



C A B I N E T P R O C U R E M E N T A N D I N S O U R C I N G C O M M I T T E E

**Monday, 6 November 2023 at 4.00 pm
Room 102, Hackney Town Hall, Mare
Street, London E8 1EA**

Live stream link: <https://youtube.com/live/RntHP4dwksg>

Back up link: <https://youtube.com/live/EQG5IKWt83k>

Members of the Committee:

Councillor Robert Chapman, Cabinet Member for Finance, Insourcing and Customer Service (Chair)

Councillor Christopher Kennedy, Cabinet Member for Health, Adult Social Care, Voluntary Sector and Culture

Councillor Caroline Woodley, Cabinet Member for Families, Parks and Leisure

Councillor Mete Coban MBE, Cabinet Member for Climate Change, Environment and Transport

**Dawn Carter- McDonald
Interim Chief Executive**

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Cabinet Procurement and Insourcing Committee

Monday, 6 November 2023

Order of Business

1 Apologies for Absence

2 Declarations of Interest

Members are invited to consider the guidance which accompanies this agenda and make declarations as appropriate.

3 Urgent Business

The Chair will consider the admission of any late items of Urgent Unrestricted Business which will be considered under the agenda item where they appear.

4 Notice if Intention to Conduct Business in Private and Representations Received

On occasions part of the Cabinet Procurement and Insourcing Committee meeting may be held in private and will not be open to the public if an item is being considered that is likely to lead to the disclosure of exempt or confidential information. This is in accordance with the Local (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 (the "Regulations").

This agenda contains exempt items as set out following the Exclusion of Press and Public agenda Item 11.

No representations with regard to these have been received.

This is the formal 5 clear day notice under the Regulations to confirm that this Cabinet Procurement and Insourcing Committee meeting will be partly held in private for the reasons set out in this Agenda. Information) (England) Regulations 2012 (the "Regulations"), members of the public can make representations about why that part of the meeting should be open to the public.

5 Deputations/Petitions/Questions

At the time of the agenda publication none have been received.

6 Unrestricted Minutes of the Cabinet Procurement and Insourcing Committee held on 23 October 2023 (Pages 9 - 16)

To confirm the unrestricted minutes of the previous meeting of Cabinet Procurement and Insourcing Committee (CPIC) held on 23 October 2023.

- 7 **AHI S265 Decision to end the City and Hackney Young People's Clinical Health and Wellbeing (CHYPS Plus) Service - Briefing Report** (Pages 17 - 36)
- 8 **Update on the Outcome of the Procurement for a Main Contract to deliver a Mixed Tenure Estate Regeneration Scheme: Marian Court Briefing Report** (Pages 37 - 54)
- 9 **Update on the Outcome of the Procurement for a Main Contractor to deliver a Mixed Tenure Estate Regeneration Scheme - Kings Crescent Phases 3&4 Briefing Report** (Pages 55 - 74)
- 10 **Update on the Outcome of the Procurement of the First Phase of the Nightingale Mixed Tenure Estate Regeneration Scheme - Nightingale Block E - Briefing Report** (Pages 75 - 92)
- 11 **Exclusion of the Public and Press**

Note from the Governance Team Leader:

Agenda Item(s) 12 - 17 allows for the consideration of exempt information.

Proposed Resolution:

That the press and public be excluded during discussion of the remaining items on the agenda, on the grounds that they involve the likely disclosure of exempt information as defined in those paragraphs of Part 1 of Schedule 12A of the Local Government Act 1972.

- 12 **Exempt Minutes of the Previous Meeting of the Cabinet Procurement and Insourcing Committee** (Pages 93 - 96)

To confirm the exempt minutes of the previous meeting of Cabinet Procurement and Insourcing Committee held on 23 October 2023 as an accurate record
- 13 **AHI S265 Decision to end the City and Hackney Young People's Clinical Health and Wellbeing (CHYPS Plus) Service (Exempt Appendices)** (Pages 97 - 106)
- 14 **Update on the Outcome of the Procurement for a Main Contract to deliver a Mixed Tenure Estate Regeneration Scheme: Marian Court Briefing Report (Exempt Appendix)** (Pages 107 - 112)
- 15 **Update on the Outcome of the Procurement for a Main Contractor to deliver a Mixed Tenure Estate Regeneration Scheme - Kings Crescent Phases 3&4 Briefing Report 4 (Exempt Appendix)** (Pages 113 - 118)

- 16 Update on the Outcome of the Procurement of the First Phase of the Nightingale Mixed Tenure Estate Regeneration Scheme - Nightingale Block E - Briefing Report (Exempt Appendix) (Pages 119 - 124)**
- 17 Urgent Exempt Business**

The Chair will consider the admission of any late items of Urgent Exempt Business

Public Attendance

The Town Hall is open. Information on forthcoming Council meetings can be obtained from the Town Hall Reception.

Members of the public and representatives of the press are entitled to attend Council meetings and remain and hear discussions on matters within the public part of the meeting. They are not, however, entitled to participate in any discussions. Council meetings can also be observed via the live-stream facility, the link for which appears on the agenda front sheet of each committee meeting.

On occasions part of the meeting may be held in private and will not be open to the public. This is if an item being considered is likely to lead to the disclosure of exempt or confidential information in accordance with Schedule 12A of the Local Government Act 1972 (as amended). Reasons for exemption will be specified for each respective agenda item.

For further information, including public participation, please visit our website <https://hackney.gov.uk/menu#get-involved-council-decisions> or contact: governance@hackney.gov.uk

Rights of Press and Public to Report on Meetings

The Openness of Local Government Bodies Regulations 2014 give the public the right to film, record audio, take photographs, and use social media and the internet at meetings to report on any meetings that are open to the public.

By attending a public meeting of the Council, Executive, any committee or sub-committee, any Panel or Commission, or any Board you are agreeing to these guidelines as a whole and in particular the stipulations listed below:

- Anyone planning to record meetings of the Council and its public meetings through any audio, visual or written methods they find appropriate can do so providing they do not disturb the conduct of the meeting;
- You are welcome to attend a public meeting to report proceedings, either in 'real time' or after conclusion of the meeting, on a blog, social networking site, news forum or other online media;
- You may use a laptop, tablet device, smartphone or portable camera to record a written or audio transcript of proceedings during the meeting;
- Facilities within the Town Hall and Council Chamber are limited and recording equipment must be of a reasonable size and nature to be easily accommodated.
- You are asked to contact the Officer whose name appears at the beginning of this Agenda if you have any large or complex recording equipment to see whether this can be accommodated within the existing facilities;
- You must not interrupt proceedings and digital equipment must be set to 'silent' mode;
- You should focus any recording equipment on Councillors, officers and the public who are directly involved in the conduct of the meeting. The Chair of the meeting will ask any members of the public present if they have objections to being visually recorded. Those visually recording a meeting are asked to

respect the wishes of those who do not wish to be filmed or photographed. Failure to respect the wishes of those who do not want to be filmed and photographed may result in the Chair instructing you to cease reporting or recording and you may potentially be excluded from the meeting if you fail to comply;

- Any person whose behaviour threatens to disrupt orderly conduct will be asked to leave;
- Be aware that libellous comments against the council, individual Councillors or officers could result in legal action being taken against you;
- The recorded images must not be edited in a way in which there is a clear aim to distort the truth or misrepresent those taking part in the proceedings;
- Personal attacks of any kind or offensive comments that target or disparage any ethnic, racial, age, religion, gender, sexual orientation or disability status could also result in legal action being taken against you.

Failure to comply with the above requirements may result in the support and assistance of the Council in the recording of proceedings being withdrawn. The Council regards violation of any of the points above as a risk to the orderly conduct of a meeting. The Council therefore reserves the right to exclude any person from the current meeting and refuse entry to any further council meetings, where a breach of these requirements occurs. The Chair of the meeting will ensure that the meeting runs in an effective manner and has the power to ensure that the meeting is not disturbed through the use of flash photography, intrusive camera equipment or the person recording the meeting moving around the room.

Advice to Members on Declaring Interests

If you require advice on declarations of interests, this can be obtained from:

- The Monitoring Officer;
- The Deputy Monitoring Officer; or
- The legal adviser to the meeting.

It is recommended that any advice be sought in advance of, rather than at, the meeting.

Disclosable Pecuniary Interests (DPIs)

You will have a Disclosable Pecuniary Interest (*DPI) if it:

- Relates to your employment, sponsorship, contracts as well as wider financial interests and assets including land, property, licenses and corporate tenancies.
- Relates to an interest which you have registered in that part of the Register of Interests form relating to DPIs as being an interest of you, your spouse or civil partner, or anyone living with you as if they were your spouse or civil partner.
- Relates to an interest which should be registered in that part of the Register of Interests form relating to DPIs, but you have not yet done so.

If you are present at any meeting of the Council and you have a DPI relating to any business that will be considered at the meeting, you **must**:

- Not seek to improperly influence decision-making on that matter;
- Make a verbal declaration of the existence and nature of the DPI at or before the consideration of the item of business or as soon as the interest becomes apparent; and
- Leave the room whilst the matter is under consideration

You **must not**:

- Participate in any discussion of the business at the meeting, or if you become aware of your Disclosable Pecuniary Interest during the meeting, participate further in any discussion of the business; or
- Participate in any vote or further vote taken on the matter at the meeting.

If you have obtained a dispensation from the Monitoring Officer or Standards Committee prior to the matter being considered, then you should make a verbal declaration of the existence and nature of the DPI and that you have obtained a dispensation. The dispensation granted will explain the extent to which you are able to participate.

Other Registrable Interests

You will have an 'Other Registrable Interest' (ORI) in a matter if it

- Relates to appointments made by the authority to any outside bodies, membership of: charities, trade unions, lobbying or campaign groups, voluntary organisations in the borough or governorships at any educational institution within the borough.
- Relates to an interest which you have registered in that part of the Register of Interests form relating to ORIs as being an interest of you, your spouse or civil partner, or anyone living with you as if they were your spouse or civil partner; or
- Relates to an interest which should be registered in that part of the Register of Interests form relating to ORIs, but you have not yet done so.

Where a matter arises at any meeting of the Council which affects a body or organisation you have named in that part of the Register of Interests Form relating to ORIs, **you must** make a verbal declaration of the existence and nature of the DPI at or before the consideration of the item of business or as soon as the interest becomes apparent. **You may** speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation.

Disclosure of Other Interests

Where a matter arises at any meeting of the Council which **directly relates** to your financial interest or well-being or a financial interest or well-being of a relative or close associate, you **must** disclose the interest. **You may** speak on the matter only if members of the public are also allowed to speak at the meeting. Otherwise you must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation.

Where a matter arises at any meeting of the Council which **affects** your financial interest or well-being, or a financial interest or well-being of a relative or close associate to a greater extent than it affects the financial interest or wellbeing of the majority of inhabitants of the ward affected by the decision and a reasonable member of the public knowing all the facts would believe that it would affect your view of the wider public interest, you **must** declare the interest. You **may** only speak on the matter if members of the public are able to speak. Otherwise you must not take part in any discussion or voting on the matter and must not remain in the room unless you have been granted a dispensation.

In all cases, where the Monitoring Officer has agreed that the interest in question is a **sensitive interest**, you do not have to disclose the nature of the interest itself.



UNRESTRICTED MINUTES OF A MEETING OF THE CABINET PROCUREMENT AND INSOURCING COMMITTEE

MONDAY 23 OCTOBER 2023

Councillors Present: Councillor Robert Chapman in the Chair
Cllr Christopher Kennedy and Cllr Caroline Woodley

Apologies: Councillor Mete Coban MBE

Officers in Attendance: Rotimi Ajilore - Head of Procurement
Rabiya Khatun - Governance Officer
Tessa Mitchell - Governance Services Team Leader

Officers in Attendance Virtually: Sinead Burke - Head of Property and Asset Management
Merle Ferguson - Procurement Strategy and Systems Lead
Timothy Lee - Procurement Category Lead for Health and Social Care
Lola Olawole - Public Health Commissioning Manager
Patrick Rodger - Senior Lawyer

1 **Apologies for Absence**

1.1 Apologies for absence were received on behalf of Cllr Coban.

2 **Terms of Reference of the Cabinet Procurement Insourcing Committee 2023/24**

2.1 Members considered the revised Terms of Reference of the Cabinet Procurement Insourcing Committee, which came into effect on 4 September 2023.

RESOLVED:

To note the revised Terms of Reference of the Cabinet Procurement Insourcing Committee contained within the refreshed Council Constitution, which came into effect on 4 September 2023.

3 **Declarations of Interest**

3.1 There were no declarations of interest.

4 Urgent Business

4.1 There was no urgent business to consider.

5 Notice if Intention to Conduct Business in Private and Representations Received

5.1 There were no representations to consider.

6 Deputations/Petitions/Questions

6.1 There were no deputations, petitions or questions to consider.

7 Unrestricted Minutes of the Cabinet Procurement and Insourcing Committee held on 4 September 2023

7.1 Members considered the previous unrestricted minutes of the Cabinet Procurement and Insourcing Committee held on 4 September 2023.

RESOLVED

That the unrestricted minutes of the Cabinet Procurement and Insourcing Committee held on 4 September 2023 be agreed as a true and accurate record of proceedings.

8 CHE S250 Planned Internal Works Contract Award

8.1 Sinead Burke, Head of Property and Asset Management introduced the report seeking approval of a contract for Planned Internal Works for qualifying homes in line with the Council's planned seven-year programme which had been directly called off the Fusion 21 framework. The programme was expected to deliver internal improvements for up to 700 homes.

8.2 Following the introduction, Members of the Committee asked questions which were responded to as follows:

- It was clarified that one apprenticeship was offered for every £1m annual spend in a contract. However, due to the nature of this contract and apprenticeships taking two to three years to complete it would be a challenge to give the exact number of apprenticeships as many apprentices were rotated every few months on different programmes to gain training.
- As part of improving the standard of council homes through the planned internal works including energy efficiencies, any issues identified during the Housing Health and Safety Rating System survey such as damp or mould and heating upgrades would be deemed necessary works and carried out under this programme. More extensive energy efficiency works would have to be undertaken under a separate programme financed by the Social Decarbonisation Fund, and a report would be submitted to committee imminently.
- With regard to Contractor A being approached before the other contractors, it was stated that many suppliers from different external frameworks had been approached to price the works but the pricing had varied as a result of

base pricing. Contractor A had declined the opportunity to price the works in May 2022 due to high inflation rates and price uncertainty within the construction market and Contractor B had submitted a price that had been reviewed by Council staff and the external Cost Consultant firm that had recommended it did not represent value for money. In 2023 the council approached the Fusion 21 framework and Contractor C had submitted pricing based on continuity of works which had represented value for money.

RESOLVED:

To approve the award of a 2 year contract to Contractor C for planned internal works to council housing stock, with a further year to complete instructed works, at a value of up to £8m, which has been directly called-off the Fusion 21 framework.

9 Exclusion of the Public and Press

RESOLVED:

THAT the press and public be excluded from the proceedings of the Cabinet Procurement Insourcing Committee during consideration of Exempt items 10 and 11 on the agenda on the grounds that it is likely, in the view of the nature of the business to be transacted, that were members of the public to be present, there would be disclosure of exempt information as defined in paragraph 3 of Schedule 12A to the Local Government Act 1972 as amended.

10 CHE S250 Planned Internal Works Contract Award (Exempt Appendices)

10.1 The discussion relating to the exempt appendices is contained within the exempt minutes.

11 Urgent Exempt Business

11.1 There was no restricted urgent business to consider.

Duration of the meeting: 5.30 - 5.55 pm

Cllr Robert Chapman
Chair of the Cabinet Procurement and Insourcing Committee

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CABINET PROCUREMENT AND INSOURCING COMMITTEE

ACTIONS TRACKER as at 27/10/2023

Ref	Meeting Date	Agenda Item	Action	Assigned to	To be completed by	Status
1	16/1/23	AHI S162 - Integrated Mental Health Network	<p>Senior Public Health Practitioner to share the lessons learned report with Committee Members when available.</p> <p>Update 03/02/23: internal lessons learned session already taken place and report will follow once a session with external stakeholders has been held.</p>	Jennifer Millmore	5 June 2023	Completed
2	13/3/23	CE S174 SEND DPS Transportation Contract Award Approval	Action - Head of SEND : That a report back to a future meeting on the development of performance indicators and processes to ensure compliance with the commitment to the use of low emission vehicles and alternative fuels to reduce the environmental impact.	Joe Wilson	January 2024	Pending
3	17/4/23	AHI S150 Adult Social Care Transformation - Business Case	(1) Assistant Director Strategic Commission for Adult Social Care & Public to present proposed contract award to the Committee in July 2023 once the tender process has been completed.	Jenny Murphy	July 2023	Completed

			<p>(2) Officers to ensure that the contract award is listed for key decision on the Council's Executive Meetings Key Decision Notice as appropriate.</p> <p>(3) The Assistant Director Strategic Commission for Adult Social Care & Public Health to provide a written response to Cllr Binnie-Lubbock.</p>			
4	17/4/23	General Exception AHI S192 City and Hackney Enhanced Health Visiting Service - Contract Award	<p>(1) Consultant in Public Health to follow up with the provider on support for young parents and capturing the outcomes.</p> <p>(2) To prepare a briefing note in consultation with the Procurement team addressing the sustainability issues.</p>	Carolyn Sharpe	2 May 2023	Completed September 2023
5	17/4/23	FCR S180 Procurement of Core Insurance Provision Contract Award (Officer Key Decision) - For Noting (Exempt)	(1) Senior Insurance Officer to provide a briefing note to the Committee that provides further detail on the Council's green ambitions, the KPIs referenced in the report and innovation.	James Whitehouse	May 2023	Completed October 2023

6	03/07/23	AHI S222 Lime Tree & St Peter's House	To provide an update at a future meeting on the progress for insourcing this contract.	Leslie Hill	January 2025	
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CABINET PROCUREMENT & INSOURCING COMMITTEE

UPDATE & BRIEFING REPORT

Title of Report	Decision to end the City and Hackney Young People's Clinical Health and Wellbeing (CHYPS Plus) Service
Key Decision No.	AHI S256
CPIC Meeting Date	6 November 2023
Classification	Open (with exempt appendices)
Ward(s) Affected	All wards
Cabinet Member	<p>Councillor Chris Kennedy, Cabinet Member for Health, Adult Social Care, Voluntary Sector and Culture</p> <p>Councillor Anntoinette Bramble, Deputy Mayor and Cabinet Member for Education, Young People and Children's Social Care and</p> <p>Councillor Caroline Woodley, Cabinet Member for Families, Parks and Leisure</p>
Key Decision	No
Group Director	Helen Woodland, Group Director for Adults, Health and Integration
Contract Value, <u>both</u> Inclusive of VAT and Exclusive of VAT (for the duration of the contract including extensions)	£2,988,497.66 (VAT not applicable) from 01/11/2016 to 30/11/2023)
Contract Duration (including extensions e.g. 2 yrs + 1 yr + 1 yr)	2 years +1 +1 +1 +1 +1 +3 months (from 01/11/2016 to 30/11/2023)

1. **INTRODUCTION**

- 1.1. The Young People's Clinical Health and Wellbeing Service (CHYPS Plus) was commissioned to provide a clinical and treatment service for young people aged 11-19 (up to 24 with particular vulnerabilities), living in Hackney and the City of London, to support with sexual health, emotional health and wellbeing, smoking cessation and provide a gateway to specialist weight management and mental health services. This included a dedicated clinical health service for children known to the Youth Justice Service. The service provider is Homerton Healthcare NHS Foundation Trust (HHFT).
- 1.2. The annual contract value in 2022/3 was £540,146. The contract expired on 31 August 2023. Following a decision at CPIC in December 2022, approval to provide a one-year extension to 31 August 2024 was granted.
- 1.3. In May 2023, Public Health made a decision to allow the CHYPS Plus contract to finish. Rather than granting the one-year contract extension, as approved by CPIC, a short, three-month extension was granted to facilitate a smooth termination of the service. The service will end on 30 November 2023.

1.4. **Policy context**

Hackney and City of London draft Strategy for Sexual and Reproductive Health

- 1.4.1. In 2022, a sexual health needs analysis was done to provide a more in-depth overview of outcomes, needs, and inequalities within the local population. The needs assessment informed the preparation of a draft strategy on sexual and reproductive health.
- 1.4.2. The draft five-year Strategy for Sexual and Reproductive Health (SRH) is built around five themes that jointly encompass key elements to meet the needs of our diverse populations:
 - Healthy and fulfilling sexual relationships
 - Good reproductive health across the life course
 - STI prevention and treatment
 - Getting to Zero new HIV transmissions
 - Vulnerable populations and those with complex needs

Director of Public Health Draft Annual Report: Healthy Sexually

- 1.4.3. This year's DPH report, *Healthy Sexually*, focuses on young people's sexual and reproductive health (SRH). For the purposes of the report, young people are considered to be all those up to the age of 30. A draft of the 2023 DPH Annual Report can be viewed [here](#).

2. **MOBILISATION UPDATE**

Not applicable

3. **RELATED DECISIONS**

- 3.1. In December 2022, CPIC approved a one-year extension to the CHYPS Plus contract, **from September 2023 to August 2024 (Key Decision AHI S148)**. The purpose of this was to allow sufficient time to carry out work to re-design the service (including a review of health needs, alignment with the new draft SRH strategy, engagement with young people, and consideration of alternative service models) to develop a more responsive service specification. Given the impact of Covid-19 on the service's performance, it was also anticipated that a year-long extension would give time to work with the provider on adjusting the service to increase performance.
- 3.2. In May 2021 CPC approved a 22-month extension to the contract from October 2021 until August 2023 (Key Decision CACH R54).

4. **REASONS FOR THE DECISION**

- 4.1. The CHYPS Plus service model does not meet the needs of young people locally. Pre-COVID, service activity levels were well below the target, with the number of service users being even further impacted by the COVID-19 pandemic. CHYPS Plus has struggled to attract enough new clients into the service and has also struggled with reaching its primary target audience (those under the age of 18). The service is also not reaching any young people in the City of London.
- 4.2. CHYPS Plus was commissioned as a holistic health and wellbeing service. However, there is very low (and sometimes no) activity for the non-sexual health service elements: emotional health and wellbeing support; smoking cessation; referrals to weight management and mental health services; and the clinical health provision for children known to the Youth Justice Service.
- 4.3. Alternative provision for all elements of the CHYPS Plus service is either already available locally or, in the case of smoking cessation support, will be commissioned through enhancing an existing service (see Appendix 2).
- 4.4. Although the provision of youth services across London is heterogeneous, where sexual health services for young people are integrated, typically, they tend to be integrated with services to support young people with their emotional health and wellbeing and substance misuse needs, rather than health improvement services such as smoking cessation and healthy weight.
- 4.5. Hackney and the City of London Place-Based Partnership is working collaboratively to review and transform how services for children, young people, maternity and families are delivered. Additionally, the City & Hackney Public Health Team, Hackney Council, City of London Corporation, and wider system partners are required to identify substantial savings over the medium term. It is therefore important not to rush into a suboptimal commissioning

decision and ensure that any changes to young people’s sexual health services align with this transformation work. Going forward, the focus should be on increasing the effectiveness and cost effectiveness of SRH services through maximising access/reach and improving service integration and collaboration.

- 4.6. Resource implications of managing the service's ongoing poor performance were considerable and prevented focus on strategic work to explore alternative service models that better meet the needs of young people. The decision to end the CHYPS Plus service therefore provides the capacity to review alternative models of provision and carry out the strategic work needed to improve young people’s SRH service access and outcomes.
- 4.7. There have been long periods of time where the service has run with staffing vacancies, indicating that the provider has struggled to recruit the staff needed to meet the service specification. This was particularly the case for outreach activity to locations with a high footfall of young people and collaborative working with other youth services.
- 4.8. A rapid review of Homerton Sexual Health Services activity data shows that substantially more young people are accessing this service than the dedicated young people’s (CHYPS) service. Data also shows that the number of young people under the age of 18 ordering STI tests through the online Sexual Health London portal is also higher than the numbers accessing the CHYPS Plus service over 2022/23.
- 4.9. In April 2023, the CHYPS Plus service relocated from Lower Clapton Road to the Clifden Centre, the location of the core Homerton Sexual Health Service, which is open access for children and young people under 24. From April 2023, anyone attending the Clifden Centre under the age of 24 during CHYPS Plus hours of operation was seen by CHYPS Plus nurses and this is reflected in the key performance indicators from Q1 23/24.

4.10. Alternative options considered and rejected

Option	Advantages	Disadvantages
<p>Option 1: Grant the 1-year service extension until 31 August 2024 and, at the same time, issue a formal performance notice.</p>	<p>Protects the commissioner-provider relationship.</p> <p>Provides the service with further opportunities to improve performance.</p>	<p>It was considered contradictory to issue a service extension and formal performance notice.</p> <p>The resource implications of managing the service's ongoing poor performance were considerable and prevented a focus on strategic work to explore alternative service models that meet the needs of young people.</p>

<p>Option 2: Let the service expire on the contract end date on 31 August 2023.</p>	<p>Although the decision was not made with the intention of making financial savings, this option provides the opportunity for some financial savings to the Public Health Team.</p>	<p>Since the decision was made in May 2023, there was minimal time to facilitate a smooth end to the service.</p> <p>Poses the biggest risk to the commissioner-provider relationship.</p>
<p>Option 3: Issue a short extension until 30 November 2023 and then end the service.</p>	<p>Although the decision was not made with the intention of making financial savings, ending the service provides an opportunity for some saving to the Public Health Team.</p> <p>Provides additional time to facilitate a smooth end to the service, thereby protecting the commissioner-provider relationship to an extent.</p>	<p>Poses some risk to the commissioner-provider relationship but the HHFT management team are aware that the current situation is unsustainable.</p>

5. FINANCIAL CONSIDERATIONS

- 5.1. The contract has delivered its predicted costs per annum and so there have been no overspend or underspend recorded.
- 5.2. No income has been collected as a result of the contract.
- 5.3. The decision to end the CHYPS Plus service was due to very poor service performance (see section 4). The decision was not made with the intention of making financial savings. Since the announcement to end CHYPS Plus, Public Health has been discussing with HHFT the potential need to commission dedicated outreach sexual health services, to attend locations frequented by young people. There may also be a need to increase young people's awareness of and access to existing services through better communication and engagement.
- 5.4. Notwithstanding the above, the City & Hackney Public Health Team, as well as the wider Council, are required to identify substantial savings over the medium term. Therefore, the focus for existing (and any additional) SRH services needs to be on minimising unnecessary duplication, increasing access/reach, and improving effectiveness through better integration and collaboration.

6. CONTRACT MANAGEMENT ARRANGEMENTS AND PERFORMANCE

6.1. Management of poor performance

- 6.1.1. A summary of the steps taken to manage the contracts poor performance is provided in Appendix 1.

6.2. Contract management arrangements

- 6.2.1. Quarterly contract management meetings are held with the provider. These are informed by quarterly performance reports and narrative reports, submitted by the provider, and give an opportunity for strengths and challenges to be discussed.
- 6.2.2. These meetings are chaired by the relevant Consultant in Public Health or Principal Public Health Specialist and attended by a Senior Procurement and Contracts Officer. Regular email contact was also maintained with the provider to follow up on actions and allow issues to be flagged quickly.

6.3. Contract performance

- 6.4. Appendix 1 provides an overview of service activity data and performance against KPIs.

7. SUSTAINABILITY OUTCOMES

- 7.1.1. This specification was drafted in 2016 before Hackney Council's current Procurement Strategy 2018-2022 was adopted. At this time, there was less of an emphasis on maximising sustainability outcomes through procurement. As such, there are no relevant monitored outcomes or key performance indicators within the CHYPS Plus contract.

8. SOCIAL VALUE

- 8.1.1. This specification was drafted in 2016 before Hackney Council's current Procurement Strategy 2018-2022 was adopted. At this time, there was less emphasis on maximising social value through procurement. As such, there are no relevant monitored outcomes or key performance indicators within the CHYPS Plus contract.
- 8.1.2. The service was located at youth locations in the community and available out of hours to reach children and young people who may otherwise have not accessed services. The holistic approach to service delivery ensured that the broader health and wellbeing needs of vulnerable children and young people, such as those known to the youth justice service, were identified early so that clinical interventions could be provided or young people were supported into services to address broader health and wellbeing concerns. The service aimed to improve social value by reducing health inequalities with a particular focus on vulnerable children and young people.
- 8.1.3. Delivered from locations within the borough the service facilitated employment opportunities to the local economy. The provider is a London

Living Wage Employee and has policies and procedures in place to ensure compliance with the Modern Slavery Act 2015.

9. LESSONS LEARNT

- 9.1.1. It is clear from the service activity data (see Appendix 1) that the CHYPS Plus service model does not meet the needs of young people locally. Commissioners in other London boroughs have similarly identified that preventative public health services for smoking cessation or healthy weight are less successful when located in a service recognised publically as a sexual health service.
- 9.1.2. The provision of youth services across London is heterogeneous, with each borough adopting different approaches and service models in an effort to improve health outcomes for school-age children and young people. Where sexual health services for young people are integrated, typically, they tend to be integrated with services to support young people with their emotional health and wellbeing and, sometimes also, substance misuse needs.

10. RISK

Risk	Likelihood	Impact	Overall	Action to avoid/mitigate risk
Damaged relationship between HHFT and the City and Hackney Public Health Team	Low	Medium	Medium	<p>The City & Hackney Public Health Team (as well as Hackney Council) hold multiple contracts with HHFT for the provision of healthcare services locally. It is therefore important to protect a positive and collaborative working relationship.</p> <p>Although HHFT leadership team initially expressed disappointment with the decision and its timing, they had been made aware on multiple occasions of a sustained period that Public Health was dissatisfied with service performance, yet, had been unable to address it.</p> <p>Conversations have since moved forward to discuss the potential need for further, dedicated provision for young people and ensuring existing services are as 'youth friendly' as possible.</p>
Reduced/gaps in provision for the	Low	Low	Low	The key driver to end the CHYPS Plus Service is related to service

different service elements				<p>activity. Sexual health activity data showed that, over 2022/23, the service achieved one-third of its activity target, was not able to attract enough new clients, did not reach its primary target audience (those under the age of 18), nor did it reach young people in the City of London. There was very low (and sometimes no) activity for the non-sexual health service elements.</p> <p>Alternative provision for all elements of the CHYPS Plus service is either already available locally or, in the case of smoking cessation support, will be commissioned through enhancing an existing service (Appendix 2).</p> <p>Since the announcement to end CHYPS Plus, Public Health has been discussing with HHFT the potential need to commission dedicated outreach sexual health services to attend locations frequented by young people. There may also be a need to increase young people's awareness of and access to existing services through better communication and engagement.</p>
Disruption to referral pathways and confusion for service users	Low	Low	Low	<p>For the sexual health service elements, in April 2023, CHYPS Plus relocated from Lower Clapton Road to the Clifden Centre, where it is now co-located with the core Homerton Sexual Health Service. Therefore, when the service ends, there will be no change in how young people access the service.</p> <p>Activity was so low for the non-sexual health service elements that minimal disruption is anticipated. A letter was drafted to inform professional partners about the change, and a comms plan is being developed by HHFT (and supported by the public</p>

				health team). HHFT and public health have developed and agreed on a service decommissioning plan.
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11. NEXT STEPS

11.1. Ensure a smooth termination of service

11.1.1. An open and collaborative dialogue has been maintained with the HHFT throughout and there is a shared understanding that the current situation is not sustainable. A service decommissioning plan has been developed by the Public Health team and agreed with HHFT. The plan comprises the following key activities:

- Informing, by formal letter, professional partners of service changes
- Discussion of changes to referral pathways with professional partners (if needed)
- Consideration of whether additional dedicated youth provision is needed (see section 11.2 below)
- Developing a communications plan to minimise disruption to service users and signpost to alternative provision
- Service data from 2019 to the end of the contract on 30 November 2023.

11.2. Consideration of whether additional, dedicated young people's sexual and reproductive health services are needed

11.2.1. Many young people face additional barriers and need support navigating healthcare structures. Additionally, young people accessing sexual health services may have additional additional needs, including safeguarding, mental health and addiction issues, vulnerability assessments, or other health and social care needs.

11.2.2. Existing sexual health services (see Appendix 2) are already required to be 'youth friendly' and ensure that staff are trained to deliver the appropriate care to young people and onward referrals.

11.2.3. As part of the Homerton Sexual Health Service, the City & Hackney Public Health team commissions an outreach service that targets several priority groups including young people. Outreach tends to be provided at youth locations including schools and colleges, halls of residence and leisure centres.

11.2.4. Despite the above, Public Health is in conversations with HHFT regarding the potential need to commission additional provisions for young people in

City & Hackney. Discussions so far have centred around the potential need for dedicated outreach sexual health services, to attend locations frequented by young people. There may also be a need to increase young people's awareness of and access to services through better communication and engagement. Below is a comprehensive list of additional service aims being considered:

- Improve young people's visibility of and facilitate access to existing sexual services and resources
- Ensure additional vulnerability factors of young people accessing existing sexual health services are recognised and appropriate support is provided
- Improve referral pathways to and from existing sexual health services
- Provide services for individuals unable to access mainstream services, particularly those who are vulnerable

11.2.5. Any additional provision requires careful consideration of the existing commissioning and delivery landscape, which is already complex.

11.2.6. Additionally, the City & Hackney Public Health Team, as well as the wider Council, are required to identify substantial savings over the medium term. Therefore the focus for existing (and any additional) SRH services needs to be on minimising unnecessary duplication, increasing access/reach, and improving effectiveness through better integration and collaboration.

12. COMMENTS OF THE INTERIM GROUP DIRECTOR OF FINANCE

12.1 This report presents an update for the Cabinet Procurement and Insourcing Committee regarding the decision to discontinue the current City and Hackney Young People's Clinical Health and Wellbeing (CHYPS Plus) Service by the end of November 2023, citing ongoing poor performance. Further details regarding the rationale for terminating this service are provided in section 4 above.

12.2 The annual contract value for the CHYPS Plus service is £540k. Since the service is scheduled to cease at the end of November, the anticipated cost for the 9-month period (April 2023 to November 2023) will be £360k.

12.3 The CHYPS Plus service has already been factored into the Public Health commissioning for 2023/24. Therefore, any potential cost efficiencies resulting from ending this service will either be reinvested in future Public Health commissioning plans or allocated to support further investments in other approved expenditure areas across the Council, in alignment with the Health in All Policies approach.

13. COMMENTS OF THE ACTING DIRECTOR OF LEGAL, DEMOCRATIC AND ELECTORAL SERVICES

13.1 Under Appendix 3 of the Constitution (Terms of Reference of Council Committees etc.) Cabinet Procurement & Insourcing Committee has the power to (i) give detailed consideration on all issues relating to procurement

practice and policy; and (ii) oversee the progress of all contracting activities on the Procurement Forward Plan. Therefore Cabinet Procurement & Insourcing Committee is authorised to consider the matters in this Report.

- 13.2 On 5th December 2022 Cabinet Procurement & Insourcing Committee authorised the extension of the Young People's Clinical Health and Wellbeing Service contract for the period from 1st September 2023 until 31st August 2024. Notwithstanding such authorisation, the Young People's Clinical Health and Wellbeing Service contract has been extended to cover the period from 1st September 2023 until 30th November 2023.
- 13.3 The reasons for implementing a reduced contract extension period are set out in this Report. Details of alternative service provision to cover the necessary services are also set out in this Report.

14. PROCUREMENT COMMENTS

- 13.1 This report provides a briefing to CPIC on the decision not to further extend the contract for the City and Hackney Young People's Clinical Health and Wellbeing (CHYPS Plus) service and to allow the contract to finish at the end of November 2023. The service has been delivered since November 2016 and the cumulative total value of the contract is £3.6M.
- 13.2 Whilst the decision to allow this contract to end is not in itself a key decision, this briefing is provided as CPIC was the decision making body of the Council that authorised previous extensions to the contract (see related decisions above) and there are no immediate plans to commission a direct replacement service.
- 13.2 This service falls under the 'Light Touch' regime for social and other specific services of the Public Contract Regulations 2015. Under these regulations there are no obligations on contracting authorities to continue provision beyond the end of the stated contract term and if no further action is taken the provision will come to an end.
- 13.3 The report details why this decision has been taken. The current delivery model does not meet the needs of young people locally, activity levels are low, and previous attempts to increase attendance rates have not been successful. Alternative provision is available within the borough and a strategic review of alternative models of provision is being completed.
- 13.4 The report outlines the social value and sustainability outcomes that have been delivered. It has been some time since the contract was first awarded and there is the potential for additional benefits to be achieved through the competitive procurement of alternative provision.

APPENDICES

Appendix 2 - Alternative provision to the CHYPS Plus Service

Exempt

Exempt Appendix 1- Performance

By Virtue of Paragraph(s) 3 Part 1 of schedule 12A of the Local Government Act 1972 this report and/or appendix is exempt because it contains Information relating to the financial or business affairs of any particular person (including the authority holding the information) and it is considered that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

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APPENDIX 2 - Alternative provision to the CHYPS Plus Service

CABINET PROCUREMENT & INSOURCING COMMITTEE
UPDATE & BRIEFING REPORT

Decision to end the City and Hackney Young People’s Clinical Health and Wellbeing (CHYPS Plus) Service

CPIC meeting date: 6 November 2023

CHYPS Plus Service Element	Name of alternative provision	High-level description of alternative provision
Sexual health	Homerton Sexual Health Services (HSHS)	Open-access specialist sexual health clinics are provided via the Homerton Sexual Health Services (HSHS). Specifically, young people under 19 can walk into the Clifden Centre without an appointment and be seen for a pregnancy test, contraception (including condoms and emergency hormonal contraception), sexual health advice and STI screening and treatment. In keeping with the nationally mandated open access requirement for sexual health services. (YP can also access other sexual health services across London)
	Sexual Health London	For those aged 16 years and over, home STI testing kits, routine oral contraception and Emergency Hormonal Contraception (EHC) can be accessed through the online Sexual Health London portal.

	Community pharmacies	Community pharmacies across City and Hackney are commissioned to deliver enhanced sexual health services, including Emergency Hormonal Contraception (EHC), free condoms to under-25s and chlamydia testing and treatment.
	Primary care	Sexual health services, including contraception advice, Long Acting Reversible Contraception (LARC), STI (with an emphasis on Chlamydia Screening for young people aged 15-24) and HIV testing services, can be accessed through the resident's GP Practice.
	Young Hackney Health and Wellbeing Service	Young Hackney is commissioned to provide sexual and reproductive health resources, training and signposting (through their Health and Wellbeing Service to schools, colleges and youth centres) as well as a free condom distribution service to young people.
Emotional health and wellbeing	Wellbeing and mental health in schools (WAMHS)	NHS funded and delivered by the CAMHS alliance, the WAMHS project aims to improve mental health and wellbeing support for children and young people in schools, colleges, specialist and alternative provision education settings in City & Hackney. WAMHS is delivered in 80% of Hackney schools and is on track to deliver for 100% delivery over the next two years, and supports whole-school approaches to mental health by providing workshops about mental health-related issues for children, young people, parents/carers, and school staff to help to reduce stigma, increase mental health awareness and promote emotional wellbeing

	Mental health support teams (MHSTs)	The service offers clinical, evidence-based support to young people and their parents/carers when young people are experiencing mild-moderate difficulties with their emotional wellbeing that might best be managed within a school setting. They deliver the interventions to groups of young people and to their parents/carers alone or with their children.
	First Steps	First Steps is an NHS psychology service for children and young people aged 0 – 18 and their families. The service aims to offer early help with any difficulties related to behaviour, emotions and relationships before they become more complicated to address.
	Young Hackney Health and Wellbeing Service	This service aims to deliver holistic young person-centred health and wellbeing education support. The service is focused on prevention, building young people’s knowledge, self-esteem and resilience while enabling them to manage their health and wellbeing either independently or with support. It provides a universal and targeted service, delivering advice and information, signposting, health promotion, awareness-raising and health education, including the facilitation of PSHE and RSE delivery in schools and youth settings. Another important feature of this service is a drop-in offer for CYP to obtain health information and advice.
	Off Centre	Off Centre is a confidential counselling, art therapy, advice and information service for young people aged 16-25 in City and Hackney. It provides one-to-one counselling, art therapy, and advice helping young people take greater control over their lives and offer support with all kinds of emotional and practical issues and is being delivered by Family

		Action.
	WellFamily Plus	The Hackney WellFamily Plus Service, provided by Family Action, helps individuals, couples and families to manage their mental health and prevent problems from getting worse. The service supports families facing complicated challenges, including domestic abuse, substance misuse and mental health issues. They offer advice and wellbeing services, conflict management and practical and emotional relationship support.
	Growing Minds	Growing Minds is a service that aims to improve African, Caribbean and mixed heritage children and young people's emotional health and wellbeing in City & Hackney, during the important transition years from primary to secondary school and adolescence to adulthood. It is one service delivered by three different voluntary sector organisations and provides culturally aware counselling, emotional and practical support for African, Caribbean and mixed heritage children, young people and their families.
Healthy Weight	Power Up	<p>Power Up is an interim tier 2 weight management service delivered by Homerton Healthcare NHS Foundation Trust and includes targeted provision for children and young people aged 5-19 or for up to 25 with Special Education Needs and Disabilities (SEND) and their families, who are above a healthy weight.</p> <p>Children and young people with high BMI are identified and referred to Power Up through the National Child Measurement Programme (NCMP) in reception and year 6</p>

Smoking cessation	There is a risk of a gap in the provision of Level 2 smoking cessation support (12 weeks of behavioural support and certain types of nicotine replacement therapies) for young people of approximately seven months between the CHYPS Plus contract expiry on 30 November 2023 and the new City and Hackney Stop Smoking Service which commences in July 2024. The new service specification has a minimum age of support of 12 years. To plug this gap, public health will enhance an existing service to ensure that there are professionals trained to offer Level 2 smoking cessation support to young people in Hackney and the City of London
Dedicated provision to the Youth Justice Service	A new approach to supporting the health needs of the Youth Justice cohort is currently being trialled and funded as an NHS pilot. A nurse (who previously worked for the CHYPS Plus service) has been embedded within youth justice provision to support the holistic health needs of this cohort. Outcomes are promising to date and findings will inform the design of a new youth justice health offer during 2023/24. Sustainable funding and contracting arrangements will then be agreed.

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CABINET PROCUREMENT & INSOURCING COMMITTEE

UPDATE & BRIEFING REPORT

Title of Report	Update on the Outcome of the Procurement for a Main Contract to deliver a Mixed Tenure Estate Regeneration Scheme: Marian Court - for noting
Key Decision No.	N/A
CPIC Meeting Date	6 November, 2023
Classification	Open with exempt appendices. By Virtue of Paragraph(s) 3, Part 1 of schedule 12A of the Local Government Act 1972, appendix 1 is exempt because it contains information relating to the financial or business affairs of any particular person (including the authority holding the information) and it is considered that the public interest in maintaining the exemption outweighs the public interest in disclosing the information
Ward(s) Affected	Homerton
Cabinet Member	Deputy Mayor Guy Nicholson
Key Decision	No
Group Director	Rickardo Hyatt
Contract Value, <u>both</u> Inclusive of VAT and Exclusive of VAT (for the duration of the contract including extensions)	£61,531,256
Contract Duration (including extensions e.g. 2 yrs + 1 yr + 1 yr)	2 years + 3 years

1. INTRODUCTION

- 1.1 The site to be developed on the former Marian Court site has been cleared since the last demolition in February 2023. The development of the site represents an opportunity to complete the final site within the Six Estates regeneration, part of the former Estate Regeneration Programme. Marian Court comprises the following:
- 69 outright sale homes;
 - 59 shared ownership homes;
 - 32 social rent homes;
 - A new community facility;
 - 1017m2 of retail commercial / workspace; and,
 - Associated public realm and landscape works including facilities for play and recreation.
- 1.2 At its meeting of 18 July 2011, the Council's Cabinet approved the key parameters of the Estate Regeneration Programme. The Programme was updated and approved by Cabinet in March 2014, October 2015, April 2019, and a further update was provided and approved by Cabinet in December 2022.
- 1.3 At its meeting on 18 July 2016 the Council's Cabinet agreed the Sales and Marketing Framework, authorising the Director of Regeneration to implement the Sales and Marketing Framework in relation to shared ownership and outright sale disposals for both the Estate Regeneration and Housing Supply Programmes, and authorising the Director of Strategic Property and the Director of Regeneration to dispose of leasehold and freehold interests in the shared ownership and outright sale homes developed or to be developed as part of those Programmes.
- 1.4 A detailed planning application for Marian Court received full planning consent in July 2020.
- 1.5 On 18 January 2021 Cabinet Procurement Committee (CPC), now known as the Cabinet Procurement and Insourcing Committee (CPIC), agreed to grant delegated authority to the Group Director, Chief Executive's Directorate to enter into a JCT Design and Build contract for Marian Court with Mulalley. One of the conditions of this delegation was that vacant possession of the site was achieved.
- 1.6 At the time, one resident still remained at Marian Court and whilst they had accepted the tenancy of an alternative property, they had not yet moved. There was a small risk that if vacant possession was not gained by 31 March 2022, the Council would be unable to enter into a contract with Mulalley under the delegated authority granted in January 2021. After that date, Mulalley would have the opportunity to raise their tender price or withdraw from the project.

1.8 Therefore, approval was sought for delegated authority to be granted so that once vacant possession was achieved, the contract could be awarded to Mullaley, and the Director of Legal and Governance Services could agree the terms of the contract and settle and sign the associated legal documentation. This approval was granted by CPIC on 7 March 2022 . A contract was entered into with Mulalley & Co in July 2023.

2. MOBILISATION UPDATE

2.1 To address the impact on the viability of the project, the Council entered into a JCT contract with Mulalley & Co Ltd on 17 July 2023. The first section of the contract will enable the Council, with the main contractor, to develop the scheme to RIBA Stage 4, whilst adopting a 'cost optimisation' process. This process aims to reduce construction costs whilst maintaining qualitative standards, and has been used successfully on two recent Housing Regeneration and Delivery projects.

2.2 A number of new regulations and emerging guidance at a national level has necessitated a review and update to the planning approved design of Marian Court. For example, new Building Regulations were introduced in June 2023, including Part B - Fire Safety; Part F - Ventilation; Part L - Energy Conservation; and Part O - Overheating; In December 2022, the Government consulted on the proposals for introducing second staircases to blocks above 30m, and in July 2023, the Government signalled its intention to mandate the requirement for second staircases to be introduced to all blocks over 18m (6 storeys). All of these elements will impact the design of Marian Court.

2.3 To address the issues set out in 2.1 and 2.2 above, the contract with Mullaley facilitates a prescribed programme period for updating the design to achieve compliance with the building safety and sustainability standards outlined above, and for cost optimisation to address the inflationary pressures.

2.4 A programme of enabling works which includes ground investigations, ground obstruction removal, utility services diversions and service connections is also being prepared as Part of Section 1 of the contract. Completing these critical pre-construction phase works as proposed, de-risks the project during the construction phase and offers the advantage of shortening the main construction works period, as well as providing associated savings.

2.5 The table below sets out the programme of pre-construction phase activities that are required to address financial and building regulatory changes.

Activity	Programme
Cost Optimisation and redesign	
Mobilisation of the contractor's external team completion	By October 2023
Building Regulations compliance audit completion	By December 2023
Cost optimisation process completion	By January 2024
Second staircase design impacts study completion	By March 2024
RIBA Stage 2 redesign completion	By April 2024
RIBA Stage 3 redesign completion	By October 2024
Minor Amendments Section 73 planning approval period	September 2024 - November 2024
Building Safety Regulator approval period	November 2024 - February 2025
RIBA Stage 4a completion	By July 2025
Enabling works	
Site surveys completion	By January 2024
Contamination investigations completion	By March 2024
Services infrastructure investigation (existing blocks) -completion	By June 2024
Utility disconnections and diversions period	January 2024 - October 2024
Section 278	February 2024 - October 2024
Site levels formation for new build blocks	January 2025 - June 2025
Site set up	By November 2025
Main build construction	December 2025 onwards

3. VARIATIONS

3.1 Residents surrounding the Marian Court site, including those on the recently completed Bridge House estate regeneration site, and former residents with the Right to Return have been updated on the project regularly by newsletters and by individual letters in January 2022. In July 2023, a newsletter was distributed to residents, which:

- set out the proposals to deliver the project in light of the economic conditions and period of regulatory change; and,
- Outlined the associated process and revised timeframes for the main construction works start on site.

4. FINANCIAL CONSIDERATIONS

4.1 During the tender period, exceptional levels of construction price and tender price inflation and market volatility were experienced arising from the post-pandemic supply chain blockages, Brexit and the Ukraine war which, in turn, had an adverse impact on the returned tenders and scheme viability. Further information is provided in Exempt Appendix 1.

GLA grant funding

4.2. To improve scheme viability the Council has continued engagement with the GLA with regards to grant funding. The Marian Court programme had intended to achieve a start on site for the main contract works in March 2022 and to draw down GLA grant funding within the 2021/22 year. However, this has not been possible due to the circumstances outlined in this report, relating to both the unprecedented rise in construction costs, and the changes to regulations in reference to building safety and sustainability, which must be addressed. Recent negotiations with the GLA regarding the grant rate received by the Council for some estate regeneration schemes has established a higher grant rate, which in turn has resulted in the Council being able to confirm allocations on two estate regeneration projects. The Council has submitted proposals for Marian Court to be included in its pipeline of schemes within the GLA's Continuous Market Engagement 2021-2026 programme, which may result in the application of a higher grant rate for the 32 social rent homes in the scheme, thereby supporting an improved viability of the scheme.

5. CONTRACT MANAGEMENT ARRANGEMENTS AND KPIS

Resources and Project Management (Roles and Responsibilities):

5.1 The necessary resources and skills to ensure that the project will be

successfully managed have been identified and are either available within the Council or have been procured externally.

5.2 The project will be managed by a Project Manager in Regeneration who will be overseen by the Head of Service for Housing Delivery. The project delivery team is:

- Project Sponsor - Assistant Director, Housing Regeneration and Delivery
- Project Head of Service – Head of Housing Regeneration Delivery - North
- Project Lead – Strategic Project Manager Delivery North
- Design Advice – Regeneration Strategic Design Team
- Employer’s Agent (EA) - Potter Raper Ltd
- Cost consultants/Quantity Surveyor (QS) - Potter Raper Ltd
- Planning consultant - Tibbalds

5.3 During the pre-construction phase, which includes cost optimisation and redesign for new regulations and enabling works, along with the construction period, the project will be managed on a day-to-day basis by the Project Manager in the Council’s Housing Regeneration and Delivery team. The building contract will be administered by the Council’s EA. The EA and QS team will carry out monthly valuations of works completed on site and certify the value of these works. During the Pre-Construction Phase, the EA will attend Contract Design Team Meetings, which will be programmed by the contractor, but are likely to take place at least monthly (or as required) in order to meet the contract programme.

5.4 Mulalley’s Construction Director and Contract Manager report monthly to the Council’s Strategic Project Manager, EA, and QS at project team meetings. Monthly updates are provided to the Head of Housing Delivery - North, and the Council’s Assistant Director, as the project sponsor.

5.5 Representatives with the Council’s Regeneration Strategic Delivery team will attend Mulalley’s design review meetings and work collaboratively with their external design team during the period of redesign and cost optimisation, to ensure that the Council’s design quality standards are maintained.

5.6 The key performance indicators (KPIs) that are applicable to Section 2 of the contract are as set out in the table below:

KPI subject	Measurement	Monitoring method & info responsibility	Metric
Programme	Total days ahead or delayed	Contractor to update the programme on a monthly basis and provide reasons for delays. EA to assess the Contractor report and provide its own final monthly review.	Nr. of days
	Accuracy, timelessness, and quality of Contractor's programme/ delay reporting	EA to assess monthly	Qualitative assessment
Cost	Divergence between original cumulative forecast and last valuation.	Contractor to make applications. EA to report monthly.	£ difference on total gross value
	Divergence between application and agreed valuation (or Pay Less Notice amount)	EA to value and report monthly	£ difference on total gross value
	Divergence between last monthly forecast and last valuation	Contractor to make applications. EA to report monthly.	£ difference on total gross value
Change Control	Contractor proposed changes – Quality and timeliness design, time and cost information	EA to assess monthly	Qualitative assessment
	Employer proposed changes – Responsiveness of design and cost information (including detail and breakdowns)	EA to assess monthly	Qualitative assessment
Quality of Construction	Assessment of site inspector report –	EA to assess monthly	Qualitative assessment

	seriousness of quality concerns identified.		
	Assessment of Contractor response to remediating site inspector concerns	EA to assess monthly	Qualitative assessment
	Defects – number remedied within timeframes	Contractor and LBH to provide information to EA for monitoring and report monthly from practical completion	Nr of defects
Design	Timeliness of general design information release to allow sufficient time for Employer review	Contractor to report days early or delay from information release schedule targets. EA to check and report	Qualitative assessment
Health and Safety	Qualitative assessment of Contractor's approach to health and safety approach including site assessment by Principal Designer (PD) and response to health and safety concerns including accidents and near misses	Contractor to provide own H&S assessments and information. EA and PD to assess	Qualitative assessment
Waste Management	Percentage of waste diverted from landfill	EA to assess monthly	% diverted
	Initiatives undertaken to minimise waste arising from deliveries to site	EA to assess monthly	Qualitative assessment
Employment and Training	Percentage of local labour (aiming for 30%)	Contractor to provide monthly labour return	Target met/ exceeded

	Number of apprentices	Contractor to provide monthly labour return	Target met/ exceeded by what percentage
	Confirmation of London Living Wage	Contractor to report monthly on checks and confirm London Living Wage compliance	Yes/ No
	Quality of engagement and communication with Hackney Works	Contractor and Hackney Works (through LBH Project Officer) to report. EA to assess	Qualitative assessment
Neighbour Satisfaction	Number of complaints, and quality of response	Contractor to provide information. EA to assess monthly	Qualitative assessment
	Initiatives undertaken by the Contractor to ensure engagement and communication with neighbours.	Contractor to provide information. EA to assess monthly	Qualitative assessments
Supply Chain Management	Fair payment of subcontractors	Days behind or ahead of payment schedule and total value of arrears	Qualitative assessments
	Fair payment of subcontractors	Percentage of contractors paid on or before time provided each month	Qualitative assessment

6. SUSTAINABILITY OUTCOMES

Procuring Green

- 6.1 The scheme will provide high quality housing, workspace, retail, and community space, as well as new landscaping and public realm, enhancing the ecological value and biodiversity of the project. The scheme also aligns with the Council's Transport Strategy and TfL's Healthy Streets Indicators, aiming to prioritise walking and cycling, providing safe environments with

opportunities for play, shade and shelter, and opportunities to rest in a clean environment

6.2 The energy strategy meets the London Plan and Hackney Local Plan policy standards on energy and be compliant with the newly introduced Part L regulations for energy by:

- Reduction in carbon emissions;
- Enhanced U-values of walls, floors, roofs and windows;
- Improved air tightness through reduced air permeability rates;
- Non fossil fuel-based heating strategy, namely communal air source heat pumps;
- Reduced need for artificial lighting;
- Incorporation of low energy light fittings;
- Incorporation of mechanical heat and ventilation recovery system (MHVRs);
- Incorporation of advanced lighting and space conditioning controls;
- Incorporation of heat and electricity consumption devices for individual homes;
- Minimising internal heat generation through energy efficient design;
- Reducing the amount of heat entering the buildings during summer through orientation of the glazing, external shading and the provision of internal blinds;;
- Provision of photovoltaic panels (PVs); and
- Achievement of BREEAM 'Excellent' rating on the community and commercial spaces.

6.3 As above, further design work is currently being undertaken to ensure that the scheme also complies with new Building Regulations Part F - Ventilation; Part L - Energy Conservation; and Part O - Overheating;

6.4 The London Plan and Hackney Planning Policy standards on sustainability are achieved by:

- Effective Resource Management
 - Re-use of vacant and developed land with an effective layout and scale;
 - Efficient design of the massing and internal layouts;
 - Enhanced ecology and biodiversity with associated landscaping;
 - Use of responsibly sourced materials with low embodied carbon; and,
 - Specification of water efficient fittings, limiting water consumption.
- Adaptation to Climate Change
 - Provision of passive and active design to address overheating and demand for active cooling; and,

- Incorporation of Sustainable Urban Drainage Systems measures to address future risks of flooding.
- Pollution Management
 - Adoption of a Site Waste Management Plan to reduce waste and pollution during the construction period; and,
 - Adoption of suitable noise mitigation strategies including the provision of refuge areas for residents.

- 6.5 The scheme proposals have been designed to incorporate an energy centre to provide communal heating and hot water, in order to achieve the energy and carbon dioxide (CO₂) reduction targets demanded by planning policy and national legislations.
- 6.6 The scheme will be car-free with substantial provision for cycle parking and electric vehicle charging points.
- 6.7 The scheme will deliver homes which meet current regulatory requirements relating to sustainability, including Building Regulations and the London Mayor's Housing Supplementary Planning Guidance.
- 6.8 During the pre-commencement phase of the building contract, the site will be tested for contamination and remediated appropriately.
- 6.9 The recycling of construction waste and the development of a Site Waste Management Plan are mandatory. Mulalley will be obligated to minimise construction related disruption, for example dust nuisance to residents and neighbouring buildings.

Procuring for a Better Society

- 6.10 The appointed contractor will be required to provide local training and employment opportunities, for which a number of KPIs have been established. KPIs will be monitored regularly at site meetings. The contractor and EA will provide information that will form the basis of each score, which will be documented at each meeting.
- 6.11 The appointed main works contractor, Mullaley, will provide a draft Employment and Skills Plan to the Council for approval prior to works commencing on site. They will also prepare and implement an active programme for recruitment in order to achieve a local labour target of 25% which is consistent with the planning obligations for this scheme. Under the terms of the contract the contractor must employ at least one apprentice per £2m of construction contract value, which reflects the Unilateral Undertaking requirement, and as previously agreed by CPC.
- 6.12 As part of the Unilateral Undertaking a sum of £133,156 will be paid as a planning obligation to Hackney Works, as a contribution towards the cost of

training and supporting out of work residents into jobs during the construction of the development. A further sum of £44,295 will be paid as a contribution towards facilitating local people into end use ('operational phase') jobs provided through the operation of the commercial floorspace.

Procuring Fair Delivery

- 6.13 Tender documents issued to each bidder were identical, giving them equal opportunity to review and respond. Throughout the tender process bidders submitted clarification questions. Where a clarification was not commercially sensitive, the clarification and the Council's response was anonymised and issued to all bidders.
- 6.14 Each bidder was asked to comply with the Council's requirements with regard to the specification, local labour, employment and skills, and Fair Payment Charter. The appointed contractor has agreed to the Council's targets in these areas, including payment of the London Living Wage to all employees - a commitment also extended to their subcontractor supply chain - and cooperation with Hackney Works to promote diversity in their workforce.
- 6.15 KPIs have been agreed with the contractor and will be scored at agreed intervals during the construction period.

7. SOCIAL VALUE

- 7.1 The contract was signed in July 2023, therefore it is too early for social value agreed under the contract to have been delivered / achieved.
- 7.2 Mullaley has, to date, donated funds to support events on their previous scheme at Bridge House and intend to continue this with Marian Court and with the local secondary schools.
- 7.3 As part of community engagement, Mullaley will be talking with local schools, attending assemblies and opening up opportunities for work experience.

8. LESSONS LEARNT

- 8.1 As above, the main contractor for Marian Court was procured during a period of steep inflationary rises in construction costs. This, combined with the swiftly changing landscape of legislation and guidance to address building safety and environmental sustainability requirements has meant that the construction sector has had to respond to significant changes over a short period of time. We do not envisage the breadth of regulatory changes to continue, and indications from the market show that inflation is slowing which is likely to mean that we enter a more stable period for future delivery of housing regeneration projects.

8.2 However, the experience of the last few years has led the team to examine our procurement strategy for main contractors, and rather than requiring a fixed price for a fixed design, we are now looking to take forward more collaborative approaches with contractors, bringing them in at an earlier stage to de-risk projects, and working together to realise acceptable savings within agreed parameters for good quality design.

9. **RISK**

9.1 As set out in 2.1 a specific delivery strategy was developed to address the unforeseen construction price inflation in the market. The associated risks are set out in the table below.

Risk/ Issue	Mitigation
<p>Financial/Programme: Construction price inflation peaked at unprecedented levels during the tender process.</p>	<p>The project team will exercise ongoing reviews of market conditions during the design and construction phases.</p> <p>There is an opportunity to exercise a mutual break clause at the end of the cost optimisation stage, should an acceptable construction price not be achieved.</p> <p>The cost optimisation process is targeting a 10% reduction in construction costs and will focus on mitigating the effect of the inflation by programme savings or by alternative approaches to costly design elements and alternative products, whilst quality of design and product performance are maintained.</p> <p>Tangible savings will be sought through the economies of scale presented by c450 homes across three large schemes - Marian Court, Nightingale and Kings Crescent.</p>
<p>Financial/Reputational: Quality of the scheme does not meet expectations due to cost saving</p>	<p>A partnership approach with the contractor is being adopted which has developed a shared</p>

<p>pressures. The result is reputational damage and/or increased cost to the Council.</p>	<p>understanding of the cost optimisation strategy. There will be a focus on structural engineering elements that achieve significant savings without compromising on design quality.</p> <p>Hackney's Regeneration Strategic Design team is resourced to work with the project team throughout the design and cost optimisation process.</p> <p>The project team structure is resourced to evaluate the design and cost impacts of proposed cost optimisation options.</p> <p>During the construction stage, the EA's team, including the Site Inspectors and the Clerk of Works will carry out regular site inspections to ensure work is completed in line with the specification documents.</p> <p>Stringent Key Performance Indicators (KPIs), monitoring the quality of delivery, have been included within the contract.</p>
<p>Financial/ Programme: Failure to address incoming building regulation changes results in failed planning and or build control /regulator approval.</p>	<p>The scope of the cost optimisation stage includes redesign for incoming changes to building regulations. Additional programme time to effect changes has been accepted.</p>
<p>Reputational/Financial: Inability to meet the GLA deadline for a start on site due to delays in awarding the contract for the main works, resulting in reputational damage and or withdrawal of grant funding.</p>	<p>The GLA has been informed of the impact of the unprecedented tender price inflation on the programme for achieving a construction start-on-site, and will be kept informed of the key pre-construction stage milestones.</p>
<p>Programme/Financial:</p>	<p>The contractor has demonstrated a thorough understanding of project</p>

<p>Complexity of site or construction leads to increased cost and project delays.</p>	<p>risks, complexities and constraints, and undertaken a thorough risk assessment.</p>
<p>Reputational: Failure to communicate the reasons for delay, the risks of delivery in volatile market conditions and the proposals to deliver the estate regeneration project in light of such circumstances causes reputational damage.</p>	<p>A corporate message individually tailored to the relevant estate regeneration specifics has been issued.</p> <p>Ongoing briefing to councillors, neighbours and Resident Steering Group members (formerly part of the Six Estates Programme) are to be issued on a regular basis.</p> <p>Resident consultation on key design changes presenting a material planning change will occur during the cost optimisation and design update pre-construction phase and at the planning pre-application stage.</p>

9.2 Further information on risk management is provided in (exempt) Appendix 1.

10. **NEXT STEPS**

10.1 As set out above the next steps are to complete the cost optimisation and design update changes, undertake enabling works as part of the Stage 1 contract. Further details are provided in Exempt appendix 1.

11. **COMMENTS OF THE INTERIM GROUP DIRECTOR OF FINANCE**

11.1 There are no financial implications directly arising from this briefing report. Marian Court currently makes a deficit in NPV terms that is more adverse than previously approved viability levels. This has mainly arisen as a result of the challenging construction market that is currently being experienced across the sector.

11.2 The cost optimisation period allows for collaboration with Mulalley to develop the design and seek value engineering (VE) savings wherever possible to bring down the cost of the project. The impact of the process needs to be balanced against the impact of current inflation rates as there is risk that any savings are eroded by inflation over the cost optimisation period.

11.3 As well as the impact of the savings achieved through cost optimisation, increased income is currently being sought. The Council is in engagement

with the GLA to try and secure grant for each social rented unit, which would exceed the Right To Buy subsidy currently assumed in the project's finances.

- 11.4 Since the last Gateway, various financial assumptions changes have also been agreed by the S151 Officer and Capital Assets Steering Board, which will significantly improve viability.

12. COMMENTS OF THE ACTING DIRECTOR OF LEGAL, DEMOCRATIC AND ELECTORAL SERVICES

- 12.1 Under Appendix 3 of the Constitution Cabinet Procurement & Insourcing Committee is authorised by Cabinet to give detailed consideration on all issues relating to procurement practice and policy. It is therefore permitted to consider this Report.

- 12.2 On 7th March 2022 Cabinet Procurement and Insourcing Committee agreed the award of contract for the Marian Court works. Details of the progress of the project since such date, and specifically the financial details of this matter, are set out in this Report.

13. PROCUREMENT COMMENTS

- 13.1 The Council carried out a rigorous and extended scrutiny and approval process for the programme and contract award of the mixed tenure estate regeneration scheme: Marian Court. This process included the Cabinet meeting of 18 July 2011 where the Council's Cabinet agreed to the Estate Regeneration Programme. The Programme was updated and approved by Cabinet in March 2014 and again in October 2015. An update was approved by Cabinet in April 2019, and a further update was provided and approved by Cabinet in December 2022.

- 13.2 The procurement exercise was challenging as it was carried out at a time of high inflationary pressures in the construction market which was compounded by new building regulations that had additional significant cost implications. The bids received were substantially above the contracts pre tender estimate and budget provisions. However, one of the bids was more competitive than others and offered a means to achieve the Council's development goals.

- 13.3 On 18 January 2021 Cabinet Procurement and Insourcing Committee (CPIC) granted delegated authority to the Group Director, Chief Executive's Directorate to enter into a JCT Design and Build contract for Marian Court with Mulalley.

- 13.5 As the bid was still in excess of the project's approved budget the Council opted to award the contract to the successful bidder incorporating a process of pre-construction, enabling works and 'cost optimisation' exercises leading up to RIBA Stage 4 technical design and following this embark on the main build

phase with the contractor. The aim of the exercise was to reduce construction costs to within budget parameters prior to the build phase.

- 13.6 It remains the considered opinion of the procurement team that this single stage procurement exercise to deliver the mixed tenure estate regeneration scheme: Marian Court project is compliant and offers the most economically advantageous route to achieving the Council's goals.

APPENDICES

Exempt Appendix 1 - Marian Court - Construction contractual arrangements

Exempt

By Virtue of Paragraph(s) 3 Part 1 of schedule 12A of the Local Government Act 1972 this report and/or appendix is exempt because it contains Information relating to the financial or business affairs of any particular person (including the authority holding the information) and it is considered that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

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**Comments of the
Procurement Category
Lead**

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Lead

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CABINET PROCUREMENT & INSOURCING COMMITTEE

UPDATE & BRIEFING REPORT

Title of Report	Update on the Outcome of the Procurement for a Main Contractor to deliver a Mixed Tenure Estate Regeneration Scheme Kings Crescent Phases 3&4 - for noting.
Key Decision No.	N/A
CPIC Meeting Date	6 November, 2023
Classification	Open with exempt appendices. By Virtue of Paragraph(s) 3, Part 1 of schedule 12A of the Local Government Act 1972, appendix 1 is exempt because it contains information relating to the financial or business affairs of any particular person (including the authority holding the information) and it is considered that the public interest in maintaining the exemption outweighs the public interest in disclosing the information
Ward(s) Affected	Brownswood
Cabinet Member	Deputy Mayor Guy Nicholson
Key Decision	No
Group Director	Rickardo Hyatt
Contract Value, <u>both</u> Inclusive of VAT and Exclusive of VAT (for the duration of the contract including extensions)	£115,575,136
Contract Duration (including extensions e.g. 2 yrs + 1 yr + 1 yr)	2 years + 3 years

1. **INTRODUCTION**

1.1 The site to be developed on the Kings Crescent estate has been cleared since the last demolition in 2013. The development of the site represents an opportunity to complete the regeneration of Kings Crescent which, apart from the introduction of new-build mixed tenure homes, also includes the refurbishment of the existing blocks and delivers improved amenity space, public realm improvements, replacement community space, new commercial space and new office/workspace.

Kings Crescent Phases 3&4 comprises the following:

- 116 outright sale homes
- 75 shared ownership homes
- 28 social rent homes
- Refurbishment works to existing blocks (174 homes)
- A new community facility
- 480m² of retail commercial space
- 500m² of office/workspace
- Associated public realm and landscape works including improved facilities for play and recreation.

1.2 In addition to the works described, the Council has incorporated a general repairs, maintenance and component renewal into the package of works in line with the provisions of the Housing Asset Management Strategy. This includes external works, works to communal areas and works to specialist mechanical and electrical services as identified by condition surveys, to be undertaken prior to works commencing. The budget for this work, allowed for in the Housing Asset Management Strategy, will be apportioned to this Regeneration scheme. This ensures a joined-up approach to capital investment, reduces overall disruption to residents and should offer better value for money compared to undertaking works separately.

1.3 At its meeting of 18 July 2011, the Council's Cabinet approved the key parameters of the Estate Regeneration Programme. The Programme was updated and approved by Cabinet in March 2014, October 2015, April 2019, and a further update was provided and approved by Cabinet in December 2022.

1.4 At its meeting on 18 July 2016 the Council's Cabinet agreed the Sales and Marketing Framework, authorising the Director of Regeneration to implement the Sales and Marketing Framework in relation to shared ownership and outright sale disposals for both the Estate Regeneration and Housing Supply Programmes, and authorising the Director of Strategic Property and the Director of Regeneration to dispose of leasehold and freehold interests in the

shared ownership and outright sale homes developed or to be developed as part of those Programmes.

- 1.5 A detailed planning application for Phases 3&4 received full planning consent in July 2021. The consent enables the Council to increase the amount of housing to be delivered in comparison to the Kings Crescent masterplan and as set out in the Overarching Estate Regeneration Programme Unilateral Undertaking (UU), which was agreed by the Planning Sub-Committee in April 2014.
- 1.6 At its meeting on 6 December 2021, Cabinet Procurement and Insourcing Committee (CPIC) approved the recommendation to award the main works contract to Durkan, subject to a Section 20 leasehold consultation. Durkan had submitted the most economically advantageous tender to construct the scheme at the time. In February 2022, during the Section 20 period, Durkan advised the Council they were unwilling to hold their price.
- 1.7 Following legal advice, the other bidder Mulalley was asked whether it would hold its price. As Mulalley was unable to do so the Best and Final Tenders stage was reopened in March 2022 providing an opportunity for both bidders to provide revised tender prices.
- 1.7 At its meeting on 22 April 2022 CPIC received a report outlining the impact of the prevailing volatile market conditions requiring the Invitation to Submit Final Tenders to be reopened. CPIC agreed to the delegation of the Contract Award to the Group Director, Climate, Homes and Economy, in consultation with the Group Director Finance and Corporate Services.
- 1.8 On 14 April 2022, Mulalley had submitted the most economically advantageous tender for the reopened Best and Final Offer stage.
- 1.9 Since CPIC approval of 22 April 2022 to delegate the contract award to the Group Director of Climate Homes and Economy, a Delegated Powers Report was approved on 26 August, 2022 enabling the Council to enter into a main contract. On 5 September 2023, a contract was entered into with Mulalley & Co.

2. MOBILISATION UPDATE

- 2.1 The successful tender price received in September 2021 exceeded the Council's approved budget, as set through an internal Gateway process. To address the impact on the viability of the project, the Council has incorporated a process to update the design of the scheme from RIBA Stages 2- 3+ and thereafter design the scheme to Stage 4a. The design stages also incorporate a 'cost optimisation' process. This process aims to reduce construction costs whilst maintaining qualitative standards, and has been used successfully on two recent Housing Regeneration and Delivery projects.

- 2.2 A number of new regulations and emerging guidance at a national level has necessitated a review and update to the planning approved design of Kings Crescent Phases 3 & 4. For example, new Building Regulations were introduced in June 2023, including Part B - Fire Safety; Part F - Ventilation; Part L - Energy Conservation; Part O - Overheating; and Part S - Electric Charging Vehicle Points. In December 2022, the Government consulted on the proposals for introducing second staircases to blocks above 30m, and in July 2023, the Government signalled its intention to mandate the requirement for second staircases to be introduced to all blocks over 18m (6 storeys). All of these elements will impact on the design of Kings Crescent Phases 3&4.
- 2.3 To address the issues set out in 2.1 and 2.2 above, the contract with Mullaley facilitates a prescribed programme period for cost optimisation, and for updating the design to achieve compliance with the building safety and sustainability standards outlined above.
- 2.4 A programme of enabling works which includes ground investigations, ground obstruction removal, utility services diversions and service connections to the existing combined heat and power plant and incur additional build costs . Completing these critical pre-construction phase works as proposed, de-risks the project during the construction phase and offers the advantage of shortening the main construction works period, as well as providing associated savings.
- 2.5 The table below sets out the programme of redesign and cost optimisation that are required to address financial and building regulatory changes.

Activity	Programme
Cost Optimisation and redesign	
Mobilisation of the contractor's external team completion	By October 2023
Building Regulations compliance audit completion	By December 2023
Cost optimisation process completion	By January 2024
RIBA Stage 2 redesign completion	By May 2024
RIBA Stage 3 redesign completion	By November 2024
Minor Amendments Section 73 approval period	September 2024- November 2024

Building Safety Regulator approval period	December 2024- March 2025
RIBA Stage 4a completion	By August 2025
Enabling works	
Site surveys completion	By February 2024
Contamination investigations completion	By March 2024
Services infrastructure investigation (existing blocks) -completion	By June 2024
Utility disconnections and diversions period	February 2024- October 2024
Ground obstructions probe and remediation period	February 2024- October 2024
Relocation and repurposing of Vince Murrain community centre	March 2024- October 2024
Site levels formation for new build blocks	January 2025- June 2025
Site set up	By August 2025
Main new build construction and refurbishment phases start	October 2025 onwards

3. **VARIATIONS**

- 3.1 Residents of Kings Crescent Estate have been updated on the project regularly by newsletters and by individual letters in January 2022. In July 2023, a newsletter was distributed to residents, which:
- set out the proposals to deliver the project in light of the economic conditions and period of regulatory change;
 - Outlined the associated process and revised timeframes for the main construction works start on site; and,
 - Provided an invitation to an open Residents' Steering Group meeting, which was held later in July 2023.
- 3.2 Mulalley's construction director and head of social value led workshops at the open Residents' Steering Group (RSG) which was well-attended. Residents

received a presentation on the reasons for the design update and cost optimisation process and thereafter were able to explore site logistics, social value ideas and receive a refresher on the scheme masterplan. Residents were also encouraged to fill out a feedback form and to indicate interest in future workshops.

- 3.3 As well as workshops and open RSG meetings during the pre-construction phase there will be a 'meet the contractor' event prior to the enabling works starting.

4. FINANCE CONSIDERATIONS

- 4.1 During the tender period, exceptional levels of construction price and tender price inflation and market volatility were experienced arising from the post-pandemic supply chain blockages, Brexit and the Ukraine war which, in turn, had an adverse impact on the returned tenders and scheme viability. Further information is provided in Exempt Appendix 1.

- 4.2 To improve scheme viability, the following funding sources have been pursued.

GLA grant funding

- 4.2.1 The intention was to achieve a start on site for the main contract works in March 2022 and to draw down GLA grant funding within the 2021/22 year. However, this has not been possible due to the circumstances outlined in this report, relating to both the unprecedented rise in construction costs, and the changes to regulations in reference to building safety and sustainability, which must be addressed. Recent negotiations with the GLA regarding the grant rate received by the Council for some estate regeneration schemes has established a higher grant rate, which in turn has resulted in the Council being able to confirm allocations on two estate regeneration projects. The Council has submitted proposals for Kings Crescent to be included in its pipeline of schemes within the GLA's Continuous Market Engagement 2021-2026 programme, which may result in the application of a higher grant rate for the 28 social rent homes in the scheme, thereby supporting an improved viability of the scheme

Brownfield Land Release Funding

- 4.2.2 The Brownfield Land Release Funding bid round under the Department for Levelling Up, Housing and Communities (DLUHC) was opened to local authorities seeking to unlock housing delivery on their own brownfield land. It was targeted at boroughs with high housing needs and for projects where the costs of resolving site-specific conditions and related technical requirements are hindering viable delivery. It is linked to specified enabling works, which must be in contract by March 2024, and also to March 2027 for the main construction works to start. The funding package was therefore considered a

good fit to contribute to the mitigation of the current viability challenges impacting the project.

- 4.2.3 A bid in the sum of £1,824,020 was submitted on 31 March 2023, and the Council was notified of the bid's success in August. The success signals confidence in the Council's ability to deliver a well-designed and sustainable project and the funds will both enhance the project viability and open up opportunities for the wide regeneration programme in future bidding rounds.

5. CONTRACT MANAGEMENT ARRANGEMENTS AND KPIS

Resources and Project Management (Roles and Responsibilities):

- 5.1 The necessary resources and skills to ensure that the project will be successfully managed have been identified and are either available within the Council or have been procured externally.
- 5.2 The project will be managed by a Project Manager in Regeneration who will be overseen by the Head of Service for Housing Delivery. The project delivery team is:
- Project Sponsor - Assistant Director, Housing Regeneration and Delivery
 - Project Head of Service – Head of Housing Regeneration Delivery - North
 - Project Lead – Interim Strategic Project Manager Delivery North
 - Design Advice – Regeneration Strategic Design Team
 - Employer's Agent- Potter Raper Ltd
 - Cost consultants/Quantity Surveyor- Potter Raper Ltd
 - Planning consultant - Tibbalds
- 5.3 During the cost optimisation, redesign and enabling works stage, along with the construction period, the project will be managed on a day-to-day basis by the Project Manager in the Council's Housing Regeneration and Delivery team. The building contract will be administered by the Council's Employer's Agent. The Employer's Agent and Quantity Surveyor(QS) team will carry out monthly valuations of works completed on site and certify the value of these works. During the Pre-Construction Phase, the Employer's Agent will attend contract Design Team Meetings, which will be programmed by the contractor, but are likely to take place at least monthly (or as required) in order to meet the contract programme.
- 5.4 Mulalley's Construction Director and Contract Manager report monthly to the Council's Strategic Project Manager, Employer's Agent, QS at project team meetings. Monthly updates are provided to the Head of Housing Delivery - North and the Council's Assistant Director, as the project sponsor.

5.5 Representatives with the Council's Regeneration Strategic Delivery team will attend Mulalley's design review meetings and work collaboratively with their external design team during the period of redesign and cost optimisation, to ensure that the Council's design quality standards are maintained.

5.6 The key performance indicators (KPIs) that are applicable to Section 2 of the contract are as set out in the table below:

KPI subject	Measurement	Monitoring method & info responsibility	Metric
Programme	Total days ahead or delayed	Contractor to update the programme on a monthly basis and provide reasons for delays. EA to assess the Contractor report and provide its own final monthly review.	Nr. of days
	Accuracy, timelessness, and quality of Contractor's programme/ delay reporting	EA to assess monthly	Qualitative assessment
Cost	Divergence between original cumulative forecast and last valuation.	Contractor to make applications. EA to report monthly.	£ difference on total gross value
	Divergence between application and agreed valuation (or Pay Less Notice amount)	EA to value and report monthly	£ difference on total gross value
	Divergence between last monthly forecast and last valuation	Contractor to make applications. EA to report monthly.	£ difference on total gross value
Change Control	Contractor proposed changes – Quality and timeliness design, time and cost information	EA to assess monthly	Qualitative assessment
	Employer proposed changes – Responsiveness of	EA to assess monthly	Qualitative assessment

	design and cost information (including detail and breakdowns)		
Quality of Construction	Assessment of site inspector report – seriousness of quality concerns identified.	EA to assess monthly	Qualitative assessment
	Assessment of Contractor response to remediating site inspector concerns	EA to assess monthly	Qualitative assessment
	Defects – number remedied within timeframes	Contractor and LBH to provide information to EA for monitoring and report monthly from practical completion	Nr of defects
Design	Timeliness of general design information release to allow sufficient time for Employer review	Contractor to report days early or delay from information release schedule targets. EA to check and report	Qualitative assessment
Health and Safety	Qualitative assessment of Contractor H&S approach including site assessment by PD and response to H&S concerns including accidents and near misses	Contractor to provide own H&S assessments and information. EA and PD to assess	Qualitative assessment
Waste Management	Percentage of waste diverted from landfill	EA to assess monthly	% diverted
	Initiatives undertaken to minimise waste arising from deliveries to site	EA to assess monthly	Qualitative assessment

6.

Employment and Training	Percentage of local labour (aiming for 30%)	Contractor to provide monthly labour return	Target met/ exceeded
	Number of apprentices	Contractor to provide monthly labour return	Target met/ exceeded by what percentage
	Confirmation of London Living Wage	Contractor to report monthly on checks and confirm London Living Wage compliance	Yes/ No
	Quality of engagement and communication with Hackney works	Contractor and Hackney Works (through LBH Project Officer) to report. EA to assess	Qualitative assessment
Neighbour Satisfaction	Number of complaints, and quality of response	Contractor to provide information. EA to assess monthly	Qualitative assessment
	Initiatives undertaken by the Contractor to ensure engagement and communication with neighbours.	Contractor to provide information. EA to assess monthly	Qualitative assessments
Supply Chain Management	Fair payment of subcontractors	Days behind or ahead of payment schedule and total value of arrears	Qualitative assessments
	Fair payment of subcontractors	Percentage of contractors paid on or before time provided each month	Qualitative assessment

SUSTAINABILITY OUTCOMES

Procuring Green

6.1 The scheme will provide high quality housing, workspace, retail, and community space, as well as new and improved landscaping and public realm, enhancing

the ecological value and biodiversity of the project. The scheme also aligns with the Council's Transport Strategy and TfL's Healthy Streets Indicators, aiming to prioritise walking and cycling, providing safe environments with opportunities for play, shade and shelter, and opportunities to rest in a clean environment

6.2 The energy strategy meets the London Plan and Hackney Local Plan policy standards on energy and be compliant with the newly introduced Part L regulations for energy by:

- Reduction in carbon emissions against Building Regulations Part L 2022 by 37.9% for residential, 26.7% for non-domestic (36.5% combined) achieved by:
 - Enhanced U-values of walls, floors, roofs and windows;
 - Improved air tightness through reduced air permeability rates;
 - Reduced need for artificial lighting;
 - Incorporation of low energy light fittings;
 - Incorporation of mechanical heat and ventilation recovery system (MHVRs);
 - Incorporation of advanced lighting and space conditioning controls;
 - Incorporation of heat and electricity consumption devices for individual homes;
 - Minimising internal heat generation through energy efficient design;
 - Reducing the amount of heat entering the buildings during summer through orientation of the glazing, external shading and the provision of internal blinds;
 - Consideration of the carbon dioxide emissions associated with gas-boilers;
 - Supplying energy efficiently by connecting to the estate-wide combined heat and power (CHP) system which will enable potential link-up with district heat network;
 - Provision of photovoltaic panels (PVs); and
 - Achievement of BREEAM 'Excellent' rating on the community and commercial spaces.

6.3 As above, further design work is currently being undertaken to ensure that the scheme also complies with new Building Regulations Part F - Ventilation; Part L - Energy Conservation; Part O - Overheating; and Part S - Electric Charging Vehicle Points.

6.4 The London Plan and Hackney Planning Policy standards on sustainability are achieved by:

- Effective Resource Management
- Re-use of vacant and developed land with an effective layout and scale;
- Efficient design of the massing and internal layouts;
- Enhanced ecology and biodiversity with associated landscaping;
- Use of responsibly sourced materials with low embodied carbon and

- Specification of water efficient fittings, limiting water consumption.
- Adaptation to Climate Change
- Provision of passive and active design to address overheating and demand for active cooling;
- Incorporation of Sustainable Urban Drainage Systems measures to address future risks of flooding.
- Pollution Management
- Adoption of a Site Waste Management Plan to reduce waste and pollution during the construction period;
- Adoption of suitable noise mitigation strategies including the provision of refuge areas for residents.

6.5 The scheme proposals have been designed and coordinated to connect into the existing energy centre completed in Phases 1&2. The CHP system and high efficiency boilers have been designed to take the load from connection to Phases 3&4 when designed and constructed.

6.6 The new-build element of the scheme will be car -free with substantial provision for cycle parking, a car club space and electric vehicle charging points.

6.7 The scheme will deliver homes which meet current regulatory requirements relating to sustainability, including Building Regulations and the London Mayor's Housing Supplementary Planning Guidance.

6.8 During the pre-commencement phase of the building contract, the site will be tested for contamination and remediated appropriately.

6.9 The recycling of construction waste and the development of a Site Waste Management Plan are mandatory. Mulalley will be obligated to minimise construction related disruption, for example dust nuisance to residents and neighbouring buildings.

Procuring for a Better Society

6.10 The appointed contractor will be required to provide local training and employment opportunities, for which a number of KPIs have been established. KPIs will be monitored regularly at site meetings. The contractor and Employer's Agent will provide information that will form the basis of each score, which will be documented at each meeting.

6.11 The appointed main works contractor will provide a draft Employment and Skills Plan to the Council for approval prior to works commencing on site. They will also prepare and implement an active programme for recruitment in order to achieve a local labour target of 25%. Under the terms of the contract the contractor must employ at least one apprentice per £2m of construction contract value, which reflects the Unilateral Undertaking requirement, and as previously agreed by CPC.

- 6.12 As part of the Unilateral Undertaking a sum of £101,234 will be paid as a planning obligation to Hackney Works, as a contribution towards the cost of training and supporting out of work residents into jobs during the construction of the development. A further sum of £55,558 will be paid as a contribution towards facilitating local people into end use ('operational phase') jobs provided through the operation of the commercial floorspace.

Procuring Fair Delivery

- 6.13 Tender documents issued to each bidder were identical, giving them equal opportunity to review and respond. Throughout the tender process bidders submitted clarification questions. Where a clarification was not commercially sensitive, the clarification and the Council's response was anonymised and issued to all bidders.
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- 6.15 KPIs have been agreed with the contractor and will be scored at agreed intervals during the construction period.

7. SOCIAL VALUE

- 7.1 The contract was signed in September 2023 therefore it is too early for social value agreed under the contract to have been delivered / achieved.
- 7.2 Mullalley has proposed that a Social Value Steering Group is set for Kings Crescent estate composed of a core group of representatives from the Council, Kings Crescent TRA, and Mullalley. Its main objective would be to allocate and / or resource estate wide community activities which optimise social value impact.
- 7.3 Mullalley has, to date, donated funds to support the TRA /Hackney Showroom activities at the Summer event, held in July ; and 100 staff resource hours at London Living Wage to support the TR's youth club activities.

8. LESSONS LEARNT

- 8.1 As above, the main contractor for Kings Crescent Phases 3&4 was procured during a period of steep inflationary rises in construction costs. This, combined with the swiftly changing landscape of legislation and guidance to address building safety and environmental sustainability requirements has meant that the construction sector has had to respond to significant changes over a short

period of time. We do not envisage the breadth of regulatory changes to continue, and indications from the market show that inflation is slowing which is likely to mean that we enter a more stable period for future delivery of housing regeneration projects.

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9.1 As set out in 2.1 a specific delivery strategy was developed to address the unforeseen construction price inflation in the market. The associated risks are set out in the table below.

Risk/ Issue	Mitigation
<p>Financial/Programme: Construction price inflation peaked at unprecedented levels during the tender process.</p>	<p>The project team will exercise ongoing reviews of market conditions during the design and construction phases .</p> <p>The cost optimisation process is targeting a 10% reduction in construction costs and will focus on mitigating the effect of the inflation by programme savings or by alternative approaches to costly design elements and alternative products, whilst quality of design and product performance are maintained.</p> <p>Tangible savings will be sought through the economies of scale presented by c450 homes.</p>
<p>Financial/Reputational: Quality of the scheme does not meet expectations due to cost saving pressures. The result is reputational</p>	<p>A partnership approach with the contractor is being adopted which has developed a shared understanding of the cost optimisation strategy. There will be a</p>

<p>damage and/or increased cost to the Council.</p>	<p>focus on structural engineering elements that achieve significant savings without compromising on design quality.</p> <p>The Strategic Design team is resourced to work with the project team throughout the design and cost optimisation process.</p> <p>The project team structure is resourced to evaluate the design and cost impacts of proposed cost optimisation options.</p> <p>During the construction stage, the Employer's Agent team, including the Site Inspectors and the Clerk of Works will carry out regular site inspections to ensure work is completed in line with the specification documents.</p> <p>Stringent Key Performance Indicators (KPIs), monitoring the quality of delivery, have been included within the contract.</p>
<p>Financial/ Programme: Failure to address incoming building regulation changes results in failed planning and or build control /regulator approval.</p>	<p>The scope of the cost optimisation stage includes redesign for incoming changes to building regulations. Additional programme time to effect changes has been accepted.</p>
<p>Reputational/Financial: Inability to meet the GLA deadline for a start on site due to delays in awarding the contract for the main works, resulting in reputational damage and or withdrawal of grant funding.</p>	<p>The GLA has been informed of the impact of the unprecedented tender price inflation on the programme for achieving a construction start-on-site, and will be kept informed of the key pre- construction stage milestones.</p>
<p>Programme/Financial:</p>	<p>The contractor has demonstrated a thorough understanding of project risks, complexities and constraints,</p>

<p>Complexity of site or construction leads to increased cost and project delays.</p>	<p>and undertaken a thorough risk assessment .</p>
<p>Reputational: Failure to communicate the reasons for delay, the risks of delivery in volatile market conditions and the proposals to deliver the estate regeneration project in light of such circumstances causes reputational damage.</p>	<p>A corporate message individually tailored to the relevant estate regeneration specifics has been issued.</p> <p>Ongoing briefing to Councillors, residents and Resident Steering Group members are to be issued on a regular basis.</p> <p>Resident consultation on key design changes presenting a material planning change will occur during the cost optimisation and design update pre-construction phase and at the planning pre-application stage.</p>

9.2 Further information on risk management is provided in Exempt Appendix 1.

10. NEXT STEPS

10.1 As set out above the next steps are to complete the cost optimisation and design update changes, undertake enabling works as part of the Stage 1 contract. Further details are provided in Exempt Appendix 1 .

11. COMMENTS OF THE INTERIM GROUP DIRECTOR OF FINANCE

11.1 There are no financial implications directly arising from this briefing report. Kings Crescent Ph 3&4 currently makes a deficit in NPV terms that is more adverse than previously approved viability levels. This has mainly arisen as a result of the challenging construction market that is currently being experienced across the sector.

11.2 The cost optimisation period allows for collaboration with Mulalley to develop the design and seek value engineering (VE) savings wherever possible to bring down the cost of the project. The impact of the process needs to be balanced against the impact of current inflation rates as there is risk that any savings are eroded by inflation over the cost optimisation period.

11.3 As well as the impact of the savings achieved through cost optimisation, increased income is currently being sought. The Council is in engagement with the GLA to try and secure grant for each social rented unit, which would

exceed the Right To Buy subsidy currently assumed in the project's finances. In addition to this, the DHLUC's Brownfield Land Release Funding of £1.8m has been secured over the last few months.

- 11.4 Since the last Gateway, various financial assumptions changes have also been agreed by the S151 Officer and Capital Assets Steering Board, which will significantly improve viability.

12. COMMENTS OF THE ACTING DIRECTOR OF LEGAL, DEMOCRATIC AND ELECTORAL SERVICES

- 12.1 Under Appendix 3 of the Constitution Cabinet Procurement & Insourcing Committee is authorised by Cabinet to give detailed consideration on all issues relating to procurement practice and policy. It is therefore permitted to consider this Report.

- 12.2 Under a Delegated Powers Report dated 26th August 2022 the Group Director, Climate, Homes and Economy in consultation with the Group Director, Finance and Corporate Resources, agreed the award of contract for the Kings Crescent Phases 3 & 4 works. Details of the progress of the project since such date, and specifically the financial details of this matter, are set out in this Report.

13. PROCUREMENT COMMENTS

- 13.1 The Kings Crescent Phase 3 and 4 scheme was procured using the single stage design and build contracting approach with a break clause.

- 13.2 The procurement was carried out in line with the strategy set out in the business case report which approved the single stage design and build strategy via a Public Contracts Regulations 2015 compliant 'open tender' procurement route.

- 13.2 Contract Award' reports were submitted and approved initially by CPIC in April 21 and then following CPIC's delegation, in April 2022, to the Group Director, Climate, Homes and Economy, in consultation with the Group Director Finance and Corporate Services to award the contract, a further delegated award (Delegated Powers Report) was approved in 26 August, 2022 enabling the Council to enter into a main contract. On 5 September, 2023, a contract was entered into with Mulalley & Co.

- 13.3 The procurement team worked in collaboration with the project, legal and employer engagement teams and due consideration was given to the project objectives, contract terms and sustainability issues that needed to be addressed.

- 13.4 The overriding concerns which governed this contract award were the risks associated with cost inflation, changing regulations, supplier operating

preferences and fluctuating house market prices. The Council has endeavoured to achieve a flexible contract delivery option that mitigates all these risks and provides a reasonable position for delivering this project. The procurement exercise has allowed the Council to achieve the optimum combination of the project cost management and quality of build. The contracted supplier has committed to deliver wider sustainability benefits in the borough as an integral part of delivering the project.

13.5 It is the considered opinion of the procurement team that this exercise followed a compliant process.

APPENDICES

Exempt Appendix 1 - Kings Crescent Phases 3&4 Construction contractual arrange

Exempt

By Virtue of Paragraph(s) 3 Part 1 of schedule 12A of the Local Government Act 1972 this report and/or appendix is exempt because it contains Information relating to the financial or business affairs of any particular person (including the authority holding the information) and it is considered that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

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CABINET PROCUREMENT & INSOURCING COMMITTEE

UPDATE & BRIEFING REPORT

Title of Report	Update on the outcome of the procurement of the first phase of the Nightingale mixed tenure estate regeneration scheme - Nightingale Block E-for noting.
Key Decision No.	N/A
CPIC Meeting Date	6 November 2023
Classification	Open with Exempt Appendices) By Virtue of Paragraph(s) 3, Part 1 of schedule 12A of the Local Government Act 1972, appendix 1 is exempt because it contains information relating to the financial or business affairs of any particular person (including the authority holding the information) and it is considered that the public interest in maintaining the exemption outweighs the public interest in disclosing the information
Ward(s) Affected	Hackney Downs
Cabinet Member	Deputy Mayor Guy Nicholson
Key Decision	No
Group Director	Rickardo Hyatt
Contract Value, <u>both</u> Inclusive of VAT and Exclusive of VAT (for the duration of the contract including extensions)	£36,802,097
Contract Duration (including extensions e.g. 2 yrs + 1 yr + 1 yr)	1.5 years + 2 years

1. **INTRODUCTION**

- 1.1 The Nightingale project is the final phase of a regeneration scheme which commenced in the 1990s with the demolition of four tower blocks. There have been sections of vacant land on the estate since this time. Hackney's Regeneration team developed a masterplan for Nightingale consisting of a mixed tenure scheme with 400 new homes, a new community centre, two new retail units and improvements to the communal areas of the existing estate. The scheme received planning approval in 2017. On 26 October 2016, Cabinet Procurement Committee (CPC) (now Cabinet Procurement and Insourcing Committee) granted approval to commence the process of procuring a contractor for Blocks D and E. However, since that time further work has been carried out on the buildability of the new development, and as a result the phasing strategy has been revisited, with Block E to be delivered as the first phase. Block E consists of 70 homes which were, under the masterplan, were to be delivered as shared ownership, however in 2022 the Local Planning Authority approved a Section 73 to 'flip' the homes from shared ownership to social rent. This means that the much needed social rented element of the project first.
- 1.2 The development of Block E will allow a section of the estate which has been empty and hoarded off for many years to be brought back into use. It will also reinstate two retail units, which will help to enliven this part of the estate. A new temporary community centre will be developed to replace the current one, which will allow all the community groups on the estate to operate from a shared facility, and therefore encourage joint working. Improvements will also be carried out to Olympus Green, which forms the heart of the estate, to make it safer and more attractive for residents of all ages. This will form the first phase of a regeneration programme which will bring the derelict areas of the estate back into use.
- 1.3 At its meeting of 18 July 2011 the Council's Cabinet agreed the Estate Regeneration Programme. The Programme was updated and approved by Cabinet in March 2014 and again in October 2015. A further update was provided and approved by Cabinet in April 2019.
- 1.4 A detailed planning application for the project received full consent on 6 February, 2018. To enable Block E to become the first phase, a Section 73 planning amendment was approved on 4 April, 2022.
- 1.5 At its meeting on 3 October 2022 Cabinet Procurement and Insourcing Committee (CPIC) gave approval to officers to tender the project through the London Borough of Islington framework. At the same meeting it was agreed to delegate approval of the Contract award to the Group Director of Climate, Homes and Economy in consultation with the Group Director of Finance and Corporate Resources and the Director of Legal and Electoral Services.

- 1.6 Two of the invited contractors Mulalley and Osborne, returned tenders in February, 2022. Both tenders were significantly higher than the agreed budget, with Mulalley presenting the lowest compliant bid and the Most Economically Advantageous Tender.
- 1.7 Following approval of a Delegated Powers Report to enter into a main contract, dated 26 August 2022, a contract was entered into with Mulalley Construction Limited in June 2023.
- 1.8 This report provides an update to CPIC on the outcome of the procurement exercise to appoint a main contractor to deliver Block E as Phase 1 at Nightingale. Further details can be found in Exempt Appendix 1.

2. MOBILISATION UPDATE

- 2.1 The successful tender price exceeded the Council's approved budget as set through an internal Gateway process. To address the impact on the viability of the project, the Council has incorporated the process to update the RIBA Stage 3+- 4 design whilst adopting a 'cost optimisation' process. This process aims to reduce construction costs whilst maintaining qualitative standards, and has been used successfully on two recent Housing Regeneration and Delivery projects.
- 2.2 New building regulations were introduced in June 2023. These are: Part B- Fire Safety; Part F- Ventilation; Part L- Energy Conservation; Part O- Overheating; and Part S - Electric Charging Vehicle Points. In December 2022, the Government consulted on the proposals for introducing second staircases to blocks above 30m.
- 2.3 To address the issues set out in 2.1 and 2.2 the contract facilitates a prescribed programme period for cost optimisation and for updating design to achieve compliance.
- 2.4 A programme of enabling works which includes delivering the improvements to Olympus Green, moving the community garden, providing a temporary community centre, ground investigations and utility services diversions is being developed. Completing these critical pre-construction phase works as proposed, de-risks the project during the construction phase and offers the advantage of shortening the main construction works period along with associated savings.
- 2.5 The table below sets out the programme of pre-construction phase activities that are required to address financial and building regulatory changes.

Activity	Programme
Cost Optimisation and redesign	

Mobilisation of the contractor's external team completion	By October 2023
Building Regulations compliance audit completion	By December 2023
Cost optimisation process completion	By January 2024
Minor Amendments Section 73 approval period	January 2024- April 2024
RIBA Stage 3 redesign completion	By April 2024
RIBA Stage 4a completion	By November 2024
Enabling works	
Specification and design for temporary community centre	By November 2023
Site set up	By January 2024
Utilities diversions completed	By January 2024
Relocate community garden completed	By February 2024
Site surveys completion	By February 2024
Delivery works to Olympus Green A	By November 2024
Deliver works to Olympus Green B	By November 2024
Complete construction of new temporary community centre	By November 2024
Demolish existing community centre	By March 2025

3. **VARIATIONS**

3.1 Residents of Nightingale Estate have been updated on the project regularly by newsletters, the last of which was distributed in July, 2023. The newsletter in July 2023 which:

- set out the proposals to deliver the project in light of the economic conditions and period of regulatory change; and,

- the associated process and revised timeframes for the main construction work start.
- 3.2 Once a timetable is confirmed residents' consultation will begin. There will be a series of themed meetings to garner residents' views about the revised designs for Olympus Green, the details of the community garden and the design proposals for the temporary community centre. Before the enabling works start there will be a 'meet the contractor' event.

4. FINANCIAL CONSIDERATIONS

- 4.1 During the tender period, exceptional levels of construction price and tender price inflation and market volatility were experienced arising from the post-pandemic supply chain blockages, Brexit and the Ukraine war which, in turn, had an adverse impact on the returned tenders and scheme viability. Further information is provided in Exempt Appendix 1.
- 4.2 Recent negotiations with the GLA regarding the Council's 1,000 home programme allocation have established a higher grant rate. The Council is currently in discussion with the GLA to explore the possibility of a higher rate of grant for the Nightingale Block E project being awarded, which would significantly improve the viability of the project.

5. CONTRACT MANAGEMENT ARRANGEMENTS AND KPIS

Resources and Project Management (Roles and Responsibilities):

- 5.1 The necessary resources and skills to ensure that the project will be successfully managed have been identified and are either available within the Council or have been procured externally.
- 5.2 The project will be managed by a Project Manager in Regeneration who will be overseen by the Strategic Project Manager and Head of Service for Housing Delivery. The project delivery team is:
- Project Sponsor - Assistant Director, Housing Regeneration and Delivery
 - Project Head of Service – Head of Housing Regeneration Delivery - North
 - Project Lead – Strategic Project Manager Delivery North
 - Design Advice – Regeneration Strategic Design Team
 - Employer's Agent - Potter Raper Ltd
 - Cost consultants/Quantity Surveyor (QS) - Potter Raper Ltd
 - Planning consultant - Tibbalds
- 5.3 During the pre-construction phase which includes cost optimisation and redesign for new regulations and enabling works, along with the construction period, the project will be managed on a day-to-day basis by the Project Manager in the Council's Housing Regeneration and Delivery team. The building contract will be

administered by the Council's Employer's Agent. The Employer's Agent and Quantity Surveyor team will carry out monthly valuations of works completed on site and certify the value of these works. During the Pre-Construction Phase, the Employer's Agent will attend contract Design Team Meetings, which will be programmed by the contractor, but are likely to take place at least monthly (or as required) in order to meet the contract programme.

- 5.4 Mulalley's construction director and contract manager report monthly to the Council's Strategic Project Manager, Employer's Agent, QS at project team meetings. Monthly updates are provided to the Head of Housing Delivery - North, and the Council's Assistant Director for Housing Delivery & Regeneration, as the project sponsor. Representatives with the Council's Regeneration Strategic Delivery team will attend Mulalley's design review meetings and work collaboratively with their external design team during the period of redesign and cost optimisation, to ensure that the Council's design quality standards are maintained.
- 5.5 Representatives with the Council's Regeneration Strategic Delivery team will attend Mulalley's design review meetings and work collaboratively with their external design team during the period of redesign and cost optimisation, to ensure that the Council's design quality standards are maintained.
- 5.6 The key performance indicators (KPIs) that are applicable to Section 2 of the contract are as set out in the table below:

KPI subject	Measurement	Monitoring method & info responsibility	Metric
Programme	Total days ahead or delayed	Contractor to update the programme on a monthly basis and provide reasons for delays. EA to assess the Contractor report and provide its own final monthly review.	Nr. of days
	Accuracy, timelessness, and quality of Contractor's programme/ delay reporting	EA to assess monthly	Qualitative assessment
Cost	Divergence between original cumulative forecast and last valuation.	Contractor to make applications. EA to report monthly.	£ difference on total gross value

	Divergence between application and agreed valuation (or Pay Less Notice amount)	EA to value and report monthly	£ difference on total gross value
	Divergence between last monthly forecast and last valuation	Contractor to make applications. EA to report monthly.	£ difference on total gross value
Change Control	Contractor proposed changes – Quality and timeliness design, time and cost information	EA to assess monthly	Qualitative assessment
	Employer proposed changes – Responsiveness of design and cost information (including detail and breakdowns)	EA to assess monthly	Qualitative assessment
Quality of Construction	Assessment of site inspector report – seriousness of quality concerns identified.	EA to assess monthly	Qualitative assessment
	Assessment of Contractor response to remediating site inspector concerns	EA to assess monthly	Qualitative assessment
	Defects – number remedied within timeframes	Contractor and LBH to provide information to EA for monitoring and report monthly from practical completion	Nr of defects
Design	Timeliness of general design information release to allow sufficient time for Employer review	Contractor to report days early or delay from information release schedule targets. EA to check and report	Qualitative assessment

Health and Safety	Qualitative assessment of Contractor H&S approach including site assessment by PD and response to H&S concerns including accidents and near misses	Contractor to provide own H&S assessments and information. EA and PD to assess	Qualitative assessment
Waste Management	Percentage of waste diverted from landfill	EA to assess monthly	% diverted
	Initiatives undertaken to minimise waste arising from deliveries to site	EA to assess monthly	Qualitative assessment
Employment and Training	Percentage of local labour (aiming for 30%)	Contractor to provide monthly labour return	Target met/ exceeded
	Number of apprentices	Contractor to provide monthly labour return	Target met/ exceeded by what percentage
	Confirmation of London Living Wage	Contractor to report monthly on checks and confirm London Living Wage compliance	Yes/ No
	Quality of engagement and communication with Hackney works	Contractor and Hackney Works (through LBH Project Officer) to report. EA to assess	Qualitative assessment
Neighbour Satisfaction	Number of complaints, and quality of response	Contractor to provide information. EA to assess monthly	Qualitative assessment
	Initiatives undertaken by the Contractor to ensure engagement and communication with neighbours.	Contractor to provide information. EA to assess monthly	Qualitative assessments

Supply Chain Management	Fair payment of subcontractors	Days behind or ahead of payment schedule and total value of arrears	Qualitative assessments
	Fair payment of subcontractors	Percentage of contractors paid on or before time provided each month	Qualitative assessment

6. **SUSTAINABILITY OUTCOMES**

Procuring Green

- 6.1 The new build on the Nightingale Estate will provide high quality housing, retail and community space, as well as new and improved landscaping and public realm, enhancing the ecological value and biodiversity of the site. The scheme also aligns with Hackney’s Transport Strategy and TfL’s Healthy Streets Indicators, aiming to prioritise walking and cycling, providing safe environments with opportunities for play, shade and shelter, and opportunities to rest in a clean environment.
- 6.2 The energy strategy for the Nightingale new build has recently been revised in order to move away from the originally proposed gas powered Combined Heat and Power (CHP) system. Hot water and heating for Block E is now intended to be generated by more sustainable communal air source heat pumps. This change also formed part of the S73 application which was approved in 2022.
- 6.3 The development will be car-free with substantial provision of cycle parking, a car club space and electric vehicle charging points. In addition, the project will be delivering new and upgraded, attractive pedestrian and cycle routes across the site.
- 6.4 The scheme will deliver homes which meet current regulatory requirements relating to sustainability, including Building Regulations and the London Mayor’s Housing Supplementary Planning Guidance. This includes:
- Reduction in carbon emissions against Building Regulations Part L 2022 by 37.9% for residential, 26.7% for non-domestic (36.5% combined) achieved by:
 - Enhanced U-values of walls, floors, roofs and windows;
 - Improved air tightness through reduced air permeability rates;
 - Reduced need for artificial lighting;
 - Incorporation of low energy light fittings;
 - Incorporation of mechanical heat and ventilation recovery system (MHVRs);
 - Incorporation of advanced lighting and space conditioning controls;

- Incorporation of heat and electricity consumption devices for individual homes;
- Minimising internal heat generation through energy efficient design;
- Reducing the amount of heat entering the buildings during summer through orientation of the glazing, external shading and the provision of internal blinds;
- Provision of photovoltaic panels (PVs); and
- Achievement of BREEAM 'Excellent' rating on the community and commercial spaces.

6.5 The London Plan and Hackney Planning Policy standards on sustainability are achieved by:

- Effective Resource Management
 - Re-use of vacant and developed land with an effective layout and scale;
 - Efficient design of the massing and internal layouts;
 - Enhanced ecology and biodiversity with associated landscaping;
 - Use of responsibly sourced materials with low embodied carbon and
 - Specification of water efficient fittings, limiting water consumption.
- Adaptation to Climate Change
 - Provision of passive and active design to address overheating and demand for active cooling;
 - Incorporation of Sustainable Urban Drainage Systems measures to address future risks of flooding.
- Pollution Management
 - Adoption of a Site Waste Management Plan to reduce waste and pollution during the construction period;
 - Adoption of suitable noise mitigation strategies including the provision of refuge areas for residents.

6.6 During the pre-commencement phase of the building contract, the site will be tested for contamination and remediated appropriately.

6.7 The recycling of construction waste and the development of a Site Waste Management Plan are mandatory. Mulalley will be obligated to minimise construction related disruption, for example dust nuisance to residents and neighbouring buildings.

Procuring for a Better Society

6.8 The appointed contractor will be required to provide local training and employment opportunities, for which a number of KPIs have been established. KPIs will be monitored regularly at site meetings. The contractor and Employer's Agent will

provide information that will form the basis of each score, which will be documented at each meeting.

- 6.9 The appointed main works contractor will provide a draft Employment and Skills Plan to the Council for approval prior to works commencing on site. They will also prepare and implement an active programme for recruitment in order to achieve a local labour target of 25%. Under the terms of the contract the contractor must employ at least one apprentice per £2m of construction contract value, which reflects the Unilateral Undertaking requirement, and as previously agreed by CPC.
- 6.10 As part of the Unilateral Undertaking a sum of £197,794.35 will be paid as a planning obligation to Hackney Works, as a contribution towards the cost of training and supporting out of work residents into jobs during the construction of the development.

Procuring Fair Delivery

- 6.11 Tender documents issued to each bidder were identical, giving them equal opportunity to review and respond. Throughout the tender process bidders submitted clarification questions. Where a clarification was not commercially sensitive, the clarification and the Council's response was anonymised and issued to all bidders.
- 6.12 Each bidder was asked to comply with the Council's requirements with regard to the specification, local labour, employment and skills, and Fair Payment Charter. The appointed contractor has agreed to the Council's targets in these areas, including payment of the London Living Wage to all employees - a commitment also extended to their subcontractor supply chain - and cooperation with Hackney Works to promote diversity in their workforce.
- 6.13 KPIs have been agreed with the contractor and will be scored at agreed intervals during the construction period.

7. SOCIAL VALUE

- 7.1 The contract was signed in June 2023 therefore it is too early for social value agreed under the contract to have been delivered / achieved.
- 7.2 There are a number of potential Social Value projects that could be considered for the Nightingale Estate. Discussions have begun between Mullalley and the Council's project delivery team to identify and prioritise the potential projects. Consultation with wider stakeholders will take place before any decision about the projects is reached.
- 7.3 Mullalley is currently engaging with the Project Team to deliver an early Social Value project. This is a historic photographic exhibition which will be displayed on some of the hoarding panels around the site and is due to be delivered in October, 2023.

8. LESSONS LEARNT

- 8.1 As above, the main contractor for Nightingale Block E was procured during a period of steep inflationary rises in construction costs. This, combined with the swiftly changing landscape of legislation and guidance to address building safety and environmental sustainability requirements has meant that the construction sector has had to respond to significant changes over a short period of time. We do not envisage the breadth of regulatory changes to continue, and indications from the market show that inflation is slowing which is likely to mean that we enter a more stable period for future delivery of housing regeneration projects.
- 8.2 However, the experience of the last few years has led the team to examine our procurement strategy for main contractors, and rather than requiring a fixed price for a fixed design, we are now looking to take forward more collaborative approaches with contractors, bringing them in at an earlier stage, and working together to realise acceptable savings within agreed parameters for good quality design.

9. RISK

- 9.1 As set out in 2.1 a specific delivery strategy was developed to address the unforeseen construction price inflation in the market. The associated risks are set out in the table below.

Risk/ Issue	Mitigation
<p>Financial/Programme: Construction price inflation peaked at unprecedented levels during the tender process.</p>	<p>The project team will exercise ongoing reviews of market conditions during the design and construction phase .</p> <p>The cost optimisation process is targeting a 10% reduction in construction costs and will focus on mitigating the effect of the inflation by programme savings or by alternative approaches to costly design elements and alternative products, whilst quality of design and product performance are maintained.</p> <p>Tangible savings will be sought through the economies of scale</p>

	presented by the three estate regeneration project (c450 homes)
<p>Financial/Reputational: Quality of the scheme does not meet expectations due to cost saving pressures. The result is reputational damage and/or increased cost to the Council.</p>	<p>A partnership approach with the contractor is being adopted which has developed a shared understanding of the cost optimisation strategy. There will be a focus on structural engineering elements that achieve significant savings without compromising on design quality.</p> <p>The Strategic Design team is resourced to work with the project team throughout the design and cost optimisation process.</p> <p>The project team structure is resourced to evaluate the design and cost impacts of proposed cost optimisation options.</p> <p>During the construction stage, the Employer's Agent team, including the Site Inspectors and the Clerk of Works will carry out regular site inspections to ensure work is completed in line with the specification documents.</p> <p>Stringent Key Performance Indicators (KPIs), monitoring the quality of delivery, have been included within the contract.</p>
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<p>Reputational/Financial: Inability to meet the GLA deadline for a start on site due to delays in awarding the contract for the main works, resulting in reputational damage and or withdrawal of grant funding.</p>	<p>The GLA has been informed of the impact of the unprecedented tender price inflation on the programme for achieving a construction start-on-site, and will be kept informed of the key pre- construction stage milestones.</p>

<p>Programme/Financial: Complexity of site or construction leads to increased cost and project delays.</p>	<p>The contractor has demonstrated a thorough understanding of project risks, complexities and constraints, and undertaken a thorough risk assessment.</p>
<p>Reputational: Failure to communicate the reasons for delay, the risks of delivery in volatile market conditions and the proposals to deliver the estate regeneration project in light of such circumstances causes reputational damage.</p>	<p>A corporate message individually tailored to the relevant estate regeneration specifics has been issued.</p> <p>Ongoing briefing to councillors and residents are to be issued on a regular basis.</p> <p>Resident consultation on key design changes presenting a material planning change will occur during the cost optimisation and design update pre-construction phase and at the planning pre-application stage.</p>

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the GLA to try and secure grant for each social rented unit, which would exceed the Right To Buy subsidy currently assumed in the project's finances.

- 11.4 Since the last Gateway, various financial assumptions changes have also been agreed by the S151 Officer and Capital Assets Steering Board, which will significantly improve viability.

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- 12.1 Under Appendix 3 of the Constitution Cabinet Procurement & Insourcing Committee is authorised by Cabinet to give detailed consideration on all issues relating to procurement practice and policy. It is therefore permitted to consider this Report.

- 12.2 Under a Delegated Powers Report dated 26th August 2022 the Group Director, Climate, Homes and Economy in consultation with the Group Director, Finance and Corporate Resources, agreed the award of contract for the Nightingale Block E works. Details of the progress of the project since such date, and specifically the financial details of this matter, are set out in this Report.

13. PROCUREMENT COMMENTS

- 13.1 The Council conducted a rigorous and extended scrutiny and approval process for the programme and contract award of the 'Nightingale mixed tenure estate regeneration scheme - Nightingale Block E'. This process included the Cabinet meeting of 18 July 2011 where the Council's Cabinet agreed the Estate Regeneration Programme. The Programme was updated and approved by Cabinet in March 2014 and again in October 2015. A more current update was approved by Cabinet in April 2019.

- 13.2 The procurement exercise was challenging as it was carried out at a time of high inflationary pressures in the construction market which was compounded by new building regulations that had additional significant cost implications. The two bids received were substantially above the contracts pre tender estimate and budget provisions. However, one of the bids was more competitive than the other and offered a means to achieve the Council's development goals.

- 13.3 Following approval of a Delegated Powers Report to enter into a main contract with the more competitive bid, dated 26 August 2022, the contract was entered into with Mulalley Construction Limited in June 2023.

- 13.4 As this more competitive bid was still in excess of the project's approved budget the Council opted to award the contract to the successful bidder incorporating a process of pre-construction, enabling works and 'cost optimisation' exercises leading up to RIBA Stage 4 technical design and following this embark on the main build phase with the contractor. The aim of the exercise was to reduce construction costs to within budget parameters prior to the build phase.

- 13.5 It remains the considered opinion of the procurement team that this single stage procurement exercise to deliver the Nightingale mixed tenure estate regeneration scheme - Nightingale Block E project is compliant and offers the most economically advantageous route to achieving the Council's goals.

APPENDICES

Exempt Appendix 1- Construction contractual arrangements - Nightingale estate.

Exempt

By Virtue of Paragraph(s) 3 Part 1 of schedule 12A of the Local Government Act 1972 this report and/or appendix is exempt because it contains Information relating to the financial or business affairs of any particular person (including the authority holding the information) and it is considered that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

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