

LONDON BOROUGH OF HAMMERSMITH AND FULHAM

Report to: Councillor Andrew Jones, Cabinet Member for the Economy

Date: 21/02/2023

Subject: Decision to award a contract for the construction of the Hartopp and Lannoy Point development

Report author: Niral Patel, Senior Development Manager

Responsible Director: Jon Pickstone, Strategic Director of Economy

SUMMARY

This report seeks to approve the appointment of Higgins Partnership PLC as principal construction contractor to build 134 new homes on the site of the former Hartopp Point and Lannoy Point tower blocks. Cabinet approved the procurement strategy relating to this tender process on 6th June 2022, and, on 13th July 2022 Full Council approved a capital budget, including contingency, of £61,020,118 for construction.

RECOMMENDATIONS

This report recommends that the Cabinet Member for the Economy:

1. Notes that appendices 1, 2, 3 and 4 are exempt from disclosure on the grounds that they contain information relating to the financial or business affairs of a particular person (including the authority holding that information) under Paragraph 3 of Schedule 12A of the Local Government Act 1972, and in all circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.
 2. Approves the award of a contract of £49,142,058 to Higgins Partnership PLC for the design and construction of the Hartopp and Lannoy development through to practical completion, subsequent to Cabinet approval of the procurement strategy in June 2022, and Full Council approval of the capital budget in July 2022.
 3. Approves the contingency set out in exempt appendix 3 for this contract.
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Wards Affected: Munster

Our Values	Summary of how this report aligns to the H&F Values
Building shared prosperity	The scheme will deliver 112 affordable homes (84% of the total scheme). Providing affordable homes is a vital element of sharing economic growth

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	across the borough, and supports the Council's Building Homes and Communities (Growth) Strategy approved by Cabinet in June 2019
Doing things with residents, not to them	The scheme has undergone extensive co-production and has progressed in line with the principles set out within the council's Defend Council Homes Policy. This decision to appoint a construction contractor has followed significant resident involvement within the procurement process in line with the council's value of: 'doing things with residents, not to them'.
Taking pride in H&F	The design of the development and the high proportion of affordable housing will create a positive lasting impact in the local area. The ability of contractors to limit noise on the site and manage the concerns of local residents has formed part of the tender assessment process.
Being ruthlessly financially efficient	The procurement process for the principal construction contractor has been carried out competitively in order to ensure the most economically advantageous tender and best value for money, as set out in the Procurement Strategy approved by Cabinet in June 2022. and in line with the council's value of: being ruthlessly financially efficient.
Rising to the challenge of the climate and ecological emergency	The scheme has been designed to PassivHaus classic standards and will reduce carbon emissions by 86% during the construction period and in line with the council's value of rising to the challenge of the climate and ecological emergency

Financial Impact

The tendered construction cost of £0.367m per property (or £4,340 per sqm) represents strong value for money when compared to a delivery of similar projects in London. The funding for the recommended contract award of £49.1m has been approved in the July 2022 cabinet report "Hartopp & Lannoy Development – Building New Affordable Homes in Fulham". Following the procurement process, the cost of the contract award is lower than previous estimates.

The total costs for delivering the whole scheme is currently estimated at £57.0m which is £4m lower than the approved July 2022 Full Council approved budget of £61m. The funding source for delivering the total scheme (which includes the

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construction costs) will be a mixture of GLA affordable grant (£4.9m), RTB 1-4-1 funding (£4.9m), anticipated sales capital receipts (£17.8m) and HRA borrowing (£29.4m).

The project's latest financial appraisal shows a positive net present value (£3m) which indicates that the overall project is financially viable when set against the Council's financial targets and suggests the borrowing will be paid back by Year 20 whereby it then yields a net benefit to the HRA thereafter. The appraisal also considers current and future economic conditions and risks.

The contractor recommended for appointment has been subject to an assessment of their financial stability which is set out in Appendix 4 and below.

- A CreditSafe score of 71 (deemed very low risk)
- The recommended Creditsafe annual contract limit for the company is £30,000,000 which is below the value of the proposed contract award which may pose a risk. However, under the current project proposal the contractual payments will be made over a period longer than a year and therefore they will be within the £30m recommended limit.

Overall, Higgins Group PLC meets the council's recommended threshold with an average turnover from the past two years being more than double the value of the revised contract amount.

Harun Guleid, Principal Accountant (Development), 15/02/2023

Verified by Andre Mark, Head of Finance (Strategic planning and investment), 15th February 2023

Legal Implications

This construction contract is above EU thresholds and so the Public Contracts Regulations 2015 (PCRs) will apply.

The Council's Contract Standing Orders (CSOs) will also apply as it is a High Value Contract.

Under Regulation 33 of the PCRs a contractor can be chosen by using a Framework. The Council used the A2Dominion Framework which is compliant with the PCRs and does allow for use by the Council. The Council followed the mini-competition procedure in the Framework to award the contract. Using the Framework also complies with advertising and competition requirements set out in CSO 19.

The relevant Cabinet Member has the authority to approve the award of the contract (CSO 21.1) once it has been submitted to the Contracts Assurance Board (CSO 21.5).

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Under CSO 21.7, where the award report concerns the award of contract in excess of £300,000 in value or the expenditure is otherwise significant, then it is a Key Decision (see Article 12 of the Constitution) and must be submitted to Committee Services for publication on the Council's website. The award decision cannot be implemented without the expiry of the call-in period for that decision as shown on the website.

Joginder Bola, Senior Solicitor (Contracts & Procurement), 31/1/2023

Background papers used in preparing this report

[Hartopp and Lannoy Development – Construction of New Affordable Homes in Fulham](#), considered at Cabinet 06/06/2022 (approval of procurement strategy for the main contractor)

[Hartopp and Lannoy Development – Building New Affordable Homes in Fulham](#), considered at Full Council 13/07/2022 (approval of the capital budget for the construction of the development)

[Land At The Former Hartopp Point And Lannoy Point, Aintree Estate, Pellant Road London SW6 7NG](#), considered at Planning and Development Control Committee 19/09/2022 (approval of officer recommendation to grant planning permission)

DETAILED ANALYSIS

This section of the report details key background information relating to the site and this decision relating to the award of a construction contract.

Background

1. This report concerns the development of 134 new homes ("the Development" hereafter) on the land of the former Hartopp Point and Lannoy Point tower blocks on the Aintree Estate ("the Site" hereafter). The Development is an important element of fulfilling the council's commitment to building new, affordable homes, as set out in the 2019 Building Homes and Communities (Growth) Strategy. As such, 112 (84%) of the 134 homes that the Development will provide are affordable.
2. The site has been vacant since the conclusion of demolition work on Hartopp Point and Lannoy Point (two tower blocks that previously occupied the Site) in February 2021. The decision to demolish the blocks followed the discovery of significant fire safety issues and structural deficiencies.
3. Having demolished the blocks between May 2020 and February 2021, the council commissioned a design team to work with residents (both former residents of the demolished blocks and residents of the Aintree Estate) on the co-production of designs for the redevelopment of what is considered a vacant 'brownfield' Site. The design process began in December 2020 and the scheme

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has since undergone detailed design work and resident consultation in line with the Defend Council Homes Policy (“the DCHP” hereafter).

4. Having obtained approval from Full Council for a capital budget to build the scheme, and resolution to grant planning permission from the Planning and Development Control Committee in September 2022, this report now requests approval to award a contract for the construction of the Development, the background, and details of which are set out more comprehensively below.

Co-production and compliance with the DCHP

5. The council’s DCHP sets out its approach to consulting with estate residents on development proposals that could significantly affect their homes, ensuring residents have the opportunity to participate in any decisions relating to such proposals.
6. Where a development proposal is deemed to fall within the scope of the policy, the council is to issue a series of ‘notices’ to residents to update on various matters pertaining to the proposal. Furthermore, the council is to establish a resident-led steering group to act as a custodian of the policy and advise on its implementation. The table below details the key milestones in fulfilling the requirements of the policy in relation to the Development.

DCHP Milestone	Date
First Notice	February 2021
Residents’ Steering Group First Meeting	April 2021
Second Notice	April 2023 (following appointment of the contractor)

7. The Residents’ Steering Group (RSG), which has met on over 10 occasions since April 2021, contains former residents of the Hartopp and Lannoy Point blocks as well as residents from the wider Aintree Estate. The group has helped the council to co-produce the design of the scheme, which has included reducing the height of certain blocks, redesigning balconies, and advising on the tree planting strategy thereby, truly promoting a culture of co-production that help shape services.
8. Moreover, three larger public consultation events have enabled the council to consult with around 140 residents beyond the Residents’ Steering Group and gather feedback which strongly suggests that the scheme is well-supported by the local community.
9. The RSG have been involved in the appointment of the contractor, with input into questions in the Invitation to Tender, interview process with tenderers and the evaluation and moderation of the appointment.

Details of the proposed scheme

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This report seeks approval of the decision to award a contract for the construction of the Development that was recommended for approval by the Planning and Development Control Committee in September 2022 (Ref: 2022-01346-FR3).

10. The Development will provide 134 new homes of which 112 (84%) will be affordable. The breakdown of tenures is as follows:

Tenure	Number of Homes
Social Rent / London Affordable Rent	67 (50%)
Shared Ownership	45 (34%)
Market Sale	22 (16%)
Total	134

11. the scheme far exceeds the Local Plan policy that 50% of homes should be affordable and our GLA grant requirements investment partner agreement, and, makes a significant contribution to the borough's commitment to maximise the building of affordable homes.
12. Greater London Authority grant funding (under the Bchfl AHP 2016-23), ringfenced and retained Right to Buy receipts, and the revenue sales receipts from the 22 leasehold market sale homes and shared ownership homes, enable the Development to be self-funding, and in adherence to the wider development programme and HRA 40 year Business Plan –as set out within the Building Homes and Communities Strategy. Moreover, the Development is considered viable when set against the Council's approved financial performance hurdles.
13. The Development has been designed to meet the Council's Climate and Ecology strategy and transitional targets and achieves PassivHaus classic standards. This accreditation translates into an 86% reduction in on-site operational carbon emissions and as a result, an anticipated reduction in residents' energy bills of around 50%. Operationally, the Development will be net-zero carbon once constructed whilst making a 14% carbon off-set payment. The design also promotes green space provision and high-quality ecology across the Site, with recreational provision for all age groups.
14. The Development has been designed to be accessible and inclusive. All new and existing homes can be reached via level access and Secure by Design principles have been followed in the proposals for new buildings and open space. The Hammersmith and Fulham Disability Forum Planning Group provided important feedback on the design to which they responded positively.

Procurement Process

15. The procurement strategy approved by Cabinet for the selection of the main contractor set out the council's chosen procurement route. the strategy described deemed that a two-step mini-competition through the use of a third-party framework (in this case A2Dominion Lot LN3) provided the council with

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the greatest assurance around contractor experience, genuine competition, value for money, risk mitigation, and time efficiency.

16. The first step involved a pre-qualification questionnaire (PQQ) stage which was published on the Council's e- procurement portal, Capital E-Sourcing on 20th June 2022, to the 12 parties on the A2Dominion framework. This led to contractors being shortlisted and invited to participate in the second step and Invitation to Tender (ITT). The PQQ stage resulted in four parties providing responses on 8th July 2022 to 10 questions to demonstrate their capability and experience directly related to the delivery of residential net-zero developments within inner London areas.
17. Following the PQQ stage, on 04 August 2022, the Full ITT was issued on Capital E-Sourcing to the four remaining contractors. One of the tenderers declined to tender due to workload. A second tenderer stated they would only tender if a fluctuation provision was included, this was rejected and consequently the party declined to tender.
18. The Council received two responses and on 14th November 2022, in the presence of the council's procurement and commercial service, the two responses were opened, and the tender evaluation process began.
19. The tenders were subject to evaluation by the council's Tender Advisory Panel ("TAP" hereafter). The TAP had representation from the council's development team, legal and procurement and commercial service, supported by the externally appointed Employer's Agent. The TAP consisted of people with specialist construction expertise and subject matter experts to ensure the evaluations were carried out in an objective and unbiased manner.
20. The basis on which the tenders were evaluated is set out below:

Element	Weighting	Detail and explanation
Qualification	Pass / Fail	<p>Minimum requirements for qualification relating to:</p> <ul style="list-style-type: none"> • Bona Fine Tendering and anti-collusion; • Insurance levels; • Conditions of contract; • London Living Wage; • Modern Slavery; • Commitment in principle to the journey of Hammersmith & Fulham reducing the Council's carbon impact; and • Commitment in principle to the journey of Hammersmith & Fulham becoming a Dementia friendly borough. <p>Tenders that failed to meet the minimum requirements for qualification would be rejected</p>
Price (Commercial)	40%	<p>The lowest submitted price is to receive a score of 40. The price score of the other submission is calculated according to the formula below.</p> <p>40% x (lowest submitted price / price of tender being evaluated)</p>

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		According to this formula, a contractor's price score is both proportionate to the importance of the cost relative to quality, and to the most commercially beneficial price submitted to the council.
Quality	60%	<p>The quality section of the tender (scored out of 60) assessed with 7 questions the contractors' overall suitability to construct the Development and incorporated the following sub elements:</p> <ul style="list-style-type: none"> • Programme approach method statement • Quality & performance method statement • Health & safety method statement • Risk management, mitigation strategy & risk register • Team structure, governance & CVs of key personnel • Value Engineering proposals • Input to interview- including neighbourhood and community engagement <p>As per the council's Social Value policy, contractors' proposals to deliver Social Value were weighted at 10% of the overall tender scoring process.</p>

21. All tenders submitted passed the qualification stage, having met the minimum criteria.
22. Further clarifications on the returned commercial and quality documents were required which are explained in Appendix 2. Following a detailed analysis and review of the Contractors tender submissions, the TAP are satisfied that a compliant normalisation process has been completed. Commercial information has been shared with both Contractors on a like for like basis and both Contractors have been given equal opportunity to provide fixed price allowances for elements within their submission.
23. The TAP's evaluation and moderation of the two tender responses was finalised on 26th January 2023. According to the tender evaluation criteria as described above, and in view of the failure of two contractors to submit tenders, the final tender scores are as follows:

Rank	Contractor	Price Score	Quality Score	Overall Score
1 st	<i>Higgins Partnership PLC</i>	40%	39.3%	79.3%
2 nd	<i>Tenderer 2</i>	33.14%	32.02%	65.2%

24. Officers therefore recommend that the contract for the construction of the Hartopp and Lannoy Point Development be awarded to Higgins Partnership PLC, with an overall score of 79.3%
25. The commercial price including contingency of £49,142,058 for Higgins Partnership PLC is within both the budget estimate set out in the procurement strategy approved by Cabinet in June 2022 and, budget approved by Full Council in July 2022.

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26. The decision to award this contract is within the Cabinet Member's authority, as per clause 21.1. of the Hammersmith and Fulham Contract Standing Orders

Next steps

27. Should the Cabinet Member for the Economy approve officers' recommendation to award this contract. The Development's future milestones will be as follows:

Milestone	Date
Contract Execution and Site Possession	March 2023
Start on Site*	During or prior to 31 st March 2023
Practical Completion	October 2025

*In compliance of the conditions of GLA Bhcfl AHP-2016-2023 in anticipation of this process and to comply with GLA grant funding agreement, start on site will be secured by the council entering into contract with Higgins PLC. Enabling works already underway by Coleman Group and UKPN satisfy this milestone, as these works will be subsumed within the main works contract at signature.

Analysis of Options

Option One: Approve the Contract Award as per the recommendations of this report (recommended)

28. The recommended option is to approve the award of the contract for the construction of the Development to Higgins Partnership PLC. on the basis that the Development provides a range of benefits to the local community, principally the provision of much needed affordable housing.
29. The procurement process has been conducted on a competitive basis and in conformity with the approved procurement strategy, so as to ensure that the contract delivers the most economically advantageous tender and best value for money, substantial assurance around the quality of the supplier, and a range of positive social value outcomes within the borough.
30. The tender is within budget and the scheme remains viable.
31. The decision to approve the contract award will also ensure that the principal construction contractor is able to enter into contract, take possession of the site and start on site by 31st March 2023 at the latest. Meeting this milestone will serve to ensure that the conditions of GLA grant funding agreement, which makes a significant contribution to the provision of affordable housing within the Development, are satisfied.

Option Two: Re-run the procurement process for the main construction contractor

32. The second option is to re-run the procurement process to select the main construction contractor. This option is not recommended on the grounds that it

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would unnecessarily postpone the provision of affordable housing in the borough and serve to threaten the viability of the Development, owing to the risk of losing previously secured GLA grant funding and Right to Buy receipts, by failing to meet their respective longstop drawdown dates.

33. The council has no reason to believe that repeating the procurement process would result in a more beneficial outcome in view of the fact that the procurement has been carried out using a competitive framework with experienced contractors.

Option Three: Reject the Contract Award and abandon the Development

34. The third option is to abandon the Development by rejecting the contract award decision. This option is not recommended, because the Development delivers against a wide range of the council's strategic priorities, most notably the provision of much needed affordable housing and is viable when set against the Council's approved financial performance hurdles.
35. The council would face the prospect of having incurred significant abortive costs through any decision to not proceed with the Development, as well as jeopardising the council's legal commitment to deliver an enhanced housing provision on the Site within 10 years of the Compulsory Purchase Order granted in relation to the Site in December 2019.

Reasons for decision

36. This decision is required to comply with clause 21.1 of the Hammersmith and Fulham Council Contract Standing Orders, according to which Contract Awards for Capital Contracts above a value of £1.5m are to be approved by the relevant Cabinet Member.

Equality Implications

37. It is not anticipated that this award decision will give rise to any negative impacts on any group with protected characteristics, under the terms of the Equalities Act 2010. Additionally, the Procurement Strategy approved by Cabinet report "Building Affordable Homes" dated June 2022 considered the wider implications of the redevelopment of the site.

Risk Management Implications

38. A tendering exercise has been conducted in accordance with our Being Ruthlessly Financially Efficient objective to seek the best financial solution for our tenants and most economically advantageous tender.
39. Officers have also sought advice and followed advice from the Council's Insurance team in preparing the ITT and the revised insurance levels to be included within the contract have been agreed.

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40. In producing this report, procurement risks and their control measures were considered and implemented.
41. The key risks identified are as follows:

No.	Identified risk	Likelihood	Risk Control/Mitigation measure
1	Contractor becomes insolvent or no longer has the capacity to deliver scheme	Low	<p>While the likelihood of this risk is low, the potential impact might be significant depending on construction stage.</p> <p>Before a contract is awarded, robust financial assessments will be undertaken including independent financial and credit checks and where necessary and applicable parent company guarantees may be requested.</p> <p>Finance colleagues have undertaken due diligence this month on the financial standing and accounts of the successful tenderer as per their finance paper and deemed acceptable to enter into contract.</p> <p>Officers included a question during the tender process regarding their capacity to deliver the project, which was considered acceptable.</p>
2	Mobilisation/ construction delayed due to unforeseen site issues	Low	<p>Council to ensure that the internal and external resources are in place to deliver the project in a timely manner. The site has been de-risked through extensive site investigations to eliminate technical issues prior to start on site.</p> <p>During clarification process, the successful tenderer provided confirmation of their ability to enter contract, take possession and start "meaningful works" by 31st March 2023.</p>

42. Officers will need to ensure that robust contract management and project management arrangements are in place to deliver the scheme to budget, on time and to the required quality standards.

David Hughes, Director of Audit, Fraud, Risk and Insurance, 1 February 2023

Climate and Ecological Emergency Implications

43. Approval of this report will result in a contract being awarded for the construction of the Hartopp and Lannoy development. The development will achieve PassivHaus classic environmental standards, enabling an 86% reduction in on-site carbon emissions. Once constructed, the development will be operationally net-zero. As such, the approval of this report makes a

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substantial contribution to the priorities set out within the council's H&F 2030 Climate and Ecology Strategy.

44. Sustainability of the tenders has also been assessed as part of the methods statements and social value evaluation. Contractors will be asked to support the council to discuss opportunities and costs for reducing embodied emissions in material selection in future development projects.

Verified by: Jim Cunningham, Climate Policy & Strategy Lead, 1st February 2023

Procurement Implications

45. As set out above in the Legal Comments this procurement was run in compliance with the Public Contract Regulations 2015 and the COUNCIL'S Standing Orders.
46. As Head of Procurement, I assured the whole procurement from the authoring and issue of the tender, through to the evaluation, moderation and finalisation of the scoring to this award decision.
47. The procurement and its documents will be on the Cap-E portal, principally through itt__15955.
48. Social Value including Environmental / Net Zero commitments will be enshrined in the contract as binding obligations on the supplier. David von Ackerman, the Council's Head of Procurement met with Joginder Bola to review how Social Value commitments of the successful tenderer will be enshrined in the contract. David has undertaken his assurance and confirms that there are legally binding and both comprehensive and robust terms in the contract to ensure that the Council can hold the awarded bidder to their commitment in this area and best practice has been achieved in this area.
49. Environmental impact including flood risk has been investigated as part of the planning of the scheme with the Head of Procurement assuring the highest environmental and climate impacts have been explored and remain integral to the planning and design of the scheme with competent external professionals having been commissioned as part of the development.

David von Ackerman – Head of Procurement – 17th February 2023

Local Economy and Social Value

50. It is the council's policy that all contracts let by the council with a value above £100,000 commit to social value contributions that are additional to the core services required under the contract. In addition, the evaluation of social value should account for a weighting of a minimum of 10% of the overall score.
51. The Council's strategy for this procurement planned to secure Social Value through the use of bespoke measures that are suited to construction works and

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bidders were required to offer Social Value for evaluation. 10% of the overall quality score has been ascribed to Social Value and both the value and the quality of bidders' proposals have been scored.

52. The scoring incentivised bidders to maximise their social value offer. However, bids offering a social value of less than 10% of a bid's price would not automatically be rejected. Councillors decided to exempt this procurement from the minimum threshold of the supplier proposing social value measures of a proxy value of 10% on the contract price and, instead, attribute the highest social value score to the bidder which proposed the highest proportion of proxy value.
53. Higgins Partnership PLC has made social value commitments of £4,071,218.95 reflecting 8.1% of the overall contract award.
54. Social value measures committed by the winning bidder should be included as conditions in the contract agreement with financial remedies sought for non-delivery. It is advised that the winning bidder contact the Economic Development team to help them design a detailed delivery plan for the agreed measures. Council services are available to support the winning bidder plan, deliver and measure social value contributions.
55. In the scoring of the bids, the comments made of Higgins' social value proposal included, "The response would have benefitted from... having included clear evidence of how target responses had been calculated and [proposals], where [responses were] not provided, even after CQs [clarification questions] were issued, have been discounted to zero. [These remain part of the 8.1%.] There were also concerns about the ability of the bidder to meet their high target commitments within this contract duration.". Higgins has bid to employ 201 local residents facing specified barriers to work on the construction of the development. This is substantially higher than the 10% S106 planning obligation that will be applied.

Paul Clarke, S106 and Social Value Officer, Economic Development, 1 February 2023

LIST OF APPENDICES

Appendix	Subject
Appendix 1 (exempt)	Tender analysis
Appendix 2 (exempt)	Tender price clarification process
Appendix 3 (exempt)	Contingency sums
Appendix 4 (exempt)	Exempt financial implications