

Report for: **Cabinet March 2023**  
Title: **Increased construction cost, Lealand Road**  
Report  
Authorised by **David Joyce, Director of Placemaking and Housing**  
Lead Officer: **Robbie Erbmman, Assistant Director for Housing**  
Ward(s) affected: **South Tottenham**  
Report for Key/  
Non Key Decision: **Key Decision**

## **1. Describe the issue under consideration**

- 1.1 On 08 March 2021 Cabinet approved the award of a build contract to NFC Homes Ltd following a competitive tender to deliver three new Council homes for Council rent on Council land consisting of two three-bedroom flats and one two-bedroom flat that is fully accessible for wheelchair-users. The scheme was given detailed planning permission on 17 November 2020.
- 1.2 In light of additional build works, the report seeks Cabinet's approval to increase the value of the previously approved Construction Contract and to increase the client contingency sum.

## **2. Cabinet Member Introduction**

- 2.1. There is always a risk of unforeseen expenses when we're building new Council homes. I am satisfied that in this case those unexpected costs have been kept to a minimum and, crucially, that they are affordable within a financially robust housing delivery programme. I am satisfied that we are learning from challenges such as this as we deliver our ambitious programme, and that this puts us in an even stronger position to continue delivering the thousands of sustainable, high quality Council homes that Haringey needs.
- 2.2. I am happy to recommend that we commit to finishing three environmentally sustainable new Council homes at Lealand Road. They will absolutely transform the lives of three families, including one with significant medical needs. More widely, they will improve the look and feel of Lealand Road for all residents.

## **3. Recommendation**

- 3.1. It is recommended that Cabinet:
- 3.2. Approves a variation to the **10<sup>th</sup> June 2021** Contract Sum as set out in the Exempt Report Appendix 2 and to approve the contingency sum set out in the Exempt Report Appendix 2 for NFC Homes Ltd to complete the new build works and provide a total of three new homes at 1A-C Lealand Road. This accords with Contract Standing Order 10.02.01 b) (Cabinet to approve extensions and variations above £500k).
- 3.3. Approve the revised total scheme cost set out in the Exempt report Appendix 2.

## **4. Reasons for decisions**

- 4.1. On 9<sup>th</sup> July 2019, Cabinet included the plot adjacent to 1 Lealand Road into the

Council's housing delivery programme. This scheme subsequently received planning permission on 17 November 2020 and a GLA compliant start on site was made in August 2021 which facilitated the drawdown of the first part of the GLA subsidy for this property.

- 4.2. Unchartered pipes alongside contaminated ground was found on site. This required the area to be decontaminated and the services to be rediverted. The building contractor had submitted a claim for the works and extension of time. Following negotiations with NFC Homes a settlement sum has been agreed.
- 4.3. The works related to the unchartered pipes were unfortunately unforeseeable. Prior to the construction period, a full package of intrusive ground investigations alongside a review on statutory service drawings was conducted on the site. A total of two trial pits and two boreholes were drilled to depths of three and ten meters. Initial samples indicated a small likelihood of pollutants with a remediation strategy put in place to manage these known risks. The sample locations were positioned to provide a general spread across the site.
- 4.4. However, with intrusive ground surveys there are areas where investigations are not carried out with a possibility of further discoveries during the constructions period. As such unchartered pipes that were not present within any ground survey or any statutory record drawings were later discovered during the construction stage. This required the identified area to be decontamination and the pipes to be rediverted.
- 4.5. External groundworks were required to enable the site to be connected to the local drainage. Initial assessments had estimated the connection to be a short distance from site. It has subsequently been identified at a distance of thirty-five meters from site. Further build works on the curtain wall are due to commence for the front entrance of the building. Additional allowance is required to agree and finalise a settlement.
- 4.6. The issue related to the sewage connection unfortunately also fell outside our usual site due diligence. On the vast majority of Council sites, the sewage connections tend to be inside the site boundary and sewage connections have not resulted in additional costs. However, this is a learning experience for the housing delivery team, who are now reviewing their development procedures in relation to this point.
- 4.7. Further adaptation works were completed to meet the needs of the resident awarded the wheelchair unit as specified by the Occupational Therapist. The bespoke adaptations have been costed and assessed by the Council's appointed Employers Agent and confirm the works represent value for money in the current market. This ideally should have been picked up as a specific item in the original contract award but had not been included as this project was procured as the Bespoke Homes Programme was being set up at the same time.

The development procedures are being modified to ensure that costs for the bespoke homes programme are part of our development scheme appraisals and where possible specific adaptations are part of our construction contracts. It is important to note though specific costs and adaptations are not always known at procurement stage and in these scenarios an average cost will be included.

- 4.8. Scaffolding has been erected to allow completion of the brick work on the flank wall, located on the west side of the building. A settlement agreement has been reached with the adjoining owner to provide access onto their land to enable the contractor to complete these works.
- 4.9. The additional elements outlined above are a consequence of further requirements that have surfaced during the construction period and sit outside the contract. These additional elements enable the development to achieve practical completion and have been set out in Appendix 2.
- 4.10. Independent evaluation by the Project Team's Cost Consultant confirms that the new contract price represents value for money and is in line with current market trends.

## **5. Alternative options considered**

- 5.1. It would be possible to terminate the Contract to develop this site for Council homes. However, this option was rejected as it does not support the Council's commitment to deliver a new generation of Council homes. As the Scheme is already on site the Council will be left with an incomplete building and further additional costs as a result of delays in retendering and completing any remaining works.
- 5.2. The Council could have completed bespoke adaptation works following practical completion. This option was reconsidered following the recent establishment of the bespoke programme to design and adapt properties pre-construction stage. This prevents a void loss period and the need for another contractor to conduct further extensive adaptation works on the new homes post completion.

## **6. Background information**

- 6.1. As shown in the red line boundary plan (Appendix 1), the site is located within the Seven Sisters ward and connects onto Tottenham High Road. The site is not within a conservation area, but it is adjacent to the South Tottenham High Road conservation area. Located to the immediate east is a low-rise church building, and to the west is a modern three storey block of flats over a GP surgery. Located to the south is a terrace of Victorian houses and situated to the north of the site are residential gardens linking onto Ferndale Road.
- 6.2. Cabinet on 9<sup>th</sup> July 2019 approved the inclusion of the site at Lealand Road into the Council's housing delivery programme to determine its feasibility and capacity for the delivery of new homes on the basis that, if appropriate, its development would be progressed through to planning consent.
- 6.3. This land is owned by the Council and held in the Housing Revenue Account (HRA).
- 6.4. Designs have been developed that will deliver two three-bedroom flats and one two-bedroom flat that is fully accessible for wheelchair-users, all for Council rent and detailed planning permission was granted on 17 November 2020.
- 6.5. The development proposed would not change any existing amenities for Council tenants and does not require the Council to consult under section 105 Housing Act 1985.
- 6.6. The ground floor home at Lealand Road has been developed to deliver a two-

bedroom wheelchair accessible flat. A Housing applicant has been identified and allocated the flat under the Council's Bespoke Housing Programme by being in Band A of the Council's Housing Register. The ground floor wheelchair home has been designed to comply with Building Regulations Approved Document M4(3). A breakdown of the financial information has been outlined in Appendix 2 (Exempt).

- 6.7. The revised costs were evaluated independently by the Project Team's Cost Consultant to ensure value for money in line with current market trends. Considering the size, scope, complexity, and abnormalities specific to these projects, the Project Cost Consultant had certified that the revised additional cost submitted by NFC Homes to deliver the project offers value for money in the current market.
- 6.8. This report is seeking approval of the additional construction cost sought by NFC to enable completion on the new build works.

## **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"*. Within this outcome, the Borough Plan sets the aim to *"Ensure that new developments provide affordable homes with the right mix of tenures to meet the wide range of needs across the borough, prioritising new social rented homes"*.
- 7.2. In particular, the recommendations in this report are explicitly about delivering 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 Officers Comments**

### **8.1 Legal**

- 8.1.1 The contract is below the threshold where the rules on modification as set out in the Public Contracts Regulations 2015 apply. The variation is therefore subject to the Council's Contract Standing Orders.
- 8.1.2 Cabinet has power under 10.02.1 (b) (contracts of more than £500,000) to approve the variation to the contract.
- 8.1.3 The Head of Legal and Governance (Monitoring Officer) confirms that there are no legal reasons preventing approval of the recommendations in this report.

### **8.2 Procurement**

- 8.2.1 The recommendation to vary the current contract is in line with CSO 10.01.2(d) (ii) & (iii) and therefore supported by Strategic Procurement (SP). Additionally, SP support the client's decision under paragraph 5.1 of this report.

### **8.3 Finance**

- 8.3.1 The scheme is near completion to deliver three new homes including a wheelchair

adapted home at social rent.

8.3.2 The scheme managers seek additional funding for unanticipated works and client contingency to bring the scheme to practical completion.

8.3.3 The amount requested can be contained in the new build/acquisition budget approved in March 2022.

8.3.4 Further finance comments are contained in the Exempt report attached.

## **8.4 Equality**

8.4.1 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.

8.4.2 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.

8.4.3 The decision will increase the supply of Council homes to local residents. This is likely to have a positive impact on families in out of borough placements, temporary accommodation as well as those who are vulnerable to homelessness. Data held by the council suggests that women, young people, and BAME communities are over-represented among those living in temporary accommodation. Furthermore, individuals with these protected characteristics, as well as those who identify as LGBT+ and individuals with disabilities are known to be vulnerable to homelessness. It is further noted the one home is fully accessible for wheelchair users which will benefit residents with certain disabilities. As such, it is reasonable to anticipate a positive impact on residents with these protected characteristics.

8.4.4 As an organisation carrying out a public function on behalf of a public body, the Contractor will be obliged to have due regard for the need to achieve the three aims of the Public Sector Equality Duty as stated above. Appropriate contract management arrangements will be established to ensure that the delivery of the major works does not result in any preventable or disproportionate inequality.

## **9 Use of Appendices**

Appendix 1 – Red line boundaries

Appendix 2- Exempt – financial information

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

10.1 Appendix 2 is NOT FOR PUBLICATION by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 in that they contain information

relating to the financial or business affairs of any person (including the authority holding that information).