

Homes and Neighbourhoods Directorate
222 Upper Street, London N1 1XR

Report of: Corporate Director of Homes & Neighbourhoods

Date: 16th August 2022

Ward: Highbury East

Subject: Award of a Direct Award Proposal from Quinn (London) Ltd for the refurbishment and new build works at 173 Highbury Quadrant, N5 2TG

1. Synopsis

- 1.1 173 Highbury Quadrant, London, N5 2TG is a vacant Victorian street property in the council's ownership.
 - 1.1.1 The council intends to sympathetically refurbish the existing building using Passivhaus Principles to provide three social rented units and a separate private sale unit to subsidise the scheme.
 - 1.1.2 This innovative scheme will adopt a fabric first approach to ensure maximum energy efficient performance using Passivhaus Principles. The scheme will be a pilot which can inform the council's approach to meeting the Net Carbon Zero target of 2030, both in terms of new build and retrofitting similar, existing council stock.
 - 1.1.3 To this end, this report seeks agreement to make a Direct Award for a main works Traditional Contract to the value of £1,793,523 to Quinn London Ltd, to undertake the necessary works.

2. Recommendation

- 2.1 To make a direct award to Quinn (London) Limited of a call-off contract from the 2020 Lot 1 Contractors Framework Agreement, with a the total contract value of £1,793,523.

3. Date the decision is to be taken

- 3.1 16th August 2022

4. Background

4.1 Nature of the service

This project will deliver a net zero carbon Passivhaus development of three council homes, and one home for private sale.

- 4.1.1 The main works will consist of full refurbishment of the existing street property to provide three new flats which will include a 1bed basement flat, 3bed maisonette and a 1bed flat on top floor for Social Rent.
- 4.1.2 They will all be constructed with a retrofit fabric first approach for maximum energy efficiency. Adjoining the existing building a new 3bed family house will also be constructed to fabric first principles. Existing external areas will be improved with hard and soft landscaping.
- 4.1.3 Following completion of the project energy use will be monitored for a period to enable the success of the energy efficiency strategy for the development to be documented.

4.2 Estimated value

- 4.2.1 A Direct Award proposal was received from Quinn (London) Ltd by the deadline date of 14th April 2022 in the sum of £1,793,532 for a 52-week programme of delivery.
- 4.2.2 The councils Employers Agent and Quantity Surveyor, Walker Construction Consultants, has produced a Value for Money report which recommends Quinn's tender price is fair and reasonable price and that a contract award should be made.
- 4.2.3 However, the scheme has a significantly higher unit build cost than the New Build benchmark for new unit costs because of the specific nature of the project (high specification, refurbishment, historical costs and lack of grant. The scheme has also absorbed costs of £362,000 on elements which would have been undertaken by Housing Property Services to bring the existing property up to necessary standards.
- 4.2.4 A Value for Money exercise has been carried out saving £118,750 without affecting the drive to meet Passivhaus principles on the scheme. Key to note is that this is a refurbishment with an additional unit for sale to cross subsidise. Therefore, there are no additional social rent habitable rooms and subsequently no grant available which would have otherwise generated an income of circa £500,000.
- 4.2.5 The Value for Money report confirms that there are no significant differences between Quinn's price and the council's appointed consultant's estimate. Quinn's price, including Value Engineering commitment, and provisional sums added in connection with Tender Clarifications, is within 5% of WCC's latest estimate making the two prices comparable.

4.3 **Timetable**

- 4.3.1 Key Officer Decision – August 2022
Start on Site –September 2022
Completion –September 2023
- 4.3.2 Local residents and ward councillor have been consulted and kept informed throughout this process.

4.4 **Options appraisal**

- 4.4.1 Walker Construction Consultants were instructed to issue a Direct Award Invitation to Quinn (London) Ltd. using the Lot 1 Contractors Framework.
- 4.4.2 Quinn (London) Ltd. are a contractor in Lot 1 of the council's Contractor's Framework Agreement and are well-suited for 173 Highbury Quadrant because they have experience of refurbishment and remodelling projects and have prior experience of working on the Andover Estate and Stacey Street.
- 4.4.3 This framework is for work valued up to £5,000,000 and reduced the tender process and allow the works to be undertaken much sooner than via a mini competition.
- 4.4.4 The Direct Award Invitation process followed the procedure set out in Schedule 1B Direct Award in the Contractors Framework Agreement.

4.5 **Key Considerations**

- 4.5.1 Recent events such as Brexit, Covid, war in Ukraine, changes to building regulations (e.g., fire safety, environmental performance etc) have led to an increase in costs, shortage of labour and of materials. This has resulted in construction cost inflation rises at unprecedented levels across the construction sector. This has contributed to the uplift in costs on this scheme and though prices are expected to plateau in the short-term costs are anticipated to remain high in the short-medium term.
- 4.5.2 Quinn are offering a fixed price contract for this scheme.
- 4.5.3 The scheme also does not meet the standard criteria for viability and cannot proceed without additional resources being applied from the HRA (Housing Revenue Account). The project is not eligible for Right To Buy 141 receipts as there is no increase in SR habitable rooms.
- 4.5.4 The returning tenants solicitor has sought assurances that the rationale for decanting, i.e. refurbishment to Passivhaus standards, remains.
- 4.5.5 As part of the Social Value delivery in Islington, Quinn recently recruited 2 residents from the borough as Quantity Surveyor apprentices in partnership with the council's local recruitment arm and is committed to continuing this relationship and collaborating with the council to share and recruit into any vacancies that arise on the project.

- 4.5.6 Quinn's Social Value Manager has also drawn up a social value strategy which outlines their priorities for delivery across the business. This includes a strategy for engaging with local schools to raise awareness around a range of careers in construction, health & safety and to offer work experience placements to students. They are committed to engaging with schools in Islington, especially those closest to site, including the City of London Academy, Highbury Grove, Highbury Fields Girls secondary school and Highbury Quadrant Primary School.

4.6 **Evaluation**

This report is recommending awarding a Direct Award under the council's Contractors Framework 2020 (1b) and therefore neither a limited/'restricted' or Open Procedure applies.

4.7 **Business risks**

- 4.7.1 The council's Employers Agent and Quantity Surveyor has identified the following business risks:

Ensuring Value for Money from the market

Mitigation: Our Contractor Administrator took the lead in the negotiations with the contractor to help deliver Value for Money. Benchmarked against other schemes, Savings already secured using Value Engineering (VE).

Once committed and contractor awarded a contract there is the risk of overspend.

Mitigation: Our Contractor Administrator to provide cost control and regular cost reporting. Inclusion of contingency allowance within the overall budget

- 4.7.2 The Business opportunities associated with this procurement will be to provide a house and three flats to provide much needed housing with the borough. The house is for sale which will provide much of the budget for the project. We will manage this by appointing sales consultants and enhancing the specification of the for sale unit to obtain the best price for the property within. It will be an exemplar project, showcasing fabric first design ethos with enhanced energy performance that will inform the direction taken by the council for future projects and enhance the council's reputation as a developer of good quality homes in the borough.

- 4.7.3 In terms of impact on service users, the displaced resident will need to be kept up to date with progress of the scheme and invited to view her refurbished home. A Resident Impact Assessment has been completed (Appendix 2).

- 4.7.4 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.

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

Relevant information	Information/section in report
1. Nature of the service	<p>A Direct Award to Quinn (London) Limited of a call-off contract from the 2020 Lot 1 Contractors Framework Agreement. The total contract value is £1,793,523 for the refurbishment and new build works at 173 Highbury Quadrant, N5 2TG</p> <p>See paragraph 2.1</p>
2. Estimated value	<p>The contract value is £1,793,532</p> <p>The agreement is proposed to run for a period of 52 weeks</p> <p>See paragraph 4.2</p>
3. Timetable	<ul style="list-style-type: none"> • Key Decision Report- 15th August 2022 • Start on Site – August 2022 • Completion Date – August 2023 <p>See paragraph 4.3</p>
4. Options appraisal for tender procedure including consideration of collaboration opportunities	<p>A Direct Award has been considered the best option for this project</p> <p>See paragraph 4.4</p>
<p>5. Consideration of:</p> <ul style="list-style-type: none"> • Social benefit clauses; • London Living Wage; • Best value; • TUPE, pensions and other staffing implications 	<ul style="list-style-type: none"> • Three new council homes • The scheme will be retrofitted to Passivhaus principles as a pilot which can inform the council's approach to meeting the Net Carbon Zero target of 2030, both in terms of new build and retrofitting similar, existing council stock • Reduce fuel poverty for future residents. • Bringing an empty property back into use • Local labour and apprenticeship • School engagement • Community Engagement / Sponsorship <p>See paragraphs 4.5.5, 4.5.6</p>

6. Award criteria	Value for Money and quickest procurement route with a reliable and suitable contractor using a Direct Award procedure See paragraph 4.2.2
7. Any business risks associated with entering the contract	The main risks associated with this project is not having obtained the value for money and overspend to when contractor awarded a contract. See paragraph 4.7
8. Any other relevant financial, legal or other considerations.	See paragraphs 5.1 – 5.4

5 Implications

5.1 Financial Implications

5.1.1 This is not a traditional newbuild scheme it is essentially a refurbishment & increase in size of 4 existing social rented (8 hab rooms) to 3 larger SRs (8 hab rooms) and 1 larger (2 hab rooms to 3 hab rooms) for sale property that will contribute towards the funding of the scheme.

The current budget position (as at 22-23 budget setting) and the growth arising as a result of this proposed contract award in the sum of £1.794m is set out in the table below.

The proposed contract award would result in an increase as compared to the scheme budget of £783k this is offset in part by the £20k increase in the anticipated sale price of the 1 for sale property, resulting in net growth of £763k

In the short term this increase in cost can be accommodated within the current 3 year approved new build capital programme, given that anticipated slippage will more than offset this increase in spend.

As part of next year's budget setting cycle (23-24) this growth will be reflected in the updated new build capital programme.

It is important to note that the this growth will have to be funded by RCCO (via a call on HRA reserves).

Finally, the Council's external consultants have assessed the contract as representing VfM.

5.2 Legal Implications

a) The Council has power to provide housing accommodation by building houses on land acquired for that purpose or by converting buildings into houses and to

provide facilities in connection with the provision of housing accommodation (sections 9 and 12 Housing 1985).

- b) This report recommends the Direct Award to Quinn (London) Limited of a call-off contract from the council's 2020 Lot 1 Contractors Framework Agreement. The total contract value is £1,793,523 for the refurbishment and new build works at 173 Highbury Quadrant, N5 2TG.
- c) The contract value is below the current Public Contracts Regulations 2015 threshold for Works contracts and so those Regulations do not apply.
- d) The procurement route (Direct Award from the council's Lot 1 Framework Agreement 2020) is compliant with the council's Procurement Rules.
- e) As capital spend in excess of £1m, the decision to award this contract is a Key Decision and the relevant publication and allied procedures must be followed under the council's Constitution.
- f) Procurement Rule 18.1.1 empowers Corporate Directors to award contracts paid for using capital money of up to £5,000,000 of Islington Council spend.
- g) The Corporate Director of Housing must have due regard to Value for Money considerations when taking the recommended decision.
- h) Officers must take all necessary advice from Legal Services to ensure that the council's legal obligations in relation to any tenants or occupiers of the building are complied with.

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

- 5.3.1 The improvements to dwellings have 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).
- 5.3.2 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.

5.4 Equalities Impact Assessment

- 5.4.1 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.
- 5.4.2 An Equalities Impact Assessment was completed on 3rd May 2022 which established that there will be minimal impact affecting existing residents and leaseholders in the area. The scheme will provide much needed accommodation

using Passivhaus principles to build energy efficient homes that reduce fuel poverty or future residents.

6 Conclusion and reasons for the decision

- 6.1 Quinn (London) Ltd are one the contractors appointed to the Lot 1 Contractor Framework. They have provided cost values and design fee percentages acceptable to the councils appointed Contractor Administrator to undertake this construction contract. While the price was higher than expected the Contractor Administrator has since satisfied himself that through a series of checks and comparisons both with Islington's own schemes and the wider construction market in London as well as through the Value Engineering exercise that the contract price submitted by Quinn (London) is fair and acceptable.
- 6.2 It is therefore recommended that a Traditional construction contract is awarded to Quinn (London) Ltd for the sum of £1,793,532 to complete the proposed project.

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 Homes & Neighbourhoods

Date:

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