



Haringey Council

Report for:	Cabinet Member Signing	Item Number:	
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Title:	Housing Infill Programme (Phase 1A)
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Report Authorised by:	Report authorised by Dan Hawthorn AD Regeneration on behalf of Lyn Garner
	Signed: _____ Date: _____

Lead Officer:	Mustafa Ibrahim Head of Housing Commissioning, Investment & Sites
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Ward affected: Alexandra; Bounds Green; Muswell Hill; Stroud Green; Tottenham Hale; White Hart Lane	Report for: Key Decision
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1. Describe the issue under consideration

- 1.1 To seek Cabinet Member approval to increase the maximum construction contract budget and total allocated budget previously authorised on 13th February 2015 to enter into three separate Design and Build Contracts ("D&B Contract") with the preferred contractor (Borras Construction) to deliver three separate contracts A, B and C of the Housing Infill Programme (Phase 1A).
- 1.2 To seek Cabinet Member 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 Contract, for the value of 10% of the main contract sum.

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.



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- 2.3 Funding is being provided through a combination of Housing Revenue Account funding, grant funding from the Greater London Authority (GLA), and cross-subsidy from the sale of affordable homes (low cost home ownership) and open market units.

3. Recommendations

It is recommended that the Cabinet Member:

- 3.1 Provides approval to increase the maximum construction budget and total allocated budget as outlined within Part B of this report;
- 3.2 Provides approval to review the procurement strategy and approach to delivering 82 Muswell Hill Place and requests authority to remove this from Contract A initially pending review and requests approval to instruct as a variation to Contract A as long as the amount is within the maximum construction contract budget set out in Part B of this report.
- 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 Design & Build contract (D&B), for the value of 10% of the agreed main contract price;
- 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 Table 2 in the Part B report;
- 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 6.

4. Alternative options considered



- 4.1 The alternative option to not increase the maximum construction contract budget and total allocated budget was not considered. This option is not viable without a reduction in the contractor's offer, which is not forthcoming, and therefore does not achieve the Council's priorities and objectives for the new build housing programme.
- 4.2 The proposed option is recommended as it can be contained within the budget approved and is in line with the Council's objectives.

5. Background Information

- 5.1 The previous approval granted in February 2015 intended to deliver the construction of 31 new homes comprising 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 included as part of the approval is set out in table 1 below.

Table 1 – Previous 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	5
2.	10-12 Muswell Hill Place	0	0	0	2	0	0	0	2	2
3.	82 Muswell Hill Place	0	0	0	1	0	1	0	0	1
4.	Anderton Court	0	2	2	1	0	0	0	5	5
5.	Barnes Court	0	0	4	0	0	0	0	4	4
6.	Whitbread Close (east)	4	0	0	0	0	0	4	0	4
7.	Connaught Lodge	1	7	0	0	0	0	0	8	8
8.	Ednam House	0	0	0	0	2	0	0	2	2
Total:		5	11	9	4	2	1	9	21	31

- 5.2 Planning approval has now been granted for all eight sites. At the time of the previous approval in February 2015 the report detailed that planning approval had only been granted for four of the eight sites.
- 5.3 Conclusion of statutory and public consultation through the planning application process resulted in the number of proposed units at Connaught Lodge, Connaught Road being reduced from 8 to 7 as concerns were raised around the



typology of one of the units and the density of the site. A summary of the revised unit type and tenure mix included as part of the approval is set out in table 2 below.

- 5.4 The council is currently reviewing its procurement strategy and approach to delivering 82 Muswell Hill Place and intend to remove this from Contract A initially pending review and instruct as a variation to Contract A at a later date as long as the amount is within the maximum construction contract budget.

Table 2 – Current 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)	2	1	2	0	0	0	5	0	5
2.	10-12 Muswell Hill Place	0	0	0	2	0	0	0	2	2
3.	82 Muswell Hill Place	0	0	0	1	0	1	0	0	1
4.	Anderton Court	0	2	2	1	0	0	0	5	5
5.	Barnes Court	0	0	4	0	0	0	0	4	4
6.	Whitbread Close (east)	4	0	0	0	0	0	4	0	4
7.	Connaught Lodge	1	5	1	0	0	0	0	7	7
8.	Ednam House	0	0	0	0	2	0	0	2	2
	Total:	7	8	9	4	2	1	9	20	30

- 5.5 The cost attached within the maximum construction contract budget has been adjusted to reflect the removal of one unit at Connaught Lodge, however, additional budgetary provision is required to deliver the remaining units as outlined in Part B of this report. The main reasons for this are:

- An increase in industry wide construction costs of around 25% compared to initial projections made in 2013;
- Attractiveness of small sites (below 10 units) in the current market resulting in uncompetitive and limited returns from the contractors supply chain contributing towards a premium in cost;
- The initial programme did not include adequate provision for the small nature and complexity of the sites which were not costed in the initial appraisals (smaller sites cost more per unit to build compared to large sites due to economies of scale); and
- Delays in the procurement of construction partners giving inadequate time to negotiate with contractors on price.

- 5.6 Existing capital budget provision for the Council's estate renewal and new build programme in 2015/2016 is £28,326,000. A revised budgetary position reflecting the changes to the programme is scheduled for consideration by Cabinet in July 2015.



5.7 The eight sites in Phase 1A have been aggregated into three larger packages (Contract A, B and C). 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	9
C	Fenton Road (east) Whitbread Close (east)	9
		30

5.8 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.

5.9 The Council subsequently entered into three Pre-construction service agreements with Borrás Construction in February 2015. Open book discussions with the contractor have revealed that our pre-tender estimates are low and are not reflective of a changing market.

5.10 To enable the contractor to commence with the design works and engaging with statutory bodies, it is recommended that a letter of intent is issued immediately to the value of 10% of the agreed main contract price.

6. Procurement Process

6.1 This paper seeks approval to increase the maximum contract budget previously outlined in the report provided to the Leader on 13th February 2015. The procurement process followed by the Council is outlined further within that report.

7. Next Steps

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

Table 6 – Preferred Contractor Summary



Action	Indicative date
Seek Cabinet Member decision on Stage 2 procurement	30 June 2015
Cabinet Member decision announced 'subject to call in'	07 July 2015
Execute the three D&B contracts	07 July 2015

8. Comments of the Chief Finance Officer and Financial Implications

- 8.1 Within the New Build Programme there are effectively two financial criteria that need to be satisfied. Firstly whether the cost can be contained within the available budget and secondly whether the overall scheme demonstrates viability, effectively whether the rent flow arising from the new properties covers the running and financing costs associated with these properties.
- 8.2 With regard to the first criteria the contract cost can be contained within the budget of £28,326,000 agreed by Cabinet in February 2015.
- 8.3 The viability test needs to be satisfied across the whole new build programme, as it is accepted that some sites may well cross-subsidise others. Therefore once the final costs of this project are known it may be necessary to make small changes to tenures assumed on other phases of the project to ensure overall scheme viability.”

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

- 10.1 The Council has a public sector equality duty under the Equalities Act (2010) to have due regard to:
- Tackle discrimination and victimisation of persons that share the characteristics protected under S4 of the Act. These include the characteristics of age, disability, gender reassignment, marriage and civil



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partnership, pregnancy and maternity, race, religion or belief, sex (formerly gender) and sexual orientation;

- 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.

10.2 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

11.1 The contractors were originally selected from 'Constructionline' (a government managed UK register of pre-qualified construction services database).

11.2 The tender was prepared and tendered on a 60% quality 40% price basis for this award.

11.3 The compilation of the final agreed maximum price is currently being carried out under an open book methodology for each of the three contracts.

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

12. Policy Implications

12.1 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.

12.2 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.

12.3 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.



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12.4 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

13.1 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

14.1 Part B is exempt information.

15.Local Government (Access to Information) Act 1985

15.1 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.

15.2 Background papers: Leader report dated 13th February 2015 (Part B of that report is exempt from publication).