

London Borough of Enfield

Portfolio Report

Report of **Joanne Drew**

Subject: **Upton and Raynham/Exeter Road Contracts Award and Investment Decision**

Cabinet Member: **Councillor Nesil Caliskan**

Executive Director: **Sarah Cary**

Ward: **Upper Edmonton and Enfield Highway**

Key Decision: **KD 5405**

Purpose of Report

1. This report follows on from the HRA Business Plan Update Report (KD5342) agreed in December 2021, which determined the budget for the schemes, and the Maximising the Council's Direct Development Delivery report (KD4998) and the Better Council Homes report (KD5219), which set an ambitious programme for the direct delivery and acquisition of 3,500 council homes.
2. It seeks authority to award the Exeter Road and Upton and Raynham development projects to a single contractor. This decision will support the GLA grant condition to start on site on or before 31 March 2022. Failure to meet this condition will result in loss of grant funding for Upton & Raynham.
3. Both projects have investment decisions (KD 5217 and KD 5286) that enabled the procurement of the project team, the development of scheme to planning submission and procurement of the projects to design and build.
4. The paper sets out the rationale for combining the two projects, the procurement process through the Notting Hill Genesis framework and the contract award approach for both schemes.
5. The projected total development costs agreed in KD5219 for both schemes were revised in KD5342 based on pre-tender cost assumptions. This report sets out the tender outcomes and proposes cost control measures in the light of the current construction market conditions.

Proposals

6. Approve drawdown of the remaining allocation against the approved budget for Exeter Road and Upton & Raynham.
7. Approve the award of JCT design and build contract for Exeter Road Phase 1 project to Tenderer A to deliver 46 new homes from 8 February 2022.

8. Approve the award of contract for full design services and enabling works for Exeter Road Phases 2 & 3 project in the form of a Pre-Contract Services Agreement (PCSA) to Tenderer A to enable the delivery of 83 new homes from 8 February 2022.
9. Approve the award of contract for full design services and enabling works for Upton and Raynham project in the form of a PCSA to Tenderer A to enable the delivery of 134 new homes and 3 new commercial units from 8 February 2022.
10. Note that the award of the PCSAs for Exeter Road Phases 2 & 3 and Upton & Raynham do not obligate the Council to award the JCT design and build contracts to Tenderer A if the final fixed contract sum exceeds the contractor's indicative sums.
11. Approve the direct award of the full design and consultancy services for RIBA stages 3-6 for the Phases 2 and 3 of the Exeter Road development to Levitt Bernstein Architects through the LHC framework.
12. Approve the buyback of five pram sheds from leaseholders to enable progress of Phases 2 and 3 of the development
13. Delegate authority to the Executive Director of Place, in consultation with the Executive Director of Resources, to approve the award of contracts for full construction services for Exeter Road Phases 2 & 3 and Upton & Raynham projects to Tenderer A, subject to final contract sums not exceeding the indicative sums bid.

Reason for Proposals

14. Approval of this decision will enable the delivery of 263 new homes (of which 84% are affordable), along with much needed improvement works to the existing estates and public realm which will address the existing anti-social behaviour being experienced by residents and in general create an improved living environment.
15. Start on site on Upton and Raynham will enable drawdown of grant funding from GLA's Building Council Homes for Londoners (BCHfL) 2016-2021.
16. The buyback of the pram sheds at Exeter Road is required to enable the construction of the extension of the two-low rise blocks. The phases 2 and 3 bookends development cannot go ahead without the pram sheds being demolished, as a result the pram sheds is necessary to progress the development. Comparable costs of acquiring similar sheds has been used to arrive at the estimate to acquire these sheds which includes valuation and legal cost. The aim is to acquire the sheds through negotiation with each leaseholder and avoid going down a compulsory purchase route.
17. The design and consultancy services being procured will cover the development of Phases 2 and 3 up to RIBA Stage 6 for Exeter Road Phases 2 & 3. The direct award is proposed as an extension of the current contracts already in place to include Phases 2 and 3 within the scope of work for Levitt Bernstein and Mott Macdonald. Design and feasibility cost to date of ~~£498k~~ have been paid through the feasibility budget. Levitt Bernstein have already worked on the masterplan and the Phase 1 of the development.

Relevance to the Council Plan

18. The scheme delivers on the priorities of the 2018-2022 Corporate Plan, “Creating a lifetime of opportunities in Enfield”, by providing Good homes in well-connected neighbourhoods. Located in the Upper Edmonton and Enfield Highway, both schemes will serve to improve the housing offer and the quality of the environment.
19. The 13th February 2019 Cabinet “Better Council Homes Workplan and Budgets 2019/20” (KD4830) decision to approve the bid for the Building Council Homes for Londoners, the HRA 30 year Business Plan 2020 (KD4969) and the Housing and Growth Strategy (KD4841) considered by Cabinet on 22th January 2020 and Council on 29th January 2020, recognise the role the Council can play in increasing housing supply in the borough – both in its role of directly delivering new build homes (or acquiring them for affordable rent) and in enabling the delivery of homes by housing associations, developers and private landowners.
20. The contract award will deliver the following social value benefits:
 - a. 300 local supply chain employees and £15,000,000 local supply chain spend
 - b. 40 number of apprenticeships over 2 years of construction
 - c. 2,970 hours dedicated to supporting young people into work
 - d. 30 weeks spent on meaningful work placements or pre-employment course for 15 students
 - e. Meaningful work placements that pay Minimum or National Living wage according to eligibility for a total duration of 60 weeks.
 - f. Spend of £2,500,000 through the contracts to local SMEs suppliers.
 - g. Support initiatives to engage local people in health interventions, to support older, disabled and vulnerable residents build stronger community networks
 - h. Make £10,000 in donations, in-kind contributions and 200 volunteering hours to local community projects.
 - i. Achieve savings in CO2 emissions on contract achieved through de-carbonisation – including percent of contracts that include sustainable procurement commitments, employee travel schemes, providing organisation’s policy for achieving net zero carbon by 2030 and evidence carbon certification

Background

Exeter Road – Scheme Description

21. The Exeter road estate has four tower blocks and two maisonette blocks, with two disused parking podiums and an unused patch of scrubland
22. Levitt Bernstein Architects was commissioned through the Notting Hill Genesis framework to assess the feasibility of developing on infill sites on the estate and the possibility of rooftop extensions on the existing low-rise blocks.
23. The proposals are to develop and improve the estate as below:

- a) Phase 1 – construction of new affordable homes on the unused patch of scrubland at the south-eastern end of Exeter Road.



- b) Phase 2 & 3 – construction of affordable homes along Exeter Road in front of the tower blocks, including refurbishment of the parking structures and extension of Ashburton and Crediton Houses to provide new affordable homes. The scheme will re-clad the existing buildings, replace existing windows and doors, and provide better private amenity for the ground floor maisonettes.
- c) The cladding to existing buildings will be fire regulation compliant – including use of non-combustible materials in external cladding panels, insulation, window spandrel panels, infill panels and window frames.





24. The proposals do not require the demolition of any existing homes.
25. It is proposed that existing estate residents be given priority on moving into the new homes through a local lettings plan.
26. Marketing of the shared ownership will also prioritise local residents. The average property price in the Ponders End area is approximate £378,719 per unit (Rightmove 8 November 2021). It is expected that these values will increase by the time the units are marketed in 2 years as a result of the interest being generated in the area by the Alma estate regeneration and Electric Quarter. The development will be sold at a minimum 30% equity stake of open market value.
27. Infrastructure investment is a key component of the scheme. The development in addition to enabling the delivery of more affordable housing will also improve existing highway layout making it clear, defined, and with safer pedestrian and cycle route connections through to Ponders End and Brimsdown stations. This will encourage these modes of transport, strengthening and connecting the development into the local neighbourhood.
28. The Council submitted a hybrid planning application for 129 affordable homes (as shown in the following table) in May 2021, with detailed for the first phase and outline for phases two and three. The application was agreed at planning committee in August 2021.

| Unit Type | Phase 1 | | Phase 2 | | Phase 3 | | Total |
|--------------|-----------|-----------|-----------|-----------|-----------|-----------|------------|
| | LAR | SO | LAR | SO | LAR | SO | |
| 1b2pf | 12 | 12 | 12 | 0 | 1 | 7 | 44 |
| 2b3pF | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2b4pF | 2 | 4 | 0 | 12 | 1 | 7 | 26 |
| 3b5pF | 16 | 0 | 16 | 0 | 12 | 0 | 44 |
| 3b5pH | 0 | 0 | 1 | 0 | 0 | 0 | 1 |
| 4b7pF | 0 | 0 | 0 | 0 | 7 | 0 | 7 |
| 4b7pH | 0 | 0 | 3 | 0 | 4 | 0 | 7 |
| Total | 30 | 16 | 32 | 12 | 25 | 14 | 129 |
| Total | 46 | | 44 | | 39 | | |

29. The Reserved Matter applications for Phases 2 and 3 was submitted in December 2021 and planning decision is expected in the spring.

Upton and Raynham – Scheme Description

30. The proposed Upton and Raynham development site stretches across Upton Road and Raynham Road, immediately south of the A406 North Circular and located in the area known as 'Angel Edmonton' in the ward of Upper Edmonton. The site is located within the 'Hinterland' area of Enfield Council's former Housing Zone, and in close proximity to the Meridian Water Masterplan Area, therefore fitting into the Council's wider strategic housing and regeneration plans and objectives.
31. On the 16th December 2015 Enfield Council Cabinet authorised the initiation of the wider Upton and Raynham redevelopment scheme (KD 4119). Cabinet of the same date also resolved to use Compulsory Purchase powers, under section 226 1(a) of the Town and Country Planning Act 1990 (as amended), should the Council fail to acquire property interests within the boundary of the proposed development land, by negotiation; on the assumption that a Compulsory Purchase Order is confirmed. Cabinet also delegated authority to the Director of Regeneration and Environment, (now the Executive Director of Place), to continue negotiations with owners of property interests within the Order Land and acquire such property interests by agreement. Cabinet agreed on 12th February 2020 authority to proceed with land assembly as part of the Council's Maximising Development Delivery strategy (KD 4998). That authority was given to proceed in advance of detailed scheme proposals being brought forward.
32. The site is split into two phases. Phase 1a is located to the east of Scott House sandwiched between the A406 and Upton Road and stretching to (and includes) the garages next to 63 Upton Road in the east and in the up to 10m of Scott House to the south-west and to the western face of Scott House to the north-west. Phase 1a includes Beck House which abuts the A406 and is vacant save for the convenience store which is scheduled to be vacated in Jan. 2022, following which Beck house is scheduled for demolition in March 2022.



33. Phase 1b includes the car park to the west of Scott House and the green space extending from the boundary of Raynham Primary School to the A406 and up to the boundary of the Angel Community Centre in the west and excludes the section of Raynham Road in this section of the site.

34. At this stage the proposal is either to progress phases 1a and 1b together or sequentially.
35. Phase 1a will comprise a single block along the boundary of the A406 (Block G), 4 to 5 storeys high along its length with a 7-storey block on the western side. This block will act as a wall against the A406. Block E2 (5 story's) will be located on the new public square (approximately 30m wide) opposite Scott House. A row of eight 3-bedroom houses will be located along Upton Road (Block H) with three access routes into the courtyard area between block G and block H, with grass and play areas. At the eastern point of the scheme is block I at 4 to 3 storeys high.



36. Phase 1b will comprise two blocks abutting the A406, A1 (4 and 5 storeys high) and A2 (5 to 6 storeys high). On the square of green abutting the school will be L-shaped block D which will be 4 and 5 storeys high. Between block D and Scott House a podium will be placed over the car park to provide an amenity space for the residents of Scott House and block D. Directly north of Scott House is block E1 which is 1 and 2 storeys high and the where the electrical sub-station will be located.
37. The proposal will create a safer and better sense of place, including a more legible entrance to Scott House. The cost of the works is accounted for in the Upton and Raynham construction budget.
38. Scott House has already had external envelope and heating works in the last five years, as such the level of investment needed to address its remaining infrastructure investment need and building safety will be met within its existing HRA's Capital Projects budget.
39. Care is being taken to assure that the proposed works to Scott House do not weaken the integrity of the structure and/or compromise fire safety measures employed within it.
40. Existing Scott House tenants will also be given an opportunity through a local lettings plan, to bid on a prioritised band for the new homes, which will be let at London Affordable Rent. The private homes will also be marketed exclusively to tenants and leaseholders for an exclusive period of three months at least, nine months prior to completion of the scheme.
41. The scheme currently proposes the delivery of 63 homes of London Affordable Rent, 29 units of Shared Ownership and 42 units for private

sale. This will significantly increase the supply of both affordable homes and private sale homes in the borough. The homes will be delivered to the highest possible standard and so providing quality housing options for residents.

42. The sales values have been updated from an average of £300,000 to £420,000 per unit to reflect market values based on recent valuations for the proposed private sales and shared ownership units at Joyce & Snell's and the recently completed shared ownership units at Electric Quarter in Ponders End. It is expected that these values will increase by the time units are marketed in 2 years.
43. Infrastructure investment is a key component of the scheme. The development will create a new highway layout that will be clear, defined, and with safer pedestrian and cycle route connections from Joyce and Snell and Fore Street in the West through to Meridian Water in the East. This will encourage these modes of transport, strengthening the east west route between Meridian Water and Fore Street and connect the development into the local neighbourhood.
44. Currently 3 commercial units are proposed within the development, this will contribute to the creation of an enterprising environment. Further economic development will be assisted through the connection of the site to Fore Street and the commercial units to the local neighbourhood.
45. Fast and effective digital infrastructure will also be incorporated into the development and support can be given to the new commercial residents, and residents that operate businesses from their homes, to access the right skills and networks.
46. Planning application was submitted in November 2021 and decision is expected in the spring.

| Unit Type | Private | LAR | SO | Total |
|------------------|----------------|------------|-----------|--------------|
| 1b2p | 14 | 14 | 19 | 47 |
| 2b3p | 6 | 0 | 5 | 11 |
| 2b4p | 9 | 9 | 5 | 23 |
| 3b5p | 6 | 19 | 0 | 25 |
| 3b6p | 7 | 13 | 0 | 20 |
| 4b7p | 0 | 8 | 0 | 8 |
| Total | 42 | 63 | 29 | 134 |

Budget

47. Since the HRA Business Plan capacity was reviewed by Savills in 2019, the average build cost has significantly increased because of the changing construction market and adoption of the London Plan which includes requirements for net zero, play and sustainable drainage hierarchy.
48. Additionally, both projects are complex developments which are within existing estate boundaries and therefore as part of the planning, the Council (acting as developer) is required to improve existing blocks for the betterment of existing residents and provide new and additional doorstep play for children. These works, including requirements for landscaping, SUDS and public realm improvements, are necessary to successfully integrate the new

development in with the wider built environment and will improve the accommodation, access and amenity of existing residents.

49. Some of the works would have been undertaken by the council at some point in the future but have been aligned so that they can be delivered in conjunction with the development scheme resulting in an improvement to the existing estates.
50. Additional funding, such as Section 106 funds, are being sought for other works, such as SUDS and public realm improvements, that do not fall with capital programme but until they are realised they will have to be borne by the scheme.
51. The works to the existing blocks had been programmed as part of the major works programme in future years. Therefore, in KD5342, Cabinet approved the revised budget and that the cashflow for the capital programme contribution towards the works to existing blocks be reprofiled in line with the new development programme.
52. The revised total scheme costs for all 3 contracts, based on award to **Tenderer A** is within the allocated budget.
53. The contract award for Exeter Phase 1 includes provisional sums that will be worked through with the contractor prior to formal award to achieve a fixed sum contract to give price certainty. Any increase to the provisional sum will be covered within the general contingency or priced risk budgets. The costs for Exeter Phases 2 & 3 and for Upton & Raynham will be re-evaluated at the end of the PCSA period and, if within ceiling prices, approval will be sought to enter into fixed sum contracts.

Rationale for joint procurement

54. An initial soft market testing exercise for Exeter Road, via the LCP framework, concluded in a lack of interest from contractors – primary reasons given were the complexity of Phases 2 and 3 and supply chain uncertainty. Whereas, the initial expression of interest for Upton and Raynham on the Notting Hill Genesis (NHG) Framework received 19 returns.
55. With failure to garner sufficient interest for Exeter Road alone, a decision was made to combine the two projects onto the NHG framework via a mini competition.
56. Both schemes are due to start on site by 31 March 2022, are on existing estates (therefore, require regular liaison with estate residents, integration with existing dwellings and improvements to public realm and infrastructure). Having a single contractor on both sites would ensure a consistent standard of quality.
57. The expectation is that the combined projects would drive down the cost of each scheme through economies of scale and enable a more efficient cost and programme in the lead up to start on site.

Tender Summary and Cost Control

58. The level of intervention required to existing buildings and public realm in order to integrate the new build homes has placed an abnormal cost burden on these residential infill projects.

59. Juxtaposed against this are market conditions that further add to build cost and create uncertainty.
60. As such cost uncertainty is the most significant risk for the contract. Mitigations thus far have included:
- a. Tenderers asked to consider use of MMC and other cost saving innovations to give greater cost certainty. All of the tender submissions undertook to consider during the PCSA periods.
 - b. Capping the acceptable total contract sum at tender as not to exceed budget. Tenderer were instructed at ITT to adhere to “not to exceed” sum for their submission to be accepted.
 - c. Seeking a fixed price for main contracts. E.g. Exeter Road Phase 1 will be fixed lump sum single stage JCT Design & Build contract with cost confirmed through interrogation of the tender.
 - d. Ensuring the Council is not obligated to proceed if, following PSCA, the final fixed price exceeds the ceiling price. The Enabling Works contracts are stand alone. However, if agreed, the PSCAs will be subsumed into the main contract.
61. The contractor has provided a commercial discount to Exeter Road Phase 1 on the basis that they are awarded the entire scheme. However, if Phases 2 and 3 do not proceed, that discount will no longer apply.
62. During the PSCA design period, the projects will undergo quality design development to find acceptable efficiencies.
63. Through-out the construction period programme and off specifications will be tightly controlled.
64. Additional programme capacity and cost management capability has been procured to support the internal project team.
65. To support the place making costs, resources are being brought forward from the capital programme to fund the works to existing structures. Also planned investment on estates will reduce the level interventions required from infill schemes. Section 106 funding is also being sought to fund the public realm works. There is also a 14% risk pot being held against price inflation during the PCSA period. If the ceiling price is achieved, this will be further saving to the project.

Main Considerations for the Council

66. Upton and Raynham form part of the Council's 3,500 homes development programme and have budget allocations in the HRA 30-year Business Plan and the award of contract can be met within those allocations.
67. Both projects will be funded in part through grant from the GLA BCHfL programme at £100k per unit for London Affordable Rent homes and £28k per unit for shared ownership homes.
68. Exeter Road will be funded in part through retained Right-to-Buy receipts at 40% of total scheme costs related to new housing delivery.

69. Both schemes will contribute to the Council's Affordable Housing Programme 2016-23 delivery targets and must achieve meaningful start on site by March 2022.

70. As shown in the following project plan, there is need to progress the procurement at pace to meet funding targets and deadlines.

| Project Milestones | Deadline |
|--|------------------|
| Exeter Phase 1 contract award and PCSA Ph 2&3 | 08 February 2022 |
| PCSA start Exeter Phases 2 & 3 and Upton & Raynham | 08 February 2022 |
| Exeter Phase 1 start on site | 28 February 2022 |
| Upton & Raynham Enabling Works start on site | 31 March 2022 |
| Exeter Phase 2 Enabling Works start on site | 31 March 2022 |
| Exeter Phase 3 Enabling Works start on site | 31 August 2022 |

Options Considered

Do nothing

71. The Council will not be able meet its housing delivery targets. It is vital that these homes are contractual started by March 2022 to meet the GLA BCHL programme requirement.

72. The loss of this opportunity would threaten the provision of much needed council homes to help reduce pressures on the council house waiting list and temporary accommodation budgets. It will also mean that the poor living experience and management resources deployed in addressing the day to day anti-social behaviour issues on the estates will continue to be required.

Compliant open tender

73. This option was considered however there would be a cost associated with procurement of a design and build contract through an open tender, including extending the period for procurement.

74. Given the priority to achieve a meaningful start on site by March 2022, a mini competition through a compliant framework was the preferred route.

Reasons for Recommendations

75. A Mini Competition Pre-Qualification process was undertaken through the NHG framework and main contractors' submissions were evaluated for the development of Upton and Raynham Road and Exeter Road Phase 1 and Phase 2 & 3.

76. Seven contractors submitted responses and following evaluation.

77. They were all sent the full ITT via the London Tenders Portal with returns due by 1 November 2021. Following a request for extension from three of the tenderer, the return date was revised to 8 November 2021.

78. At close of tender, three returns were received.

79. The Quality section of this tender has been allocated a 55% weighting. The table below details the score that was awarded to each of the tenderers.

| Quality score | |
|---------------|--------|
| Tenderer A | 45.80% |
| Tenderer B | 47.30% |
| Tenderer C | 44.80% |

80. **Tenderer B** scored the highest. Their responses to the questions about Construction Phase Management & Logistics plans were very detailed and showed clear evidence of site visits. Their programmes were extensive with a clear process of how a meaningful start on site would be achieved. However, their methodology and resource schedules behind the proposed PCSA activities seemed generic and did not explain how they would deliver the projects within the ceiling budgets. The quality control response was clear and well thought through.

81. **Tenderer A** ranked second. Their approach to the logistics and sequencing of works was impressive. Their construction phase management and logistics plans were clearly broken down into sections covering each project in detail. The programme responses were good and their response to proposed PCSA activities for U&R appreciated the importance of quality design development during the second stage, combined with open book accounting to develop a robust contract sum. Their sustainability response was very good and well presented.

82. **Tenderer C's** response to Construction phase management and logistics plans was good but lacked the detail in which other tenderers provided. Programmes submitted were very detailed and their response to the questioning about methodology and resource schedules behind proposed PCSA activities were well received and detailed. Their quality control and sustainability responses were good. They ranked third.

83. The Price was allocated 35% and award using the following formula:

| Item | Commercial Return | Score |
|----------------|--|------------|
| 1 | Exeter Road Phase 1 – single stage design and build lump sum | 20% |
| 2 | Exeter Road Phase 2 & 3 PCSA | 5% |
| 3 | Upton & Raynham PCSA | 5% |
| 4 | Exeter Road Phase 2 & 3 second stage ceiling price | 2.5% |
| 5 | Upton & Raynham second stage ceiling price | 2.5% |
| Overall | | 35% |

| Price score | |
|-------------|--------|
| Tenderer A | 34.32% |
| Tenderer B | 27.51% |
| Tenderer C | 30.34% |

84. The tenderers were also requested to use the Social Value Portal to detail the proposed added social value within their submissions. The Social Value section of this tender has been allocated a 10% weighting to the overall score. The table below details the score award each tenderer.

| Social Value score | |
|--------------------|-------|
| Tenderer A | 8.75% |
| Tenderer B | 5.45% |
| Tenderer C | 3.22% |

85. The social value benefits to be provided by Tenderer A are listed in paragraph 20 of this report.

86. Based on the above the recommendation is to award the contract to Tenderer A.

87. The programme to achieve GLA contractual starts is as follows:

| Project Milestones | Deadline |
|--|------------|
| Mobilisation PCSA contract start | 04/01/2022 |
| 1 st Stage contract start | 08/02/2022 |
| Exeter Road Phase 1 Main Contract start on site | 28/02/2022 |
| Enabling Works PCSA start on site (Exeter 2&3 & Upton & Raynham) | 31/03/2022 |

Risks that may arise if the proposed decision and related work is not taken

88. The key risk would be likelihood that the Council will fail to meet its affordable housing delivery target.

89. A delay to decision making could also result in delay to start on site and of loss of GLA funding.

Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks

| Risks | Likelihood & Impact | Mitigation |
|--|---------------------|--|
| Ceiling prices for Exeter Phases 2 & 3 and Upton & Raynham, which are based on planning drawing, increases following PCSA. | H | Cost will be managed through continual and rigorous reviews with the contractor by QS; and ongoing design development activities. Have procured additional cost management capacity within internal team. |
| Uncertainty remains in the construction market around labour and material availability within supply chains due to Co-Vid 19 and Brexit that could lead to further cost increases during the PCSA periods from January to August 2022. | H | QS reports have assessed market pressures and MM will continually review the market and the cost of contractor proposals through the PCSA period. The client contingency has been increased from 5% to 24% and on entering into the main contract a fixed contract sum will be agreed to give price certainty and move risk to the contractor. |

| Risks | Likelihood & Impact | Mitigation |
|---|---------------------|---|
| The contractor has provided a commercial discount to Exeter Road Phase 1 on the basis that they are awarded the entire scheme. However, if Phases 2 and 3 do not proceed, that discount will no longer apply. | M | Cost control during PSCA should ensure that ceiling price is achieved and contract can be awarded but, if unable to award, have included an inflation risk pot in Phases 2 and 3 from with the discount would need to be offset against. |
| Combining the 2 schemes could lead to issues on one site impacting the others | M | Each scheme (Upton & Raynham, Exeter Phase 1 and Exeter Phases 2 & 3) will be contracted and managed separately to avoid cost and delay spill-over while allowing for opportunities for economies of scale in purchasing and consistency of quality. |
| Costs for both schemes are currently very high due to risk and provisional sums. There is a risk is that cost savings are not identified through the PSCA period. | M | <p>Will seek to reduce risk and provisional sums through the PSCA.</p> <p>As above scrutiny of costs and building approaches, proposed by the contractor, will be continually undertaken by the QS and EA. Reporting back to the client regularly on progress and where savings can be made.</p> <p>Council is not obligated to award the main contracts following the PSCA period.</p> |
| Meeting the GLA start on site deadline of March 2022 will be challenging. Failure to achieve this deadline could mean schemes are unviable. This will impact on current and future GLA funding and cause reputational damage. | M | Maintain good stakeholder relationship with the GLA through continual communication and updates on schemes. Identify positions with the GLA that can be negotiated. Identify approaches that can increase the possibility of a start on site by March 2022, getting approval of these activities at an executive level. |

Safeguarding Implications

Exeter Road

90. Kingfisher Primary School is on the approach to the Exeter Road sites. A part of submitted tenders, contractors have provided extensive method statements of how they would deliver the developments which would minimise disruption to and ensure the Health and Safety of the school community and local residents of local residents.

Upton and Raynham

91. The section of Beck House currently owned by Riverside RP has been used to provide housing to single homeless people and couples with low to medium support needs. The accommodation served a role to help the residents towards independent living. Whilst negotiating purchase of their interest in Beck House; discussions were held about how many remaining residents will be rehoused and where.

92. Raynham Primary School is located adjacent to the development site and inevitably a number of children from the new development will be looking to be placed in the school. Extensive consultation will take place with the school to discuss implications, capacity and needs to be able to accommodate the additional pupils.

93. The current site is semi derelict and does have issues of anti-social behaviour. Through redevelopment of the site safer routes to school will be investigated and the site will benefit from additional vigilance due to the increased housing.

94. As part of submitted tenders, contractors have provided extensive method statements of how they would deliver the developments which would minimise disruption to local residents and ensure the Health and Safety of local residents and construction workers are full protected.

Public Health Implications

95. Both developments will both have a positive impact on the general public's health and wellbeing of residents as detail in each scheme section.

96. The developments will help address inequalities in physical health, mental health and wellbeing outcomes by providing good quality homes within a tenure blind development with London Affordable Rents; aiding the financial security of those with lower incomes and enabling them to live in a safer, more secure and enjoyable environment.

97. A mixed tenure, but tenure blind development with reduced crime, good natural surveillance and quality public spaces will all contribute to strengthen community resilience to support improved health and wellbeing through better social connection.

Exeter Road

98. Housing is fundamental to human health as evidenced by that life-expectancy in the homeless is some 30 years below the national average. Housing can also influence health through its effect on active travel (including cycle lanes and storage), social mixing by design, climate (the energy needs of the house) and build quality. The construction of additional housing is therefore encouraged within the above parameters.

Upton and Raynham

99. In the case of Upton and Raynham the buildings will be designed to reduce traffic noise and air pollution from permeating into the development. The visual quality of the neighbourhood will be improved with the demolition of the dilapidated Beck House; along with the anti-social behaviour associated with dereliction and vacant properties. Increased natural surveillance from a more populated space will further reduce anti-social behaviour and crime. Residents will feel safer and more secure leading to greater wellbeing.

100. The development will create clear, defined and safer pedestrian and cycle routes/connection from Joyce and Snell and Fore Street in the West through to Meridian Water in the East; encouraging these modes of transport.

Equalities Impact of the Proposal

101. The Public Sector Equality Duty requires the council to have due regard to the need to:

- a. Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
- b. Advance equality of opportunity between people who share a protected characteristic and those who do not, and
- c. Foster good relations between people who share a protected characteristic and those who do not.

102. Advancing equality of opportunity means having due regard to the need to:

- a. Remove or minimise disadvantages suffered by people due to their protected characteristics.
- b. Take steps to meet the needs of people with certain protected characteristics where these are different from the needs of other people, and
- c. Encourage people with certain protected characteristics to participate in public life or in other activities where their participation is disproportionately low.

103. Due regard means giving conscious consideration to the three aims of the PSED and we use the EQIA as a tool for demonstrating that we complied with the duty.

104. The council uses its spending power through its approach to procurement to advance equality and achieve wider social benefits to the residents of Enfield.
105. Equalities is core requirement of a contract where services are provided directly to the public or where indirectly or directly the Council has a duty to promote equalities. The Council will check a contractor's compliance with equalities issues in two ways:
 - a. Prior to Contract Award -by asking the equalities questions requiring documentary evidence to support equality systems/processes within the company.
 - b. After Contract Award -by including contract conditions on equality in all Council contracts and by monitoring a contractor's performance and compliance. You need to think about how you can include contract conditions to meet the aims of the equality duty now that the contract has been awarded
106. During the procurement process we were satisfied that the chosen supplier for the contract has an equality policy in relation to employment to ensure that they promote equal opportunities in the employment of staff working on the contract. Equality outcomes often overlap with community benefits and the contract conditions include significant community benefits that will advance equality.
107. An EQIA was completed on the Exeter, Upton and Raynham Road developments (Appendix 1) on the design, consultation and construction plan. EQIA is an iterative process and the EQIA will be reviewed to assess how the contract conditions we negotiate can further help the council meet the PSED and its equality

Environmental and Climate Change Considerations

108. The contract being procured will support the design and delivery of a scheme in line with London Plan requirements and so demonstrate that proposed climate change mitigation measures comply with London Plan energy policies, including the energy hierarchy. It will also ensure energy remains an integral part of the development's design and evolution.
109. The services being procured will also support the demonstration of how the zero-carbon target for residential developments will be met, with at least a 35% on-site reduction beyond Part L 2013 and proposals for making up the shortfall to achieve zero carbon, where required.
110. An assessment of energy provision on the site will be undertaken as part of the design development
111. An energy/carbon emissions reduction assessment will be completed for the scheme by the appointed engineer as part of the planning submission.

112. The contractor's construction method statements will include proposals for the to achieve low carbon emission, less consumption of materials, reduced waste on site and fewer construction vehicle trips.

Financial Implications

Budget impact – Capital

113. There is no change in the approved budget for the scheme. Approval required to allocate the remaining budgets to expedite schemes.

Budget impact – Revenue

114. The number of units and tenures are in line with those assumed for the approved budget therefore there is no impact on rental income assumptions.

115. Additional contributions from HRA revenue and the Major Repairs Reserves (which is funded by contributions from revenue) will be required over the approved budget.

Debt

116. As set out in the table above resources not funded from RTB receipts and s106 will be met from revenue and MRR with no additional impact on borrowing.

117. No Minimum Revenue Provision is required in the HRA and the Business Plan does not currently have a voluntary set aside from revenue resources for the repayment of debt.

Taxation – Residential units

118. VAT - Construction costs exempt; rental income is zero rated

Taxation - Commercial units

119. Construction costs subject to standard rated VAT; rental income exempt

120. Council will be unable to recover VAT incurred in cost of construction unless Option to Tax exercised before development commences.

121. Exercising **Option to Tax** has the effect of adding standard rated VAT on commercial rents and enabling Authority to recover VAT incurred in construction of the related commercial units.

Viability

122. Testing through the HRA Business Plan reported to Cabinet 8th December 2021 (KD 5342) indicates the HRA can support the schemes as proposed although the failure to meet hurdle criteria, below, will place an increased strain on the resources within the HRA and require increased financial yields from future schemes.

123. Place making costs excluded as these are estate wide improvements already allocated within the planned investment programme which have been accelerated as a consequence of the schemes proceeding.

124. The key risk, as referenced in the Risks section, is the potential loss of GLA grant support as a consequence of failing to meet start on site targets for these schemes. The collateral impact across the Council's HRA would be significant as it would compromise viability by increasing borrowing costs and reducing housing supply.
125. The decision to proceed would secure this and wider grant awards thereby ensuring continuing viability for the HRA as a whole.
126. **Net Present Values (NPV)** - Measures contribution of scheme to the overall financial resources of the Council's HRA with hurdle criteria set at a *negative* £60k per unit in recognition of social housing provision at sub-market rent.
127. NPVs for Exeter Road and Upton & Raynham, stated before additional place making costs, are significantly below target which will place a strain on the financial resources available to other schemes in the HRA.
128. **Internal Rate of Return (IRR)** – measure of the resilience of schemes to adverse changes in cost of borrowing assumed at 3½% for longer term in line with HRA Business Plan update.
129. IRRs for Exeter Road and Upton & Raynham, are indicating both schemes will be unable to pay interest costs and will rely on cross subsidisation from other schemes, which HRA Business Plan can sustain.
130. **Build cost per unit** – total construction cost per unit including all overheads, fees and interest costs capitalised during period of construction.
131. For Exeter Road and Upton & Raynham, these are higher than the £400k hurdle rate which corroborates the NPV and IRR results.
132. Risks of fluctuations in these estimates are dealt with in the risks section.
133. Sales receipts have been based on average £420k per unit, higher than the £400k assumed in the HRA Business Plan and reflective of the higher resource requirements of the scheme. This will be kept under review with market conditions as the schemes progress.

Mitigations

134. In recognition of the adverse performance of both schemes against hurdle criteria the following mitigations are in the process of being deployed:
- Planned Investment Programme – reduced requirements for future investment as a result of newly constructed units on both schemes; similar reductions in revenue repairs expected.
 - Modern Methods of Construction (MMC) – new schemes undergoing review to take advantage of industry developments and new technology to reduce constructions costs
 - Grant – ongoing engagement with GLA to ensure current grant funding is safeguarded and new finding sources identified.

- HRA Business Plan – ongoing stress testing to ensure overall viability of HRA Business Plan
- S106 contributions –funding requested for Public Realm works up to £6m which is under consideration by Planners

Legal Implications – BB 8.12.21

135. These appointments must comply with the Public Contracts Regulations 2015, the Council’s Contract Procedure Rules and Procurement Manual and the acquisitions of the pram sheds should comply with the Council’s Property Procedure Rules. All contracts will need to be in a form approved by Legal Services on behalf of the Director of Law and Governance. The contracts pursuant to these recommendations will require legal services to be instructed in a timely fashion.

Workforce Implications

136. In order to deliver the programme, the right skills and capacity are required and are being secured.

137. Longer term this project may also require the establishment of a marketing and sales team which will either be bought in or directly employed. There will be additional costs as result of the procurement or employment of this team. It is unlikely that the actions outlined in the report will result in current employees being put at risk of redundancy.

Property Implications

138. The part of the development which involves the sale of homes for private ownership will need to be in accordance with the property procedure rules and also need to be at best consideration.

139. This report identifies the recent rapid changes that are occurring in the construction marketplace which has seen considerable price inflation over a short period of time. A perspective of this inflation that needs to be taken into account is in relation to those properties that are being constructed and destined for private sale or shared ownership, where the sales price needs to be greater than construction cost. The properties in at Upton and Raynham are assessed as currently having a £20k greater/positive sales value to their construction cost (c.£420k vs. c£400k respectively), whereas those in Exeter Road are reliant on growth in value during the construction period in order to reach viability. Under such circumstances, the continual monitoring of both construction and sales marketplaces and values is needed to ensure that viability is maintained or achieved, so that these properties do not cost more to construct than they would sell for. Should the position on viability show material risk, then an urgent review of the relevant scheme(s) will be necessary.

140. All new or revised asset data arising out of the proposed works will be input onto the Asset Management Data System including revised site plans, floor plans, asset information and maintenance regimes.

Exeter Road

141. A further property implication arises for this scheme in relation to the “buyback” of the pram shed part of a number of leaseholds. This is interpreted to envisage the negotiated surrender of specific small parts of the demise of residential leaseholds that comprise pram sheds.

142. Given the combination of both the fact that the Property Procedure Rules not being applicable to social housing and that the Property Procedural Rules do not contain any specific provisions on the nature of transaction described in the paragraph above, as well as each transaction being of very modest value, there are no additional property implications to those already contained within this report.

Upton and Raynham

143. Land assembly of third-party interests for this scheme was approved by Cabinet in a previous report on 13th February 2020.

Procurement Implications

144. Business cases for the Exeter Road and Upton & Raynham projects and the design and consultancy services for Exeter Road Phases 2 & 3 approving the routes to market have been received and accepted by Procurement Services.

145. The procurements were undertaken in accordance with the Councils Contract Procedure Rules (CPR's) and the Public Contracts Regulations (PCR's) (2015).

146. The service has undertaken a “call-off” via the Notting Hill Genesis Framework Agreement. The Call-Off from the Framework was carried out in line with the relevant framework process and all retained documentation must be uploaded onto the Councils LTP once completed/awarded (LTP reference DN553968).

147. The call off from the LHC Framework Agreement was carried out in line with the relevant framework process and all retained documentation will be uploaded onto the Councils LTP once completed/awarded (LTP reference DN586946).

148. In accordance with the CPRs the Supplier must be required to provide sufficient security. Evidence of the form of security required, or why no security was required, must be stored and retained on the E-Tendering Portal for audit purposes. As the contract is over £500k the service must ensure that sufficient security has been considered.
149. The award of the contracts, including evidence of authority to award, promoting to the Councils Contract Register, and the executed contracts must be stored and retained on the LTP, including the future management of the contract.
150. In accordance with the Councils CPR's the service must ensure that a Contract Manager is nominated and allocated to each of the procurements once uploaded onto the LTP, and that the monitoring requirements are adhered to.
151. The awarded contracts must be promoted to Contracts Finder to comply with the Government's transparency requirements.

Conclusions

152. This contract will deliver 263 much needed new homes, of which 84% are affordable. Moreover, the delivery of these projects will transform areas that are currently blighted with anti-social behaviour and an unappealing public realm while delivering much needed affordable homes.
153. Given the funding and timescale constraints, the size and nature of the sites, and the need to accelerate delivery of affordable housing, the best option remains for the Council to directly deliver the projects. Neither project would be viable for a developer expecting 20% headline margins nor would they deliver the extent of improvement to existing Council assets and public realm as is proposed.
154. Cost increase is significant risk to the contract but sufficient mitigations are being put in place to reduce and control costs including a considered level of contingency.
155. Also, additional funding is being sought to fund the improvements to public realm, reducing their cost to the scheme.

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Appendices

Appendix 1: The Equalities impact assessment for Exeter Road and Upton & Raynham

Appendix 2: Part II (Confidential) - Upton and Raynham/Exeter Road Contracts Award and Investment Decision

Background Papers

The following documents have been relied on in the preparation of this report:

1. Better Council Homes Workplan and Budgets 2019/20" (KD4830)
2. Housing and Growth Strategy (KD4841)
3. HRA 30-year Business Plan 2020 (KD4969)
4. Maximising the Council's Direct Development Delivery report (KD4998)
5. Upton & Raynham Development (KD 5217)
6. Better Council Homes report (KD5219)
7. Exeter road development Phase 1 (KD 5286)
8. HRA Business Plan Update Report (KD5342)

