

Report for: Cabinet

Title: Housing delivery Scheme at Templeton: revised costs approval

Report authorised by: Robbie Erbmann – Assistant Director Housing

Lead Officer: Peter Exton – Senior Project Manager

Ward(s) affected: Seven Sisters

**Report for Key/
Non Key Decision:** Key Decision

1. Describe the issue under consideration

- 1.1. In July 2019 Cabinet approved a total cost of £3,710,158 for the construction of eleven Council homes for Council rent at Templeton Road comprising the appointment of Kind Diamond Consortium Ltd to complete construction for a total sum of £3,050,163 and additional on-costs of £659,995.
- 1.2. This report provides an update on the projected outturn of the development and also seeks approval to increase contract sum to be paid to the contractor to £3,302,356 due to additional cost.

2. Cabinet Member Introduction

- 2.1. Three years ago, the Council committed to start a new era of Council housebuilding. We are delivering on that ambitious promise. The eleven new Council homes for Council rent built at Templeton Road are the first in 40 years that Haringey Council has delivered directly. They are built to the highest standards and will be life-changing for eleven households.
- 2.2 Since this project was specified and tendered, the Council has significantly improved the control systems and project management processes used for its housing delivery programme. The final total scheme cost is in line with current cost assumptions in the HRA business plan and can be contained within the programme budget approved by cabinet in February 2021. In light of all that, and of the impact these new homes will have for their tenants, I recommend the 3% increase to the project budget as set out in this report.

3. Recommendations

That Cabinet:

- 3.1 Approve a gross increase of £252,193 in accordance with Contract Standing Order (CSO) 10.02.1 b) to a total contract sum of £3,302,356 to be paid to Kind

Diamond Consortium Ltd in respect of the Templeton Hall and Garage Site development contract.

3.2 Notes that the overall Project cost increased by a net amount of £118,866 due to savings that offset the gross sum of £252,193.

4. **Reasons for decision**

4.1. The Templeton site has been identified as a site for the direct delivery of new Council homes by Haringey Council. The scheme has been granted planning consent and is nearing completion. The contractor was appointed following a competitive tender process and is progressing well on site.

4.2 On 9 July 2019 Cabinet approved a total cost of £3,710,158 for the construction of eleven Council homes for Council rent at Templeton Road including the appointment of Kind Diamond Consortium Ltd to complete the construction for a total sum of £3,050,163 and additional on-costs of £659,995.

4.3 Since signing the build contract, it has been necessary to make a number of amendments for essential elements that had not been included in the contract. There are cost implications to a number of these amendments. The most significant single elements not included in the original contract are listed below.

4.4 The Council is legally bound to the contract as signed, and each of the amendments was for a necessary part of the construction process that had not been included in the initial contract as signed.

4.5 The cost of the amendments to the development contract can be offset against savings made on the additional on cost £659,995 and contingencies approved by Cabinet and built into the original appraisal, so that the net overall effect is an increase of £118,296, representing approximately 3.0%.

4.6 The principal increased cost changes have been:

- Basic Asset Protection Agreement with Network Rail
- S278 Highways Works
- UKPN – new electrical connection to the site
- NHBC Insurance
- Cadent Gas Main diversion on site
- LCP Framework Fee

4.7 The principal reductions in costs have been:

- Reduction in contingencies
- Reduction in fees

5. **Alternative options considered**

5.1 An alternate option of either stopping the scheme whilst an agreement was made with Network Rail, Cadent, UKPN and Highways or not agreeing to the increased costs and carrying out the works under a separate contract were explored, neither of these options were practical nor did they offer value for money.

6. **Background information**

6.1. The Templeton Road site, located in Seven Sisters ward, was granted full planning consent on 21 September 2017. It was formerly identified as an infill site to be developed by Sanctuary as a shared ownership block of eleven one and two bedroom flats but is now being delivered by the Council as Council rented homes, completion is expected by October 2021.

6.2. The project tender was a single stage selective tendering – JCT Design and Build form of Contract 2016. The tender was evaluated on 60% quality and 40% price. Based on a recommendation following the Tender the contract was awarded to Kind Diamond Consortium Ltd as their bid was the most economically advantageous compliant tender, scored the highest combined marks for price and quality and is within budget.

6.3. The contract was awarded on a fixed price basis. Nonetheless all JCT Contracts provide for additional sums to be paid where either additional Works are undertaken, and / or, delays are incurred that are beyond the control of the Contractor. In this case additional costs were incurred in agreeing costs for the Building Asset Protection Agreement with Network Rail for their adjoining land and, in addition to these costs, there were unavoidable delays amounting to 19 weeks for the which the Contractor is entitled, under the Contract, to be paid a sum equivalent to their weekly standing costs.

6.4 The costs should have formed part of the Pre – Start Appraisal that was considered by Cabinet in July 2019, the additional charges rendered by Network Rail, although not calculated in full at that time, would have been foreseeable and a Prime Cost Sum should have been included. The Contractor's costs of delay, again not calculable in full at that time, arose from the delay in completing the Agreement with Network Rail and could have been included as a Provisional Sum at that time. Subsequent negotiations between the Contractor and our Employer's Agent have somewhat mitigated those costs and reduced them. New Development Procedures provide for agreements with third parties to be completed in advance therefore eliminating the possibility of late charges being incurred on future Projects.

6.5 In new Contracts we expect the Contractor to take responsibility for S106 and S278 Costs and this was not the case at Templeton Road, however this would not have had any effect on the overall sum. It is always difficult to forecast utilities costs however in current and future projects greater provisional sums will be included.

6.6 The additional costs should have been anticipated. This scheme is one of the first to be brought forward in the housing delivery programme and since the project's inception the capacity, skills, project management resources and experience within the team has been substantially added to in order to ensure that the Council does not experience similar issues on other schemes. We have now comprehensively responded to the audit findings on our housing delivery programme to increase the level of assurance we have to ensure this does not happen again.

7. Contribution to strategic outcomes

7.1. The recommendations in this report will support the delivery of the Housing Priority in the new Borough plan, which sets out in its first outcome that "We will work together to deliver the new homes Haringey needs, especially new affordable homes".

7.2. In particular, the recommendations in this report will contribute to the aim "to deliver 1,000 new council homes at council rents by 2022". The proposals in this report contribute directly to the strategic outcomes on new housing supply that are at the core of the aims of the Council as expressed in the Borough Plan.

8. Statutory comments (legal, finance, procurement, equalities),

Legal

8.1. The Head of Legal and Governance (Monitoring Officer) has been consulted in the preparation of the report.

8.2. The value of the contract is below the threshold for works under the Public Contracts Regulations 2015 as amended ("Regulations") and the extension set out in the recommendations is outside the scope of Regulation 72 of the Regulations.

8.3. In accordance with Contract Standing Order 10.02.1(b) Cabinet have authority to approve the recommendations in the report.

8.4. The Head of Legal and Governance (Monitoring Officer) sees no legal reasons preventing Cabinet from approving the recommendations in the report.

Procurement

8.5 Strategic Procurement note the contents of this report and confirms the variation proposed is consistent with Contract Standing Order 10.02.2.1 b which requires cabinet to approve variations where the aggregated value of the Contract exceeds £500,000.

Finance

- 8.6 The report seeks cabinet approval for a net increase in total scheme cost of £118k. This is due to an increase in construction cost of £252k that is offset by savings in on-cost of £134k.
- 8.7 The revised total scheme cost is £3.8m which works out to a unit cost of £348k. This is in line with current unit cost assumption in the HRA business plan.
- 8.8 The revised total scheme cost (£3.8m) can be contained within the approved HRA new build capital programme budget approved by cabinet in February 2021.

Equalities

- 8.9 The Council has a Public Sector Equality Duty under the Equality Act (2010) to have due regard to the need to:
- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act
 - Advance equality of opportunity between people who share those protected characteristics and people who do not
 - Foster good relations between people who share those characteristics and people who do not.

The three parts of the duty applies to the following protected characteristics: age, disability, gender reassignment, pregnancy/maternity, race, religion/faith, sex and sexual orientation. Marriage and civil partnership status applies to the first part of the duty.

- 8.10 This report is a Cost update following the appointment of a contractor to deliver new Council rented homes. The groups that the decision is most likely to directly affect are Haringey residents already living in Council housing and Haringey residents living in temporary accommodation and Haringey residents who are at risk of homelessness. Data held by the Council suggests that women, young people, and BAME communities are over-represented among those living in temporary accommodation. Women and BAME communities are over-represented among those living in Council housing. As such, it is reasonable to anticipate a positive impact on residents with these protected characteristics.

9. **Use of Appendices – N/A**

10. **Local Government (Access to Information) Act 1985**