Construction Services Agreement (PCSA) on 29 November 2017 for the sum of £698,932 (exc. VAT) to carry out further detailed design and enabling works and site surveys in order to firm up the design in consultation with the client and arrive at a fixed price at second tender stage.
- 4.11.6 At the Stage Two procurement Mid Group & Co Ltd submitted their fixed price tender in January 2019 for the sum of £9,689,748. A value engineering exercise was carried out to reduce the contract sum to £9,489,748 and these are listed in the exempt Value for Money report, attached.
- 4.11.7 Mid Group & Co Ltd have submitted their fixed price second stage tender for these works based on the following:
- Open book Costs (for transparency purposes);
 - Overheads and profit as well as contingency based on their first stage tender submission of July 2017.
- 4.11.8 A detailed breakdown of Mid Groups offer is provided in the Employer's Agent and Quantity Surveyors (Baily Garner) second stage tender report which analyses the tender pricing and assesses value for money (VfM) in the present market context. See exempt Appendix 1
- 4.11.9 Following Mid Groups fixed price confirmation BG were requested by the council's project manager to undertake a VfM exercise. The second bidder from the stage one tender was approached to price the project.
- 4.11.10 Baily Garner analysed both tender prices confirming Mid Groups price was slightly higher than the other bidder however, due to the programme delay in changing contractors and the loss of project knowledge, their recommendation were to progress the project with Mid Group at their revised tender sum of £9,489,748 (exclusive of VAT) as it represented value for money.

4.12 **Business Risks**

4.12.1 The key risks which remain for Islington can be summarised as follows:

4.12.2 Network Rail issuing a 'Letter of No Objection' (LONO) meaning demolition works can commence. In February 2019, Network Rail agreed to issue the LONO.

4.12.3 Expenditure of provisional sums including asbestos removal, new service supplies and underpinning Bagnigge House.

4.12.4 Statutory Authority delays in relation to new connections and diversions.

Delay in planners discharging planning conditions.

4.12.5 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	To procure a suitable Main Contractor to carry out the demolition, design and construction of Charles Simmons House See paragraph 3
2 Estimated value	The contract has an estimated value of £9,489,748 of Islington Council spend. See paragraph 4.3
3 Timetable	The timescale/programme is outlined within this report. Key target programme dates include: <ul style="list-style-type: none"> • Start on Site May 2019 • Completion May 2021 See paragraph 5.1
4 Options appraisal for tender procedure including consideration of collaboration opportunities	The outcome of procurement options appraised are described within this report. See paragraph 6
5 Consideration of: Social benefit clauses; London Living Wage; Best value; TUPE, pensions and other staffing implications	The outcome of the key considerations are described within this report. See paragraph 7
6 Evaluation criteria	The award criteria price/quality breakdown is more particularly described within the report. See paragraph 8

7 Any business risks associated with entering the contract	Business risks are described within this report. See paragraph 9
8 Any other relevant financial, legal or other considerations.	See paragraph 10.1 – 10.3.3

5 Implications

5.1 Financial Implications

5.1.1 The New build programme budget for Charles Simmons includes £9.5m for PCSA (Pre construction Service Agreement) costs and Construction costs, to build 25 SR (Social Rented) properties.

5.1.2 The professional advice received from Baily Garner (the Employer’s Agent and Quantity Surveyors employed in respect of this project) is to accept Mid Group & Co Ltd.’s revised tender price (point 13.9 in BG’s Value for Money report), even though it is slightly higher than the other bidder, as in their view it represents value for money (taking into account the additional costs that would arise from changing contractors from stage 1 to stage 2, and the consequent loss of project knowledge, and the likely delay in the scheme start date).

5.1.3 On the basis that the decision to recommend the award of the contract to Mid Group complies with the Councils procurement policy as set out in point 8.2 (in this report) i.e. 60% price + 40% quality then Mid Group’s tender represents the MEAT (Most Economically Advantageous Tender).

5.2 Environmental Implications

5.2.1 The demolition of the existing building and the construction of the new development on Charles Simmons House will have several environmental implications. These include the materials used for the new buildings, energy used in the demolition and construction process, the generation of construction waste, vehicular movements for the removal of waste, delivery of materials and commuting for construction workers, and potential nuisance issues such as noise and dust.

5.2.2 The buildings will also have a long-term impact on the environment, particularly in terms of their use of energy and water. This will be mitigated by the new buildings meeting Code for Sustainable Homes Level 4, including a communal heating system that could potentially connect to a district heat network in future, whilst a solar PV system will provide power for the internal communal lighting. In addition, a green roofs will enhance biodiversity and help control the flow of rain water into the local drainage system.

5.3 Legal Implications

5.3.1 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 Executive at its meeting on 19th January 2017 approved the procurement strategy for the contract that is the subject of this

report and also delegated authority to the Corporate Director Housing and Adult Social Services to award the contract.

- 5.3.2 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 for works contracts. Contracts above this threshold must be procured with advertisement in the Official Journal of the European Union (OJEU) and with full compliance of the Regulations. The council's Procurement Rules also require contracts over the value of £164,176 to be subject to competitive tender.
- 5.3.3 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 OJEU. Bids were evaluated in accordance with the evaluation model. Mid Group & Co Ltd was found to offer the most advantageous tender for the council. 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 1.

5.4 **Resident Impact Assessment**

- 5.4.1 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).
- 5.4.2 A Resident Impact Assessment (RIA), attached, was completed on 1st 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.

6 Reason for recommendations

- 6.1 In conclusion, Mid Group & Co Ltd, the winning contractor from competitive procurement OJEU process has submitted their stage two tender for the sum of £9,489,748.
- 6.2 The cost values have been assessed as fair and reasonable by our appointed Quantity Surveyor Baily Garner and therefore, considered Mid Groups fixed price to represent VFM to the council.
- 6.3 It is therefore recommended that the Design and Build (D&B) construction contract for the construction of 25 new homes, retail units, a new community centre and associated estate improvements at Charles Simmons House for the value of £9,489,748 be awarded to Mid Group & Co Ltd.

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.

Appendices:

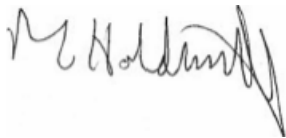
Appendix 1: Value for Money report (Exempt)

Appendix 2: Resident Impact Assessment

Background papers:

None

Signed by:



Corporate Director of Housing

Date: 4 April 2019

Report Author:

Mathew Carvalho – New Homes Project Manager

Tel:

020 7527 8796

Email:

mathew.carvalho@islington.gov.uk

Financial Implications Author:

Lydia Hajimichael Finance Manager (Operations & Exchequer)

Tel:

020 7527 5160

Email:

Lydia.Hajimichael@islington.gov.uk

Legal Implications Author:

Ramani Chelliah, Chief Contracts Lawyer

Tel:

020 7527 3084

Email:

Ramani.Chelliah@islington.gov.uk