



Report for:	Cabinet
Title of report:	Appointment of Principal Contractor for Eastwick Row, Hemel Hempstead
Date:	30th January 2024
Report on behalf of:	Councillor Simy Dhyani, Portfolio Holder for Housing and Property Services.
Part:	Part I with Part II procurement report annexed.
If Part II, reason:	Procurement report contains commercially sensitive information,
Appendices:	Appendix A – Community Impact Assessment Appendix B – Site Plan
Background papers:	
Glossary of acronyms and any other abbreviations used in this report:	DMC – Development Management Committee GF – General Fund HRA – Housing Revenue Account ITT – Invitation to Tender JCT – Joint Contracts Tribunal D&B – Design & Build EA – Employers Agent

Report Author / Responsible Officer

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<p>Corporate Priorities</p>	<ul style="list-style-type: none"> • A clean, safe and enjoyable environment • Building strong and vibrant communities • Ensuring economic growth and prosperity • Providing good quality affordable homes, in particular, for those most in need • Ensuring efficient, effective and modern service delivery • Climate and ecological emergency
<p>Wards affected</p>	<p>Adeyfield Ward</p>
<p>Purpose of the report:</p>	<p>To be read in conjunction with Part II.</p> <ol style="list-style-type: none"> 1. To seek approval to enter into the JCT Design & Build 2016 (D&B) contract with Bugler Developments Ltd for the delivery of 34 units at Eastwick Row, Hemel Hempstead. This contract will require Bugler Developments Ltd to complete the previously started construction of the block of flats that was halted due to the previous contractor Jarvis Contracting Ltd going into Administration. 2. To provide delegated authority to the Council's Assistant Director (Legal & Democratic Services) to execute and complete all legal agreements ancillary to the JCT Design & Build Contract 2016 and/or reasonably required to complete the Project.
<p>Recommendation (s) to the decision maker (s):</p>	<p>Principal Contractor Appointment.</p> <p>That Cabinet:</p> <ol style="list-style-type: none"> 1. Approves entering into the JCT D&B contract with Bugler Developments Ltd for the delivery 34 units at Eastwick Row, Hemel Hempstead. 2. Delegates authority to the Assistant Director (Legal & Democratic Services) to execute and complete all legal agreements ancillary to the JCT Design & Build Contract 2016 and/or reasonably required to complete the Project, including (but not limited to): <ul style="list-style-type: none"> a. all professional appointments; b. collateral warranties; and c. Agreements under S.38, & S.278, of the Highways Act 1980; S.247, Part III of the Town and Country Planning Act 1990; S.104 of the Water Industry Act 1991, and S.50 of the New Roads and Street Works Act 1991.
<p>Period for post policy/project review:</p>	<p>There will be a 12-month defect liability period after practical completion. A 2-year review period is therefore recommended for this project.</p>

1. Introduction/Background:

- 1.1 Since 2013, the Council has delivered 385 new Council homes in the Borough.
- 1.2 The Council originally identified Eastwick Row for redevelopment and the scheme to deliver a block of 34 flats and 2 houses received approval by Cabinet in September 2020.
- 1.3 Works had commenced on site on 21st May 2021 and were taken up to the completion of the concrete frame when, unfortunately, on 28th February 2023 Jarvis Contracting Limited (Jarvis) went into administration.
- 1.4 Since this date, Dacorum Borough Council has worked to take back possession of the site, has undertaken significant works to ensure the site is maintained in a safe condition and has taken the scheme back to market via a competitive tender to select another contractor to take the scheme through to completion.
- 1.5 The Council has worked with Employers Agent (EA) Philip Pank Partnerships LLP (PPP) to produce a tender pack and issue this to the market. This process has now completed and Cabinet is asked to approve the appointment of a new Principal Contractor.

2. Proposals:

Principal Contractor Appointment

- 2.1 The proposal put forward is to seek approval to enter into the JCT Design & Build 2016 (D&B) contract with Bugler Developments Ltd for the delivery of 34 flats at Eastwick Row, Hemel Hempstead.
- 2.2 The original JCT Design and Build Contract with amendments was for the erection of a single 7 storey building with 34nr 1 & 2 bedroom units and 2nr 3 bedroom houses including 48nr storage units, car parking, external bin, cycle and scooter stores. It is the Council's intention to let a JCT 2016 Design and Build Contract with amendments for the remaining works (not including the 2nr houses). The two houses were removed from the original project as there was a large sewer diversion required which had a considerable associated costs and this made the delivery of the two houses financially unviable. The construction works also include provision of new pram storage sheds for existing residents and improved parking areas.

Programme

- 2.2 The programme for the development of the scheme is:
 - Planning approval at Committee – June 2020 – Original Permission
 - Site possession – March 2024
 - Works start on site – April 2024
 - Practical completion – July 2025

3. Consultation:

A list of internal Dacorum Borough Council consultees for this decision are as follows:

- Portfolio Holder for Housing & Property Services
- Strategic Director – Housing & Property Services.
- Chief Finance Officer
- Assistant Director – Legal and Democratic Services
- Assistant Director – Strategic Housing and Delivery

- Procurement Lead Officer, Commissioning, Procurement & Compliance

4. Financial and value for money implications:

- 4.1 The overall HRA development budget is reviewed strategically as part of the annual review of the Housing Revenue Account Business Plan. Each individual scheme, following contract award, is subject to close financial monitoring with any variances are agreed formally through a change control methodology.
- 4.2 The lifting of the HRA borrowing cap has provided the opportunity to take out additional borrowing, through the Public Works Loan Board, enabling the expansion of the new build programme in a sustainable and affordable way.
- 4.3 This has been achieved through a successful procurement programme involving a tender process managed by the Council's Procurement Team.
- 4.4 Full financial appraisals are undertaken prior to contract award, including financial analysis of recently published accounts. An assessment of the bidder's financial standing was carried out by the Council's Finance Department. The recommended successful bidder passed this financial evaluation.
- 4.5 The Council also uses external financial analysis services from Altair Consultancy & Advisory Services Ltd to help assess risk and creditworthiness associated with contractors. Updates on the financial status of key contractors are submitted regularly.

5. Implications:

The award of contract has followed a regulated and competitive procurement process to evidence that the Council will obtain value for money for the contract award.

6. Risk implications:

- 6.1 There are inherent risks that are associated with a project of this type where works have been progressed by one contractor that will then need to be taken forward to completion by a different contractor. There is a robust risk management process in place for this project. The Housing Development Team is working with the Council's EA to mitigate the risks contained in the project risk matrix.
- 6.2 Please see below five highlighted risks that have been identified for the Eastwick Row project:
 - **Condition and Quantity of On Site Materials.** Potential for additional costs and delays associated with damaged or insufficient quantities of materials.
 - **Building Safety Act 2022 - High Rise Buildings.** Any unforeseen issues related to the original registration of the scheme that could cause the Regulator to move the scheme over to the High Rise Building Gateway regime.
 - **Structural condition and accuracy of the Reinforced Concrete frame.** This includes the frame, any builders' work and any attachments such as balcony brackets. Costs and delays associated with any remedial works necessary to proceed safely with the contracted works.
 - **Resident Liaison and engagement.** Parking and access restrictions. Disruption to adjoining owners and residents.
 - **Highways - S278 agreement** - delay in obtaining legal agreement. Delay in programme and potentially occupation.
- 6.3 The delivery team will ensure that all risks are reviewed monthly from the award of contract by the Project Manager and the EA, along with the contractor's delivery team. Regular Risk

Workshops will be held with the Project Delivery Team to update risks and ensure the risk register is current.

7. Equalities, Community Impact and Human Rights:

- 7.1 A Community Impact Assessment has been completed – See Appendix A. There are no detrimental impacts identified.
- 7.2 These proposals will have a beneficial impact on low income households. Homes are developed and allocated in line with the demand for social housing and are let in accordance with the Council's Housing Allocation Policy to those households in greatest need. Improved community facilities in the form of enhanced resident parking and new pram storage sheds being built as part of these plans will also have a positive impact.
- 7.3 There are no Human Rights implications arising from this report.

8. Sustainability implications (including climate change, health and wellbeing, community safety):

- 8.1 The scheme has been designed with consideration to Secured by Design standards, and it incorporates high energy efficiency and sustainability features. The construction specification has been produced to significantly exceed building regulation requirements for environmental standards.
- 8.2 The Core Sustainable Development Strategies for Eastwick Row are:
- To promote healthy and sustainable communities and a high quality of life.
 - To mitigate and adapt to the impacts of climate change.
 - To promote social inclusion and cohesiveness, embrace diversity and reduce inequalities
 - To create safe and attractive environments through high quality design

9. Council infrastructure (including Health and Safety, HR/OD, assets and other resources):

Each new build scheme has in place a Principal Designer and Construction Design and Management Regulations (CDM) Advisor. Contractors are required to comply with the Council's Health and Safety (H&S) Policy along with Considerate Constructors requirements. Health & Safety is identified as a key risk of the Housing Service and is reported to the Council's Housing and Communities Overview and Scrutiny Committee on a quarterly basis. To ensure compliance, monthly site checks are carried out on behalf of the Council to ensure adherence to H&S procedures.

10. Statutory Comments

Monitoring Officer:

The contractual terms agreed with the approved contractor will be confirmed through a JCT Design and Build Contract, which will regulate the contract through to completion. The proposed award follows a competitive tender process to ensure that the council is receiving value for money for the contract.

Deputy S151 Officer:

The Eastwick Row project was first tendered back in 2020, when the total budget for the development was circa £11m. The Council has received circa £1.7m in compensation through the Bond and warranty insurance that the Council undertook for the development.

The revised net budget for this project though is now circa £15m an increase of £4m on 2020 prices. The scheme has been subject to substantial inflationary costs for labour and materials that have affected the market due to recent global economic uncertainty, which is the preliminary cause for the 36% uplift in budgeted costs.

The re-procurement has been increasingly complex given the need for a new construction partner that would be content with re-commencing works on an existing development and, as such, the revised budget does also include a 12% contingency to allow for the increased potential risks associated with this build.

The further investment required to complete this development is significantly lower than the projected value of the development on completion and the revised budget costs have been reflected in the modelling of the revised HRA business plan.

11. Conclusions & Recommendations

Appointment of Principal Contractor

The recommendation is that the Cabinet gives approval to enter into the JCT Design & Build contract with Bugler Developments Ltd for the delivery of 34 units at Eastwick Row, Hemel Hempstead.