

**AWARD OF CONSTRUCTION CONTRACT FOR THE CONSTRUCTION OF  
PRIMARY CARE SURGERIES AT: LAND TO REAR OF 2-28 BELFAST  
ROAD, N16 THE PORTICO, 34 LINS COTT ROAD, E5 - FOR NOTING**

**KEY DECISION NO. FCR S127**

**CPIC MEETING DATE**

5 December 2022

**CLASSIFICATION:**

Open with Exempt Appendices 1 & 2

**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, Voluntary  
Sector and Culture

**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 North East London Integrated Care System, NEL ICS (formerly the City and Hackney Clinical Commissioning Group, CCG) are working together to provide improved healthcare across the Borough. 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 too small to deliver the improved healthcare desperately needed in the Borough. 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 Construction contract was competitively tendered and both contracts were awarded in accordance with the delegated authority of the Cabinet Procurement Insourcing Committee (CPIC) to the Group Director of Finance and Corporate Resources (Key Decision No.FCR S047) in consultation with the Director of Strategic Property Services and ourselves. We would have preferred to have submitted to CPIC for decision, but in order to keep the project on track agreed to this delegated approach and report back to you to ensure this additional layer of governance.

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

- 2.1 The Construction contracts were competitively tendered and the award of the contracts delegated by Cabinet Procurement Insourcing Committee (CPIC) to the Group Director of Finance and Corporate Resources (Key Decision No. FCR S047) on the following basis:
- 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 Mayor and 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.
  - 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.

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

**There are no recommendations as the contracts have been awarded in accordance with the Group Director of Finance and Corporate Resources (Key Decision No FCR S047) delegated authority. This paper is for noting only.**

### **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,34Linscott Road, London E5. - Business case approval 07/12/2020- Key Decision No FCR R.22 [CPC Business Case - Final Docs](#)
- 4.6 Cabinet Procurement and Insourcing Committee (CPIC) - Selection Of A Contractor For The Construction Of Primary Care Surgeries At: 1. Land To Rear Of 2-28 Belfast Road, N16 And 2. The Portico, 34 Linscott Road, E5 - 17 January 2022 CPIC report:

[https://docs.google.com/document/d/1hc\\_jpSytf\\_s7XpT7uOg6CJs8iiRLkmzdlKUwFGOX91c/edit](https://docs.google.com/document/d/1hc_jpSytf_s7XpT7uOg6CJs8iiRLkmzdlKUwFGOX91c/edit)

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

- 5.1 This report notes the decision made by the Group Director of Finance and Corporate Resources in consultation with the Mayor and Director of Strategic Property Services in procuring a principal contractor to construct two new primary care surgeries on each site.

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

6.1 Not applicable

## **7. PROJECT PROGRESS**

### **7.1 Developments since the award of Contracts.**

7.2 The Contractor Neilcott Construction Ltd took possession of The Portico site on the 1st August 2022 and The Belfast Road site on the 30th August 2022

### **7.3 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.

### **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.

## **6. 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.

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

8.1 Not applicable to this report.

## **8. TENDER EVALUATION**

9.1 9.3 The Construction contracts were competitively tendered. Please find below links to the tender reports on each site prepared by the projects Quantity Surveyors (Appendix 1 :Exempt Category 3)

[https://drive.google.com/file/d/1JWMz2qF6u79gxUucNO60g22O8kV\\_IQmh/view?usp=sharing](https://drive.google.com/file/d/1JWMz2qF6u79gxUucNO60g22O8kV_IQmh/view?usp=sharing)

<https://drive.google.com/file/d/1yJUcZwT8bTyR6D8bA9nAVjxT1ckFpRol/view?usp=sharing>

## **9. 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 take place with monthly site meetings. 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 |

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

11.1 This report notes the award of both construction contracts in accordance with the delegated authority of the Cabinet Procurement Insourcing Committee (CPIC) to the Group Director of Finance and Corporate Resources (Key Decision No.FCR S047) in consultation with the Mayor and Director of Strategic Property Services to the 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). The tender sum for Belfast Road is £7,205,953 and for The Portico £8,756,067.70.



- 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 The viability of the projects at contract award were challenging with rapidly rising construction costs. However value engineering alongside a robust review of income assumptions mean that both schemes are expected to be viable over this period. It is also noted that the projects are a response to a specific and funded public sector requirement, designed in partnership with the end user (GPs) and the funder (CCG), who through the "Agreement For Lease" document have committed to letting them at a rent agreed already and they do not require any of the built space to be marketed.
- 11.5 Furthermore, the Design and Build form of contract means that the contractor is building to a fixed price, agreed under competition, and so unless that contractor discovers a significant floor in the site during the construction process, which necessitates a change, this is the price that the Council will pay. The other way that the contracted price can be changed is if the client (LBH) asks the contractor to build something which differs from the priced design. The Project Managers are very alert to this and understand that we will not be considering changes to the design which will increase costs and have communicated this to partners.

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

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

## **12. COMMENTS OF THE DIRECTOR, LEGAL, DEMOCRATIC & ELECTORAL SERVICES**

- 13.1 On 17th January 2022 Cabinet Procurement and Insourcing Committee agreed 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. It also agreed a recommendation for the Director of Strategic Property Services to submit to 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. The Group Director of Finance and Corporate Resources approved the Contract Award for the construction of the primary

care surgeries at Belfast Road and Linscott Road on 24th March 2022 and so this report is presented to Cabinet Procurement and Insourcing Committee for information in accordance with such recommendation.

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

- 14.1 This tender was a Competitive Procedure with Negotiation with an initial expression of interest and Supplier Assessment Questionnaire (SQ) return stage, from which following evaluation of SQ's a shortlist of the top 5 scoring SQ's was moved to the Invitation to Participate stages. Negotiations and a best and final offer followed the ITP stage. The tenders were subjected to an arithmetical check of which no errors were found within and an assessment was carried out to ascertain the validity of the Tender Sum. The validity was confirmed. After the analysis of both commercial and technical aspects concluded the recommended bidders were found to be the best value. The reprint for noting by CPIC is endorsed by procurement.

### **APPENDICES**

**Exempt Appendix 1 - Tender Report - Belfast Road**

**Exempt Appendix 2 - Tender Report - Portico Building**

**Exempt Appendix 3 - Delegated Authority Report**

### **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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