

**Key Decision Report of the Corporate Director of Housing**

<b>Officer Key Decision</b>	<b>Date:</b> 9 July 2020	<b>Wards:</b> Highbury West
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## **SUBJECT: CONTRACT AWARD FOR THE CONSTRUCTION OF 24 NEW HOMES, ON THE HARVIST ESTATE**

### **1. Synopsis**

- 1.1 This report seeks approval to award a JCT (with design) construction contract for 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 will also include improvements to the public realm, creating new parking spaces, new refuse storage and a mix of secured bicycle spaces on the estate. 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 the scheme will help increase the supply of decent, genuinely affordable homes which are cheaper to run, tackle the cost of living crisis faced by many of our residents by creating jobs that pay the London Living Wage (LLW) for local people, and offer training opportunities including apprenticeships. The new facilities will create community cohesion and enhance the environment to the surrounding area.

### **2. Recommendations**

- 2.1 To award the Harvist Estate construction contract (JCT with design) to Diamond Build to undertake the main construction works of 24 new homes, improvements to the public realm, create new parking spaces, new refuse storage and a mix of secured bicycle spaces on the estate for the sum of £10,577,870 (exclusive of VAT).
- 2.2 To note that entering into the contract with Diamond Build Plc is conditional on completion of the land transfer to the Council from Islington and Shoreditch, Peabody, and Places for People Housing Associations.

- 2.3 The proposed decision is a key decision because the value of the contract exceeds £1m. However Executive has delegated authority to the Corporate Director of Housing to award the contract. The proposed contractor has been procured through the OJEU and the proposed decision is included in the Forward Plan.

### 3. Date the decision is to be taken

Decision date is 9 July 2020.

### 4. Background

#### 4.1 Nature of the service

- 4.1.1 Harvist Estate is located in the Highbury West ward. It is bounded by Hornsey Road and Tollington Road to the north and west, with Isledon Village, a Housing Association development, and a Network Rail viaduct to the northeast and southeast respectively. The new proposal will be to design a new the service road at Citizen Road improving pedestrian, vehicular safety and to provide 24 terrace homes for social rent. The development 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.
- 4.1.2 The Executive on 19 September 2019 agreed the procurement strategy which covered in detail the project and procurement process.
- 4.1.3 Several residents' consultation events were held between January 2017 and March 2018. The scheme was granted planning consent on the 20 March 2019 under Planning Reference P2018/2767/FUL.
- 4.1.4 The Harvist Estate development is for 100% social rent.

	Units	% Units	Hab rooms	% Hab rooms
Social Rent	24	100	101	100
Totals	24	100	101	100

And mix of unit types

Type	Social Rent	
	Units	Habitable Rooms
1-Bed Flat	3	6
2-Bed Flat	5	15
2-Bed House	8	32
3-Bed House	4	20
4-Bed House	4	24
<b>Total</b>	<b>24</b>	<b>97</b>

## 4.2 **Estimated Value**

- 4.2.1 The development is being funded through the council's new build housing budget.
- 4.2.2 The successful tender price for this project is £10,577,870. The contract period is 95 weeks.

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

## 4.3 **Timetable**

Key Decision	June 2020
Start on Site	August 2020
Completion	July 2022

Planning Permission was achieved in March 2019. 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, Estate, Property and Customer Services and Housing Allocation Departments. Feedback received was generally positive from all stakeholders.

## 4.4 **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 the design and risk are the council responsibility. The new homes 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 architects providing design and construction management 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.

## 4.5 **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 materials of the building will be of a high quality and high insulation standards will reduce energy costs to assist in tackling fuel poverty. This particularly applies to the energy efficiency of communal heating system. Photovoltaic systems will provide energy to the dwellings. Green roofs will be provided to enhance biodiversity and control the flow of rain water into the mains drainage systems. The new components of the building will be to modern Building Regulations standards.

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, councillors, stakeholders and local businesses through to completion of the development, this will include engagement on the approach to construction management prior to commencement.

The Council will be able to achieve a significant amount of social benefit and value through this procurement. Social value has been 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 and
- Creating a good quality of life by delivering good quality genuinely affordable homes

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

The new build development is also 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.

#### 4.6 **Evaluation**

The tender was 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 contract was advertised by the council on the London Tenders Portal and Contracts Finder. As the contract value was above the threshold for EU purposes, a contract notice was also published in the Official Journal of the European Union (OJEU).

The procurement was conducted in line with the Council's procurement rules and the Public Contracts Regulations 2015. The procurement was undertaken using a competitive tender under the Open Procedure

There were 77 expressions of interest on the London tenders Portal of which only 5 tender submissions. The tender was published on the London Tenders Portal 21/11/2019. Tender submission deadline via the London Tenders portal was 3 Feb 2020.

Tenderers were requested to demonstrate relevant experience against 3 other suitable projects

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 60% cost and 40% quality. The 40% quality assessment was based on the assessment of three questions asked in the ITT with a minimum of three marks out of five to be scored on each question; failure to achieve this would mean disqualification from the tender process.

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 social value including resident care; community engagement; equality, diversity and inclusion , economic and environmental considerations	10%		
<b>Total</b>	<b>100%</b>		

One tender withdrew therefore Four of the Five tenders were received and evaluated in accordance with the tender evaluation model. Diamond Build plc received the highest overall rating. The outcome of the evaluation is set out in Tender report.

#### 4.7 **Business Risks**

All construction projects have an inherent element of risk which the project team has worked to identify and have developed mitigation strategies to enable them to manage during the construction phase. This traditional build project has a number of risks which will be owned by the Council. All construction projects entail managing risk and it will be the Contractor's responsibility to mitigate these.

There are three main business risks, the land transfer from the Housing Associations, Japanese Knotweed remediation works and COVID-19 ramifications. We have managed these risks by ensuring no build contract will proceed until the land transfer is completed. All Housing Associations have agreed the land transfer due for completion in June 2020. The budget allows for remediation works to all areas contaminated with Japanese knotweed. The contractor, Diamond Build Plc, confirmed they will hold their price though to October 2020 which mitigates the risks linked to COVID-19 however there is an underlying risk if the contract is not signed.

The main opportunities associated with this procurement were that the tendering process resulted in a tender return which demonstrates high quality tenders which have been tested in the market place demonstrating best value for the council.

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 were required to complete an anti-blacklisting declaration. Where an organisation is unable to declare that they have never blacklisted, they are 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.

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	To procure a suitable Main Contractor to undertake the main construction works of 24 new homes, improvements to the public realm, create new parking spaces, new refuse storage and a mix of secured bicycle spaces on the Harvist Estate.  See paragraph 4.1
2 Estimated value	The contract has an estimated value of £10,577,870 of Islington Council spend.  See paragraph 4.2
3 Timetable	The timescale/programme is outlined within this report. Key target programme dates include: <ul style="list-style-type: none"> <li>• Start on Site July 2020</li> <li>• Completion June 2022</li> </ul> See paragraph 4.3
4 Options appraisal for tender procedure including consideration of collaboration opportunities	The outcome of procurement options appraised are described within this report.  See paragraph 4.4
5 Consideration of: Social benefit clauses; London Living Wage; Best value;	The outcome of the key considerations are described within this report.

TUPE, pensions and other staffing implications	See paragraph 4.5
6 Evaluation criteria	The award criteria price/quality breakdown is more particularly described within the report.  See paragraph 4.6
7 Any business risks associated with entering the contract	Business risks are described within this report.  See paragraph 4.7
8 Any other relevant financial, environment and legal considerations.	See paragraph 5.1 - 5.3

## **5. Implications**

### **5.1 Financial Implications**

The total budget provision (covering the years 20-21 – 22-23) included in the new build programme approved during the 20-21 budget setting process, for this scheme (the Harvist Estate) is £12.289m.

The recommended main construction price of £10.578m plus remaining fees and contingency can be accommodated within the schemes allocated budget provision.

The report sets out the procurement process followed and indicates that on an assessment of 60% price and 40% quality that Diamond Build has submitted the Most Economical Advantageous Tender.

### **5.2 Legal Implications**

Under Section 9 of the Housing Act 1985 the Council has the power to provide housing accommodation by building houses on land acquired or appropriated 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 construction works on the Harvist Estate (section 1 Local Government Contracts Act 1997).

The proposed contract is a public works contract. The threshold for application of the Public Contracts Regulations 2015 (the Regulations) is currently £4,733,252 for public works contracts. The estimated value of the Harvist Estate housing new build contract exceeded this threshold the procurement was advertised in OJEU using the open procedure.

Diamond Build Plc submitted the highest scoring tender through the open tender procedure. Accordingly, the Corporate Director of Housing may award the contract to that constructor for the construction of the new homes at Harvist Estate provided she is satisfied as to the constructor's competence to carry out the contract works and that its price represents value



for money for the council. In reaching that decision she should take into account the information contained in the exempt report.

### 5.3 **Environmental Implications and contribution to achieving a net zero carbon Islington by 2030:**

The construction of the new development on the Harvist Estate will have several environmental implications. These include the materials used in the civil engineering and to construct 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 (which will lead to carbon emissions and contribute to local congestion), potential nuisance issues such as noise and dust and the removal of some trees to make space for the new dwellings. The buildings will also have a long-term impact on the environment, particularly in terms of their use of energy and water.

These impacts will be mitigated in several ways. Heating will be provided by a communal heating system that could potentially connect to a district heat network in future, whilst a Photovoltaic system will supplement power for the new dwellings. A planning condition requires that the homes are designed to use only 95 litres of water per person per day.

Green roofs to each terrace of flats and houses will enhance biodiversity and help control the flow of rain water into the local drainage system, while every tree removed will be replaced by three new ones; an ecological report commissioned for the project has deemed the ecological impact minor. Improved refuse facilities will hopefully contribute to an increase in recycling on the estate, while the installation of new secure cycle parking could increase the use of sustainable travel by residents. A Construction Management Plan will include mitigation measures for traffic, noise and dust. The construction process plan will also ensure the contractor adheres to environmental legislation and waste regulations.

The contractor will need to develop their construction and environmental management plan (CEMP) for the project with due consideration to the Construction Leadership Council Covid-19 Operating Procedures guidance and the CEMP will be submitted for approval by the local planning authority.

### 5.4 **Resident Impact Assessment**

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).

A Resident Impact Assessment was completed on 20 May 2019 and reviewed on 3 June 2020 to consider additional measures to respond to Covid-19. The completed Resident Impact Assessment is attached as Appendix 1; see appended report. 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 amenity space and all homes will support the wellbeing of new residents.

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.

## **6. Conclusions and reasons for recommendations**

- 6.1 In conclusion, Diamond Build Plc, the winning contractor from competitive OJEU process has provided acceptable cost and quality values for them to be awarded the contract to build 24 new homes with new amenity space at the Harvist Estate
- 6.2 The cost values have been assessed as fair and reasonable by our appointed Quantity Surveyor Baily Garner and therefore, considered Diamond Build Plc fixed price to represent VFM to the council.
- 6.3 It is therefore recommended that the Construction contract for the value of £10,577,870 be awarded to Diamond Build Plc.

## **7. Note of decision**

- 7.1 I have today decided to take the decision set out in paragraph 2 above for the reasons set out in paragraph 6.

### **Appendix:**

Appendix 1 - Resident Impact Assessment

**Background papers:** Tender Report (Exempt) Baily Garner Consultants' Harvist Estate tender report: This report is exempt and not for publication, as it contains exempt information under paragraph 96.4, category 3, of Access to Information Procedure Rules, namely information relating to financial or business affairs

### **Final report clearance**

**Signed by:**

**Corporate Director of Housing**

**Date:**

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