

**Report of: Executive Member for Housing and Development**

<b>Meeting of:</b>	<b>Date:</b>	<b>Ward(s):</b>
<b>Executive Board</b>	<b>19 September 2019</b>	<b>Highbury West</b>

	<b>Non-exempt</b>
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**SUBJECT: Procurement Strategy for the Construction of 24 new build residential homes on the Harvist Estate**

**1. Synopsis**

- 1.1 This report seeks pre-tender approval for the procurement strategy in respect of the new build development on the Harvist Estate in accordance with Rule 2.7 of the Council’s Procurement Rules.
- 1.2 The site proposed for development currently consists of a small amount of amenity space and car parking spaces. The new proposal includes replacing part of the car park and amenity space along Citizen Road with 24 terrace homes at 100% social rent with new amenity space. The development which will also include improvements to the public realm and create new parking spaces, new refuse storage and a mix of secured bicycle spaces on the estate.

**2. Recommendations**

- 2.1 To approve the procurement strategy for Harvist Estate new build project as outlined in this report.
- 2.2 To undertake an independent design review before the tender is published.
- 2.3 To delegate authority to award the contract to the Corporate Director of Housing in consultation with the Executive Member for Housing and Development.

### **3. Background**

#### **3.1 Nature of the service**

The purpose of this report is to appoint a suitably qualified main contractor to carry out the construction of the new build residential development as described below.

The development is for the construction of two and three storey terraced homes with estate improvement works.

Accommodation details are as follows.

- 3 X 1 bed 2 person wheelchair flat
- 4 X 2 bed 3 person flats
- 1 X 2 bed 3 person wheelchair flat
- 8 X 2 bed 4 person wheelchair accessible and adaptable house
- 4 X 3 bed 5 person wheelchair accessible and adaptable house
- 4 X 4 bed 7 person wheelchair accessible and adaptable house

Total 24 homes

Islington's vision for housing as laid down in the Housing Strategy 2014 – 2019 is to ensure everyone in Islington has a place to live that is affordable, decent and secure. 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 contributes towards corporate objectives of new affordable homes.

This contract is for the construction of 24 genuinely affordable homes. All homes have been designed to the highest energy standards, enabling the new homes to be run more cheaply and energy efficient. The design will comply with Lifetime Homes Standards ensuring the homes will serve residents throughout their lives.

We have already consulted local residents, local ward councillors, the council's planning, refuse, estate services, and energy and housing allocation departments. Other departments also consulted were the fire brigade services and Metropolitan Police Secured by design officers. The feedback received was generally positive from stakeholders. Residents were concerned with access for emergency vehicles, however the application has received the fire brigade's and planning committee's approval.

#### **3.2 Estimated Value**

The development will be funded through the Council's Capital new build housing budget. The estimated value is £13m.

The design and specification have undergone a value-engineering process alongside the design development. Key elements of the construction have been the subject of detailed costing exercises, where alternative construction systems have been evaluated, and the most cost effective system chosen. Without compromising quality and safety, Value Engineering exercises have reviewed the following elements:

- Structural Systems - Alternative structural systems including masonry walls, concrete frame and steel frame were considered and their costs compared. A concrete frame was chosen for cost and practicality reasons.
- Foundations - The foundation design underwent a process of rationalisation resulting in the omission a number of piles.
- Parapet design - Alternative construction solutions for roof parapets were considered, including blockwork with wind posts, in-situ concrete and brickwork. The most cost-effective and buildable solution (in-situ concrete) was selected.
- Landscaping elements - A variety of landscaping options were considered, with alternative materials and layouts reviewed and costed, so that a design that came within the allocated budget was arrived at.

### 3.3 Timetable

Published tender	October 2019
Open Tender Evaluation	November 2019
Corporate Director approval of Contract award	February 2020
Anticipated Contract Start On Site	March 2020
Contract end Date	September 2021

An 18 month contract period has been advised. Planning Permission was achieved in January 2019.

### 3.4 Options appraisal

When procuring new build housing projects, the council's standard approach is to use the Design and Build form of contract (Joint Contracts Tribunal, JCT). The benefit of this form of contract is that the responsibility for design sits with the contractor who also takes all design related risks for the project, thereby minimising the risks to the council.

The council has also taken the decision to procure some of its new build projects using the Standard Building form of contract (JCT). To further augment this assessment process between design and build and the Standard Building contract the new build project manager will compare the schemes to ascertain the above. This will allow the council to assess the different procurement options and will inform future procurement options based on quality and risk on the different options.

In this form of contract design is the responsibility of the council and risks associated with design will remain with the council throughout the project. The service wishes to test and evaluate situations, including this procurement, where relying on in-house provision of design services will lead to better value for money and allow enhanced control of the design quality, leading to a building that will perform better over its lifecycle. Therefore, this procurement will be based on the Standard Building form of contract (JCT) with in-house provided design services.

As part of this procurement strategy the following procurement routes were considered:

- **Option 1** - Utilising an existing framework agreement: Islington is in the process of procuring a new contractor framework, but access to that framework does not exist at present, and the framework will not cater for traditionally procured contracts using the

JCT standard form of building contract, which is considered to be the appropriate form of contract for a traditionally procured project of this size.

- **Option 2**- A competitive tender using a two stage restricted procedure: This option was discounted as it added a number of months to the procurement programme.
- **Option 3** - competitive tender using the open procedure: This option was chosen as the preferred procurement route as it offers the competitive advantages associated with inviting tenders from a large pool of potential tenderers, while being a quicker route than the restricted procedure.

### 3.5 Key Considerations

The majority of new homes being built in the New Build Programme are much needed family sized homes. The development on the Harvist Estate will create 100% genuinely affordable homes for social housing residents. There is lack of good quality affordable housing locally and this development will provide energy efficient, spacious and well-designed family accommodation. In addition, we will provide much needed wheelchair accommodation for disabled residents in the borough. All ground floor homes will have wheelchair access and will be built to Lifetime Homes Standards.

Best value has been considered in terms of balancing the need to deliver this project by procuring through the open market. This process should produce a large number of bids which in turn should deliver Value for Money. Value engineering exercises were undertaken to reduce the programme and costs without compromising the quality of homes. All new homes will be genuinely affordable homes for those in need of housing providing better accommodation for families in overcrowded conditions and those who would like to downsize.

The new components of the building will be to Building Regulations standards and will achieve Code for Sustainable Homes Level 4. The materials of the building will be of a high quality and high insulation standards will reduce energy costs to assist in tackling fuel poverty. The key proposals are:

Highly Insulated External Envelope - The new homes will be highly insulated to maximise thermal efficiency. The following U-Values will be achieved: 0.15 for external walls, 0.11 for ground floors and roofs, and 1.2 for windows and doors.

Solar Panels - 5 solar panels will be installed on top of each dwelling to provide 1.6Kw/unit.

Communal Heating - A centralised plant room is proposed to serve the new dwellings. Allowance will be made for a future district heating connection.

#### Open Spaces

Citizen Road will be redesigned to improve both pedestrian and vehicular safety. All car parking bays presently allocated to residents, including disabled bays, will be re-provided on the estate, along with 15 visitor bays.

3 new trees will be planted on the estate to replace every tree lost. Throughout the estate new areas of soft landscaping will replace previous hard landscaping. The variety and quality of

planting will be augmented and improved, so as to enhance the quality of the open spaces on the estate.

Green roofs will be provided to enhance biodiversity and control the flow of rain water into the mains drainage systems.

### Improved Facilities

Secure cycle store capacity will be increased and bike stores will be repositioned centrally along the main access route to encourage greater use. Additionally, new covered cycle stores are proposed along Citizen Road to serve the new accommodation. Cycle stores will also house scooters and mobility scooters.

Play facilities will be expanded in size and improved, with new play elements and surfacing. Opportunities for informal play on the estate will also be enhanced.

New communal recycling stores are proposed to serve new and existing dwellings on the estate.

Street lighting to Citizen Road will be redesigned with LED column-mounted lanterns positioned along the route to improve safety and energy efficiency. Along the central pedestrian spine of the estate existing column-mounted lanterns will be replaced by energy efficient LED fittings.

There are wide benefits for all residents on the estate with improved cycle provision, play facilities, landscaping, new refuse and recycling stores and improved lighting. An enhanced scheme has been designed for more landscaping improvements but this will be subject to other bids for funding.

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

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 until the completion of the development

The Council will be able to achieve a significant amount of social benefit and value through this procurement. 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 evaluation process bidders will be asked to include a proposal regarding the social value they can achieve. The social evaluation will require bidders to consider their economic, environmental and social plans for delivery.

The Council is committed to supporting residents into employment, especially those who are disadvantaged in the labour market. Increased training apprenticeship and employment outcomes have been achieved by building in these requirements at the commencement of the procurement process. The contractor is committed to meeting the Council's requirement of 1:20 where 1 fulltime apprenticeship will be provided for every 20 homes built.

The intentions of Islington's development and corporate plans are to reduce poverty, deprivation, unemployment, especially those who are disadvantaged in the labour market.

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 London Living Wage.

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 genuinely affordable homes
- Delivering good services on a restricted 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 delivering good quality genuinely affordable homes

All new build development is expected to bring further social and economic benefits, including environmental improvements to the public realm through the development.

All new build development is designed in accordance with the council’s detailed planning requirements and the New Homes design procedures.

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

### 3.6 Evaluation

The tender will be conducted in one stage, known as the Open Procedure, as the tender is ‘open’ to all organisations who express an interest. The Open Procedure includes minimum requirements which organisations must meet before the rest of their tender is evaluated.

The proposed evaluation award criteria is MEAT based on 60% cost and 40% quality.

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

<b>Tender Award Criteria</b>	<b>Total</b>
<b>Cost</b>	<b>60%</b>
<b>Quality – made up of</b>	<b>40%</b>
Proposed approach to contract management and quality of finished build; Including quality management and provision of consistent qualitative improvements to deliver project on time	20%
Proposed approach to Health and Safety	10%
Proposed approach to <i>social value including employment, training, resident care; community engagement; equality, diversity and inclusion , economic and environmental considerations</i>	10%
<b>Total</b>	<b>100%</b>

### 3.7 Business Risks

The main business risk would be that when the tenders are returned the cost of the build is 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.

3.8 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 complete an 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.

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

<b>Relevant information</b>	<b>Information/section in report</b>
1 Nature of the service	This report seeks pre-tender approval for the procurement strategy in respect of the Construction of 24 homes on the Harvist Estate  See paragraph 4.1
2 Estimated value	The estimated value is £13m  See paragraph 4.2
3 Timetable	The timetable is outlined within this report.  See paragraph 4.3
4 Options appraisal for tender procedure including consideration of collaboration opportunities	Competitive tender option is preferred, to ensure best value is achieved for the Council.  See paragraph 4.4
5 Consideration of: Social benefit clauses; London Living Wage; Best value; TUPE, pensions and other staffing implications	Social, economic, environmental consideration including Equality, Diversity and Inclusion will form part of the bidder's proposals.  See paragraph 4.5
6 Evaluation criteria	Cost - 60%, quality - 40%. The award criteria breakdown is more particularly described within the report.  See paragraph 4.6

7 Business risks are described within this report.	Business risks are described within this report. See Paragraph 4.7
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## Implications

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#### 4.1 Financial implications:

The Harvist Estate scheme is part of Islington Council's 3 year (19/20 to 21/22) New Build (NB) programme. This scheme has been allocated a budget of £12.8m which is made up of £9.9m for construction and £2.9m for fees. The 3 year NB programme has an overall budget of £260.3m.

The Financing of the scheme is set out below:

	£m
Right to Buy 1-4-1 receipts for the 11 Non-GLA funding units	1.8
GLA grant for 13 OMS units Flipped to SR units, at £100k per unit	1.3
Primarily HRA borrowing, and non-scheme specific funds (Section 106 income + Shared Ownership receipts)	9.7
<b>Total financing</b>	<b>12.8</b>

This scheme formed part of the GLA bid in which a total of 131 OMS units were flipped to SR units on the basis of securing GLA grant (at £100k per unit) & funding the balance from HRA borrowing (following the abolition of HRA debt cap). The cost of servicing the increased borrowing has been accommodated within the current HRA business plan.

#### Risk:

£10m construction cost estimated by Employer's agent is the same as in the cost assessment carried out in July 2018, and the budget set in Nov 2018. However, cost reviews of other schemes by contractors in recent months have shown a significant increase as compared to budget, ranging from 20% to 50% increase. A 20% increase in Harvist's cost would increase the overall scheme's cost by a minimum of £2m, resulting in additional financing requirement.

Point 4.4 indicates that the existing or new contractor framework (option1) will not cater for traditional forms of contract as has been determined necessary to deliver the Harvist Scheme.

Generally, in a traditional procurement approach (chosen option 3 above), the design responsibility will lie with the Council, hence the risk of cost increases arising from design changes or any other associated consequences will fall to the Council.

However, it can also be argued that a traditional contract will afford the Council greater control over the design quality, minimising life cycle costs over the long term & as such potentially providing better value for money.

The proposed tender evaluation approach referred to at point 4.6 recommends determining the "most economically advantageous tender" based on a 60% Cost & 40% quality split, this is in line with the standard evaluation approach adopted by the Council.

#### 4.2 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 of the 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 may provide Corporate Directors with responsibility to award contracts with a capital value over £5,000,000 (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 £4,551,413 for works contracts. Contracts above this threshold must be procured with advertisement in the Official Journal of the European Union and in full compliance with the Regulations. The Council's Procurement Rules also require contracts over the value of £181,302 to be subject to competitive tendering.

The proposed procurement strategy, to advertise a call for competition and procure the service using the open procedure competitive tender process, is in compliance with the principles underpinning the Regulations and 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.

#### 4.3 **Environmental Implications**

The construction of the new development on the Harvist Estate will have several environmental implications. These include the materials used for the new buildings, energy used in the construction process, the generation of construction waste, vehicular movements for the removal of waste, delivery of materials, construction workers travelling to work, and potential nuisance issues such as noise and dust.

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 dwellings. In addition, green roofs will enhance biodiversity and help control the flow of rain water into the local drainage system.

#### 4.4 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 on 22 May 2019. The completed Resident Impact Assessment is appended. The new development will have a positive impact people with residents and will deliver four wheel chair homes for residents with mobility impairments. Residents on the estate will have first dibs to bid for properties under the local lettings plan and will also have the opportunity to down size to a smaller home or where there is over crowding upsize to a larger home. The house will have gardens that provide good quality amity space and all homes will support the wellbeing of new residents. All car parking bays presently

allocated to residents, including disabled bays, will be re-provided on the estate, along with visitor bays.

The design will be fully inclusive. The proposal aims to meet the highest standards of accessibility and inclusion so that all potential residents and visitors, regardless of disability, age or gender, can use them safely and easily. Inclusive access is achieved by eliminating barriers physical, attitudinal and procedural, which inhibit the involvement of the whole community, not just disabled people.

The ultimate aim of inclusive access is that the design and layout of the building should enable everyone to be able to enter the building, use the facilities and leave safely, independently and with ease.

## **5. Reason for the decision:**

- 5.1 This report recommends the approval of the procurement strategy for the construction of new build residential homes on the Harvist Estate N7. One of the Council's housing priorities in the Corporate Plan is to build new affordable homes. The building of these new council apartments supports this priority. Advertising a competitive tender will ensure best value is achieved for the council, and secure a contractor who can deliver high quality homes at a competitively tendered price.

## **6. Record of the decision:**

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

**Signed by:** *Diarnaid Ward.*

Executive Member for Housing and  
Development

Date 11 September 2019

**Appendices** Resident Impact Assessment

**Background papers:** None

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