



Report of: Executive Member for Housing and Development

Meeting of:	Date	Ward(s)
Executive	26 November 2015	Bunhill
Delete as appropriate	Exempt	Non-exempt

THE APPENDIX TO THIS REPORT IS NOT FOR PUBLICATION

SUBJECT: CONTRACT AWARD FOR THE CONSTRUCTION OF 47 NEW HOMES AND ASSOCIATED IMPROVEMENTS FOR THE KING SQUARE ESTATE DEVELOPMENT PHASE ONE, EC1V

1. Synopsis

- 1.1 Through building new council homes we can help tackle the cost of living crisis faced by many of our residents by creating more jobs for local people that pay the London Living Wage (LLW) and training opportunities, including apprenticeships, and help increase the supply of decent, genuinely affordable homes.
- 1.2 This report seeks approval to award a construction contract for the development of 47 new homes and associated improvements for Phase One of the King Square Estate Development (KSE) for the sum of £11,634,794. A robust procurement process has been undertaken in accordance with the Council's Procurement Rules and the current LBI New Build Contractor Framework.

2. Recommendation

- 2.1 To award a Design and Build Construction (D&B) contract to Higgins Construction Plc in the sum of £11,634,794 for the construction of 47 new homes and associated improvements for the King Square Estate, comprising Phase One of the King Square development and regeneration project.

3. Background

- 3.1 The overall King Square scheme proposals comprise the development of 6 new housing blocks on five infill sites, within and adjacent to the King Square Estate, Goswell Road, EC1V in two Phases. These will deliver a total of 140 new homes; a new community facility; improved estate communal facilities and nursery; and extensive public realm improvements. 70% of the new homes are **affordable dwellings** (of which 93 are for social rent and 5 shared ownership). The **42 private** residential for sale units will help finance the scheme.

3.2 The development sites are mainly surplus car park areas and surplus land (part of the Moreland School site) held for education purposes that will be appropriated for housing purposes on completion of the new school., as part of a major Council -led development and regeneration scheme. The scheme includes demolition of the single storey annex to Turnpike House (No's 3-11) and redevelopment of the new Block F.

3.3 **Scope of Works:** The development will be delivered in two phases split as follows:

PHASE 1 (100% social rent) adjacent Turnpike House Est. Contract Value: £11.6M	BLOCK E : 25 units for Independent Living
	BLOCK F : 22 new homes (redevelopment of Turnpike House Annex (flat No's 3-11)
PHASE 2 Est. Contract Value: £26.5 M (incl. Environmental works)	Block B : Terraced Housing replacing garages – (10 x 3-bed and 1 x 2-bed houses for social rent)
	Block C : 12 x 2-bed above new Community Centre plus 1x 3-bed WC accessible flats (social rent)
	Block D 1 (36 x private OMS) and Block D2 (33 units mixed tenure) off Goswell Road
	Refurbishment of Nursery at Rahere Hse
ENVIRONMENTALS	At completion of works of each Phase. Main landscaping works package at end of Phase 2.

3.4 Following extensive consultation with local residents of the King Square Estate and other key stakeholders, the scheme was submitted for planning permission in December 2014 and was approved at Planning Committee on 23 April 2015.

3.5 Programme:

Phase 1: anticipated start on site in January 2016 - completing April 2017.

Phase 2: is expected to start on site in April 2017 and complete by spring/summer of 2019. This will, however, largely depend on the new Moreland School completing to programme.

3.6 **PHASE 1 Dwelling Mix:**

The 47 units in Phase 1 (33.6 % of overall development) are all for social rent, of which: 25 x 1-beds; and 22 x 2-beds. The high proportion of 1-bed's is due to the fact that Block E is for Independent Living (ie. for the over 55 year-olds and vulnerable residents with mobility issues etc).

The detailed breakdown in terms of type/size is:

Dwelling Type/ Size	BLOCK E	BLOCK F	Total Units	%
1-Bed 2P	13	8	21	44.7%
2-bed 3p	6	-	6	34% (2-beds)
2-Bed 4p	-	10	10	
1-Bed 2p (Wheelchair)	3	1	4	21.3% wheelchair accessible units
2-bed 3p (Wheelchair)	-	1	1	
2-bed 4p (Wheelchair)	3	2	5	
Total units	25	22	47	100%

3.8 Demolition:

Only 9 units at Turnpike House (Flat No's 3 -11) are to be demolished as part of Phase1. This includes: 3 Leasehold properties which have been re-purchased (completed 15 October 2015); and 6 tenanted properties whose residents have been rehoused with the right to return to a dwelling within the estate. This key risk to programme has been successfully eliminated ensuring vacant possession by November 2015 in time for the proposed Start on Site January 2016.

4. Procurement Process

4.1 We have undertaken a mini-competition in accordance with the provisions of the New Build Contractor Framework 2014-18, which was procured through an EU compliant process in 2014.

All contractors appointed to the Framework have signed up to paying their own employees, and those employed by their sub-contractors, the London Living Wage (LLW). They also 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.

4.2 The tender is based on a two stage open book tender approach with the two phases delivered under separate design & build contracts. The intention is that Phase Two will be awarded to the Phase 1 contractor subject to that contractor's performance on Phase One and agreement of an acceptable design and price for Phase Two. The tender includes a phased programme (see below) and separate stage 2 tenders pricing (fixed sum) works for Phases One and Two.

4.3 In accordance with the New Build Contractor Framework call off procedure/mini-competition process, all 8 contractors appointed to Lot 2 of the Framework (contracts over £2m) were invited to express an interest in submitting a tender for this ambitious project.

4.4 The five contractors who expressed an interest were invited to submit a Stage 1 tender for the D&B Contract (6 May 2015); four tenders were returned on the 12 June 2015. The tenders were evaluated on the agreed quality (60%) /price (40%) award criteria set out in the Invitation to Tender- and in compliance with the terms of the Framework. The two front runners were invited to an interview.

4.5 The highest scoring Stage 1 contractor Higgins Construction PLC was awarded a Pre-construction Services agreement (PCSA) for Phase One on the 19 July 2015 to carry out further detailed design and enabling works and site surveys etc. in order to firm up the design in consultation with the client and arrive at a fixed price Stage 2 tender (submitted in October 2015).

4.6 The award of the KSE Phase Two contract, which includes the majority of the works for KSE, will be subject to the contractor's performance on Phase One and agreement of an acceptable Phase Two design and contract sum. The PCSA for Phase Two will be awarded in May/June 2016 so as to provide additional incentive to perform well in Phase One.

4.7 Value for Money

The pre - construction services agreement allows early involvement of the Contractor in the design, harnessing their knowledge and building experience whilst enabling client control over the quality of the D&B construction in a spirit of open book and transparency. It allows contractors to carry out necessary site investigations to reduce construction risks and pricing thereof. This process also allows for early value engineering thus providing the Council with better value for money in compliance with required design and qualitative requirements.

The Employer's Agent appointed by the council for this new build scheme, Baily Garner have advised that final tender price of £11,634,794 represents VfM for the council.

4.8 Quality Assessment

There have been extensive discussions and design review meetings with Higgins Construction Plc regarding the preparation of their price and further investigative works undertaken to remove conditions, provisional sums and caveats. There are no immediate concerns as to their capability of undertaking the works from a technical and resourcing point of view

Additionally council officers and the Employer's Agent have met with Higgins Construction Plc in order to confirm the acceptability of their approach, both in terms of pricing, construction methods and on-site management.

Programme

4.9 Anticipated Time-plan:

- **Appoint Phase 1 D&B Contractor:** **Early December 2015**
- **Start on Site (Phase 1):** **4 January 2016**
- Phase 2 Stage 2 Tender (PCSA): June 2016 – October 2016
- Appoint Phase 2 D&B Contractor: February 2017
- Start on Site (Phase 2): April 2017 *

(* subject to appropriation of land at completion of new Moreland School).

5. Implications

5.1 Financial Implications

The Council's approved 3 year (2015/16 to 2017/18) new build programme totals £118.8m. The latest indicative 7 year (2015-16 to 2021-22) new build programme totals £181.7m based on the June 2015 position.

The whole scheme (phases 1 &2) has been financially appraised based on the pre-planning estimated cost price of £45.7m (of which £38m was deemed to relate to works costs), taking into account all relevant cash flows such as the net cost of the capital investment, on-going income (rent) & expenditure the scheme is considered viable given that it produces a positive NPV over a 30 year time frame.

Both phases of the scheme comprise 93 homes for social rent, 42 homes for outright sale and 5 homes for shared ownership sale, phase 1 covers 47 of the homes for social rent.

The total estimated scheme cost in the sum of £45.7m has been included within the Council's June 15 forecast 7 year new build programme.

The report indicates as at para. 3.3, that an allocation of £11.6m to phase 1 (works) will leave sufficient budget provision to cover off the completion of phase 2 (works) in the sum of £26.5m.

The on-going revenue costs of managing and maintaining the new homes are included in the HRA's medium term financial strategy.

The scheme will be funded from the combination of resources i.e. capital receipts from open market sales, RTB 1-4-1 receipts and some internal resources e.g. borrowing, RCCO and other capital receipts.

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 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 King Square Estate Phase 1 development (Section 1 Local Government Contracts Act 1997).

Higgins Construction Plc was appointed to the Council's New Build Development Framework (2014 – 2018) following a competitive tendering exercise in accordance with EU Procurement Legislation. Higgins Construction plc was subsequently awarded Phase 1 of the King Square Estate development project PCSA, following a mini competition under the Framework, and entered into a pre-construction services agreement with the Council.

In these circumstances it would be reasonable for the construction contract for Phase 1 to be awarded to Higgins Construction Plc provided that the Executive are satisfied that their price represents value for money.

5.3 **Environmental Implications**

An environmental impact assessment was carried out as part of the design development and planning application to ensure that any potential impacts during and post construction are considered and adequate mitigation measures are in place.

It will be essential during both the demolition and construction periods to ensure the contractor adheres to environmental legislation particularly around waste regulations. Clearly defined roles on who is responsible for waste management and disposal, obtaining licences and permits and liability will be essential before work commences. 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. Full method statements for all activities will be required from the contractor before commencement in order to mitigate these risks.

Careful management of local nuisance issues such as noise, dust and air pollution will be required on site during both the demolition and construction phases, and the contractor should be required to ensure that there is no harm to local biodiversity, including trees. Transport to and from the site should be minimised to reduce emissions and congestion.

With regards to design, the major environmental implications are related to the building materials and energy efficiency. When choosing building materials, whole-life costs, including embedded emissions should be taken into consideration. Where possible, the contractor should minimise the amount of material used and use recycled or sustainably-sourced products (e.g. FSC or PEFC certified timber). The energy efficiency of the new buildings should be maximised, potentially including the installation of renewable energy. They will meet at least Level 4 of the Code for Sustainable Homes, and will be connected to the Bunhill district heating network.

5.4 **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 has been carried out and it has identified that there will be positive impacts on people living in the new dwellings and the immediate neighbourhood. There are no identifiable negative impacts.

A copy of the RIA is available upon request from the author of this report.

6. Conclusions and Reasons for Recommendations

- 6.1 In conclusion, and based on the outcome of the procurement process outlined in this report, Higgins Construction Plc have offered a contract price of £11.6M that is financially competitive and their quality proposals meet the required standards.
- 6.2 It is, therefore, recommended that a contract be awarded to Higgins Construction Plc for the construction of 47 new homes and associated improvements as their tendered price forms an acceptable basis for agreeing the final contract sum.

Appendices

Appendix 1: Tender Evaluation and VfM Report: This 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 the financial or business affairs.

Final report clearance:

A handwritten signature in black ink, appearing to be 'J. M.', with a long horizontal stroke extending to the right.

Signed by: Executive Member for Housing and Development

Date: 10/11/15

Report Author: Eleni Tsoskounoglou, Principal Housing Development Project Manager
Tel: 020 7527 2789
Email: eleni.tsoskounoglou@islington.gov.uk