

## **NOTICE OF MEETING**

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# **Cabinet Member Signing**

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FRIDAY, 13TH FEBRUARY, 2015 at 13:30 HRS - CIVIC CENTRE.

MEMBERS: Councillor Kober, Leader of the Council

### **AGENDA**

#### **1. URGENT BUSINESS**

The Leader/Cabinet Member will advise of any items they have decided to take as urgent business.

#### **2. HOUSING INFILL PROGRAMME (PHASE 1A) (PAGES 1 - 10)**

The report will seek Leader approval to enter into three separate Pre-Construction Services Agreements and three separate Design and Build Contracts with the preferred contractor to deliver three separate contracts A, B and C of the Housing Infill Programme (Phase 1A).

The report will also seek Leader approval to issue a letter of intent to the preferred contractor for each of the three separate contracts A, B and C, prior to issuance and execution of the PCSA, for the value of 10% of the PCSA contract price.

#### **3. NEW ITEMS OF URGENT BUSINESS**

To consider any new items of urgent business admitted under Item 1 above.

#### **4. EXCLUSION OF THE PRESS AND PUBLIC**

To consider items where the press and public will be excluded from the remainder of the meeting as the items below contain exempt information, as defined under Paragraphs 3 & 5, Part 1, Schedule 12A of the Local Government Act 1972

**5. HOUSING INFILL PROGRAMME (PHASE 1A) (PAGES 11 - 14)**

As per Item 2.

**6. ANY NEW ITEMS OF EXEMPT BUSINESS**

As per item 1

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**Haringey Council**

<b>Report for:</b>	Leader of the Council	<b>Item Number:</b>	TBC
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<b>Title:</b>	Housing Infill Programme (Phase 1A)
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<b>Report Authorised by:</b>	Lyn Garner, Director of Regeneration, Planning and Development
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<b>Lead Officer:</b>	Dan Hawthorn, Assistant Director for Regeneration
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<b>Ward affected:</b> Alexandra; Barnes Court; Muswell Hill; Stroud Green; Tottenham Hale; White Hart Lane	<b>Report for:</b> Key Decision
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## 1. Describe the issue under consideration

- 1.1 To seek Leader approval to enter into three separate Pre-Construction Services Agreements (“PCSA”) and three separate Design and Build Contracts (“D&B Contract”) with the preferred contractor to deliver three separate contracts A, B and C of the Housing Infill Programme (Phase 1A).
- 1.2 To seek Leader approval to issue a letter of intent to the preferred contractor for each of the three separate contracts A, B and C, prior to issuance and execution of the PCSA, for the value of 10% of the PCSA contract price.

## 2. Cabinet Member introduction

- 2.1 The Housing Infill Programme (Phase 1A) is set to deliver the first new build council homes in over 25 years, as part of longer term plans to provide much needed housing across the borough.
- 2.2 The new housing, to be built on small under-utilised plots of Council-owned land, is to provide a mix of tenures, including affordable homes for rent, low cost home ownership and one private sale home.
- 2.3 Funding is being provided through a combination of Housing Revenue Account funding, grant funding from the Greater London Authority (GLA), and cross-



**Haringey Council**

subsidy from the sale of affordable homes (low cost home ownership) and open market units.

- 2.4 In order to meet the GLA's funding requirements, a formal construction contract needs to be in place by the end of March 2015. Practical completion needs to be achieved by 31 March 2017 in order to meet the drawdown and funding requirements.

### **3. Recommendations**

It is recommended that the Leader:

- 3.1 Notes the procurement and tender evaluation process undertaken and outcome of the process in sections 5 and 6 below; and
- 3.2 Provides approval to enter into a PCSA with the preferred contractor Borrás Construction Limited for each of the separate contracts A, B and C, to provide pre-construction services at the agreed tendered values set out in section 6 below and in the Part B report; and
- 3.3 Provides approval to issue a letter of intent to the preferred contractor for each of the separate contracts A, B and C, prior to issuance and execution of the PCSA, for the value of 10% of the agreed PCSA contract price; and
- 3.4 Provides approval to award a Design & Build (D&B) contract to the preferred contractor for each of the separate contracts A, B and C within the maximum construction contract budget set out in the Part B report; and
- 3.5 Delegates authority to the Director of Regeneration, Planning and Development, following consultation with the Chief Financial Officer to confirm that the projects remain viable and remain within the maximum construction contract value, to authorise the execution of all necessary documentation and agreements required to implement this decision; and
- 3.6 Endorses the next steps outlined in section 7.

### **4 Background Information**

- 4.1 Existing budget provision for the Council's new build programme is £5,420,000 in 2014-15. A revised budget of £28,326,000 is included in the budget proposals for 2015-16 for the entirety of Phase 1 to be agreed by Cabinet and Full Council in February 2015.


**Haringey Council**

- 4.2 On 16 September 2014, Cabinet approval was sought for the Council to enter into contract with the GLA to access grant funding to support the delivery of the Phase 1 of the Council's new build housing programme.
- 4.3 Phase 1 was originally intended to deliver 94 new homes across eleven Council-owned sites. The sequencing of Phase 1 has subsequently been reviewed and revised. The first units to come forward, Phase 1A, comprise 31 new homes across eight sites, and is the subject of this report. The intention is that additional units will be delivered under a separate procurement exercise.
- 4.4 The 31 new homes comprise a mixture of unit types ranging from one-bedroom apartments to five-bedroom houses, and will provide a mixture of affordable homes for rent and for low cost home ownership, as well as one home for private sale to support the programme's overall financial viability. A summary of the unit type and tenure mix is set out in table 1 below.

**Table 1 – Unit type and tenure mix summary**

No.	Site	Unit Type (beds)					Tenure Mix			Total
		1	2	3	4	5	Sale	LCHO	Rent	
1.	Fenton Road (east)	0	2	3	0	0	0	5	0	<b>5</b>
2.	10-12 Muswell Hill Place	0	0	0	2	0	0	0	2	<b>2</b>
3.	82 Muswell Hill Place	0	0	0	1	0	1	0	0	<b>1</b>
4.	Anderton Court	0	2	2	1	0	0	0	5	<b>5</b>
5.	Barnes Court	0	0	4	0	0	0	0	4	<b>4</b>
6.	Whitbread Close (east)	4	0	0	0	0	0	4	0	<b>4</b>
7.	Connaught Lodge	1	7	0	0	0	0	0	8	<b>8</b>
8.	Ednam House	0	0	0	0	2	0	0	2	<b>2</b>
	<b>Total:</b>	<b>5</b>	<b>11</b>	<b>9</b>	<b>4</b>	<b>2</b>	<b>1</b>	<b>9</b>	<b>21</b>	<b>31</b>

- 4.5 Planning approval has been granted for four of the eight sites. Planning applications for the other four sites were submitted in December 2014. Planning determination is expected in February / March 2015.
- 4.6 Procurement of a contractor has proceeded without approval on four sites. However, risks around this have been mitigated through the tender documentation, which reserved the right to omit any part of the work at any time. It is also anticipated that planning determination will be concluded prior to the execution of the D&B contracts. A summary of the planning status for each of the sites is set out in table 2 below.

**Table 2 – Planning status summary**

No.	Site	Planning Status
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**Haringey Council**

1.	Fenton Road (east)	Application submitted
2.	10-12 Muswell Hill Place	Approved
3.	82 Muswell Hill Place	Approved
4.	Anderton Court	Application submitted
5.	Barnes Court	Approved
6.	Whitbread Close (east)	Application submitted
7.	Connaught Lodge	Application submitted
8.	Ednam House	Approved

- 4.7 The eight sites in Phase 1A have been aggregated into three larger packages (Contract A, B and C). The individual value of the contracts is within EU Public Procurement Thresholds. Mindful of the OJEU requirements around the disaggregation of contracts, the intention was that no single Tenderer would be awarded more than one of the three tender packages. However, Haringey Council reserved the right to award two or three packages to a single contractor in the event that value for money would not be achieved through the proposed process. A summary of the intended contracts to be let is set out in table 3 below.

**Table 3 – Tender package split summary**

Contract	Sites	No of Units
A	10-12 Muswell Hill Place 82 Muswell Hill Place Anderton Court Barnes Court	12
B	Connaught Lodge Ednam House	10
C	Fenton Road (east) Whitbread Close (east)	9
		<b>31</b>

- 4.8 The procurement strategy recommended a two-stage Design and Build tendering process for a number of reasons, including:
- Contractors in the current market prefer a two-stage tender over a single-stage. There was therefore more chance of securing competitive tenders.
  - A two-stage tender would allow early engagement with contractors, to provide input on build-ability and cost advice, and to enable faster mobilisation.
  - A design and build contract would allow more certainty around cost.
- 4.9 The first stage of the tendering process procures pre-construction services, and provides an outline bid based on pre-construction fees alongside preliminaries, post-construction design fees, overheads and profit. The second stage enables open book discussions with the appointed contractor to proceed to construction within a maximum construction contract value.



**Haringey Council**

- 4.10 Given the tight timescales to enter into contract with a contractor before the end of March 2015, this decision cannot wait until the next full Cabinet meeting. A decision is therefore being sought from the Leader of the Council in lieu of Cabinet.
- 4.11 To enable the contractor to commence with discharging the pre-construction service requirements on each of the separate contracts A, B and C without delay, pending the execution of the PCSA, it is recommended that a letter of intent is issued immediately to the value of 10% of the agreed PCSA contract price.

## **5 Procurement Process**

- 5.1 Haringey Council's Major Building Works Framework Agreement expired in April 2014. Pending procurement of its successor it was recommended that a shortlist of pre-qualified contractors from 'Constructionline' (a government managed UK register of pre-qualified construction services database) should be invited to tender.
- 5.2 Competitive tenders were invited from six contractors across the three contracts. One contractor declined to tender. Two contractors withdrew during the tender period. The other three contractors ("Tenderers") submitted a compliant tender, which was assessed against pre-disclosed award criteria and pre-determined methodology by a multi-disciplinary evaluation panel
- 5.3 The Tenderers were evaluated on their Qualitative Delivery Proposals ("QDPs") and their Stage 1 Pricing Proposals, and were scored according to the Most Economically Advantageous Tender ("MEAT") through a 60% quality 40% price weighting. A minimum quality score was also stipulated in the tender, whereby to be acceptable on quality grounds each Tenderer was required to achieve a minimum quality score of 36 out of 60 (equivalent to 60%).
- 5.4 On the assumption that the tenders would offer value for money, the intention was to select a preferred contractor for the each of the separate contracts (A, B and C) on the MEAT, based on the following preferred priority order, which reflects the highest indicative construction cost and greatest number of units.
  - 1st priority - Contract A
  - 2nd priority - Contract B
  - 3rd priority - Contract C
- 5.5 However, in the event that the outcome of the MEAT was not suitable to award each of the separate contracts individually because value for money was not achieved, Haringey Council reserved the right within the tender to award two or three of the separate contracts to a single contractor.



## Haringey Council

- 5.6 The QDPs were in response to a set of pre-determined questions relevant to the project. The Stage 1 Pricing Proposals were in response to established preliminaries, post-contract design services (RIBA Plan of Work 2013 stages 4-6) and pre-construction services. Contractor's also submitted their proposed overheads and profit against indicative construction costs.
- 5.7 The project's cost consultant undertook a preliminary compliance check and independently assessed the Stage 1 Pricing Proposals. The QDPs were assessed by a pre-determined quality evaluation panel, which comprised of representatives from Haringey's Property and Capital Projects unit and Strategy & Regeneration unit, as well as the lead architect.

## 6 Procurement Outcome

- 6.1 **Compliance check** – The preliminary check of completeness confirmed that the three Tenderers had submitted all relevant information and met the minimum requirements to tender for each of the separate contracts A, B and C.
- 6.2 **QDP Evaluation** – Following evaluation of the quality submissions, it was concluded that a number of tender responses did not meet the minimum quality score, and in accordance with the tender were therefore eliminated from being successful on that separate contract.
- 6.3 **Stage 1 Pricing Evaluation** - Following evaluation of the pricing submissions, it was concluded that the pricing offered by two Tenderers on all of the separate contracts were well in excess of the agreed budget and the feasibility estimates produced by the project's cost consultant in December 2014. It was therefore concluded that value for money had not been offered.
- 6.4 As mentioned earlier, Haringey Council reserved the right within the tender to award two or three packages to a single contractor in the event that value for money would not be achieved through the proposed process. In accordance with the tender, it is therefore recommended that the Tenderers that did not offer value for money should be eliminated.
- 6.5 A summary of the scores and preferred Tenderer is set out in table 4 below.

**Table 4 – Tender scores summary**

<b>CONTRACT A</b>			
<b>Tenderer</b>	<b>Qualitative Delivery Proposals Score (60%)</b>	<b>Stage 1 – Pricing Proposals Score (40%)</b>	<b>TOTAL Score Awarded (100%)</b>
<b>Borras Construction</b>	36	40	<b>76</b>
Tenderer 2	36	34	<b>70</b>



**Haringey Council**

Tenderer 3	33 eliminated	32	<b>65</b>
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<b>CONTRACT B</b>			
<b>Tenderer</b>	<b>Qualitative Delivery Proposals Score (60%)</b>	<b>Stage 1 – Pricing Proposals Score (40%)</b>	<b>TOTAL Score Awarded (100%)</b>
<b>Borras Construction</b>	36	40	<b>76</b>
Tenderer 2	36	31	<b>67</b>
Tenderer 3	33 eliminated	32	<b>65</b>

<b>CONTRACT C</b>			
<b>Tenderer</b>	<b>Qualitative Delivery Proposals Score (60%)</b>	<b>Stage 1 – Pricing Proposals Score (40%)</b>	<b>TOTAL Score Awarded (100%)</b>
<b>Borras Construction Ltd</b>	36	40	<b>76</b>
Tenderer 2	36	33	<b>69</b>
Tenderer 3	33 eliminated	30	<b>63</b>

\*The names of the unsuccessful contractor names are set out in the Part B report.

- 6.6 Borras Construction Ltd scored the highest overall on all contracts and therefore offered the MEATs. As Borras Construction Ltd was also the only Tenderer to offer value for money in terms of the price submitted, it is recommended that the three separate contracts A, B and C are awarded to Borras Construction.
- 6.7 It is recommended that the PCSA for each separate contract A, B and C should be awarded to Borras Construction Ltd as summarised in Table 5 below. It is also recommended that the D&B contract for each separate contract A, B and C should be awarded to Borras Construction Ltd within the maximum construction contract value. The maximum construction contract value for each separate contract A, B and C is set out in the Part B report.

**Table 5 – Preferred Contractor Summary**

<b>Contract</b>	<b>PCSA Value (£)</b>
A	17,550
B	17,550
C	17,550
<b>TOTAL</b>	<b>52,650</b>

## 7 Next Steps

- 7.1 A summary of the next steps are set out in table 6 below.

**Table 6 – Preferred Contractor Summary**



**Haringey Council**

Action	Indicative date
Seek leader decision on Stage 1 procurement	13 February 2015
Leader decision announced 'subject to call in'	23 February 2015
Issue the three Letters of Intent	23 February 2015
Formalise the three PCSAs	27 February 2015
Conclude Stage 2 procurement	24 March 2015
Execute the three D&B contracts	27 March 2015

## 8 Comments of the Chief Finance Officer and Financial Implications

- 8.1 The tender prices within this contract can be contained within the budget allocated for this project.

## 9 Comments of the Assistant Director of Corporate Governance and Legal Implications

- 9.1 The value of the contracts which this report relates to exceed £500,000 and therefore they may only be awarded by the Cabinet in accordance with CSO 9.06.1(d) or between Cabinet meetings by the Leader of the Council in accordance with CSO 16.02.
- 9.2 This is a Key Decision and the Service has confirmed that it has been included on the Forward Plan.
- 9.3 Please see further legal comments in the exempt part of the report.

## 10 Equalities and Community Cohesion Comments

- 9.1 The Policy and Strategy Team have been consulted in the preparation of this report and have commented as follows:
- 9.2 This award of contract has been subject to a competitive tender process and is in line with the Council's Contract Standing Orders, which are informed by the Council's Equal Opportunities Policy and have equal opportunities considered at all key stages.

## 11 Head of Procurement Comments

- 10.1 The contractors have been selected from 'Constructionline' (a government managed UK register of pre-qualified construction services database).
- 10.2 The tender has been prepared and tendered on a 60% quality 40% price basis for this award and represents value for money.



**Haringey Council**

10.3 The compilation of the final agreed maximum price will be carried out under an open book methodology for each of the three contracts.

10.4 Please see further legal comments in the Part B report for further clarification.

**12 Policy Implications**

11.1 One of the Council's five priorities is to 'create homes and communities where people choose to live and are able to thrive'. As part of delivering this vision the Council aims to meet housing needs through mixed communities, which includes building the right balance of new homes in terms of their type, size, price and tenure and making sure enough housing is available.

11.2 The Housing Infill Programme (Phase 1A) supports this by building the first new build Council homes in over 25 years, providing affordable homes for rent in the west of the borough where this type of housing is in particularly short supply, and low cost home ownership in the east where the majority of the borough's social housing stock is located. Phase 1A also includes one market sale home in the west of the borough to provide cross subsidy for the programme.

11.3 The homes are an important contribution towards meeting the council's aims of maximising the number of affordable homes in the borough and achieving the Mayor's housing target.

11.4 The Housing Infill Programme (Phase 1A) also supports the Council's commitment to deliver the housing units agreed through the grant agreement with the GLA.

**13 Reasons for Decision**

12.1 To enable and facilitate the delivery of Phase 1A of the Council's new build housing programme in accordance with Council's ambitions and the grant agreement with the GLA.

**14 Use of Appendices**

13.1 Part B is exempt information.

**15 Local Government (Access to Information) Act 1985**

14.1 This report contains exempt and non-exempt information. Exempt information is under the following categories (identified in amended Schedule 12A of the Local Government Act 1972): Paragraph 3 Information relating to financial or business affairs of any particular person (including the authority holding that information) and paragraph 5 information in respect of which a claim to legal privilege could be maintained in legal proceedings.



By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is exempt

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