

Cabinet 16 October 2024	 TOWER HAMLETS
Report of: David Joyce – Corporate Director of Housing & Regeneration	Classification: Part- exempt
Title: Harriott, Apsley & Pattison (HAP) Houses Regeneration Scheme – Two Stage Tender Negotiation	

Lead Member	Cllr Kabir Ahmed, Cabinet Member for Regeneration, Inclusive Development and Housebuilding
Originating Officer(s)	Rupert Brandon & James Walsh
Wards affected	Stepney Green
Key Decision?	Yes
Reason for Key Decision	Approval of over £5m in capital expenditure
Forward Plan Notice Published	27/09/2024
Exempt information	<p>This report and/or its appendices include information that has been exempted from publication as the Monitoring Officer:</p> <ul style="list-style-type: none"> • has deemed that the information meets the definition of a category of exempt information as set out in the Council’s Access to Information Rules; and • has deemed that the public interest in maintaining the exemption outweighs the public interest in disclosing the information. <p>The exempt information is contained in</p> <ul style="list-style-type: none"> • <i>Appendix 1 – Procurement Process</i> • <i>Appendix 2 – Evaluation Process</i> <p>The exempt information falls into this category:</p> <p>3. Information relating to the financial or business affairs of any particular person (including the authority handling the information)</p>
Strategic Plan Priority / Outcome	2. Providing homes for the future By working with developers and housing associations to deliver a minimum of 1000 social homes for rent each year.

Executive Summary

This report seeks agreement to negotiate the second stage price with the selected bidder following their successful first stage tender submission and appointment to complete the Pre-Construction Services Agreement.

Recommendations:

The Mayor in Cabinet is recommended to:

1. **Note** the award of the Pre-Construction Services Agreement and JCT Minor Works Contract for the first stage procurement recently completed.
2. **Delegate** authority to the Corporate Director of Housing and Regeneration, the authority to appoint any consultants required to assist the Council in the delivery of the Pre-Construction Services Agreement.
3. **Authorise the Corporate Director Housing and Regeneration** (in consultation with the Mayor) to enter into any negotiation of the Development Agreement and Second Stage Price with the successful bidder in order to facilitate the redevelopment of the Site and, to provide new and improved housing and community facility.
4. **Note** the intention to bring a further report to the Mayor in Cabinet later in 2025 recommending the formal entering of the Development Agreement.

1 REASONS FOR THE DECISIONS

- 1.1 The decisions sought in this report are to enable the delivery of more than 400 new homes and a new community centre, on council-owned land currently occupied by seven housing blocks (known collectively as Harriott House, Apsley House and Pattison House), comprising 100 flats and maisonettes, and two community buildings.
- 1.2 The scheme will deliver 64 high quality replacement homes for all existing secure tenants and leaseholders wishing to remain on the estate. The new homes will replace older blocks with ongoing damp issues and repair costs, instead providing homes with: greatly improved fire safety measures, high thermal performance and the lower energy use this enables, large balconies for every home, new communal place spaces and community gardens, secure bike storage for every resident, improved public realm and street scene benefiting the wider community, along with increased refuse storage in dedicated bin chambers, removing the current large number of bins spread across the estate.
- 1.3 A further 111 additional affordable homes will be delivered within the scheme, housing new residents to the estate, as well as helping to address

overcrowding within the existing homes. 22 of these homes have been identified for hidden households across the estate, ensuring that the scheme tackles the localised overcrowding in the community, as well as serving the borough's wider affordable housing needs.

- 1.4 A Resident Ballot was held between 18th March and 9th April 2020. Of the 132 eligible voters, 123 votes were cast, a turnout of 93%. 121 residents voted in favour of regeneration (98.4%) and 2 (1.6%) residents voted to reject the council's proposal, demonstrating strong community support.
- 1.5 The new homes are being designed to meet the planning policy requirements for sustainability, aiming to achieve an estimated site-wide CO2 emission reduction of at least 45% over the Target Emission Rate (TER) using the SAP 10 emission factors, through a combination of energy conservation measures, renewable heat, and electricity generation technologies, such as Photovoltaic solar panels (PV) and Air Source Heat Pumps (ASHP).
- 1.6 Furthermore, the proposed development includes a new community space. The council have worked closely with RCCM to design a space which meets their needs and the needs of those who will be using the building.
- 1.7 Two-stage tendering was selected due to the perceived speed to appoint a developer, as well as the opportunity to work-up the detailed design of the scheme with the developer partner prior to the Build Safety Regulator Gateway 2 application, thereby ensuring mutual support and success of the application to the regulator.
- 1.8 The Invitation to Tender ("ITT") was issued using a two-stage procurement process, using the Open Procedure. The PAS 91 Questionnaire and the ITT were required to be submitted simultaneously, with the top four scoring bidders at the PAS 91 stage then having their ITT scored.
- 1.9 The first stage submission ITT was evaluated on quality (50%), price (40%) and social value (10%), and the developer who received the highest score when analysed using the evaluation criteria as set out in the ITT would be recommended award of the contract for the first stage, which consists of the Pre-Construction Services Agreement (PCSA) and enabling works.
- 1.10 Once the PCSA is completed, a second stage price will be received from the developer and a further report will be taken to Cabinet report in late 2025 to seek approval to enter into the Development Agreement to build out Phase 1.

2 ALTERNATIVE OPTIONS

- 2.1 The alternative approach would be to not to develop the site.

- 2.2 Or undertake a single stage tender. However, given the current position of the tender would result in significant programme prolongation to retender the scheme.

3 DETAILS OF THE REPORT

- 3.1 Two Stage Tendering is a procurement route that enables the early engagement of a contractor, in an advisory capacity, before the scheme is fully designed. The contractor work within an agreed scope of work to complete the design, enhance buildability and increase cost certainty.
- 3.2 The first stage tender involves multiple contractors competitively bidding and submitting a price, through an Invitation to Tender (“ITT”) arrangement, to complete an agreed scope through a Pre-Construction Services Agreement. The bidders will also submit fixed costs for the main works, such as prelims, overheads and profit, this is to ensure that as much of the second stage price can be competitively tendered before awarding the first stage.
- 3.3 During the first stage the contractor role is advisory, focusing on simplifying the design and improving the buildability, through a Pre-Construction Services Agreement. The contractor contributes to method statements, influences design choices, and helps shape the supply chain by securing subcontractors. The contractor’s involvement early on ensures that practical, safe, and economical solutions are integrated into the project.
- 3.4 The scope of the Pre-Construction Services Agreement is:
- Complete RIBA Stage 4 (Technical Design)
 - Undertake surveys
 - Discharge of Planning Conditions
 - Utility applications and negotiations
 - Make a Gateway 2 submission to the Building Safety Regulator
 - Undertake an open book package procurement to agree prices for each sub-contract and supplier
- 3.5 The scope of the Minor Works Contract:
- Install hoarding
 - Undertake intrusive surveys
 - Asbestos Removal
 - Soil Contamination remediation
 - Utility disconnections and diversions
 - Demolish Pram Sheds and Adult Social Care Building
- 3.6 The outcome of the Pre-Construction Services Agreement is a complete design, programme, contract conditions and second stage price. Due to the reduced competition of working with one contractor, LBTH will have a reduced negotiation position. Therefore, LBTH will need to negotiate with the Contractor to find agreement on both the price and terms of the contract to agree the main works price.

- 3.7 Two-stage tendering is often used for complex projects where early contractor engagement helps finalize the design, minimise risk and optimize cost and time efficiency.

4 EQUALITIES IMPLICATIONS

- 4.1 As part of the regeneration scheme, the council has been working closely with residents to ensure they are consulted on all aspects of the new development and has ensured that residents are listened to and their needs understood.
- 4.2 A comprehensive Equality Impact Assessment (EqIA) has been completed for the scheme by external specialists Ottaways and was presented to Members with previous Cabinet reports authorising different elements of the scheme (Dec 2021 and Feb 2024). A refreshed iteration of the EqIA report is appended to an alternate report on the October Cabinet Agenda addressing the decisions required in relation to the use of Compulsory Purchase powers.

This report does not make any changes to the nature of the equalities impact of the scheme considered in detail under these previous reports.

5 RISK MANAGEMENT IMPLICATIONS

- 5.1 The risks associated with this project are monitored through a Risk Register and include:
- Operational risk
 - Reputational risk
 - Housing market fluctuations
 - Build cost fluctuations
 - Challenging commercial dynamics
- 5.2 Detailed risk implications of the proposed appointment are set out in para 9 of Exempt Appendix 1.

6 COMMENTS OF THE CHIEF FINANCE OFFICER

- 6.1 Funding totalling £86m has been approved within the Housing Revenue Account (HRA) for the delivery of phase I of the Harriot, Apsley & Pattison capital project to deliver over 400 new homes and a community centre on Council owned land. This funding is a mix of Right to Buy grant, capital receipts, s106 income and prudential borrowing. Any costs associated with appointing external consultants and surveyors to assist the Council in the delivery of the Pre-Construction Services Agreement and negotiating the Development Agreement and Second Stage Price with the successful bidder will be contained within this funding envelope.

7 COMMENTS OF LEGAL SERVICES

- 7.1 The information shown in the restricted appendices is Exempt Information for the purposes of section three of Schedule 12A of the Local Government Act

1972. This is because it is information relating to the financial or business affairs of any particular person (including the authority holding that information). Release of the information could lead to the commercial detriment of either the Council or the developer. Therefore, the public interest in knowing the information is outweighed by the public interest to maintain the exemption

- 7.2 The Council has the legal power to undertake the actions referred to in this report.
- 7.3 The Council is legally required to deliver Best Value in respect of all its functions in terms of economy efficiency and effectiveness. The Council has carried out a procurement where the winning bidder has been selected upon scoring criteria which reflect a blend of quality and price. Making this award demonstrates strong evidence of compliance with the Best Value duty as economy efficiency and effectiveness are reflected in the evaluation criteria.
- 7.4 A two stage approach to tendering a contract of this nature is common place as the final cost of the construction will depend upon the design completed in stage 1. However, the approach can accelerate the overall construction process as appointment of the Contractor occurs earlier in the process. However, this could come at a cost risk but the Council has taken appropriate action in terms of ownership of the design, fixing the cost of known elements of the work early and controlling the relationship before construction with a preconstruction services agreement. In any case the Council will not be bound to proceed into the construction phase unless a reasonable final cost is agreed following development of the phase 1 design

Linked Reports, Appendices and Background Documents

Linked Report

None.

Appendices

Appendix 1: Procurement Process (Exempt)

Appendix 2: Evaluation Process (Exempt)

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

None.

Officer contact details for documents:

N/A