

## UNRESTRICTED MINUTES OF A MEETING OF THE CABINET PROCUREMENT COMMITTEE

MONDAY, 10TH FEBRUARY, 2020

<b>Chair</b>	<b>Councillor Rebecca Rennison in the Chair</b>
<b>Councillors Present:</b>	<b>Councillors Deputy Mayor Anntoinette Bramble, Cllr Jon Burke and Cllr Caroline Selman</b>
<b>Officers in Attendance</b>	<b>Mr Rotimi Ajilore – Head of Procurement Ms Zainab Jalal – Category Lead Social Care Mr Patrick Rodger – Senior Lawyer – Procurement - Legal &amp; Governance Mr Chris Trowell - Acting Director of Regeneration Programme, Neighbourhoods and Housing Mr Ben Terry - Project Officer, Neighbourhoods and Housing Ms Jane Havemann - Project Manager, Neighbourhoods and Housing Ms Jade Mercieca - Contracts &amp; Commissioning Officer, Children, Adults and Community Health Mr Mark Mulvenna - Contracts &amp; Commissioning Officer, Children, Adults and Community Health Ms Amy Harmsworth – Public Health Strategist - Children, Adults and Community Health Mr Stephen Abraham - Category Manager (Construction and Environment ) Finance &amp; Corporate Resources Mr Matt Clack – Head of Service – Public Health - Children, Adults and Community Health Mr Clifford Hart – Governance Services Officer – Legal &amp; Governance</b>

**1 APOLOGIES FOR ABSENCE**

An apology for lateness was received on behalf of Councillor Selman.

**NOTED**

**2 Urgent Business**

There were no items of urgent business.

**NOTED**

**3 DECLARATIONS OF INTEREST - Members to declare as appropriate**

Councillor Rennison declared a personal and non prejudicial interest in agenda item 8 as a board member of Clapton Park TMO.

**NOTED**

- 4 NOTICE OF INTENTION TO CONDUCT BUSINESS IN PRIVATE, ANY REPRESENTATION RECEIVED AND THE RESPONSE TO ANY SUCH REPRESENTATIONS

There were no representations received.

**NOTED**

- 5 DEPUTATIONS/PETITIONS/QUESTIONS

There were no deputations. Petitions or questions.

**NOTED**

- 6 UNRESTRICTED MINUTES OF THE PREVIOUS MEETING OF CABINET PROCUREMENT COMMITTEE HELD ON 13 JANUARY 2020

**RESOLVED**

**That the unrestricted minutes of the Cabinet Procurement Committee held on 13 January 2020 be confirmed as an accurate record of the proceedings.**

- 7 SELECTION OF A CONTRACTOR FOR THE CONSTRUCTION OF MIXED TENURE HOUSING AT PEDRO STREET - KEY DECISION NO. NH Q38

The Chair asked for an introduction to the report.

The Project Manager – Mr Terry advised the Committee that by way of background that as part of the agreed Housing Supply Programme by Cabinet set out how the Council would make best use of its land by building new social rented and low-cost home ownership homes on a range of unused or under-occupied sites across the borough, subsidised by homes built for outright sale as a result of minimal Government funding to build council housing for social rent. The Programme proposed the delivery of more than 400 new homes, with a target tenure mix of 70% for social rent and shared ownership, with 30% outright sale. In accordance with the programme the 26 new affordable homes at Pedro Street would contribute to the Council's target to build over 3,000 new homes for social rent, shared ownership and outright sale. The cost of the affordable homes would be subsidised by homes for outright sale on other sites within the HSP, as agreed in the overarching Unilateral Undertaking agreed as part of the Programme.

Mr Terry went on to advise that the Pedro Street development would replace an old, now demolished boiler house that had become an eyesore on Clapton Park Estate. It was being replaced by 26 new, genuinely affordable homes for Council social rent and shared ownership. In addition, new landscaping and public realm improvements would provide a link between the development and Gilpin Square, and the shared surface would make the area more welcoming for pedestrians and cyclists.

Mr Terry also advised that the Council had worked closely with the Clapton Park Tenant Management Organisation (TMO) and Kings Park ward councillors throughout the development of the project and would continue to do so during the project's construction

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phase. All properties would be managed by the Clapton Park TMO, following a handover period managed by the Council's New Build Team.

Mr Terry also commented that the Pedro Street project was mixed tenure development, and that given current market conditions the overall Programme had been forecast to be self-funding, but each individual scheme was subject to robust financial viability testing. The Committee were being asked to approve the appointment of a preferred contractor for the development of the mixed tenure housing scheme at Pedro Street. The preferred contractor had been selected via the South East Consortium (SEC) New Build and Refurbishment Framework, Lot 2: £3m-£8m. The recommendation was proposed for agreement had made on the basis of both cost and quality.

The Chair thanked Mr Terry for his introduction. In advising that she would have a point of clarification, the Chair asked if there were any questions from the Committee.

Councillor Burke, in welcoming the proposals referred to the overall energy strategy, noted that a communal gas boiler system was to be used at Pedro Street. Cllr Burke advised he would like to see future schemes adopting alternative energy strategies, and asked if consideration had been given to using hydrogen boilers or similar. In response the Head of Housing Supply Programme - Mr Trowell – Acting Director of Regeneration advised that the scheme proposals had been developed around two years previously, and there was a time lag with policy changes being implemented. The Head of Procurement – Mr Ajilore suggested that a briefing note would be put together on energy strategies.

Councillor Burke sought clarification as to whether the project team had been in contact with Housing Services as regards to the PV panels on the roof, and if these would form part of the Council's new Light and Power Company strategy. Mr Terry confirmed that Housing services had been consulted on the proposals, and officers would be making contact with the energy company team in this respect.

With reference to the Landscaping/management of the site Councillor Burke asked for details of the soft landscaping proposals. Mr Terry in response confirmed that there would be a communal garden area with rainwater butts, extensive planting and trees across the development. The Clapton Park Estate Tenant Management Organisation (TMO) would manage the development following the end of defects period.

Councillor Burke further referred to the provision for an Electric Car Club Bay and sought clarification as to its location. Mr Terry advised that this was a planning obligation for the Pedro Street scheme to jointly fund an electric car club bay close to the site with the nearby Mandeville Street development.

Councillor Burke further sought clarification as to whether Cross Laminated Timber (CLT) had been proposed for use on the site. Mr Trowell advised that, following a recent change to the building regulations, it was no longer permissible to use combustible materials including CLT in the external walls of buildings over 18m tall, such as at Pedro Street.

Councillor Bramble sought clarification as to flood protection on the site and what the flood risk assessment meant for the site. Mr Terry advised that this was a planning requirement, and the development was deemed as being in a flood risk zone 2, which meant that there was no specific measures required to mitigate the risk of flood risk. However it was the case that the design took advantage of the natural topography to be slightly raised at the Gilpin Square end.

The Chair, in reference to the procurement process undertaken for the development and the fact that only two bids had been received, asked officers if there was the need to review how the Council should be procuring developments such as this. Mr Trowell advised that, due to the size of the Pedro Street development, it was in effect , and too big for small contractors but too small for large contractors. As such it was therefore difficult to find an appropriate

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contractor for the site. Mr Trowell added that it would be possible to look at other frameworks and possibly consider packaging up small sites to make them more attractive to the market.

There being no further points of clarification, on a **MOTION** by the Chair it was:

#### **RESOLVED**

- i. That approval be given to the appointment of Bidder A as the preferred contractor for the construction of mixed tenure housing at Pedro Street for the value set out in Exempt Appendix 1 of the report, plus a 5% client contingency to be held by the Council for scheme variations during the construction period;
- ii. That approval be given to entering into a JCT Design and Build contract and any other ancillary legal documentation relating thereto with Bidder A for the construction of mixed tenure housing at Pedro Street on such terms as shall be agreed by the Director of Legal; and
- iii. That the Director of Legal and Governance be authorised to prepare, agree, settle and sign the necessary legal documentation to effect the proposals contained in the report and to enter into any other ancillary legal documentation as required.

#### **RELATED DECISIONS**

At its meeting of 29 February 2016 the Council's Cabinet agreed the Housing Supply Programme (HSP).

At its meeting on 18 July 2016 the Council's Cabinet approved the Sales and Marketing Strategy, authorising the Director of Regeneration to implement the Sales and Marketing Framework in relation to shared ownership and outright sale disposals generated via both the HSP and Estate Regeneration Programme (ERP). Cabinet also authorised 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.

The Council's Planning Sub-committee resolved to grant planning permission for the Pedro Street development on 7 February 2018, subject to the completion of a Unilateral Undertaking, which has since been authorised.

At its meeting of 14 May 2019 the Hackney Procurement Board (HPB) approved the business case for mixed tenure housing at Pedro Street.

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

The report outlined the process that was followed in selecting a preferred bidder for the Pedro Street development.

It is proposed that the Council would enter into a JCT Design and Build contract with the preferred bidder. The Pedro Street contract did require the successful bidder to construct 26 new affordable homes, consisting 13 for social rent and 13 for shared ownership, with associated hard and soft landscaping.

The redevelopment of the Pedro Street site would 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 on a range of unused or under-occupied sites across the borough. The shared ownership homes delivered on this site would generate cross subsidy to help support the delivery of the social rented housing.

The bids for the Pedro Street development were evaluated against the forecasts contained within the financial model for the scheme and were considered with reference to the viability of the overall HSP. These forecasts were prepared on the basis of independent cost and value information provided by the Council's professional advisors and subject to scrutiny and cross-checking against other comparable schemes within the Programme by the Council's Corporate Finance team.

The proposed contractor was selected via a Negotiated Process without Prior Publication procedure using the SEC New Build and Refurbishment Framework Lot 2: £3m-£8m. The route was the recommended method of procuring the proposed work, as the SEC Framework contained a suitable range of contractors, where best value could be obtained in terms of both price and quality. Tenderers were required to offer a fixed price for building out the whole of the works.

Two bids were received from build contractors via the Council's e-tendering portal, ProContract. Both bids received were in excess of the pre-tender estimate provided by the Council's professional advisors. In order to reduce bids down to an acceptable level, in accordance with Regulation 32(2) (a) of the Public Contracts Regulations 2015, the Council commenced a Negotiated Procedure with the two bidders.

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

The option to 'do nothing' was considered and rejected. The HSP provides the opportunity to help alleviate the shortage of housing in the Borough. The Pedro Street site is a Council-owned brownfield site and, therefore, presents a significant opportunity to provide new affordable homes.

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.

Consideration was given to procuring a build contractor using the restricted procedure route set out in the Public Contracts Regulations 2015. The estimated build costs exceed the EU threshold for works and this, therefore, was a viable option. However, it was recommended that the contractor was procured through the SEC Framework for the following reasons:

- Procurement process management costs will be higher for a stand-alone full EU-compliant process compared to a framework. This is principally in relation to internal resources and consultancy fees as a result of the need for a pre-qualification stage to be carried out;
- Such a pre-qualification stage would add 4 to 6 weeks to the procurement timetable; and
- Using a framework will provide a more streamlined procurement approach which in turn will generate time-saving benefits.

Procuring through several alternative frameworks was considered. The SEC Framework was considered to be the most appropriate for this project. Other frameworks in the market contained predominantly larger contractors and, therefore, interest and competition to bid for the work was considered less likely.

8 HACKNEY AND CITY INTEGRATED SUBSTANCE MISUSE SERVICE - KEY DECISION NO. CACH Q56

The Chair asked for an introduction of the report.

Ms Harmsworth - Public Health Strategist advised the Committee that the report before the Committee sought approval to the procurement of an integrated adult drug and alcohol treatment system across the London Borough of Hackney and the City of London Corporation. The procurement would support the two authorities to deliver on their shared vision to improve positive outcomes for some of the most vulnerable residents, as well as improving the life chances of many of the individuals who choose to live, work and visit here.

Ms Harmsworth went on to comment that the new integrated service would also effectively engage with other priority groups requiring excellent drug and alcohol treatment, and achieved via increased outreach, widened accessibility for the service, and a broader range of health and wellbeing interventions offered, including mental health support. There would also be an increased focus on communication and locally informed campaigns to increase the reach of the service, support partnership working and enhance the 'making every contact count' (MECC) approach. Ms Harmsworth advised that selected Provider being recommended for the contract award had given assurances that they would deliver on these aspects throughout the tender process, including the addition of an Access and Engagement Team, sub-contractual arrangements with a mental health charity and a dedicated Partnership Manager who would lead on training and communication across the two local authorities.

Ms Harmsworth advised that by combining the service across City of London and Hackney, both local authorities had maximised opportunity for efficiency savings, whilst also designing a service model that would effectively promote recovery, reduce harm and was accessible and attractive to all those who required support.

Ms Harmsworth further advised that in recent years there had been changes to local needs and treatment delivery, which would be addressed within the new service, including but not limited to an ageing treatment population who could present with multiple health and social care complexities, an increased number of individuals with both substance misuse and mental health needs, and a reduction of alcohol only service users engaging with treatment services, despite estimated need remaining unchanged.

Ms Harmsworth concluded that following approval from Cabinet Procurement Committee in September 2019, Public Health colleagues across Hackney and the City of London had completed a thorough and fair procurement of the new Integrated Substance Misuse Service. Therefore the recommendation before the Committee sought approval for the selected provider to commence the new contract from 1 October 2020.

In welcoming the report the Chair asked if there were any questions from the Committee. Councillor Selman, in reference to the new contract, and the transition arrangements to ensure a smooth hand over from the existing provider. In response Ms Harmsworth advised that the current provider was not the new contractor. There would be a planned transition period prior to the new contract with service users and staff being regularly updated. There would be a TUPE process for staff in the transition process.

There being no further questions or points of clarification, on a **MOTION** by the Chair it was:

**RESOLVED**

**That approval be given to the award of a contract for the delivery of the Hackney and City Integrated Substance Misuse Service to Provider E as detailed in the exempt**

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appendix to the report for a maximum value of £24,000,000 for a period of 5 years commencing on the 1 October 2020, with a further option to extend for up to 4 years (2 +2).

## **RELATED DECISIONS**

On 10 September 2019, the Cabinet Procurement Committee approved the Business Case for this procurement.

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

The Service outlined in the report will replace the current arrangement whereby Hackney and The City of London have separate drug and alcohol services, and will create a single integrated system managed as a unified system by Hackney.

The new service model was created as a result of significant targeted consultation with key stakeholders (including current and potential service users), and a design group consisting of cross-department local authority officers, members of City and Hackney CCG and the Integrated Commissioning System. Local need was analysed via the completion of a Substance Misuse Joint Strategic Needs Assessment Chapter, available here.

The new Service has the following vision: 'To improve the quality of life for people affected by substance misuse by providing an excellent drug and alcohol treatment service that promotes recovery, reduces harm and is accessible and attractive to those who need support across the City of London and Hackney'.

As outlined in the Business Case, the new service will run for a minimum of 5 years (subject to good performance), to reduce the impact of instability that can be caused by recommissioning. Given the length of the contract, the successful bidder was required to demonstrate how they will respond proactively and appropriately to any changes to the allocated budget and local needs across Hackney and the City. The comprehensive procurement process ensured that the successful bidder demonstrated their knowledge and ability to deliver all aspects of the service specification, and how they will meet the targets specified in the Key Performance Indicators.

Procurement process: this is outlined in section 8 of the report.

Hackney and City's Public Health teams are recommending Provider E as the successful bidder following the procurement process. Provider E demonstrated comprehensive knowledge and experience regarding the delivery of drug and alcohol services in general, as well as illustrating an understanding of local needs across City of London and Hackney, along with innovative proposals for the service's delivery.

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

The following five options were appraised for the future of the drug and alcohol service provision in Hackney:

- Hackney Council procure an integrated drug and alcohol treatment system which supports adults living in or with a local connection to Hackney and the City (Chosen Option)
- Allow the current contract in Hackney to expire, and not provide a specialist drug and alcohol service from October 2020
- Retain and extend current service model to remain as it is
- Insource adult specialist drug and alcohol treatment
- Jointly commission a specialist drug and alcohol service that supports all ages (including under 18 year olds)

CPC agreed the business case for the preferred option in September 2019 (see Section 4).

9 ANY OTHER UNRESTRICTED BUSINESS THE CHAIR CONSIDERS TO BE URGENT

There were no items of unrestricted urgent business.

**NOTED**

10 DATE OF FUTURE MEETINGS

NOTED – the dates of Cabinet Procurement Committee for the remainder of the Municipal Year 2019/20 as follows:

Meetings will be held at 6.00pm on:

11 March 2020

11 May 2020 – additional meeting

11 EXCLUSION OF THE PUBLIC AND PRESS

**RESOLVED**

THAT the press and public be excluded from the proceedings of the Cabinet Procurement Committee during consideration of Exempt items 12-14 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.

**SUMMARY OF EXEMPT/CONFIDENTIAL PROCEEDINGS**

12 EXEMPT MINUTES OF THE PREVIOUS MEETING OF CABINET PROCUREMENT COMMITTEE HELD ON 13 JANUARY 2020

**AGREED** the exempt minutes of the Cabinet Procurement Committee held on 13 January 2020 be confirmed as an accurate record of the proceedings.

13 SELECTION OF A CONTRACTOR FOR THE CONSTRUCTION OF MIXED TENURE HOUSING AT PEDRO STREET - KEY DECISION NO. NH Q38

**AGREED** the exempt Appendix1 in relation to agenda item 7 in the unrestricted part of the agenda.

14 HACKNEY AND CITY INTEGRATED SUBSTANCE MISUSE SERVICE - KEY DECISION NO. CACH Q56

**AGREED** the exempt Appendix A in relation to agenda item 8 in the unrestricted part of the agenda be agreed and noted.

15 ANY OTHER EXEMPT BUSINESS THE CHAIR CONSIDERS TO BE URGENT

There were no items of exempt urgent business.

**NOTED**



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**Duration of the meeting:** 18:00 – 18:30HRS

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