LONDON BOROUGH OF NEWHAM

CABINET

Report title | Plashet Road Development
---|---
Date of Meeting | 5 February 2019
Lead Officer and contact details | John McCollin
Senior Business Initiatives Officer
020 3373 0378
Director, Job title | Simon Letchford, Director of Environment & Community
Lead Member | Councillor John Gray, Cabinet Member, Housing Services
Key Decision? | Yes / No | Reasons:
1. Expenditure of over £500k (Over £1m decision of Cabinet)
2. Affects more than one ward in the borough
Exempt information & Grounds | Yes / No | Grounds: N / A
Wards Affected | Plaistow North and Green Street West
Appendices (if any) | 1. Plashet Road Procurement Strategy Report

1 Executive Summary
1.1 This report seeks approval from Cabinet to proceed with a procurement exercise to appoint a single contractor to deliver the construction phase of the Plashet Road development site.
1.2 The proposed construction works include the building of a flexible community space; a nursery that will be able to accommodate 75 childcare placements; 55 affordable housing units and will contribute towards the Council's aspirations to deliver genuinely affordable housing in the borough to meet acute housing need. The proposed development is fully compliant with local planning policy.

2 Recommendations
2.1 For the reasons set out in this report and its appendices Cabinet is recommended to agree:

2.1.1 Authority to commence procurement with the aim to appoint a building contractor to deliver the construction phase of the Plashet Road development site via the OJEU compliant East London Solutions (ELS) Framework; the successful building contractor to be selected following a mini competitive tendering exercise conducted on the Council's CapE-sourcing procurement
system facilitated by the provisions of the ELS framework.

2.1.2 Authorise Officers to enter into an access agreement in order to utilise the ELS framework with the aim to appoint a building contractor to deliver the construction phase of the Plashet Road development.

2.1.3 Officers report back to Cabinet, the concluded procurement process and tender evaluation ahead of appointment of a suitable building contractor to deliver the construction phase of the Plashet Road development.

3 Background

3.1 Following temporary closure of the Upton Centre in December 2014, Members at Cabinet agreed on 19 March 2015 to undertake a consultation exercise with local stakeholders to consider the future use of the Upton Centre.

3.2 After extensive consultation with local stakeholders during a six week period 15th April to 26th May 2015 inclusive it was agreed at Cabinet on 25 June 2015 to:

- Close the Upton Centre permanently and carry out further consultation with developed options.
- Ensure the re-provision of Community Centre space suitable for a wide variety of activities and user groups.
- Provide affordable housing in line with planning policy guidelines.

3.3 Cabinet agreed funding for the Plashet Road development site on 15th November 2018

4 Key Considerations & Proposals

4.1 In October 2016, the Upton Centre building was demolished leaving a large vacant area of land now referred to as Plashet Road development site. During December 2016 further public consultation was carried out in line with Cabinet recommendations. The design concept, now incorporating nursery provision, received favourable feedback from the general public during the consultation process.

4.2 Since December 2016, detailed plans have emerged with a development now consisting of a flexible community space; a nursery facility that will be able to accommodate 75 childcare placements and 55 affordable housing units compliant with local planning policy.

‘Affordable housing is social rented, affordable rented and intermediate housing provided to eligible households whose needs are not met by the market. Eligibility is determined with regard to local incomes and local house prices. Affordable housing should include provisions to remain at an affordable price for future eligible households’ (source GLA Policy 3.10 definition of affordable housing)

4.3 In order to realise time and cost efficiencies through the procurement process, Officers decided that the best procurement approach would be to appoint a building contractor through an existing OJEU compliant framework

4.4 Officers carried out research considering ten existing OJEU compliant building contractor frameworks for the procurement of a building contractor to deliver the construction phase of the Plashet Road development.

4.5 Detailed Procurement Strategy Report can be found at Appendix 1 of this report.

4.6 In consultation with Strategic Procurement Unit and Legal & Governance, Officers have decided to utilise the East London Solutions (ELS) Framework for the following reasons:

- The Framework was set up with the intention that procuring bodies could also
obtain Social, Economic and Environmental benefits from the Framework Agreement.

- The high level aims are cost efficiency (through such things as standardisation and collaborative purchasing).
- Increased opportunities for local suppliers and constructors and increased provision of employment and training all monitored through key performance indicators.
- Allows the use of industry standard forms of contract including JCT Design and Build 2016 with LBN amendments.
- Allows flexibility in the construction procurement route including the option of single / two stage tender approach using Design and Build form of contracts.
- There are seven (medium size) contractors on the ELS framework that Officers consider would have the required resources and competences to deliver the build phase of the Plashet Road development.
- Officers view that the number of contractors on the ELS framework would allow for a keenly competitive procurement exercise ensuring the Council obtained value for money tender based on a 70% price / 30% quality evaluation model and in line with the Council’s Contract Standing Orders.

4.7 The ELS framework offers an established and efficient procurement process that will enable the Council to appoint a suitable contractor to deliver the build phase of the Plashet Road development.

4.8 There is no associated cost or contractual liabilities as to call off, to the Council in joining the East London Solutions Framework.

4.9 The intended procurement process has been developed in collaboration with officers from Strategic Procurement Unit and Legal & Governance service areas. The procurement approach was considered and agreed at Checkpoint1 Board meeting on 10 December 2018.

4.10 Should Cabinet approve the recommendations of this report, it will enable Officers to initiate the procurement process leading to the appointment of a suitable contractor to deliver the construction of the Plashet Road development subject to further approval of tender acceptance that will be reported to Cabinet at a later date.

5 Policy Implications & Corporate Priorities

5.1 The Mayor has stressed in her manifesto pledges the desire to deliver genuinely affordable housing in Newham; specifically the intention is to deliver 50% social rented units on all new build housing developments across the borough.

5.2 Funding for the Plashet Road development scheme that will support the delivery of 55 new homes in the Plaistow North Ward is integral to the Council’s ability to meet housing demand in the borough and was approved at the Cabinet meeting held on 15th November 2018.

5.3 The appointment of a suitable building contractor to deliver the construction phase of the Plashet Road development, of which 50% will be social rent units, is clearly aligned with the Mayor’s political aspirations that aim to address the housing crisis in Newham.

6 Alternatives considered

6.1 Do nothing – not viable as this would leave a vacant undeveloped area of land vulnerable to vandalism, unauthorised occupation, anti-social behaviour; significant
security costs and risk reputational damage to the Council.

6.2 There are a number of OJEU compliant Building Contractor frameworks in place and which are available to use for the Plashet Road development, however some of these have been discounted due to expiry of the framework period in the immediate future and some have access arrangements which are restrictive and are therefore not considered further.

7 Consultation

7.1 Name of Lead Member consulted:  Position: Date:

7.2 Details of resident/stakeholder consultation taken out i.e. who was consulted and when

a) Local Residents April-May 2015 and December 2016
b) Development Control Members Forum 8 September 2017
c) Community Neighbourhoods Review Programme Board 15 January 2018
d) Mayoral Advisor – Housing e-mail 26 February 2018
e) Local Ward Members e-mail 28 February 2018
f) Briefing Councillor John Gray Cabinet Member, Housing Services 20 September 2018

8 Implications

8.1 Financial Implications

8.1.1 The report seeks approval from the Mayor to carry out a procurement exercise to appoint a single contractor to deliver the construction phase of the Plashet Road development site.

8.1.2 The cost of developing the scheme including the construction cost is £17.901m. This is made up of construction cost of £16.310m and other development cost of £1.591m.

<table>
<thead>
<tr>
<th>Costs</th>
<th>£’million</th>
<th>£’million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Build costs</td>
<td>16.310</td>
<td></td>
</tr>
<tr>
<td>Other costs (pre-planning, demolition etc.)</td>
<td>1.591</td>
<td></td>
</tr>
<tr>
<td><strong>Gross Development Costs</strong></td>
<td><strong>17.901</strong></td>
<td></td>
</tr>
</tbody>
</table>

**Funded by:**

- HRA (GLA Grant £2.7m and other HRA resources £5.38m) -8.080
- GLA Grant (28 shared ownership units) -1.064
- Sale of 28 shared ownership units (initial tranche) -3.156
- General Fund - Cabinet 14th December 2016 -1.444
- General Fund - Cabinet 15th November 2018 -4.157
- **Funding gap (to be financed by the General Fund)** -17.901
8.1.3 The Cabinet meeting on 15th November 2018 approved the funding for the Plashet Road development. The funding for the scheme was added to the capital programme as part of the Medium Term Financial Strategy approved at the same Cabinet meeting and by the full Council on 26th November 2018.

8.1.4 The risk of the scheme is the economic uncertainty and increase in construction costs. However, the indication from the analysis is that construction costs will have to increase by 7% above the current estimates for the NPV of the scheme to reduce to zero.

8.2 Legal Implications

8.2.1 Approval to commence mini tender exercise off an existing and compliant framework is sought in order to facilitate the construction phase of the site which is the subject of this report, in line with the Council's Constitution, Contract Standing Orders and Public Contract Regulations 2015. The award of the contract will be subject of a further report to Cabinet.

8.2.2 The Council is a local housing authority and has a statutory duty under Section 8 of the Housing Act 1985 to consider housing conditions in its district and the needs of the district with respect to the provision of further housing accommodation.

8.2.3 The Childcare Act 2006 places a duty on the Council to secure sufficient places for childcare. These duties can be coupled with the Council’s general power of competence under Section 1 of the Localism Act 2011, which gives the power to do anything an individual can do, subject to any statutory constraints on the Council’s powers. The recommendations in this report are in keeping with these powers.

8.3 Equalities Implications

8.3.1 The Childcare Act places a duty on the Council to secure sufficient places for childcare in the borough. The projected demand in borough including the Plaistow North Ward is presented in the statutory document – the childcare sufficiency assessment for the borough.

8.3.2 The wards with the least childcare places for resident under-fives remain clustered around the centre of the borough. These include Boleyn, East Ham South, Plaistow North, Green Street East and Plaistow South. Looking forward, child population growth in Stratford and New Town, and Royal Docks will increase the demand for childcare places.

8.3.3 Two year old early education gap. While there are now more places available to the scheme than ever before and enough places to meet the existing take up overall, there remain areas of the borough with a shortfall. This is a particularly true of Boleyn, Plaistow South, Plaistow North and Canning Town South.

8.3.4 The Plashet Rd development offers an opportunity for the Council to increase the supply of childcare provision towards meeting demands in this area/adjoining wards.

8.3.5 The demolished Upton Centre, which formerly stood on the Plashet Road development site, was a Council run community centre. The centre was an extensive three storey Victorian former school building, and had been used as a community centre for approximately 30 years. Prior to its closure and subsequent demolition in October 2016, 17 formal user groups were based at
the centre including a nursery that provided full and part time sessional care for children aged 0-5 years.

8.3.6 Council Officers carried out a public consultation exercise in December 2016 when favourable feedback was received regarding the overall design concept of the Plashet Road development and in particular the intended re-provision of the Community Centre.

8.3.7 Taking on board comments from the general public, the Community Centre element of the Plashet Road development will be delivered as a flexible space that will enable the centre to be used for health and recreational well-being activities, social events, meeting rooms and education studies.

8.3.8 The delivery of the residential element of the scheme will provide much needed genuinely affordable housing units, including 27 units to be let at Social Rent values, 20 of which will be family sized dwellings and will meet planning policy thus covering Equality Act 2010 duties.

8.4 Other Implications relevant to this report:

8.4.1 The proposed procurement was considered at Checkpoint on 10th December 2018 and the Strategic Procurement Unit will continue to work closely with the service to ensure that this procurement delivers best value for the Council.

8.4.2 The successful contractor will be required to support The Mayor’s Community Wealth Building Agenda by working in partnership with Workplace (LBN’s job brokerage) to provide details of job opportunities for local residents and supply chain opportunities for local businesses.

8.4.3 The successful contractor will also be required to identify Apprenticeships and training/education opportunities for local residents. These requirements will be written into the contract and the contractor will be required to report on progress against each of these areas on a quarterly basis.

8.4.4 The contractors as part of their tender submission will be required to confirm that they comply with the London Living Wage requirements direct labour and through their sub-contractor supply chain.

9 Background Information used in the preparation of this report

9.1 Plashet Road Procurement Strategy Report

9.2 Plashet Road Development Checkpoint1 Report (incl. Panel Response)