Individual Mayoral Decision 1st September 2022	TOWER HAMLETS
Report of: Ann Sutcliffe, Corporate Director, Place	**Classification:** Part Exempt (Appendix)
Redevelopment of Bancroft TMC and Wickford Street garages: Approval to increase project budget to enable build contract to be awarded	

Lead Member	**Councillor Kabir Ahmed, Cabinet Member for Regeneration, Inclusive Development and Housing**
Originating Officer(s)	Jane Abraham – Interim Capital Programme Manager (Housing)
Wards affected	Bethnal Green East
Key Decision?	No
Reason for Key Decision	This report has been reviewed as not meeting the Key Decision criteria.
Forward Plan Notice Published	[Insert date notice was published **– see** forthcoming decisions webpage]
Exempt information	
Strategic Plan Priority / Outcome	Strategic Plan 2022-2026 **Priority 2:** Providing Homes for the Future

Executive Summary

The Bancroft TMC and Wickford Street garages site is part of the HRA new council homes programme. Planning consent for the development of a Class D1/B1(a) community/office space and 33 new homes was granted in March 2021. The process of procuring a build contractor commenced in January 2022 through the council's Dynamic Purchasing System. Tenders were returned in April 2022.

As a result of changing market conditions, including rising inflation, increasing energy costs and a shortage of material and labour, the tender price for this contract was higher than estimated and is shown in restricted Appendix 1. The Employer's Agent has confirmed that in the current climate, this sum delivers value for money. The total scheme costs now exceed the approved budget of £14.100m requiring an additional budget of £3.000m to be allocated and approved to enable the contract to be awarded.

The additional budget requirement has been identified within the current HRA Business Plan budget envelope, by the removal on one of the approved schemes in the programme. A budget of £7.600m is available from the removal of the Gill Street scheme, of which £4.449m has been allocated to the Arnold Road scheme, leaving £3.000m available to be allocated to the Bancroft and Wickford Street scheme.

Recommendations:

The Mayor is recommended to:

1. Approve an increase in the budget for the development of 33 new homes for social rent and a community office space on the Bancroft and Wickford Street site by £3.000m to £17.100m to enable the build contract to be awarded.

2. Approve the use of £3.000m from the remaining Gill Street scheme budget, within the HRA new council homes programme budget of £323.291m as approved by Full Council in March 2022.

3. Note the funding sources for this scheme.

4. Approval of the contract award to Formation Design & Build Limited for the development of the site at Bancroft and Wickford Street, for the tendered contract sum shown at Appendix 1.

5. Note the Equalities Impact Assessment as set out in Paragraph 5

1 REASONS FOR THE DECISIONS

1.1 An increase in the project budget for the scheme at Bancroft and Wickford Street is required to enable the build contractor to be appointed at the submitted contract sum. Prices submitted by the contractors were held until 29th August 2022 and contractors have agreed to hold their prices for a further 2 weeks, after which they are likely to increase due to the increase in inflation.

1.2 A decision is required urgently to enable the build contractor to be appointed at the submitted contract price, meaning that it cannot wait until September Cabinet for a decision.

1.3 Funding for the additional budget requirement of £3.000m has been identified through the removal of an approved scheme in the HRA new council homes programme which has a remaining budget allocation of £3.151m.

1.4 There have been significant cost increases during the past year including a

rise in inflation, a surge in energy prices, an increase in the cost of materials following the pandemic and Brexit and an ongoing shortage of labour, which have resulted in higher tender prices than originally estimated.

2 ALTERNATIVE OPTIONS

2.1 A refresh of the approved HRA new council homes programme is due to be presented to Cabinet in October 2022, where new schemes will be added and budget allocations adjusted within the overall budget envelope that is affordable within the HRA Business Plan. However, with the planning consent for this scheme due to expire in four months, approval for an increase in the budget is required sooner than October 2022 to ensure the development of 33 new homes for social rent on this site can proceed.

3 DETAILS OF THE REPORT

3.1 The Bancroft TMC and Wickford Street garages site is part of the HRA new council homes programme. The site is currently occupied by the Bancroft TMC (Tenant Management Committee) office and meeting rooms and garages on Wickford Street. A site plan is shown in Appendix 2. For the duration of the development, Bancroft TMC are moving to temporary accommodation on the estate.

3.2 The planning application for the development of this council-owned site was submitted and validated in December 2019 (PA/19/02611/A1). The scheme was considered at Development Committee in May 2020 at which more detail was requested on fire safety and the emergency access strategy. The architect provided the additional information as requested to address this matter.

3.3 In March 2021, planning consent was granted for the development of a part-two, part-three and part-six storey building comprising Class D1/B1(a) community/office use at ground/first floor with 15 new homes above (Bancroft TMC site) and a part 3 and part 5 storey building comprising 18 new homes (Wickford Street garage site).

3.4 The dwelling mix for the approved scheme comprises 12 x 1bed (37%), 7 x 2bed (21%), 8 x 3bed (24%) and 6 x 4 bed homes (18%). In order to more closely match the Mayor's priority for the new build programme to deliver more family-sized homes, the scheme mix has been reviewed. Subject to design revisions at RIBA Stage 4 and an amendment to the planning consent, it may be possible to increase the number of 3bed and 4bed flats by 5. This will reduce the overall number of homes on the site, but not reduce the contract sum.

	Policy %	Current scheme		Revised scheme	
		Number	%	Number	%
1 bed	25%	12	37%	5	18%
2 bed	30%	7	21%	4	14%
3 bed	30%	8	24%	9	32%
4+ bed	15%	6	18%	10	36%
Total		**33**		**28**	

3.5 To avoid delaying the delivery of the scheme, the preferred route is to award an initial Pre Construction Services Agreement (PCSA), ahead of the main contract, to enable changes to dwelling types to take place during the detailed design process, protecting the contract sum.

3.5 In June 2021, Cabinet approved a budget of £14.100m for this scheme, of which £12.408m was allocated for the new homes and £1.692m for office and community space. There has been expenditure of £446,993 to date and future financial commitments which will cause the budget to be exceeded. The funding sources identified for this scheme were RTB receipts (£3.722m) and HRA borrowing (£10.378).

3.6 In parallel with the budget setting process, this scheme has been reviewed and approved through the council's capital governance process.

3.7 In January 2022, the process of procuring a contractor through the council's newly established Dynamic Purchasing System (P5644 DPS for Commissioning of Contractors for Housing, Education Regeneration and General Building Works, Lot A – iv) for contractors commenced.

3.8 Tender returns were received from four bidders on 11th April 2022. The tenders were assessed on a Most Economically Advantageous Tender basis with a quality:price ration of 60%:40%.

3.9 Due to a delay in identifying temporary accommodation for Bancroft TMC, which had been scheduled to be available by the time the tender process was complete, the Capital Delivery Team requested that revised prices be sought from the tenderers for a phased development, starting with the garage site. Revised submissions were received on 31st May 2022, with prices held for 90 days. The contractors have agreed to hold their prices a further 14 days, until 12th September 2022.

Bidder	Submitted Tender Amount (£)	Revised Tender Sum (£)
Formation Design & Build Ltd	£12,479,415.19	£13,549,174.56
Glenman Corporation	£14,177,076.13	£14,595,299.74
Kind & Co. (Builders) Ltd.	£16,568,082.50	£16,568,082.50
Jerram Falkus Construction Limited	£17,079,100.00	£17,118,983.00

3.10 The Employer's Agent, PRP, examined the Contract Sum Analysis, tender queries and responses, and confirmed that the revised tender price from

Formation Design and Build Ltd, compared with recently submitted tenders of similar size, delivers best value for the council.

3.11 The Social Value benefit from this contract is £300,000 of contracts let to business located within the geographical boundaries of Tower Hamlets, two new contract related roles that are filled by Tower Hamlets residents and one local Immediate Apprenticeship.

3.12 The Procurement Review Panel met on 2nd August 2022 to consider the Tollgate 2 Contract Award report. This was approved, subject to an increase in the project budget and inclusion of panel members comments.

3.13 The revised total scheme costs for this project, based on the tender price of £13.550m, has increased to £17.100m, requiring an additional £3.000m to be added to the current approved budget.

3.14 In March 2022, Full Council approved a budget of £323.219m for HRA new council homes programme. Whilst this programme-wide budget has been allocated to specific schemes, a review is currently underway which will see some schemes swapped out of the programme. It is proposed that the additional budget requirement for this scheme is taken from the £7.600m allocated to Gill Street, which is funded by RTB receipts (£2.052m) and HRA borrowing (£5.548m).

3.15 There is committed spend of £848,000 on Gill Street for the feasibility and design stages for RIBA Stages 1-3 to date. This will be expensed to HRA revenue.

3.16 Based on a start on site in October 2022, the development is due to complete at the end of 2025.

4 DESIGN CONSIDERATIONS

4.1 As soon as the contractor is appointed, they will start the detailed design process as part of the pre-construction stage. This generally takes three months. Amending the internal layout of the scheme, within the approved footprint, will require an amendment to the planning application, which would be likely to take 8 weeks. Depending on the extent of the amendments, the decision may fall within delegated authority and not need to go to Development Committee for a decision.

4.2 The approved scheme for the Bancroft TMC site comprises a part-two, part-three and part-six storey building comprising community/office use at ground/first floor and 15 new homes (10 x 1bed and 5 x 2bed) on the upper floors together with associated private amenity areas, cycle parking and refuse/recycling stores.

4.3 With a mix of 1 and 2bed accommodation, this block has a core with a single lift. The provision of a single lift is a factor to consider in amending the

dwelling mix to include family-sized homes. Whilst the internal layout can be reconfigured to provide larger homes by combining two smaller flats on each floor to create a 4bed home, the landing areas have not been designed with additional space for buggies etc.

4.4 As part of the process of revising the design, the provision of amenity space needs to be taken into account. If two smaller homes are combined it may be difficult to provide a single balcony of $10m^2$, meaning that in some cases, the family-sized home will have two smaller balconies. Provision of outdoor amenity space is also part of the consideration. The landscape plan, attached at Appendix 3, shows that the outdoor amenity space adjacent to the Wickford Street part of the site is not on the doorstep, which is the preference for under-5s play.

4.5 The Wickford Street garage site comprises a part 3 and part 5 storey building comprising 18 new homes (2 x 1bed, 2 x 2bed, 8 x 3bed and 6 x 4bed) together with associated private amenity areas, cycle/blue badge car parking (in the form of 4 x accessible parking bays) and refuse/recycling stores. There is an opportunity to convert 1 x 1bed and 1 x 2bed on the ground floor to a 4bed flat.

4.6 These considerations will need to be taken into account in deciding on the number of larger homes to include in a revised scheme.

5 EQUALITIES IMPLICATIONS

5.1 An Equalities Impact Assessment (EqIA) was carried out for the HRA new homes programme to identify and mitigate the impact on groups with protected characteristics and others. If the development of 33 new homes for social rent does not go ahead on this site, this will impact on overcrowded households and those living in temporary accommodation, many of which fall into one of the protected groups.

6 OTHER STATUTORY IMPLICATIONS

6.1 This section of the report is used to highlight further specific statutory implications that are either not covered in the main body of the report or are required to be highlighted to ensure decision makers give them proper consideration. Examples of other implications may be:

- Best Value Implications,
- Consultations,
- Environmental (including air quality),
- Risk Management,
- Crime Reduction,
- Safeguarding.
- Data Protection / Privacy Impact Assessment.

7 COMMENTS OF THE CHIEF FINANCE OFFICER

7.1 This report seeks approval to increase the budget for the development of 33 new homes for social rent and a community office space on the Bancroft and Wickford Street site by £3.000m to £17.100m to enable the build contract to be awarded.

7.2 This report also seeks approval to swap funds from the approved budget for the discontinued Gill Street residential development with community facilities project to Bancroft and Wickford Street site project.

7.3 The discontinued Gill Street residential development with community facilities project had already incurred to date £0.848m in feasibility and design stages for RIBA Stages 1-3. As this is an abortive cost, this has to be transferred to and absorbed within HRA revenue.

7.4 The transfer of this abortive cost to HRA revenue frees up the approved budget of £7.6m initially approved for Gill Street residential development with community facilities project and of this, £3m will be available for the increase in budget for Bancroft and Wickford Street site project.

7.5 The £3m budget increase for this Bancroft and Wickford Street site will be financed by a combination of RTB receipts and HRA borrowing as approved originally for the Gill Street residential development with community facilities project.

8 COMMENTS OF LEGAL SERVICES

8.1 The Council has the legal power to make the decisions referred to in this report.

8.2 The Council is required to demonstrate Best Value in terms of economy efficiency and effectiveness in the delivery of its legal functions. The Council subjected this purchase to competition with award being based upon predetermined pre published evaluation criteria. Therefore, the award represents Best Value (being the price at the relevant level quality that the market would bear) albeit due to market conditions the proposed award value is greater than that which the Council had intended to pay.

8.3 This report includes a restricted Appendix 1. In the round the details in the appendix relate to the specifics of the Formation tendered contract price. Formation's commercial interests may be damaged if this was released into the public domain at this stage which could lead to legal action against the Council. The information is exempt information for the purposes of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 and therefore the public may be excluded as on balance the public interest in knowing the information is outweighed by the public interest in maintaining the exemption

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Linked Reports, Appendices and Background Documents

Linked Report

- NONE.

Appendices

- Appendix 1: contract price information (Exempt Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972
- Appendix 2: Site plan
- Appendix 3: Landscape plan

Background Documents – Local Authorities (Executive Arrangements)(Access to Information)(England) Regulations 2012

- NONE

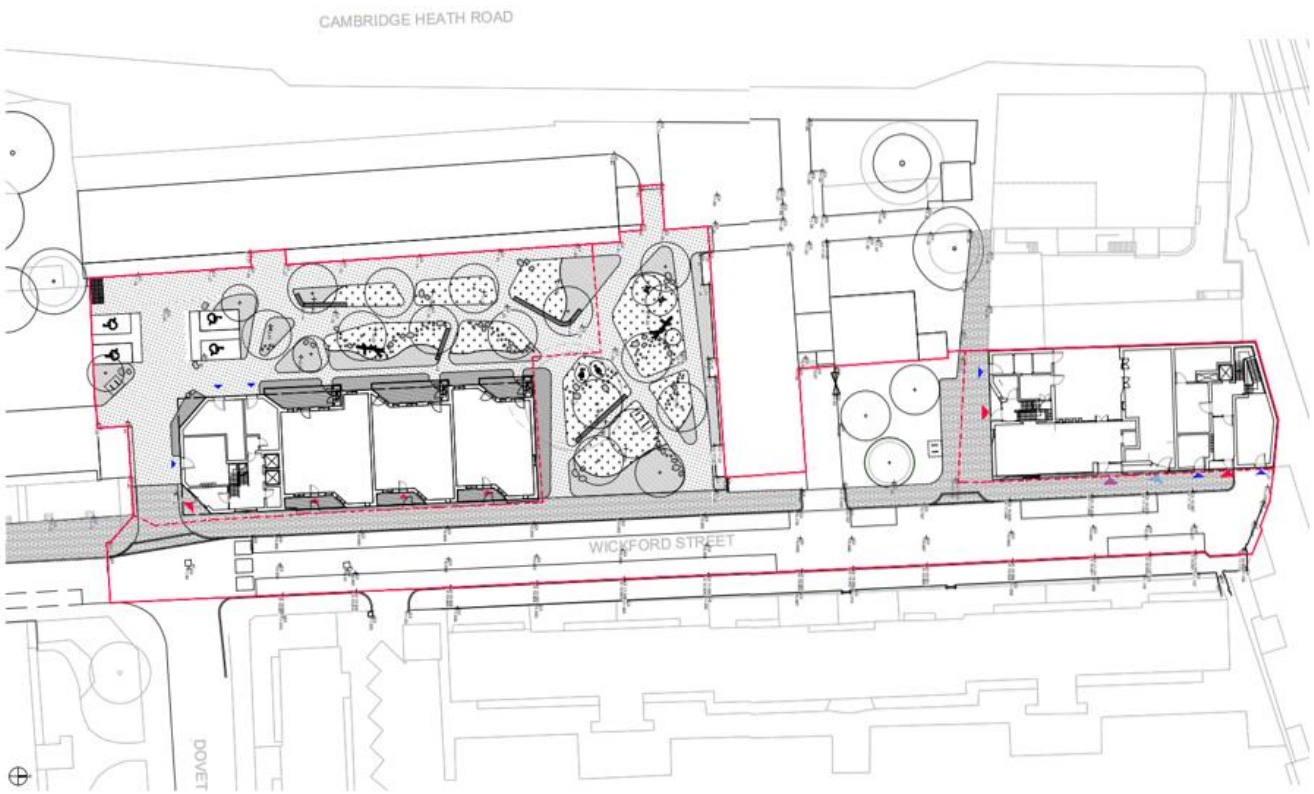
Officer contact details for documents:
Or state N/A

Appendix 2

Site plan

Appendix 3

Landscape plan



NOTES:

1. This drawing is to be read in conjunction with all relevant contract documentation from the design team, with any conflicting information to be brought to the attention of Farrer Huxley Associates in writing before commencing on site.

2. The contractor is to check and verify all levels and dimensions before construction. Any discrepancies are to be brought to the attention of Farrer Huxley Associates in writing before commencing on site.

3. All dimensions in mm, unless otherwise stated.

4. Do not scale from this drawing.

5. All sub base and concrete design and specification to engineer's details. All diagrams provided here are purely indicative.

6. Waterproofing of any element to be specified by others.

7. All proprietary products shall be installed in accordance with manufacturers written instructions.

8. Plant numbers are an indication only and plants should be ordered to suit site areas in accordance with scheduled plant densities.

9. Any proposed plant substitution shall be agreed with the landscape architect prior to ordering.

For General Arrangement, refer to ...100's series;
For hard landscape, refer to ...200's series;
For levels and drainage refer to ...300's series;
For soft landscape, refer to ...400's series;
For lighting, refer to ...500's series

Key:

Site boundary
Aplication boundary

Hard Landscape:

Resin bound gravel
High quality natural stone paving to private gardens
Concrete slab paving to match existing paving

Soft Landscape:

Existing trees
Proposed trees
Trees to be removed
Shrub planting - defensible space to private gardens
Grass area
Low level planting - groundcover

Landscape Elements:

Bin screen
Concrete retaining walls
Boulders
Timber stepping bollards
Fallen play trees
Play equipment - timber sheep
Play equipment - timber snail
Visitor cycle parking - cycle hoops
Existing levels
Proposed levels