

Key Decision Report of the Corporate Director of Housing

Officer Key Decision	Date: 26 July 2019	Ward(s): Tollington
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Delete as appropriate	Exempt	Non-exempt
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THE APPENDIX TO THIS REPORT IS NOT FOR PUBLICATION**SUBJECT: CONTRACT AWARD FOR THE CONSTRUCTION OF 8 TERRACED
4 BEDROOM HOUSES FOR OUTRIGHT SALE FOR THE SITE ON THE FORMER
HANLEY CROUCH COMMUNITY CENTRE, N19 4EL****1. Synopsis**

- 1.1 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. The council has a corporate objective to deliver 550 new council homes by 2022.

This report seeks agreement to award a Design and Build (D&B) contract to build 8 new 4 bedroom terraced houses for outright market sale on the former Hanley Crouch Community Centre (The Laundry) site on Sparsholt Road, N19 4EL for the sum of £3,270,265.76

The former Hanley Crouch Community Centre was demolished in August 2018.

- 1.2 The Council is building this scheme for private sale to generate a surplus to cross subsidise the affordable housing programme, in particular Phase 1 of the Ivy Hall scheme.

A robust procurement process has been undertaken in accordance with policies and procedures adopted by the Council's Strategic Procurement Team.

- 1.3 The proposed decision is a delegated decision because the value of the contract is less than £5m.

The proposed decision is included in the Forward Plan.

2. Recommendations

- 2.1 To approve the award of a construction contract to Aspen Build (East Anglia) Limited whose tender offer to the sum of £3,270,265.76.

3. Date the Officer Key Decision is to be taken:

26 July 2019

4. Background

- 4.1 The development is for the construction of a part 3 storey residential terrace comprising of 8 residential units (7 x 4b7p house and 1 x 4b8p house) for private sale. This development 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 scheme was granted planning consent on 3rd April 2014 under Planning Reference P2013/4924/FUL. Enabling works were commenced on site in March 2017 and demolition of the Old Community centre completed in August 2018.

4.2 Estimated value

The initial Order of Cost produced for this project in June 2018 was £2,864,965 and assumed a contract period of 60 weeks, excluded ground conditions, party wall works and statutory services which have since been factored into the scheme.

4.3 Time table

Officer Key Decision	-	25 July 2019
Contract let	-	August 2019
Start on site	-	November 2019
Completion	-	May 2021

4.4 Procurement Options appraisal

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

- 1) using the existing the Council's framework 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 and the Council's Strategic Procurement Team was to run a scheme specific external tender and this was deemed to be the route most likely route to procure a suitable contractor at a competitive price.

The first procurement route considered was to use the existing Council's framework for major works. The Council'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 was that this band of contractors were not interested in a small scheme of 8 units, and would not be able 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 the Council could, tender to contractors from the framework. However, by using an external

framework the Council will be obliged to accept the frameworks contractual terms over those of the Councils.

Given the disadvantages of the first two options the Project Team and Council's Strategic Procurement Team had concluded that running The Restrictive Procedure was the most effective procurement route for this site. This procedure is explained in paragraph 3.6 below. The advantages being that the Council would be able to tender to appropriately sized and qualified contractors, best suited to deliver the scheme. The tender was administered by the Council's Strategic Procurement Team to ensure full compliance with the Council's procurement policy.

The Council makes its decision based upon the "Most Economically Advantageous Tender" (MEAT). The Assessment Criteria selected for the tender was 60% of the assessment 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 the Council to take a best value approach to assessing the returns.

Therefore, the preferred procurement option amongst the project team and the Council's Strategic Procurement Team for the construction of these 8 Homes for sale at Hanley Crouch was to procure the works through The Restrictive Procedure competitive 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.

New homes are built to a very high standard and often surpassing national standards. Our aim is to reduce carbon emissions and promote higher standards of sustainable design. New Homes to be built in relation to this strategy will be designed to develop sustainable communities through which the standard of living in those areas is improved. New social rented homes will be affordable for existing tenants and those in need of housing – particularly providing better accommodation for families in overcrowded conditions as well as encouraging under-occupiers to release family sized homes.

Relevant impact assessments will be completed as part of this procurement including a full risk/opportunity assessment, resident impact assessment, environmental impact assessment and health and safety impact assessment.

Social value will be included as an award criterion within the tender process. In order to derive the maximum social benefit from the contract and the supply chain.

As part of the procurement process the Council required tenderers to provide details of the employment and training opportunities that they will offer to Islington residents.

The development will deliver a number of benefits that meet the Council's corporate objectives including:

- Making Islington fairer, by providing high quality facilities and services available to the community, with particular focus on provision for vulnerable residents.
- Tackling the housing shortage, by building new affordable homes and in particular new council homes.
- Delivering good services on a tight budget, by carefully managing the project to contain costs of the development without recourse to additional council funding.
- Creating a good quality of life, by providing well designed and modern public leisure, health and nursery facilities, and improved public spaces.

All new build development is expected to bring further social benefits, including S106 contributions towards improvements in the vicinity of and environmental improvements to the public realm within and around the redevelopment site.

All new build development is designed in accordance with the council’s detailed planning requirements and in accordance with the Employer’s requirements to address the social and environmental sustainability of the development proposals.

There are no TUPE, pension or staffing implications relating to this procurement.

4.6 Evaluation and Award Criteria

A scheme specific tender was deemed to be preferred procurement route for this development. This allowed the Council to tender to appropriately sized and qualified contractors, best suited to deliver the scheme. The tender was administered by the Islington Council’s Strategic Procurement Team to ensure full compliance with the Council’s contract policy.

The tender was conducted in two stages, known as The Restricted Procedure and the tender was ‘restricted’ to a limited number of organisations.

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

5 organisations meeting the SQ requirements as specified in the advertisement were included in the Invitation to Tender stage (ITT), which was the second stage of this process.

At the ITT stage, the proposed breakdown of cost/quality award criteria was 60% works cost, and 40% quality criteria. As the aim of this development is to create a surplus for the Council to cross subsidise its affordable housing programme, the Council placed a 60% weighting on the cost, to encourage contractors to tender competitively and maximise the surplus.

A weighting of 40% was proposed for the “quality” assessment of the tender returns. This allowed 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.

The full breakdown of the cost/quality award criteria is:

Tender Award Criteria	Total
Cost	60%
Quality	40%
The Quality criteria was assessed on the following:	
Structure and quality of project team	5%
Residents and wider community engagement and customer care and social benefits	5%
Programme and Site Management	10%
Design and build management	10%
Optimising sales values and marketability of the scheme	5%

Health and Safety	5%
Total	100%

4.7 Business risks

The main business risk was that when the tenders were returned the cost of the build was higher than estimated. We have managed these risks 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.

The tender return from Aspen Build (East Anglia) Limited is higher than the initial Order of Cost referred to in section 3.2 of this report. This is largely due to the following:

- Order of Cost based upon a 60-week programme, Aspen Build programme is 74 weeks on site.
- Order of Cost priced in June 2018 therefore 12 months inflation applies.
- Order of Cost excludes ground conditions, statutory services and party wall works.

4.8 The following relevant information is required to be specifically approved by the Executive in accordance with rule 2.8 of the Procurement Rules:

Relevant information	Information/section in report
1. Nature of the service	This report seeks approval for the appointment of a main contractor See paragraph (2.1)
2. Estimated value	The tender return is £3,270,265.76 See Paragraph (2.1)
3. Timetable	The timetable it outlined in this report. See Paragraph (3.3)
4. Options appraisal for tender procedure including consideration of collaboration opportunities	The Restrictive Procedure was preferred to ensure best value is achieved. 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, equality, diversity and inclusion forms part of the contractor's submission. See paragraph [3.5]
6. Award Criteria	Cost 60 %. Quality 40%. The award criteria price/quality breakdown is more particularly described within the report. See paragraph [3.6]
7. Any business risks associated with entering the contract	Business risks are described in this report. See paragraph [3.7]

5. The Procurement process

- 5.1 The Tender competition has been carried out on the basis of London Borough of Islington's Restricted Procedure method. The required an initial Selection Questionnaire (SQ) which was carried out using the London Tenders Portal. 23 contractors responded to the initial SQ. The top 5 scores from the SQ were invited to tender for the second stage.
- 5.2 Five tenders were received for the second stage and evaluated on the agreed quality and price award criteria with price comprising 60% and quality 40%.

The highest scoring contractor (with a compliant tender) was Aspen Build (East Anglia) Ltd.

Details of the tender evaluation are set out in the exempt appendix.

- 5.3 The tender documentation included the requirement for the contractors to sign up to paying their own employees, and those employed by their sub-contractors, the London Living Wage as well as signing a declaration to confirm that they have not and 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.

5.4 **Value for money**

It should be noted that the above recommended tenderer's contract sum does not include client's design fees, other professional fees and other on costs.

Aspen Build (East Anglia) Limited have demonstrated that their tender has been fully market tested and that they have sought the most competitive price from their sub-contractors in the time available with justifiable exceptions.

Based on the assessment of the final tender, the cost consultant (calfordseaden) has concluded that the tender submitted by Aspen Build (East Anglia) Limited represents value for money and recommends that it should be sanctioned for approval.

5.5 **Quality Assessment**

Aspen Build (East Anglia) Limited has been assessed as being suitable to undertake the works from a technical and resourcing viewpoint. They have had previous experience of similar projects and have an acceptable track record of delivering.

Council officers and the Cost Consultant will be meeting with them in order to confirm acceptability of their proposals in terms of their approach to construction methods and on-site procedures.

6. **Implications**

6.1 **Financial implications**

The Hanley Crouch scheme with 8 private sale units is phase 2 of the Ivy Hall development.

This scheme is funded 100% by private sales, the surplus is used cross subsidise phase 1 of the Ivy Hall development.

Phase 1 (Ivy Hall scheme) delivered 23 SR units and 1 Community centre in Sep 2017.

The Hanley Crouch scheme is allocated with a budget (from 19/20 onwards) of £3.6m which is made up of £2.9m for construction and £0.7m for fees and on costs (£0.3m of this fee is slippage from 18/19). The sales income was budgeted at £8.0m, with a budgeted surplus of £4.4m (£8.0m less £3.6m).

Awarding the above contract at £3.27m to Aspen Build (East Anglia) Limited, and including the additional updated costs (Public realm + Enabling cost + Fees) would increase the estimated cost to £4.1m. Forecasted sales income has also increased to £8.2m (budget £8m), resulting in forecasted surplus of £4.1m (£8.2m less £4.1m).

The net budget pressure arising from this scheme is £0.3m (Budgeted surplus £4.4m less forecasted surplus £4.1m).

We will look to accommodate this pressure of £0.3m from within both the current and new site finder programme.

6.2 Legal Implications

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 proposed contract is a contract for works which is below the EU threshold of £4,551,413 for application of the Public Contracts Regulations 2015 (the Regulations). The council's Procurement Rules require contracts over the value of £181,302 to be subject to competitive tender. The contract has been procured with advertisement and competitive tendering in compliance with the principles underpinning the Regulations and the council's Procurement Rules.

Bids were evaluated in accordance with the evaluation model. The highest scoring tenderer (with a compliant tender) was Aspen Build (East Anglia) 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 should be satisfied as to the competence of the contractor 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 exempt tender report appendix to this report.

6.3 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 will be 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.

6.4 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 January 2019. The complete Resident Impact Assessment is appended.

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.

6. Reason for the decision (summary)

6.1 Aspen Build (East Anglia) Limited as one of the contractors who competitively tendered for these works, have provided acceptable cost and quality values for them to be awarded the contract to build 8 new houses at Hanley Crouch for private sale.

6.2 The cost values have been assessed as fair and reasonable by our appointed Cost Consultants, calfordseaden, and the current tender price is considered Value for Money for the Council.

It is therefore recommended that the Council approve proceeding with Aspen Build (East Anglia) Ltd whose tender offer is currently in the sum of £3,270,265.76.

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

Date 26/07/2019

Appendices:

- Resident Impact Assessment.
- Exempt tender report

Background papers: None

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