

**TITLE OF REPORT: SELECTION OF A CONTRACTOR FOR THE  
CONSTRUCTION OF PRIMARY CARE SURGERIES AT:**

**LAND TO REAR OF 2-28 BELFAST ROAD, N16  
THE PORTICO, 34 LINSOTT ROAD, E5**

**CONTRACT APPROVAL - RECOMMENDATION**

**Key Decision No. FCR S047**

**CPIC MEETING DATE  
(2021/22)**

17/01/2022

**CLASSIFICATION:**

Open with exempt appendices 1 & 2

By Virtue of Paragraph (s) 3, 4,5 and 6, Part 1 of Schedule 12A of the Local Government Act 1972, Appendices 1 and 2 are exempt because they contain in para 3 - 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 exemptions outweighs the public interest in disclosing the information.

**If exempt, the reason will be listed in the main body of this report.**

**WARD(S) AFFECTED**

**Cazenove, Stamford Hill West, Lea Bridge and Homerton**

**CABINET MEMBER**

Mayor Philip Glanville  
Cllr Chris Kennedy - Cabinet Member for Health, Adult Social Care and Leisure

**KEY DECISION**

Yes

**REASON**

Affects two or more wards  
Spending (Investment)

**GROUP DIRECTOR**

IAN WILLIAMS - Group Director of Finance and Corporate Resources

**1. CABINET MEMBER'S INTRODUCTION**

- 1.1 We are proud that the Council and the City and Hackney Clinical Commissioning Group (CCG) are working together to provide improved healthcare across the Borough and the Council has put forward two sites where new and permanent Primary Care facilities can be constructed to modern space and design standards. One is at the rear of 2-28 Belfast Road, Stoke Newington N16 6UH and the other is The Portico, 34 Linscott Road E5 0RD and the two proposed new surgeries are for the Springhill and Lower Clapton Practices respectively. Both of these practices are currently operating from old premises that are not fit for purpose and are undersized to deliver the improved healthcare desperately needed in the Borough in larger and modern facilities. By working in this innovative way we are using our land, borrowing capacity and experience to unlock real improvements in Primary Care in the heart of our communities as well as making better use of currently underutilised buildings and land.
- 1.2 The second stage of the Primary Care Capital Projects is all but completed and by the time this report is considered by Cabinet Procurement Insourcing Committee the construction Tenders will have been returned.
- 1.3 Stage 3 is the construction stage of the project which is currently programmed to commence in March 2022 subject to the viability of each development being established.
- 1.4 This Contract Award report establishes the recommended approach to the award of a contract on each Primary Care Surgery. With its emphasis on flexibility in a very challenging market and the likely requirement to negotiate the terms of the tender returns. The approach to smaller regional contractors with applicable experience and local knowledge, is a sustainable approach

that we fully endorse and recommend to CPIC. However, we also want to ensure that there is a clear overarching governance which is why we are also recommending that after the award of contract a report comes back to CPIC

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

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

**Cabinet Procurement and Insourcing Committee is asked to:**

- 3.1 Agree to delegate the approval of the Contract Award for the construction of a primary care surgery at land to rear of 2-28 Belfast Road, N16 and The Portico, 34 Linscott Road, E5 to the Group Director of Finance and Corporate Resources in consultation with the Director of Strategic Property Services and authorise the Director of Legal & Governance to agree and enter into all necessary legal documentation in connection with such contract award.**
- 3.2 To require the Director of Strategic Property Services to submit to the Cabinet Procurement and Insourcing Committee an updated Contract Award Report to the next available committee meeting after approval of the Contract Award by the Group Director of Finance and Corporate Resources.**

## **4. RELATED DECISIONS**

- 4.1 City & Hackney CCG & Hackney Council – Capital Projects – Appointment of Professional Team & Procurement of Project Manager – Made by The Director of Strategic Property Services, dated 20th October 2019.
- 4.2 City & Hackney CCG & Hackney Council – Capital Projects – Appointment of Professional Team & Procurement of Cost Consultancy Services – Made by The Director of Strategic Property Services, dated 11th February 2020.
- 4.3 City & Hackney CCG & Hackney Council – Capital Projects – Appointment of Professional Team & Procurement of Design Team – Made by The Director of Strategic Property Services, dated 27th February 2020.
- 4.4 Cabinet Approval 30/11/2020 - Primary Care Capital Projects - Cabinet Project Report Key Decision No - FCR 16 [Cabinet Report](#)

- 4.5 Cabinet Procurement Committee - Selection of a contractor for the Construction of Primary Care Surgeries at 1. Land to rear of 2-28 Belfast Road, London N16, and 2. The Portico, 34 Linscott Road, London E5. - Business case approval 07/12/2020- Key Decision No FCR R.22 [CPC Business Case - Final Docs](#)

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

- 5.1 This report outlines the progress made by the team in procuring a principal contractor to construct two new primary care surgeries on each site (please see section 4.5 for more details) including reporting on the Standard Selection Questionnaire (SQ) outcomes. It also sets out the reasons behind our recommendation that the committee delegates to The Group Director Finance and Resources in consultation with the Mayor and Director of Strategic Property the construction contract award. With a requirement that the Director of Strategic Property will provide an updated Award Report to the next available Cabinet Procurement and Insourcing Committee meeting.
- 5.2 The business case for the two primary care capital projects, construction phase was considered and approved at Cabinet Procurement Committee in December 2020. In the Primary Care Capital Projects; Project Board highlight reports the team have consistently flagged a risk around the 2 - 2.5 month reporting period of taking the contract award going back to CPIC (formally CPC) post tender assessment. This is seen as a risk to the project programme already significantly impacted by planning delays and cost as the Council's professional team and the recommended contractor are unable to progress the projects whilst the CPIC Contract Award report is prepared and then goes through governance before review by the committee.
- 5.3 Furthermore, in the current construction market, we are seeing almost unprecedented cost inflation and uncertainty with contractors being in a position to 'pick and choose' projects. The bidders have been requested to hold their prices for 12 weeks in the tender however as we are expecting a negotiation period the tender prices will not hold before the CPIC contract award can be approved. As a consequence of the delay in the current construction cost environment our expectation is that the price tendered may increase. Bidders to ensure that pricing is competitive are understandably unprepared to take on any price risk until they have a contract award. We therefore consider that the CPIC award approval timescales as a further risk to the projects costs and securing the preferred tenderer.
- 5.4 Our chosen procurement method gives the team the option to negotiate with the tenderers. This was seen as a sensible approach in the current market mainly with a view to negotiate on costs if the returns were problematically above the cost assessments by the project's Quantity Surveyors. However as identified the negotiation stage would further delay a CPIC Contract

Award approval which in turn potentially could be further delayed by election protocol extending the project's timescales and cost risk even further.

- 5.5 The Council in accordance with the Cabinet decision has entered into the agreement for leases with the two surgeries. The negotiated longstop dates on delivery of the surgeries will not be affected by the programme delays identified. However there is a risk of reputational damage to the Council if the surgeries are not delivered in 2023 as expected by the doctors and their patients. The timescales of the CPIC process itself will push the programme into 2024 but combined with a negotiation stage will push the programme even further out.
- 5.6 The projects have been tendered following the completion of RIBA stage 4. The Quantity Surveyors construction cost plans have been updated and are attached in Appendix 1. They show a substantial increase in the estimated cost of both projects.
- 5.7 Both schemes are required to be self-financing over an indicative 30 year term, taking into account estimated build cost, annual rent and assuming that LB Hackney would borrow to finance construction. The eventual financing route will be a Treasury decision taken at the necessary point before proceeding with construction.
- 5.8 In accordance with the Cabinet decision the viability test for the development of the two surgeries has to be met. This is already delegated to the Group Director of Finance and Corporate Resources in consultation with the Director of Strategic Property Services. The finalised tender return is one of the two main inputs into that viability test it therefore will aid the timely assessment of the viability test and progress of the projects if the Contract Award is similarly delegated.
- 5.9 For all the reasons set out above it was therefore considered prudent to provide CPIC with this report, bringing the committee up to date on the procurement of the contractors, but recommending that the final contract award is delegated to the senior officers to help mitigate the identified risks to the projects.

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

- 5.11 Framework procurements were considered at the business case stage however these were discounted as they did not offer organisations that had suitably specialist skills and focus for this type of work. It was therefore felt that a contract advertised in Find a Tender was an appropriate route and in compliance with the Public Contract Regulations.

- 5.12 The only alternative at this stage of the procurement process is to assess the tenders, review if a negotiation stage is required (estimated to take up to 15 weeks) and then undertake the reporting process to CPIC. In either scenario adding at least 2-2.5 months to the programme and causing considerable uncertainty in setting an agreed tender sum and incurring additional costs with the extended process. Adding additional costs could threaten the Council's ability to deliver these facilities.

## **6. PROJECT PROGRESS**

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

- 6.2 The recommendation to use the Find a Tender procurement route in order to give the widest range of suitable local contractors the opportunity to tender, and also provide a "framework" in which best value can be obtained in terms of both price and quality was varied to a single stage competitive procurement route to achieve the best possible solution from the market. Considering the changes in the construction market and associated construction cost inflation, the ability to negotiate at the Council's option after tender returns are received and go to a final and best offer would place the Council in the best possible position.
- 6.3 The project has been tendered following the completion of RIBA Stage 4 following the stages outlined below:
- First Stage – Selection Questionnaire - Completed
  - Second Stage - Invitation to Tender - Tender returns due 03.12.2021
  - Third Stage – Negotiation (expected to commence in Jan 2022 - if required)
  - Fourth Stage – Invitation to Submit Final Tenders (if required)
    - Fifth Stage - Final Evaluation and Award
- 6.4 The two projects have been tendered together with two separate Lots and two separate contracts; Lot 1 is Belfast Road and Lot 2 is The Portico.
- 6.5 The Agreement for lease with each Doctors Practice has been completed. On Practical Completion of each surgery the lease of 20 years will complete.
- 6.6 At the 3rd of November 2021 Planning Sub-Committee the resolution was to grant planning permission and listed building consent subject to conditions and unilateral undertaking for both projects.
- ### **6.7 Whole Life Costing/Budgets:**
- 6.8 The completed properties will be let on full repairing and insuring leases (FRI)

to the Doctor's Surgeries. As a consequence there will be no life cycle costs to the Council.

- 6.9 A key guiding principle of these two schemes is that they are each self-financing for London Borough of Hackney over an indicative 30 year term, taking into account estimated build cost, annual rent and assuming that LB Hackney would borrow externally to finance construction. The eventual financing route will be a Treasury decision taken at the necessary point in procurement.

## **6.10 SAVINGS**

- 6.11 There will be no cashable savings generated through the project, though the project team will seek best value for money wherever possible. There will be an income to the council to cover the cost of borrowing and repayment of the loan and we are bringing Council land and buildings back into more productive use.

## **7. SUSTAINABILITY ISSUES**

### **7.1 Procuring Green**

- 7.2 The Primary care facilities when constructed will have a materially lower environmental impact in their operation than the existing being replaced. These environmental impacts will be managed in accordance with BREEAM requirements and these requirements have been addressed in the design, specification and construction tender ITT so that the projects achieve BREEAM Excellent in accordance with the sustainable procurement strategy and S106 SPC.
- 7.3 The construction phase will involve demolition with associated waste produced, vehicle movements during construction, and waste created during construction. In accordance with the Sustainable Procurement Strategy to achieve BREEAM Excellent, an assessment of the available materials on site will be undertaken with consideration to reuse landscape materials such as paving and recovered bricks and other materials and fixtures. The ITT has specified waste generation targets and diversion from landfill for the Principal Contractor and require them to produce their waste management plan as part of their tender submission and their plans to minimise vehicle movements, noise and pollution during construction.

Target:

- Identify materials to be retained Wst 01 for pre-demolition audit
- Achieve minimum of two credits for BREEAM Wst 01 for waste generation & diversion from landfill
- Aspiration to achieve one credit for Fuel usage/travel miles, use of disposable plastics.

7.4 The Procurement Plan for the project in accordance with LP31 requires direct engagement with local suppliers, providing the Economic Development Team with a full procurement plan identifying the services and materials that will be sourced for the lifetime of the projects and the location of the suppliers.

7.5 The projects are specified with air source heat pumps. The roofs have green areas with photovoltaic cells installed. For both projects natural ventilation solutions for cooling have been used where possible although it is an NHS design requirement that the treatment rooms require mechanical ventilation. The employer's requirements set out the use of sustainable products wherever possible.

7.6 In accordance with LP55 the projects Carbon Offset Contribution has been agreed with the planning department:

Land to rear of 2- 28 Belfast Road, N16 - £22,520.00

The Portico, 34 Linscott Road, E5 - £14,498.00

Based on a payment of £95 per tonne over a period of 30 years.

7.7 With respect to Travel and Transport (LP41,42,43 & 44), it will not be possible in keeping with the medical use of the developments to deliver completely car free schemes. 4 car parking spaces, two disabled and two for doctors use only has been agreed with the planning team and will form part of the planning consent conditions. A contribution for Travel Plan monitoring of £5,000 (each scheme) is to be included in the Section 106 agreement.

## **7.8 Procuring for a Better Society**

7.8.1 The projects will impact positively on local recruitment and supply chains. Through tendering to regional providers with policies of working with and offering opportunities to local subcontractors and suppliers in accordance with the Sustainable Procurement Strategy the S106 SPC and BREEAM Excellent.

7.8.2 The Employment and skills plan requirements are set out in the ITP, and an Employment and Skills Template is to be returned at tender and if approved included in the contract. This includes;

- A minimum 25% local labour (Please note the procurement strategy targets local regional contractors).
- One framework apprentice for every £1M of construction contract value or equivalent number if a shared apprenticeship model is offered.
- A support fee of £1,500 is also required per apprentice placement.

## **7.9 Procuring Fair Delivery**



- 7.9.1 No fair delivery (equalities impacts) have been identified in PRIMAS. As the Project is delivering two primary care surgeries, they are recognised as delivering health care social benefits equally.
- 7.9.2 The SQ required bidders as part of the selection process to comply with the Equality Act 2010 and confirm they have no history of breaching any social or labour law obligations.
- 7.9.3 The bidders are required to commit to paying the London Living Wage to their staff.
- 7.9.4 The Council has placed an obligation on each bidder to either confirm they have or will establish a whistleblowing process.
- 7.9.5 The ITT required the bidders to commit to appropriate Covid 19 precautions for their employees in accordance with government guidance at the time.
- 7.9.6 The SQ required bidders to provide evidence of compliance with the Modern Slavery Act 2015 where they have a turnover of at least £36M pa.

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

- 7.10.1 The recommended procurement route was a Competitive with negotiation process compliant with the Regulations and allows for a negotiation phase if required. The process of advertising the project through a Contract Notice in Contracts Finder is in itself the fairest way to attract the interest of all construction firms capable of undertaking the works.
- 7.10.2 The SQ stage established the bidders' track record with regards to Equality and Diversity. Key Performance Indicators were set to ensure that the required outputs are achieved. Disability Discrimination Act 1995 (DDA) compliance is included in the design specification to ensure that the contractor will deliver a DDA compliant scheme.

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

- 8.1 Procuring through a Framework was considered. However, this was rejected due to concern about narrowing the market. There are a number of NHS frameworks open to local authority use and the professional team was appointed through the use of the NHS SBS framework. However when it comes to construction the frameworks tend to concentrate on larger contractors with the emphasis on large scale acute care contracts.
- 8.2 An Open Procedure was also rejected as it was considered that the burden placed on tenderers via this route would limit the response.

- 8.3 Insourcing is not an option with respect to this procurement either now or in the future.
- 8.4 A restricted procedure was envisaged however due to the site complexities a competitive with negotiation was selected.

## **9. TENDER EVALUATION**

- 9.1 As advised this report does not provide an evaluation of the final tenders but does update the Committee on the procurement process and reports below on the evaluation and recommendations of the selection questionnaire stage.

### **9.2 Evaluation:**

- 9.3 Please find attached in confidential appendix 1 Selection Questionnaire Report 211124 the selection questionnaire report provided by our project managers . The selection questionnaire stage was evaluated by;

Evaluation Team:

- Strategic Property Services
- Architects
- Project Manager
- Quantity Surveyors

Evaluation Team Advisors:

- Finance Team
- Category Manager

### **9.4 Recommendation:**

- 9.4 The selection questionnaire report provided by our project managers sets out the recommendation to proceed to invite to tender four contractors on both lots.
- 9.5 The four selected contractors for each lot were then invited to tender. One of the contractors has subsequently withdrawn from the tender citing the volume of work they had on meaning they no longer had the resources to take on the two projects. Two bids have now been received for each surgery and they are currently being reviewed.
- 9.6 The tender returns will be evaluated by the same evaluation team as the SQ returns supported by the same evaluation team advisers. The project managers will provide a similar report to that provided on the selection questionnaire stage to support the Group Director of Finance and Corporate

Resources in consultation with the Director of Strategic Property Services in their review of the evaluation team's recommendations.

## **10. CONTRACT MANAGEMENT ARRANGEMENTS**

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

10.2 The project will be managed by the Project Manager also acting as The Employers Agent overseen by the Project Leads. The Project Manager will carry out monthly valuations of works completed on site and certify the value of these works. Weekly meetings will take place until the contract is on site. Thereafter monthly site meetings will take place. Decisions and change control will be undertaken at these meetings in line with agreed governance procedures, contract management policies, and the terms and conditions of the JCT Design and Build Contract 2016.

10.3 The Council's Project Board will carry out quarterly review meetings with the Project Leads to ensure the project is progressing in line with expectations. Decisions and change control will be undertaken at these meetings in line with agreed governance procedures and contract management policies. Project success will depend on the contractor finishing on time, to budget, and to the required quality standards.

### **10.4 Key Performance Indicators:**

10.5 The main KPIs are set to monitor:

- Programme
- Budget
- Quality
- Employment and training targets
- Neighbour complaints – the contractor will be required to register the site with the Considerate Contractor's Scheme.

10.6 Both projects are to achieve BREEAM "Excellent" in accordance with planning and the Council's Sustainable Procurement Strategy. In order to meet Mat 03 credit requirements sustainable procurement plans have been prepared to cover:

- Responsibly and ethically sourced timber
- The use of responsibly and ethically sourced materials
- Minimisation waste and promoting recycling
- The use of materials with a low embodied impact
- The use of durable materials
- The use of local materials
- The avoidance of toxic or hazardous materials

- Avoidance of refrigerants with a high global warming potential.

10.7 In addition the practices users' satisfaction with the completed properties will be tested by survey and interviews after a period of occupation by the new surgeries.

| <b>Main KPI Targets Set</b>               | <b>Monitoring</b>               |
|---|---------------------------------|
| <b>1. Programme</b>                       | Project Manager / Project Leads |
| <b>2. Budget</b>                          | Project Manager / Project Leads |
| <b>3. Quality</b>                         | Project Manager / Project Leads |
| <b>4. Employment and Training Targets</b> | Project Manager / Project Leads |
| <b>5. Neighbour Complaints</b>            | Project Manager / Project Leads |

## **11. COMMENTS OF THE GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES**

- 11.1 This report recommends the delegation of the contract award to the most highest scoring contractor per lot to construct primary care facilities at two locations in the borough, namely land to the rear of 2- 28 Belfast Road, London N16 6UH (new build), and the Portico Building, 34 Linscott Road, London, E5 0RD - (repair and refurbishment of existing Grade II listed building and new build extension).
- 11.2 Once completed, the lease agreed on each building to each primary care practice on full repairing lease terms for a period of 20 years, will complete.
- 11.3 A key guiding principle of these two schemes is that they are each self-financing for London Borough of Hackney over an indicative 30 year term, taking into account estimated build cost, annual rent and assuming that LB Hackney would borrow to finance construction. The eventual financing route will be a Treasury decision taken at the necessary point before proceeding with construction.
- 11.4 Based on current information both schemes are expected to be viable over this period. Both schemes would be finance leases, with the appropriate accounting entries to reflect this.

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

- 12.1 Both sites have been elected for VAT as agreed with Finance.

## **13. COMMENTS OF THE DIRECTOR, LEGAL & GOVERNANCE SERVICES**

- 13.1 On 7th December 2020 Cabinet Procurement Committee agreed a Business Case in respect of the selection of a contractor for the construction of Primary Care Surgeries at land to rear of 2-28 Belfast Road, London N16, and the Portico, 34 Linscott Road, London E5.
- 13.2 Authority is now sought from Cabinet Procurement and Insourcing Committee to delegate the approval of the Contract Award for the construction of a Primary Care Surgery at land to rear of 2-28 Belfast Road, N16 and The Portico, 34 Linscott Road, E5 to the Group Director of Finance and Corporate Resources in consultation with the Director of Strategic Property Services.
- 13.3 Paragraph 2.2 ii) of the Cabinet Procedure Rules states that “If the Elected Mayor delegates functions to a Committee of the Cabinet, unless they direct otherwise, the Committee may delegate further to an officer.”. Cabinet Procurement and Insourcing Committee, as a committee of the Cabinet, is therefore permitted to delegate to an officer the decision to agree the award of contract and may therefore delegate to the Group Director of Finance and Corporate Resources.
- 13.4 Details of the procurement process undertaken by the Council to date are set out in this Report. It will be necessary to complete further stages of the procurement process before a recommendation to award the contract is made. Subject to the approval of Cabinet Procurement and Insourcing Committee, this will be presented to the Group Director Finance and Corporate Resources for approval in a delegated powers report.

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

- 14.1 Shortlisting was completed and the shortlisted bidders were invited to tender and 2 bids were received for each GP surgery (Lot 1 and Lot 2) on 3 December 2021. The evaluation process has been commenced and the first stage evaluation will be completed before 19 December 2021. It is likely that the negotiation phase will be needed due to the complexity of the two sites and the current market conditions. It is likely that this will conclude in February/March 2021 thus making it difficult to meet the timescales for build and subsequent lease.

## **APPENDICES**

### **Appendix 1 - Construction Cost Plan - Exempt - Category 3**

Appendix 2 - Project Managers Report on Selection Questionnaire - Exempt - Category 3

**EXEMPT**

By Virtue of Paragraph(s) Category 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**

**Description of document (or None)**

None

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