

**LONDON BOROUGH OF HACKNEY**  
**CABINET PROCUREMENT COMMITTEE**

**Monday, 18 January 2021**

**RECORD OF DECISIONS TAKEN**

This document outlines the decisions taken at the above Cabinet Procurement Committee meeting.

Unless otherwise indicated, executive decisions listed in this document will come into force and may then be implemented 5 working days after publication of this document unless the decision is called in. During that period the Director of Legal & Governance

may call-in a decision for scrutiny if so required by no fewer than 5 Members of the Council ( Part 4 of the Council's Constitution; Scrutiny Procedure Rules: Call-in Procedures).

**Date of Publication:**

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**Last Date for Call-In:**

26 January 2021

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**7. Independent Mental Health Network Service - Contract Award Report - Key Decision No.CACH R.34**

**RESOLVED:**

**That approval be given to the award, and extension of the Integrated Mental Health Network (Wellbeing Network) contract to Mind for a term of two years and two months, the total contract value being £1,344,250 per annum,**

**totalling £2,912,542 for the extended contract period from 2nd February 2021 to 31st March 2023..**

## **RELATED DECISIONS**

Not available.

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

The original contract began in February 2015 for an initial 3 years with 2 options to extend for 12 months each time. A single tender action was agreed in December 2019 for a period of one year from 2 February 2020. With this contract ending on 1st February 2021 this report requests an extension of the existing contract through a contract award of up to 26 months for the reasons set out below.

### **8. Marian Court - Main Contractor Award of Contract - Key Decision No NH P62**

#### **RESOLVED**

- i. That the process of tender evaluation and the recommendation to select Bidder C as the preferred contractor for the main works package for Marian Court Phase 3 & 4, for the value set out in Exempt Appendix 1 be noted.**
- ii. that authority be delegated to the Group Director, Chief Executive's Directorate to award the contract for the main works package for Marian Court Phase 3 & 4 to Bidder C, in consultation with the Group Director of Finance and Corporate Resources; and**
- iii. That authority be delegated to the Group Director, Chief Executive's Directorate to enter into a JCT Design and Build contract 2016 and any other ancillary legal documentation relating thereto with Bidder C for the main works at Marian Court under such terms as shall be agreed by the Director of Legal and Governance, and that the Director of Legal and Governance Services be authorised to prepare, agree, settle and sign the necessary legal documentation to effect the proposals contained in this report.**

## **RELATED DECISIONS**

At its meeting in July 2011 the Council's Cabinet agreed the Estate Regeneration Strategy 2011-2019. The Cabinet report outlined the Council's approach to the development of a strategy for the delivery of high quality new build housing and improved living standards across a number of housing estates in the borough.

The Programme was updated and approved by Cabinet in March 2014 and again in October 2015 and April 2019.

Outline planning permission (ref.2012/1731) was granted for the whole of the Bridge House and Marian Court Estate on 7 November 2012.

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

The Council's Cabinet Procurement Committee (CPC) approved the business case for the selection of a contractor for the construction of mixed tenure housing at Marian Court on 6 November 2017, that is, to undertake procurement for this works contract via the OJEU process.

On 28 November 2019 the Hackney Procurement Board (HPB) approved the Business Case and commencement of the procurement process for the demolition of three existing blocks at Marian Court.

A demolition contract was awarded by HPB on 9 June and demolition works at Marian Court are now underway.

A detailed planning application for the Marian Court site was submitted on 10 January 2018. This application sought to increase the amount of housing to be delivered in comparison to the masterplan and the Overarching Estate Regeneration Programme Unilateral Undertaking (UU) agreed by the Planning Sub-Committee in April 2014, seeking permission for 160 new homes. This represents an increase of 41 homes, including 16 additional social rent homes, 8 shared ownership homes, and 17 outright sale homes.

Planning Sub-Committee resolved to grant planning permission for the proposed Marian Court scheme on 6 June 2018. The proposal was subsequently referred to the GLA for review, and written approval was received on 6 July 2020. The Planning Decision Notice was issued on 22 July 2020.

Following the recent planning consent, approval to appropriate the land at Marian Court for planning purposes will be sought from Cabinet upon completion of the demolition works in early 2021.

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

This report outlines the process that has been followed in selecting a preferred contractor for the main works for Marian Court.

The parcel of land to be developed at the Marian Court site is currently occupied by three 1950s housing blocks of four and five storeys, comprising 75 units.

The redevelopment of Marian Court represents an opportunity to deliver increased numbers of residential units in order to maximise the use of the land and to enable the renewal of an existing housing estate which has deteriorated, is costly to run due to energy inefficiencies, and would be prohibitively expensive to bring up to the Decent Homes Standard. It will also re-configure and provide improved amenity space, public realm and new community and commercial space.

The main works contract for Marian Court requires the successful contractor to deliver:

- 32 social rented homes;
- 59 shared ownership homes;
- 69 outright sale homes;
- A new community facility;
- 1,017 sqm of commercial space including retail and workspace; and
- Associated public realm and landscape works including improved facilities for play and recreation.

Most of the homes at Marian Court have been decanted, with one remaining resident still to move.

A demolition contract for Marian Court was awarded by the Hackney Procurement Board in June 2020, and site investigation and strip-out work to the two vacant buildings has recently commenced.

The Council will act as developer for the outright sale and shared ownership homes, marketing and disposing of them in line with the Council's approved Sales and Marketing Framework.

With 69 outright sale properties currently valued at £44 million, the expected sales income for Marian Court poses a financial risk to the scheme, programme, and Housing Revenue Account (HRA), associated with an unexpected and sustained downturn of the market. In addition, the 59 shared ownership properties are currently valued at £34 million, with forecast first tranche equity sales of £8.5 million.

To minimise the sales risk associated with the simultaneous release of a large number of homes for outright sale, it is intended to phase the release of these units subject to the confirmed construction programme.

A market review and marketing strategy will be produced for each sales phase, with authority to proceed to market properties delegated to the Group Director, Chief Executive's directorate and Group Director of Finance and Corporate Resources.

Should sales not achieve the forecast values, or reservations be slower than expected, alternative strategies (as set out in the Risk Section below and not included in the Council's Sales and Marketing Framework) will need to be considered to maintain the viability of the scheme, the wider Estate Regeneration Programme and HRA, some of which may require Cabinet approval.

A pre-tender cost plan was prepared for the Council by its external Quantity Surveyor (QS), setting out the estimated costs of construction, based on the pre-tender stage estimate and designs developed to RIBA Stage 3+. The pre-tender costs pertaining to the works are set out in Exempt Appendix 1.

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.

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

At its Cabinet meeting in July 2011, and subsequently in March 2014, October 2015 and April 2019, the Council agreed an extensive programme of redevelopment and regeneration across a number of its estates.

The approved approach provides the opportunity to combine development of schemes which have the potential to generate a surplus with those that require a net investment. Based on current assumptions regarding values and costs, this approach allows the Estate Regeneration Programme to be self-funding.

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.

The option to 'do nothing' was considered and rejected. The Marian Court project forms a crucial part of the Marian Court and Bridge House estate regeneration scheme in Homerton.

This final phase of the regeneration will not only provide new and genuinely affordable housing and help alleviate the shortage of housing in the borough, but will also deliver a large amount of workspace, retail space and a new community facility. In addition, the proposed scheme will landscape and remodel the terrain of the site, creating new, attractive and accessible pedestrian and cycle routes from Link Street and Homerton High Street to Ponsford Street. New active frontages to ground floor commercial spaces along Homerton High Street and Ponsford Street will substantially improve the pedestrian experience along those busy roads.

Procuring a contractor/developer and contracting with them through the Council's hybrid Development Agreement was initially considered as an option for the delivery of this scheme.

The Development Agreement approach has been used for schemes of this size in the past as the Council was building up its in-house capacity and expertise. It was also favoured as it reduced the risk of financial exposure with regards to the sale of homes on the open market, placing this instead with the contractor/developer partner.

However, tenders received using the Development Agreement approach on other regeneration schemes highlighted that developers are not factoring in future price increases to their bids, or are pricing excessively for potential sales risk. It was therefore not deemed beneficial from a financial perspective to use a Development Agreement for this scheme.

Procuring through a Framework was considered. However, this was rejected due to concern about narrowing the market. The decision was taken to use the EU restricted procurement route in order to give the widest range of suitable contractors the opportunity to tender, and also provide a framework in which best value can be obtained in terms of both price and quality. An open (single stage) tender process was also rejected, as it was felt that the burden placed on tenderers via this route would limit the response.

A competitive procedure with negotiation as provided for in the Regulations was initially rejected, as more preparatory work and additional market testing would have been required, delaying the start of the procurement. However, as intended and set out in the business case agreed by CPC in 2017, following receipt of tender returns which significantly exceeded cost estimates, the Council initiated a negotiated process with all participating contractors to explore the potential of cost savings ahead of a re-tender. The negotiation was concluded with a re-tender of the scheme in July

2020, inviting bidders to submit their Best and Final Offer (BAFO) tenders for the delivery of the main works at Marian Court.

The procurement strategy agreed by CPC in November 2017 had intended to procure demolition and construction for Marian Court under a single contract. However, due to delays in the procurement process and in achieving vacant possession and planning consent, the decision to procure the demolition for the scheme separately and thereby minimise project delays was taken, and a contract was awarded to a specialist demolition contractor by the Hackney Procurement Board in June 2020. This approach will not only minimise project delays but also:

- Allow for necessary site investigations and surveys to take place early, to ensure swift design and construction progress when the main works commence;
- de-risk the project through establishing the extent of underground contamination and removing any obstructions identified; and
- provide greater certainty with regards to both cost and programme, thereby reducing main contractor on-costs and risk allowances.

## **9 . Information Item - Hackney Luncheon Clubs**

### **RESOLVED**

**That the report be noted..**

### **Exempt Item 13**

The exempt appendices detailed in Item 13 in relation to Item 8 above was noted and agreed without discussion.

Duration of meeting - 17.00hrs - 17:36hrs.