



**TITLE OF REPORT : CONTRACT AWARD REPORT FOR THE SELECTION OF A CONTRACTOR FOR THE EARLY WORKS FOR BRITANNIA PHASE 2A**

**Key Decision No. NH Q60**

**CPC MEETING DATE  
(2019/20)**

**11 March 2020**

**CLASSIFICATION:**

**Open with EXEMPT APPENDIX 1**

**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**

Hoxton East and Shoreditch Ward

**CABINET MEMBER**

Mayor Glanville, Housing and Regeneration

**KEY DECISION**

Yes

**REASON**

Spending/or saving

## **GROUP DIRECTOR**

Ajman Ali, Acting Group Director Neighbourhoods and Housing

### **1. CABINET MEMBER'S INTRODUCTION**

- 1.1 The Council has invested heavily in providing excellent housing, schools and leisure facilities within the borough in the past decade. While central government funding has decreased significantly since 2010, the Council's own investment programmes have ensured that public infrastructure in the borough has been augmented where possible. Hackney's continued investment in housing, schools and leisure facilities, as well as a spectrum of other services, demonstrates both the Council's commitment and its corporate capacity to deliver ambitious, large scale investment programmes to address local priorities.
- 1.2 The Council is determined to build on this success by delivering an ambitious regeneration programme focused on creating public infrastructure that will directly benefit local residents. Our developments at Britannia seek to continue the mixed use model, with the Council acting as developer and retaining the freehold for the land involved.
- 1.3 The Britannia development will provide a new Leisure Centre for the Britannia site, opening in March 2021; a new secondary school (which is already open on a temporary site) to meet the demand for additional school places in the borough, which will open its doors to pupils at its permanent site in September 2021. Britannia will also deliver over 400 homes, including on site council housing to rent.
- 1.4 Across all our new developments we are committed to maximising the number of genuinely affordable council homes. Britannia Phase 2a is comprised of 93 new homes, including 48 for social rent, 33 for shared ownership and 12 for outright sale. The Council's Estate Regeneration team is taking forward the delivery of this part of the Britannia Scheme to continue to build on the success of the Regeneration programme. The completed scheme will be managed by Housing Services and be linked to the Colville Estate.
- 1.5 The design for the Britannia masterplan was informed by extensive consultation with local residents, stakeholders, the Greater London Authority, and departments within the Council, in order to arrive at a design which incorporated maximum community benefit through the provision of the new secondary school, a new leisure centre, as well as 80 genuinely affordable homes. Consultation took place from December 2016 to February 2017 (initial concepts stage) and April 2017 until February/March 2018 (design development and detailed design/pre-planning stage).

- 1.6 Cabinet considered and approved proposals to develop the Britannia Leisure Centre site in April and December 2017, and the Procurement Strategy for Phase 2a in September 2019. This project continues the Council's commitment in 2016 to invest in providing new homes (including genuinely affordable council homes), schools, and council leisure facilities within the borough, and responds specifically to existing and expected population growth, rightly increasing resident expectations, and the age and condition of some existing leisure facilities. As well as the previous Cabinet approvals, the rebuilding of the Britannia Leisure Centre and the delivery of the new school, council homes and community infrastructure also formed a key part of our manifesto in 2018.
- 1.7 The proposed early works at Britannia Phase 2a are being brought for consideration and approval by Cabinet Procurement Committee (CPC) at this stage, in order to enable the noisy and disruptive works associated with the early works to be undertaken whilst the adjacent primary school is on holiday, thereby minimising disruption to the school community. Subject to approval at CPC, it is therefore intended that the demolition of the Anthology marketing suite will take place during the Easter school holidays 2020; and decontamination and piling works will take place substantively during the school's summer holiday 2020. Works to the school's playground will also be undertaken during this time, in order to ensure that when the school returns in September 2020, pupils will have more usable, and high quality playground space.

## **2. GROUP DIRECTOR'S INTRODUCTION**

- 2.1 This report seeks approval to appoint a preferred contractor to undertake the early works for the development of a mixed tenure scheme which will consist of 90% genuinely affordable housing; an Early Years Centre; and associated public realm and landscape improvements.
- 2.2 In line with the provision of the Contract Standing Orders the award of contract is presented to the Cabinet Procurement Committee for consideration and approval. The recommendation is made on the basis of both cost and quality.

## **3. RECOMMENDATION(S)**

**Cabinet Procurement Committee is recommended to:**

- 3.1 **Approve the selection of Bidder C as the preferred contractor for the early works package for Britannia Phase 2a for the value set out in Exempt Appendix 1.**
- 3.2 **Delegate authority to the Director of Regeneration to make a further award of contract, being a variation of the contract in paragraph 3.1, in**

**respect of tender option 1 and/or tender option 2 as set out in paragraph 5.1.10, if required.**

- 3.3 Agree to enter into a JCT Design and Build contract 2016 and any other ancillary legal documentation relating thereto with Bidder C for the early works at Britannia Phase 2a such terms as shall be agreed by the Director of Legal, and authorise the Director of Legal to prepare, agree, settle and sign the necessary legal documentation to effect the proposals contained in this report.**

#### **4. RELATED DECISIONS**

- 4.1 Cabinet considered and approved proposals to develop the Britannia Leisure Centre site in April and December 2017. This followed extensive consultation in two phases between December 2016 and February 2017 (initial concepts stage), and April 2017 until February/March 2018 (design development and detailed design/pre-planning stage) with local residents, stakeholders, the Greater London Authority, and departments within the Council, in order to arrive at a masterplan design which incorporated maximum community benefit through the provision of the new secondary school, a new leisure centre, as well as 80 genuinely affordable homes.
- 4.2 The Council's Planning Sub-committee resolved to grant planning permission for the Britannia masterplan (including Phase 2a) on 7 December 2018 (Planning reference: 2018/0926). In line with the primary objectives of the project, the first phase of development was to build the new Council leisure centre and secondary school on the site of the existing leisure centre (including the hard courts on Shoreditch Park). By delivering the new Council leisure centre, the project is able to unlock the rest of the existing leisure centre site for residential market sale development. This is key to the financial business case and enables the cross-subsidy required to pay for the new social infrastructure. As developer, the Council is able to prioritise the social infrastructure and affordable housing. It is also able to ensure that the maximum benefit of the market sale income is channelled into tangible benefits for the area. This first phase of work is underway, and the affordable housing in Phase 2a represents the second phase.
- 4.3 At its meeting in September 2019, the Council's Cabinet agreed the procurement strategy for Britannia Phase 2a; that is, to undertake procurement via the OJEU process for the main works contract, and to procure an early works contractor separately by inviting bids from a pre-approved list, selected from Constructionline.
- 4.4 The development of the Phase 2a site represents an opportunity to complete upfront the affordable housing element of the Britannia Masterplan as well as delivering a new Early Years Centre on the site.

- 4.5 The Secretary of State for Education approval has been sought for the appropriation of the portion of land on which the Britannia Phase 2a scheme will be developed. The land is currently occupied by the Hoxton Press (Anthology) marketing suite, and the north-west portion of Shoreditch Park Primary School's playground. In order to change the use of this area, approval by the Secretary of State for Education is required. The land appropriation will also be considered by Hackney's Cabinet for approval, in due course.
- 4.6 The Department for Education has been consulted on the Britannia masterplan throughout the masterplan development. Secretary of State approval is not required for the works which relate to Section 1 of the early works (i.e. demolition of the Hoxton Press marketing suite proposed for April 2020). However, approval will be required prior to Section 2 of the works commencing in July 2020. This is discussed further at Section 5.2.5 below.

## **5. REASONS FOR DECISION/OPTIONS APPRAISAL.**

- 5.1.1 This report outlines the process that has been followed in selecting a preferred bidder for the early works for Britannia Phase 2a.
- 5.1.2 The early works contract is being brought forward to CPC at this stage in order to enable the noisy and disruptive works associated with the early works to be undertaken whilst the adjacent primary school is on holiday, thereby minimising disruption to the school community.
- 5.1.3 The development of the Phase 2a site will contribute to delivering the Council's aspirations to make best use of Council land by building new social rented and low-cost home ownership homes, thus delivering the affordable homes within the Britannia Masterplan.
- 5.1.4 The parcel of land to be developed forms part of the Shoreditch Park Primary School's playground and currently also hosts Anthology's sales and marketing suite, which was being utilised to sell the homes in the two residential towers on the Colville Estate. Anthology's lease has expired and the Council will be in a position to take vacant possession in March 2020.
- 5.1.5 The Britannia Phase 2a early works contract requires the successful early works contractor to deliver the early works contract prior to the construction of the main buildings (via a separate main works contract) which will make up blocks H1 and H2 of the Britannia masterplan. It is then intended that the early works contractor will be novated to the main contractor who will deliver the 91 homes, Early Years Centre, associated public realm and landscape improvements.
- 5.1.6 It is proposed that the early works contract consists of two sections, both beginning during school holidays (Easter and Summer 2020) in order to

minimise disruption to the adjacent school. The scope of works for each section is as follows:

- Section 1 (to commence April 2020):
  - Demolition and site clearance;
  - Site preparation;
  - Pile Probing;
  - Surveys;
  - 'Making good' the portion of the playground affected by Section 1 works.
  
- Section 2 (to commence July 2020):
  - Excavation and disposal;
  - Bored piling;
  - Sheet piling;
  - Attenuation tank;
  - Diversions (if necessary).

5.1.7 The adjacent primary school will also have its play areas re-provided and upgraded, as well as receiving a financial contribution through the Unilateral Undertaking for the Britannia scheme.

5.1.8 The construction of the site will have to be carefully managed, with logistics well thought through and considered in respect to the proximity of the primary school, and in terms of the timing of the works.

5.1.9 A pre-tender cost plan was prepared for the Council by its Quantity Surveyor (QS), setting out the estimated costs of construction, based on the pre-tender stage estimate and designs developed to RIBA Stage 4. The pre-tender costs pertaining to the early works are set out in Exempt Appendix 1.

5.1.13 It is proposed that the Council will enter into a JCT Design and Build Standard Form of Contract 2016 with the preferred bidder, with Hackney Council amendments.

## **5.2 ALTERNATIVE OPTIONS (CONSIDERED AND REJECTED)**

5.2.1 The option to 'do nothing' was considered and rejected. The Britannia Phase 2a site is a crucial part of the overall Britannia Masterplan as the affordable housing will be contained therein. This phase of the scheme therefore provides an opportunity to provide genuinely affordable housing to Hackney's residents and help alleviate the shortage of housing in the Borough.

5.2.2 The Council owns and manages thousands of homes in the Borough, and as such has an in-depth understanding of, and expertise in the affordable housing sector. In addition, the Council's Regeneration Division has already successfully delivered new build housing across a number of sites. Accordingly, the Council's recent approach to regeneration seeks to utilise its

expertise, understanding and financial capacity to build and retain new affordable housing and outright sale homes directly through its in-house Sales & Marketing Team.

5.2.3 Consideration was given to procuring the early works as part of the main contract rather than as a separate contract. However, the decision was taken to disaggregate these two elements in order to ensure a start on site by summer 2020. This approach has the following benefits:

- Maximising use of the school holidays so that much of the noisy and disruptive early works (demolition, groundworks and piling) can be undertaken during the school summer holiday period in order to minimise disruption to the adjacent primary school community;
- Providing survey information early to ensure swift design and construction progress when the works on the substructure commence;
- Early de-risking of the project through establishing the extent of underground contamination and removing any obstructions identified; and,
- Providing greater certainty as regards both cost and programme, and reducing main contractor on-costs (Overhead & Profit and preliminaries). With groundworks happening during summer 2020 this should also minimise any weather delays.

5.2.4 An option of including the ground floor slab (and associated drainage) within the early works contract is identified as tender option 1, with the associated costs set out in Appendix 1. Options are discussed further at Section 8.1.15-8.1.17 below.

5.2.5 The deferral of the Cabinet Procurement Committee approval of the early works contract until after the Department for Education has given approval for the land acquisition at the Britannia Phase 2a site was considered. This option was rejected as it would miss the opportunity to undertake demolition and preparatory works within the Easter school holidays; delaying the works' programme, and the opportunity to maximise the use of the summer holidays for the disruptive and noisy works. However, should the Secretary of State approval not be secured by the programmed start on site date in July, the option to suspend the early works would need to be taken. In the unlikely event that the application to acquire the land is rejected by the Secretary of State, then the early works contract will need to be terminated.

## **6. PROJECT PROGRESS**

### **6.1 Developments since the Business Case approval**

6.1.1 At its meeting in September 2019, Cabinet approved a procurement strategy which, included separating the early works contract from the main contract, with the Contract Award to be considered at the March 2020 Cabinet

Procurement Committee. As stated in that report, this was to enable the early works (groundworks) to commence during the school summer holidays to minimise disruption to the adjacent school.

## **6.2 Whole Life Costing/Budgets:**

- 6.2.1 It is proposed that the Early Works Contract consists of two sections, as set out at section 5.1.6 above - these form the base scope.
- 6.2.2 Estimated contract values for the single early works package were confirmed by the consultant Quantity Surveyor, and formed part of the estimate contained within the Procurement Strategy report approved by Cabinet in September 2019. The early works proposed remain within this budget.
- 6.2.3 The Early Works Contract will require novation into the main construction works contract to ensure full responsibility is transferred to the selected main contractor. External legal support has been procured from Ashfords LLP to support the Council with this (managed by our internal Legal team) in order to draft additional contract amendments and/or warranties, as necessary.

## **6.3 SAVINGS**

- 6.3.1 Britannia Phase 2a will deliver new, high quality, mixed tenure homes and contribute to the regeneration of the borough. This will provide better value for money for Hackney residents, and provide the basis for the Council to continue delivering a high quality and cost-effective housing management service.
- 6.3.2 The new homes at Britannia Phase 2a will also contribute to alleviating the current pressure on the Council's housing register and temporary accommodation costs, as 48 homes for social rent will be delivered.

## **7. SUSTAINABILITY ISSUES**

### **7.1 Procuring Green**

- 7.1.1 The Britannia Phase 2a scheme will ultimately provide high quality housing, and improved landscaping in the public realm, which will improve the ecological value of the site. The scheme also follows Hackney's Transport Strategy and TfL's Healthy Streets Indicators that aim to prioritise walking and cycling, providing safe environments with opportunities for play, shade and shelter, and opportunities to rest in a clean environment. 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.



- 7.1.2 A key principle of the entire Britannia Masterplan is that as many trees will be retained as possible, and those that are removed will be replaced in order to achieve the same canopy cover across the site (in comparison to the pre-development situation) within the first 10 years of planting. The preferred contractor is required to adhere to the relevant planning conditions which relate to this.
- 7.1.3 During the early works, the soil will be tested for contamination and remediated appropriately. Subject to contamination levels, a significant depression in the adjacent playground will be infilled, and subsequently landscaped in order to make the playground more usable. The infill will be undertaken using remediated soil from the site (following excavation) and has environmental benefits including both reducing waste produced on site, and minimising vehicle movements to and from the site, that would otherwise be needed in order to dispose of the soil elsewhere.
- 7.1.4 The recycling of construction waste and the development of a Site Waste Management Plan are mandatory. The contractor will be obligated to minimise construction related disruption, for example dust nuisance, to residents and other neighbouring buildings including the adjacent primary school, surrounding residents and park users.

## **7.2 Procuring for a Better Society**

- 7.2.1 The appointed contractor will be required to provide local training and employment opportunities, for which a number of Key Performance Indicators (KPIs) have been established. KPIs will be monitored regularly at site meetings. The contractor and Employer's Agent (EA) will provide information that will form the basis of each score, which will be documented at each meeting. The contractor will undertake to use reasonable endeavours to source materials from local suppliers and manufacturers, and has been encouraged to use small and medium sized businesses in its supply chain.
- 7.2.2 The appointed early 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 30%. Under the terms of their contract the contractor must employ at least one apprentice per £2m of construction contract value which reflects the Unilateral Undertaking.
- 7.2.3 The appointed contractor will be required to provide the Council with a local labour return for the scheme every three months during the construction phase and must notify the Council of all vacancies for employees, self-employed, sub-contractors and any other form or type of employment or service arising from construction of the development to our Hackney Works team. The Council will endeavour to find suitable candidates to put forward for the roles

within five working days unless otherwise agreed in advance. After such time vacancies can be filled through alternative channels.

7.2.4 As part of the Britannia masterplan unilateral undertaking; a sum of £221,120 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/demolition of the development and; a sum of £213,187 as a contribution towards end use jobs provided through the operation of the commercial floorspace.

7.2.5 The preferred bidder has committed to paying all of its staff and subcontractors the London Living Wage, for the term of the contract.

### **7.3 Procuring Fair Delivery**

7.3.1 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.

7.3.2 Each bidder was asked to comply with the Council's requirements with regards to the specification, local labour, employment and skills, and Fair Payment Charter. The successful bidder has agreed to the Council's targets in these areas. KPIs have been agreed with the contractor and will be scored at agreed intervals during the construction period. More information on KPIs can be found in section 9.2 below.

### **7.4 Equality Impact Assessment and Equality Issues:**

7.4.1 The Council is committed to building new homes that are adaptable to the varying needs of occupiers over time and that will enable people to live independently in their homes for longer. Nine of the homes within Phase 2a will conform to the M4(3) standards for wheelchair user dwellings.

## **8. Procurement**

### **8.1 Procurement Route:**

8.1.1 The procurement route undertaken for the Early Works was via a two-stage tender process. The Procurement process comprised;

- (i) Selection Questionnaire
- (ii) Invitation to Tender

8.1.2 The Evaluation Panel for the entire tender process comprised;

- Project Manager Regeneration (LBH)
- Project Officer, Regeneration ( LBH)
- Head of Strategic Education Property ( LBH)
- Employer's Agent (EA) and Principal Designer (acting on behalf of the Council)
- Shoreditch Park Primary School Business Manager (who evaluated one of the questions which related to Community Engagement and Stakeholder Management)
- Quantity Surveyor/ Cost Consultants

8.1.3 The procurement process was managed and coordinated by members of the Procurement Team.

(i) Selection Questionnaire (SQ)

8.1.4 The SQ was published on ProContract on 16 October 2019, which invited a preselected list of six contractors, selected from Construction Line to express an interest in tendering for the Early Works contract, by responding to the SQ.

8.1.5 Five responses were received, and four of them were evaluated. Which was as a result of one of the contractors not completing the Pass/ Fail Section in their response, and was therefore automatically disqualified.

8.1.6 The four submissions evaluated provided responses to all the Pass/ Fail sections, and the project/qualitative specific questions appropriately. Their responses were evaluated on the following;

- The contractors eligibility to bid
- Financial, and economic capacity to undertake the contract
- Experience of working with key stakeholders in a highly urban and constrained environments
- Experience of partnership working working and the delivery of high quality residential developments
- Their track record of good construction practices
- Their approach to environmental sustainability and waste reduction

8.1.7 On the conclusion of the evaluation of the SQ submissions, all of them were deemed to be of sufficiently high quality, and as such all four contractors were shortlisted and invited to participate in the tender process.

(ii) Invitation to Tender

8.1.8 The Invitation to Tender (ITT) documents were published on the e-tendering portal, ProContract, on 20 November, 2019. The contractors were required to submit bids by 27 January 2020.

Three out of the four contractors shortlisted, submitted tender responses. The tenders were evaluated on the award criteria of 60% quality and 40% price ratio. The weightings reflect the complexity of the contract, and the need to identify a quality contractor able to undertake the complex early works and piling scope. Whilst also operating sensitively within the area in which the site is located - close to a school, with significant amounts of development work in the vicinity.

8.1.9 In addition to the scope outlined in the tender documents, the contractors were also required to provide fixed prices for the following options, which were not included in the price evaluation:

- Tender Option 1: Ground floor slab construction; underslab drainage, external drainage (connecting attenuation tank); and,
- Tender Option 2: Site security between Section 1 (April) and Section 2 (July).

8.1.10 Each of these tender options enabled the project team to seek a competitive price from bidders whilst the scheme was out to tender. As such, if the Council does not choose to enter into tender option 1, these elements of the work will otherwise be procured through the main works contract (as is set out within those procurement documents). The tender option prices were, however, assessed and benchmarked against each other to ensure that, should the Council decide to enter into one or both of the tender options as a variation to the existing contract, that variation would represent value for money.

#### Tender Evaluation

8.1.11 Three contractors submitted compliant bids, out of the four contractors that were shortlisted and invited to tender. All three contractors were invited to tender clarification meetings, at which the EA and Quantity Surveyors clarified any errors in the tenders submitted or any apparent inconsistencies prior to the evaluation process. Further details can be found in exempt Appendix 1.

#### Quality Evaluation - 60%

8.1.12 For the Quality element, bidders were required to set out their responses to six Method Statements, which covered the following areas:

- Programme;
- Project Delivery;
- Site establishment and security;
- Design integrity;
- Community engagement; and
- Local employment, training, and supply chain.

8.1.13 Quality responses were evaluated by the panel and scored 0-5 based on the scoring methodology set out in Table 1 below. Moderated scores were reached following individual scoring. Further details for the Method Statements and scores can be found in Appendix 1.

**Table 1 - Evaluation Scoring Methodology**

<b>Score</b>	<b>Rationale/Judgement</b>	<b>General Description</b>
0	The response fails to comply with the requirements of this ITT or is otherwise incapable of evaluation.	Wholly unsatisfactory
1	Response contains significant omissions, weaknesses or concerns, or is otherwise unsatisfactory	Unsatisfactory
2	Response contains some omissions, weaknesses or concerns	Cause for concern
3	Response indicates passable or acceptable confirmation of relevant skills and credibility	Acceptable
4	Response indicates a significant and appropriate level of relevant skill and credibility	Good
5	Response indicates an excellent level of relevant skill and credibility.	Excellent

Price Evaluation - 40%

8.1.14 The fixed price for the early works based on the scope of works set out at section 5.1.6 above, which was evaluated. The prices submitted for the Tender Options were reviewed, but did not form part of the financial evaluation. Details can be found in Appendix 1.

8.1.15 The prices were scored using the published pricing evaluation methodology: whereby the lowest priced bid achieves the highest score of 40%, with all the other prices scored relative to the highest scored price.

8.1.16 The prices were also assessed against the estimates contained within the financial model for the scheme by the Council's Corporate Finance team. To conclude the evaluation process the overall scores achieved by each submission were based on MEAT (Most Economically Advantageous Tender); the combined scores for quality and price.

8.1.17 A summary of the quality and price scores for each tender and the respective total overall scores are set out in the table below:

	Quality (60%)	Price (40%)	Total (100%)
Bidder A	35	40	75
Bidder B	46	29.84	75.84
Bidder C	41	35.32	76.32

8.1.18 On the basis of the above scores, it is therefore recommended that Bidder C is awarded the contract for the early works.

## **Tender Options 1 and 2**

8.1.19 It was considered whether to include ground floor slab and associated drainage and services (Tender Option 1), as set out at Section 5.14 above, as part of the early works contract. The rationale for this was to provide flexibility to the Council in terms of the Britannia programme, as well as potentially reducing costs. However, in order to opt for this option the main works contractor will need to be appointed so that they can be involved in the finalisation of the ground floor slab construction design; and in order to ensure that appropriate coordination, risk and liability transfer occurs between the early works and the main contract works contractors.

8.1.20 The advantages of procuring the ground floor slab and associated services and drainage within the early works contract are as follows:

- Having the early works contractor undertake this option insulates the Britannia Phase 2a scheme from programme delay on the main contract;
- Insulates the ground works contract and any associated risks from main contractor prelims and risk premiums, meaning that there should be a project saving owing to the reduced main contractor prelims;
- Ensures ground delay costs only attract subcontractor prelims; and,
- Leaves ground risk with the entity best placed to take it.

8.1.21 The Council would only elect to vary the contract with the early works contractor, in order to include the ground floor slab, if a main works contractor was supportive of this approach and there was a programme and price advantage to doing so, along with the appropriate transfer of risk.

8.1.22 Tender Option 2 was a pricing option for site security between Section 1 (the works in April) and Section 2 (works which commence in July).

## **8.2 Recommendation:**

- 8.2.1 A preferred bidder was selected using the award criteria and scoring methodology set out in the ITT. Bidder C's bid achieved the highest score overall in quality and price combined. Their responses to the Tender demonstrated a good approach to health and safety, minimising disruption, and communicating well with stakeholders, and providing employment and skills opportunities. As such their bid was deemed the most economically advantageous tender (MEAT).
- 8.2.3 It is therefore recommended that the contract for the early works at Britannia Phase 2a is awarded to Bidder C, commencing in March 2020 with a projected completion date of December 2020.
- 8.2.5 The requirement for a performance bond and parent company guarantee are included in the contract to mitigate the risk of Bidder C failing to perform contractual obligations or becoming insolvent. This is a typical requirement for new build development projects.
- 8.2.6 A full analysis of the bids is included in exempt Appendix 1.

## **9. CONTRACT MANAGEMENT ARRANGEMENTS**

### **9.1 Resources and Project Management (Roles and Responsibilities):**

- 9.1.1 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.
- 9.1.2 The project will be managed by a Project Manager in Regeneration who will be overseen by the Estate Regeneration Head of Service. The project delivery team is:
- Project Sponsor – Director, Regeneration
  - Project Head of Service – Head of Estate Regeneration Programme
  - Project Lead – Project Manager, Estate Regeneration Programme
  - Design Advice – Strategic Design Team
  - Employer's Agent;
  - Cost consultants/Quantity Surveyor.
- 9.1.3 During the pre-construction and construction periods, the Britannia Phase 2a project will be managed on a day-to-day basis by the Project Manager in the Council's Estate Regeneration 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.

- 9.1.4 The contractor's project manager and construction contract manager will report monthly to the Council's Project Manager, with updates provided regularly to the Council's Director as project sponsor. The Employer's Agent will also act as Clerk of Works to ensure that a comprehensive monitoring service is provided to the Council, to make sure that the quality of workmanship and finishes of the homes and public realm are delivered as intended.
- 9.1.5 Due to the strategic importance of the Britannia Masterplan, monthly progress reports are also provided to the Britannia Officer Steering Group, chaired by the Group Director for Finance; and to the Britannia Board, chaired by the Mayor.
- 9.1.5 It is anticipated that early works will start on site in April 2020 as summarised in the table below:

<b>Key milestones and dates</b>	
Report to CPC seeking approval to Award Contract for early works	11 March 2020
Decision and standstill letter issued	12 March 2020
Standstill period	12 - 22 March 2020
Proposed signing of contract	23 March 2020
Proposed start on site (First Section - demolition)	6 April 2020
Proposed start on site (Second Section)	20 July 2020

## **9.2 Key Performance Indicators**



9.2.1 The key performance indicators that have been included in the tender documentation and on which contractor will be assessed, are as set out in the table below:

KPI Subject	Measurement	Monitoring Method and Info Responsibility	Metric
<b>Programme</b>	Total days early or delayed	Contractor to update programme monthly and provide reasons for delays. EA to assess contractor report and provide own final monthly view.	Nr. of Days
<b>Cost</b>	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
<b>Change Control</b>	Contractor Proposed Changes – Quality and timeliness of design, time and cost information.	EA to assess monthly	Qualitative Assessment / 5
	Employer Proposed Changes – Responsiveness of design and cost information (including detail and breakdowns)	EA to assess monthly	Qualitative Assessment / 5
<b>Quality of Construction</b>	Assessment of Site Inspector Report (seriousness of quality concerns identified).	EA to assess monthly	Qualitative Assessment / 5
	Assessment of Contractor response to remediating Site Inspector concerns.	EA to assess monthly	Qualitative Assessment / 5
<b>Health &amp; Safety</b>	Number of RIDDOR reportable Accidents	Contractor to report monthly.	Nr. of RIDDOR reports
	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 / 5
<b>Employment</b>	Number of Apprentices	Contractor to report monthly.	Nr. of operatives

	% of Local Labour	Contractor to report monthly.	% of operatives
	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 / 5
<b>Community Engagement</b>	Number of verbal or written complaints received from residents.	Contractor to report monthly.	Nr. of complaints
	Assessment of the quality and timeliness of response to residents.	Contractor to report monthly. EA to assess.	Qualitative Assessment / 5
<b>Environmental</b>	Percentage of waste diverted from landfill	EA to assess monthly	% diverted
	To be developed and agreed during contract negotiations		

## 10. COMMENTS OF THE GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES

- 10.1 The entire capital budget provision for Phase 2a of the Britannia redevelopment works contract is contained within the exempt appendix at Section 7 (excluding Early Years Centre fit out, playground canopy, and novated consultant fees). This sum is contained within the corporate capital programme.
- 10.2 Within that figure, pre-tender cost estimates have also been provided within Appendix 1 (exempt) which detail the early works costs (including the base scope, excluding the ground floor slab; and the cost attached to the early works, inclusive of the ground floor slab).
- 10.3 As well as having the lowest overall cost to the Council, the submission of Bidder C is the only tender that is below the estimate for both the base scope and tender options 1 and 2.
- 10.4 For each of the prospective bidders, a financial ratios analysis of publicly available company information was carried out to test financial strength. All three bidders performed well enough for no concerns to be raised with respect to their ability to deliver this contract.

- 10.5 The inclusion of a performance bond (preferred) or parent company guarantee within the contract terms protects the Council's interests in any event.
- 10.6 In addition to the contract sum, budget provision for scheme support costs and incidentals has also been established within the Council's capital programme, and from this resource the Planning obligations will be funded.
- 10.7 The respective weightings attached to quality and cost in the bids' assessment are not fully aligned with those typically applied during the same process for Estate Regeneration Programme, as the complexities and sensitivities associated with this particular scheme necessitated an alternative weightings approach.

## **11. VAT Implications on Land & Property Transactions**

- 11.1 The enabling works detailed in this report facilitate the delivery of 93 residential units (48 Social Rented, 33 Shared Ownership and 12 Outright Sale) and an Early Years Centre (EYC).
- 11.2 The disposal of the Shared Ownership and Outright Sale units is zero-rated for VAT purposes, while the provision of Social Rented properties is non-business, so VAT on inputs may be recovered in the usual way for all residential properties.
- 11.3 The provision of nursery type services is exempt for VAT purposes and so the VAT on the inputs related to the development of the EYC may need to be included in the Council's Partial Exemption calculation (PE).
- 11.4 Less than a tenth of the total build costs budget is allocable to the EYC which, based on pre-tender estimates for the Base Option, would expose the Council to additional input tax of no more than £50k to be included in the PE if the recommendations in this report are approved.
- 11.5 This amount is marginal compared with total input tax included in the Council's PE, and expenditure can be managed so that the threshold above which VAT on exempt inputs may not be recovered is not breached.

## **12. COMMENTS OF THE DIRECTOR OF LEGAL AND GOVERNANCE**

- 12.1 On 16 September 2019 Cabinet agreed a Business Case in respect of a single stage tender process for the appointment of a contractor to undertake the works at the Britannia Phase 2a development. Cabinet also agreed at such meeting that, in line with the provision of the Contract Standing Orders, the contract award report for the enabling works contract will be presented to Cabinet Procurement Committee in March 2020, and therefore this Report is being presented to Cabinet Procurement Committee for approval.

- 12.2 It is proposed to delegate authority to the Director of Regeneration to make a further award of contract, if required, being a variation of the contract in paragraph 3.1, in respect of tender option 1 and/or tender option 2 as set out in paragraph 5.14. Such options 1 and/or 2 will only be awarded if applicable in the context of the procurement of the main works and the Council is not obliged to exercise either of such options. Paragraph 2.2 ii) of the Executive Procedure Rules states that “If the Elected Mayor delegates functions to a committee of the Executive, unless s/he directs otherwise, the committee may delegate further to an officer”. Cabinet Procurement Committee, as a committee of the Executive, is therefore permitted to delegate to an officer the decision to agree the award of contract.
- 12.3 Details of the procurement process undertaken to make the proposed award of contract are set out in this Report.

### **13. COMMENTS OF THE PROCUREMENT CATEGORY LEAD**

- 13.1 The value of the proposed early works is below the EU Threshold of £4,733,252 for Works and not therefore subject to the Public Contracts Regulations 2015.
- 13.2 Given the complexity of the works a two-stage procurement process was followed to identify suitably qualified candidates using the national pre-qualification Constructionline system as provided for in paragraph 3.1.2 of the Council’s Contract Standing Orders (CSOs). These candidates were then required to complete a Selection Questionnaire to create a shortlist of bidders to invite to submit a tender as described elsewhere in this report.
- 13.3 Two additional options were required to be priced by bidders in addition to the early works as identified in section 5 of this report. As the options may not be implemented they were excluded from the financial evaluation process.

### **APPENDICES**

Exempt Appendix 1 - Britannia Phase 2a Early Works Tender Report

### **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.

### **BACKGROUND PAPERS**

In accordance with The Local Authorities (Executive Arrangements) (Meetings and Access to Information) England Regulations 2012 publication of Background Papers used in the preparation of reports is required.

None.

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