

Key Decision Report of Corporate Director of Housing

Officer Key Decision	Date: 21 June 2019	Ward: Mildmay
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Delete as appropriate	Exempt	Non-exempt
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Appendices A-B to this report are exempt and not for publication

SUBJECT: Award of a pre-construction services contract for the construction of 45 new homes and 3 commercial units, associated estate improvements and landscaping on Hathersage and Besant Court Estate

1. Synopsis

- 1.1 This report seeks approval for the award of a Pre-Construction Services Contract (PCSA) in respect of enabling/early works to the value of £496,965.91 for the Hathersage and Besant Court Estates new-build development and associated estate improvement works. The PCSA is part of the 2-Stage Tender for the construction of 45 new homes, estate improvements to Hathersage Court and Besant Court, demolition of an existing commercial unit, relocation of substation, construction of 3 new commercial units and a new cycle store.
- 1.2 A mini-competition has been undertaken in accordance with the New Build Contractor Framework 2014-18 and policies and procedures adopted by the Council.
- 1.3 The submitted tender for the Stage 1 pre-construction works has been assessed as fair and reasonable by our appointed Employers Agent and QS Consultants Baily Garner and is attached as **Appendix B, exempt**.

2. Recommendation

- 2.1 To award a Stage 1 pre-construction services (PCSA) contract to Higgins Construction to undertake enabling/early works including further design, site investigations and service diversions as required related to the proposed development of 45 new homes and associated works as outlined in 1.1 to the sum of £496,965.91 (exc. VAT) (see **Appendix A, exempt**).

3. Date the decision is to be taken

The decision is to be taken on 21st June 2019.

4. Background

- 4.1 The scheme comprises the provision of 45 new homes, estate improvements to Hathersage Court and Besant Court, demolition of an existing commercial unit and relocation of substation, 3 new commercial units and cycle store. There will be extensive environmental improvements across the estate, including the creation of a new high quality garden square as the focus of the development, improved communal gardens, more pedestrian friendly streets and increased biodiversity.

Dwelling Mix: 14 x 1 bed 2 person units, 27 x 2 bed 4 person units, 3 x 3 bed 5 person, 1 x 3 bed 6 person unit

Of the 45 new homes, 21 will be for Social Rent (SR), 3 will be for Shared Ownership (SO) and 21 will be for outright market sale (OMS) to fund the scheme.

- 4.2 Hathersage & Besant Courts are located immediately south of Newington Green and sit within the Newington Green Conservation Area.
- 4.3 Several residents consultation events were held between the periods of December 2015 to September 2017. The scheme was granted planning consent on the 10th December 2018 under Planning Application Reference **P2018/1970/FUL**.

5. The procurement process

- 5.1 The scheme is to be delivered via a 2-stage JCT Design & Build Contract (2011), calling off our LBI New Build Contractor Framework which was procured through an EU-compliant process in 2014. We have carried out a mini-tender competition in accordance with the provisions of the LBI New Build Contractor Framework 2014-2018. The mini-competition process involved eight contractors appointed to Lot 2 of the LBI Framework (for contracts of £2m plus) being asked to express an interest in submitting a tender for this new build project.
- 5.2 Four contractors expressed interest in tendering for the project. However, during the tender process, one contractor withdrew their interest to tender. The three contractors who provided a positive response were then invited to submit a Stage 1 tender for this new build project. Three tenders were received on the 28th January 2019.
- 5.3 The tenders have been evaluated on the agreed 60/40 quality/price award criteria (see tender report in exempt **Appendix B (exempt)**). The highest scoring Stage 1 contractor was Higgins Construction Ltd. It is therefore proposed to award a Pre-Construction Service Contract (PCSA), Stage 1 to Higgins Construction Ltd to undertake enabling/early works.
- 5.4 The award of the main JCT design & build contract would be subject to Higgins Construction Ltd submitting an acceptable Value-for-Money (VFM) Stage 2 tender for the delivery of the construction works. In the event that the Stage 1 contractor does not submit an acceptable tender for the construction works, the Framework allows for the contractor with the next highest scoring Stage 1 tender to be approached, and so on until a contractor can be appointed who fulfil the council's Stage 2 VFM and other criteria.

- 5.5 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 London Living Wage.
- 5.6 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.
- 5.7 As a new build contractor Higgins Construction Ltd needs to carry out the detailed construction design work and sub-contractor pricing as well as undertake site surveys and investigations to provide an accurate Stage 2 tender price. This will allow Islington Council to mitigate price uncertainty, design anomalies and contractual risks.
- 5.8 The value of the pre-construction services contract based on the quoted design fees, surveys and other costs, and a percentage fee for preliminaries, overheads and profits is **£496,965.91** - based on an initial estimated construction value of **£18,163,19**. A breakdown of the Stage 1 tender pricing submission for the pre-construction services contract is included in **Appendix A (exempt)**.

6. Implications

6.1 Risk Management Implications

- 6.1.1 Awarding a Stage 1 pre-construction services contract to Higgins Construction Ltd to undertake the enabling works, including additional soil and other site surveys, bill preparation and possible early discharge of pre-commencement planning conditions, allows for accurate design and construction costs and more programme certainty in respect of the proposed award of a Stage 2 design & build (main) contract.

6.2 Financial Implications

- 6.2.1 The Hathersage and Besant Court scheme is included in the current New build programme as agreed at budget setting 2019-20. The overall budget provision is £22.3m and comprises £18.8m for construction costs and £3.5m for fees.
- 6.2.2 On the assumption that all costs including the PCSA costs remain within the budgeted amount, there is sufficient budget provision to cover the £497k PCSA contract sum for which this report is seeking approval

6.3 Legal Implications

- 6.3.1 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. The Corporate Director has authority to award contracts under a framework agreement without limit where the capital spend is part of the approved capital programme (paragraph 8.7 of Part 3 of and paragraph 1 of Appendix 3 to the Constitution)
- 6.3.2 Higgins Construction Ltd has been appointed as a Framework Contractor for the New Build Programme 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 Contractor following a mini competition subject to a value for money assessment.

- 6.3.3 Higgins Construction Ltd has submitted the highest scoring tender through a mini-competition between Lot 2 Contractors appointed to the Framework. As the successful Stage 1 contractor, they may be awarded a service contract for pre-construction works. They will be invited to submit a tender for the main construction works but the award of a Stage 2 build contract is subject to the council being satisfied that the price represents value for money and is otherwise acceptable to the council.
- 6.3.4 In considering the recommendation in this report, the Corporate Director of Housing should have regard to the information set out in the exempt **Appendices A-B** to this report.

6.4 Environmental Implications

- 6.4.1 It will be essential during both the pre-construction 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, and the council has a duty of care to ensure that the contractor has the appropriate waste licences and permits.
- 6.4.2 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.
- 6.4.3 The new homes will be built to high standards in terms of environmental sustainability, meeting Level 4 of the Code for Sustainable Homes. They will be very energy efficient which means they will be cheaper to run for the residents who live in them, helping to keep down the cost of living.

6.5 Resident Impact Assessment

- 6.5.1 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.
- 6.5.2 A Resident Impact Assessment (RIA) was completed on 11th March 2019 which identified that there would be a limited number of negative impacts on current residents living with a physical disability during the construction phase. The estate improvement works will also increase accessibility for wheelchair users to the greenspaces, provision of recycling, bike storage and improved landscaping and public realm, resulting in a better quality of environment on the estate.
- 6.5.3 A copy of the RIA is attached as **Appendix C** to this report.

7. Conclusions and reasons for recommendations

- 7.1 In conclusion, Higgins Construction Ltd, as one of the contractors appointed to Lot 2 of the New Build Contractor Framework 2014-18, have provided acceptable cost values and design fee percentages to the estimated works cost for this scheme. These estimated costs were provided by the Council's appointed QS in order to carry out the necessary designs, surveys and enabling works required to be awarded a Stage 1 pre-construction services contract for Hathersage and Besant Estate new build project. The QS's initial estimated work cost is based on current BCIS (building cost information service) tender price indices.
- 7.2 The cost values have been assessed as fair and reasonable by our appointed Employers Agent / Quantity Surveying Consultants, Baily Garner and therefore, the PCSA price is considered to represent VFM for the council.
- 7.3 It is therefore recommended that a Stage 1 pre-construction services contract for Hathersage and Besant Court Estate development to the value of £496,965.91 (exc. VAT).

Appendices

- Appendix A** Breakdown of Higgins Construction Ltd Pre-Construction Services Contract Sum (Stage 1 Tender pricing) - Exempt
- Appendix B** Hathersage & Besant Estate Stage 1 Tender Report (by Baily Garner consultants) - Exempt
- Appendix C** Resident Impact Assessment

Final report clearance:

Signed by: Corporate Director of Housing

Date:

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