



Cabinet
11 February 2019

**Report from the Strategic Director
of Resources**

**Approval to trigger the award stage two of the Two Stage
Design and Build contract for the redevelopment of
Knowles House**

Wards Affected:	Kensal Green
Key or Non-Key Decision:	Key
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Exempt - Appendices 1 and 2 are exempt from publication as they contain the following category of exempt information as specified in Paragraph 3, Schedule 12A of the Local Government Act 1972, namely: "Information relating to the financial or business affairs of any particular person (including the authority holding that information)"
No. of Appendices:	Two (both contain exempt info) Appendix 1 - Value for Money Report Appendix 2 - Summary of costs
Background Papers:	None
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Gordon Cooper Project Manager Email: Gordon.cooper@Brent.gov.uk Tel: 020 8937 1739

1.0 Purpose of the Report

- 1.1 This report requests authority to trigger the award of the Stage Two of the two stage design and build contract for the redevelopment of Knowles House to Wates Residential Ltd for £28,588,687. The report outlines the progress and current position of the project since previous Cabinet approvals.

2.0 Recommendations

- 2.1 That Cabinet give approval to trigger the entry into the contract for Stage Two of the Two Stage design and build contract for the redevelopment of Knowles

House to Wates Residential Ltd.

- 2.2 That Cabinet note the budget for the redevelopment of Knowles House as set out in Appendix 2.
- 2.3 Approval of the redevelopment of this site will reduce the number of people in unsuitable temporary accommodation in Brent.

3.0 Detail

- 3.1 On 19th June 2017 Cabinet approved a capital investment for delivery of the Knowles House Scheme. Since the approval, GLA grant of £65m (to deliver a five year programme of affordable housing) has been awarded to Brent, part of which will be allocated to this scheme. The Knowles House Project Team also considered and amended the scheme specification to ensure that measures are put in place as part of the construction to minimise fire risks.
- 3.2 In addition, the scheme was originally to be delivered in two phases but it has been recommended that it be delivered in one phase instead, for reasons detailed in this report. There remain some items of risk that are not quantifiable at this stage of the redevelopment, as the existing building is still occupied.
- 3.3 Under a Delegated Authority Report dated 9th March 2018, approval to award contract to Wates Residential Ltd was obtained to enable the commencement of the Pre Construction Service Agreement (PCSA), being the Stage One of the Two Stage design and build contract (which commenced in May 2018), for the sum of £684,911. This has enabled the contractor to develop the design from a planning permission, to a full set of construction drawings, and to tender works packages to its sub-contractor supply chain. Based on that, a stage two (construction) contract sum of £28,588,687 (including Stage One cost) has been received from Wates Construction Ltd calculated on the basis of the current economic situation. It should be noted however that execution of the PCSA does not give Brent a legal obligation to enter into the main contract with Wates.
- 3.4 Wates Construction Ltd has proposed that specific contractual provisions dealing with Brexit-related risks be included in the contract. The provisions will deal with any increase in the cost of the redevelopment or any delay in the carrying out of the works arising as a result of or in connection with Brexit due to the imposition of a Tariff (all taxes, duties, charges, levies, assessments and other fees of any kind imposed on the import or purchase of goods or materials), currency fluctuation, and the imposition of checks, whether in physical or electronic form and/or at the EU border or UK border, of any products, goods and materials to be incorporated into or specialist equipment used in the works and/or specialist services.
- 3.5 Appendix 1, the tender report prepared by Baily Garner (the council's costs consultants on the project) sets out the process undertaken by the contractor during the pre-construction services period and validates the stage two contract sum. Baily Garner recommends triggering execution of the stage two contract with Wates Construction Ltd.

- 3.6 The scheme will provide 149 units of new accommodation in the Borough, and a replacement community centre. Detailed in the table below is the mix of properties in the scheme:

Temporary Accommodation ("TA")		New Accommodation for Independent Living ("NAIL")		Community Centre	Total
1b2p	62	1b1p	57	1	
2b4p (WC)	7				
2b4p	23				
Total	92		57	1	150

- 3.7 Although not originally included in proposals, the designers have allowed for a sprinkler system in the NAIL and TA buildings and non-combustible cavity wall insulation to minimise fire risk for this particular development. The additional cost is as set out in Appendix 1, and is included in Wates contract sum. These measures are not required by current building regulations, but are far easier and more cost effective to incorporate now, than retrospectively in an occupied building. Given the vulnerable nature of tenants in NAIL accommodation, and the transient occupancy of the TA building, Adult Social Care support this recommendation.
- 3.8 The pre-construction services period has been used to quantify and where possible eliminate building risks but as Knowles House is an occupied building certain risks, such as asbestos, ground conditions under building etc. are yet to be assessed and eliminated until the existing building is demolished. Therefore should any unforeseen hazards arise (outside the main contract), they will need to be managed by utilising existing programme wide contingencies.
- 3.9 The project team have worked closely with Wates to consider the options of building out the scheme as two phases (as originally envisaged), or one phase. Single phase delivery has more onerous decanting requirements, and puts back start on site, as full demolition can only take place when vacant possession is granted. This is offset by a reduction in the construction programme of approximately 40 weeks, simpler construction and reduced contract sum, NAIL delivered earlier, full rental stream earlier and revenue savings achieved earlier. The project team agreed the benefits of a single phase delivery were significant and should be adopted.
- 3.10 Wates are forecasting a construction period of 130 weeks, for single phase delivery. 6-8 weeks are required to provide vacant possession of the existing building, and terminate the management contract. Handover is anticipated winter 2021. It is anticipated there will be a phased handover, with each block being handed over separately.
- 3.11 The form of contract will be JCT 2016, design and build, with Brent's standard amendments.

4.0 Financial Implications

- 4.1 In June 2017 Cabinet approval was granted for total scheme costs of £31.5m. This sum includes provision for the main contract as well a number of additional Brent costs such as furniture, consultants, surveys etc. This overall sum has

been incorporated into the Cabinet January 2019 capital pipeline report and a detailed breakdown of the scheme costs is provided in Appendix 2.

- 4.2 As noted above (para 3.2) this scheme will attract c£5.7m grant funding as part of the GLA affordable housing programme. This is part of a wider allocation of £65m awarded to the council to increase the supply of affordable housing in Brent. Approval of the recommendations in this report will facilitate a start on site to be made in 2018/19 financial year, in accordance with the stipulations set out in the GLA funding confirmation.
- 4.3 Once delivered the scheme will reduce the council's dependency on bed and breakfast and care homes resulting in revenue savings.

5.0 Legal Implications

- 5.1 The value of this contract over its lifetime is in excess of the EU threshold for works and the award of the contract is therefore governed by the Public Contracts Regulations 2015 (the "EU Regulations"). The EU Regulations provide the rules for use of framework agreements and contracts may be called off under framework agreements without the need to separately advertise such contracts or procure them through a full procurement process. The procurement was undertaken and concluded through a framework and there is no issue from the EU procurement perspective with the Council triggering entry into Stage Two of the contract.
- 5.2 Should members be satisfied with the proposed contract sum following conclusion of Stage One, they may agree that Stage Two is triggered (the main construction phase) by Officers giving Wates Construction Limited the relevant notice that is required to enter into the main contract.
- 5.3 As detailed at paragraph 3.4, Wates Construction Ltd. have submitted their bid on the basis that a Brexit clause is included in the contract. Such clause is essentially an extension of a change in law provision found in many contracts that acknowledges that a contractor has bid on the basis of the law as it currently stands and that if there are changes, it should not be prejudiced by such changes. This permits contractors to price without building in significant contingencies. A Brexit clause results in the Council assuming additional risks and if this approach is accepted, care will need to be taken to ensure that any Brexit clause is tightly drafted to ensure the Council only accepts liabilities that are directly attributable to Brexit and that cannot be mitigated.

6.0 Equality Implications

- 6.1 The proposals in this report have been subject to screening and officers believe that there are no equality implications.

7.0 Human Resources/Property Implications

- 7.1 There are no staffing or accommodation implications for Council staff.

8.0 Public Services (Social Value) Act 2012

- 8.1 Whilst the Public Services (Social Value) Act 2012 (the "Social Value Act") does not apply to works contracts, Officers have had regard to considerations

relevant to the Social Value Act in this procurement, namely how the contract might improve the economic, social and environmental wellbeing of the borough.

- 8.2 Wates have developed a package of social value measures such as opportunities for local sub-contractors and local people to gain experience and employment in the construction industry. This will be developed with Brent officers, once the contract is let.

Related Documents

- Report to Cabinet – 11 April 2016
- Report to Cabinet – 19 June 2017
- Delegated Authority to Award Report – 9 March 2018

Report sign off:

ALTHEA LODERICK

Strategic Director of Resources