



NORWICH City Council

Committee name: Cabinet

Committee date: 14/12/2022

Report title: To award a contract to decontaminate and stabilise the land at the Mile Cross development site

Portfolio: Councillor Harris, Deputy leader and cabinet member for social housing

Report from: Executive director of development and city services

Wards: Mile Cross

OPEN PUBLIC ITEM

KEY DECISION

Purpose

To consider awarding a contract to decontaminate and stabilise the land at the Mile Cross development site

Recommendation:

To approve the awarding of the contract to Anglian Demolition Ltd for the undertaking of the land stabilisation and remediation works at the site of the former Mile Cross Depot, in preparation for future housing development.

Policy framework

The council has five corporate priorities, which are:

- People live independently and well in a diverse and safe city.
- Norwich is a sustainable and healthy city.
- Norwich has the infrastructure and housing it needs to be a successful city.
- The city has an inclusive economy in which residents have equal opportunity to flourish.
- Norwich City Council is in good shape to serve the city.
- This report meets the Norwich City Council is in good shape to serve the city.

This report addresses Norwich has the infrastructure and housing it needs to be a successful city priority or action in the Corporate Plan

This report helps to meet housing strategy adopted policy of the Council

This report helps to meet housing regeneration and development objective of the COVID-19 Recovery Plan

Report details

Background

1. The appropriation at Mile Cross from the General Fund to the HRA to enable a social housing led development by the council was approved by Cabinet in June 2020.
2. It was also approved that officers would further explore the opportunities and costs for designing and delivering the homes to achieve enhanced environmental standards to help reduce fuel poverty for the residents.
3. The Housing Delivery Team subsequently awarded a contract to Hamson Barron Smith to act as an Employers Agent and lead cost consultancy and design services for the site. This was issued in May 2021 under delegated powers.
4. In July 2022 a factual and robust RIBA Stage 1 report was concluded. This was to ensure that all options to unlock this site had been carefully considered and that the site constraints on the site can be balanced with key opportunities, delivered in this area of the city, improving the community and people's sense of purpose and well-being.
5. The main focus of investigation in the RIBA Stage 1 report was into the ground conditions of this site. The site circumstances on the former depot site are extremely complex with respect to the remediation of this brownfield site. The issues on the site are difficult ground conditions, notably contamination across the site, a main sewage pipe to northern boundary and peat to the southern boundary. Groundworks need to be conducted to a standard required by the Environment Agency in view of residential development being proposed.

Purpose and requirements

6. The purpose of this project is to prepare the ground for future housing development which will be achieved by forming a homogenised and layered development platform to specified levels.
7. The works will require a specialist contractor, with relevant experience in groundworks and remediation to excavate all dry made ground for physical treatment, consisting of segregation, selection, screening and crushing and furthermore, to identify, at source, various materials including vegetation, made ground, soil, contamination, asbestos for treatment options.
8. Research carried out on the site indicates that the majority of the made ground should be suitable for re-use and where it is not suitable is expected to comprise of metals, timber/wood, plastics, rubber all with different prospects for recycling off-site. All material re-used will be in accordance with a materials management plan (MMP) and an engineering specification.

9. Recent ground investigations discovered small quantities of sporadic asbestos contained in the made ground. The contract will include provisions for the removal of discovered asbestos and its disposal via a licensed contractor.
10. The works will also consist of removal of the existing Japanese Knotweed onsite and providing a strategy to prevent any knotweed from spreading back into the site.
11. The contractor will be required to have the ongoing support of a relevant consultant in waste regulations to deliver an agreed Material Management Plan addressing technical aspects. Quality Assurance and Control support is required for chemical and physical properties of re-used materials for the contractor's verification report and regulatory sign off. The consultant will provide client-side support services for provision of information to the contractor as a mutual target for use of best practice and to optimise sustainable materials re-use.
12. These works are subject to a full planning application by Norwich City Council that can be viewed on the planning portal reference 22/00891/NF3. The consent was issued under delegated powers on 2nd December 2022. The start on site for these works is expected to follow in Q4 of this financial year. The contractor will be expected to comply with all planning conditions that fall within their remit, the cost of which will be covered by the undefined provisional sum. There are no pre-commencement conditions on the approval issued.
13. The site is allocated for residential led development in the current Local Plan. This is proposed to be carried forward into the emerging Greater Norwich Local Plan. Due to the ongoing issues with nutrient neutrality no planning application has yet been submitted for residential development.
14. It is expected that a full planning application for the first phase of residential development (c70 homes) will be submitted in April next year. The groundworks are expected to be complete by October 2023. Assuming there is a solution to nutrient neutrality and planning permission is issued, a start on the residential redevelopment could begin in late 2023. Provision for the residential development of the site is made within the emerging HRA business plan that is also being considered at this Cabinet meeting. Across all phases the site is currently estimated to have potential to deliver at least 168 homes.

Procurement

15. The tender was issued in September this year. The procurement route involved the careful selection of several national specialist contractors in the field of land remediation and decontamination and inviting them to engage in a competitive process. Seven specialist contractors were initially identified and then invited to register for the Norwich City Council E-tendering portal on which the invitation was issued. This procurement route was selected due to the specialist nature of the works and timeframes required to start on site.

16. Four contractors submitted tenders. Tenders were evaluated against the evaluation methodology summarised below.

Criteria	Weighting
Quality – Made up of:	70%
Q1 – <i>Experience, Skills and knowledge</i>	30%
Q2 – <i>Social Value</i>	20%
Q3 – <i>Programme</i>	10%
Q4 – <i>Risk</i>	10%
Price	30%
Please provide a price list with a lump sum breakdown for each package of work.	

17. The weighting of 70% to quality was in order to minimise risks to the Council. The primary risks the Council has sought to mitigate through this process are those of delay in the project (as these would create risks in relation to the previous One Public Estate Funding referred to below), environmental impacts and confidence in the price. Owing to the nature of the contract there is a high degree of uncertainty about the precise nature of the ground condition on the site, therefore the methodology favoured contractors who had done due diligence and could give greatest assurance of being able to deliver for quoted sums.

18. The quality assessment consisted of two elements, one being the non-technical data such as programme, logistics, social values, health and safety etc, and the second being all of the information that made up the technical submission including contractor’s ability, methodology, certifications, experience etc. To support the process, a technical consultant was appointed to the assessment panel.

19. Following a first round of evaluation, further clarifications around exclusions and availability of equipment and pricing were sought. One supplier was removed from the assessment process at this stage. The tender scoring matrix for the remaining suppliers is set out below:

Contractor	Qualitative Score	Pricing Score	Combined Score	Position
Anglian Demolition	64	19.97	83.97	1
Jackson Remediation Ltd	56	24.99	80.99	2
John F Hunt	48	30.00	78.0	3

20. The contractor offering the most economically advantageous tender is Anglian Demolition and Asbestos Ltd with a primary contract value of £2.8m. This total contract value includes a general contingency of £0.5m which can be applied for additional work.

21. Through their due diligence work, the contractor has identified the Council may require a further contingency of £0.318m due to potential risks within the project. Therefore, whilst the award value for the contract is the £2.3m with the contingency value of £0.5m, a further provision is being made within the budget to take the total financial commitment to £3.1m.
22. To manage the financial risk, the Delivery Director will then rigorously manage any variation above the tendered value of £2.3m in the envelope budget of £3.1m and report appropriately each month back to the Executive Director for Development and City Services of any variation.
23. Due diligence has been carried out on the winning supplier. The financial assessment tool rates them as in a stable condition which is not considered to represent a moderate-high or high risk to the Council.
24. Award to Anglian Demolition and Asbestos Ltd has provisionally been made under delegated powers subject to endorsement by Cabinet as is recommended. This will enable the contractors to mobilise the site and commence early in 2023.
25. The contract that will be entered into is a standard specialist engineering contract created by the UK Institute of Civil Engineers.

Consultation

26. The planning application has been subject to statutory public consultation. Five consultee comments have been received and no public comments have been made.

Implications

Financial and resources

27. Any decision to reduce or increase resources or alternatively increase income must be made within the context of the council's stated priorities, as set out in its Corporate Plan 2022-26 and budget.
28. The cost of the works have been included within the overall budget for the mile cross scheme (c£40m) which is considered to be adequate to deliver the scheme including these site remediation works.
29. There is a significant difference in the value of the proposed bid for approval and the lowest tender value (around 1/3rd more expensive). The weighting of 70% to quality and 30% to price means that the ability to demonstrate value for money hinges primarily on the quality score since the successful bidder is being proposed on the basis that their quality score outstrips the saving otherwise available by appointing the lowest cost contractor. Cabinet members will need to be assured that this approach does indeed provide the best value for money to the council.
30. Two independent reports on the tender submissions were commissioned to support the quality scores given which gives some comfort that the assessment of the quality scores have been independently evidenced. It is also worth noting that, having approached specialist site remediation contractors, there is a significant divergence on quality.

31. Despite the specialist nature of the contractors, there were concerns that if pricing information was not clear or items were excluded from the pricing, this would pose a significant risk of additional cost to the council. In order to mitigate this risk, the weighting against quality in the tender evaluation process was set at 70% and specialist advice was sought from two independent external consultants to support the quality evaluation.

32. In making the decision to award the contract, members are required to be satisfied that the bid represents the most economically advantageous outcome for the Council. Given the differential in pricing, members will expect to need to be satisfied that the approach to the weighting and evaluation process is sufficiently robust in respect of the quality scoring. As the scoring ratio was set during the tender process, it is not possible at this point to re-appraise this without abandoning the current tender process. The overall value for the contract is £3.100m which includes a contingency (£0.5m) and risk sums of £0.318m. The work is expected to commence in the current financial year and continue into 2023/24 and will be funded from existing budgets within the approved HRA capital programme.

33. If the value of the work that takes place along with other project costs within the current financial year is to exceed the approved 2022/23 budget of £1.367m, it will be necessary to seek the approval of the S151 officer to bring forward budget from 2023/24 to cover additional costs.

Legal

34. The contract will be subject to NEC4: Engineering and Construction Short Contract conditions and CDM Regulations 2015. This contract is below Public Contracts Regulations 2015 threshold for works.

35. Nplaw were consulted on the tender pack which was prepared by Hamson Barron Smith.

Statutory considerations

Consideration	Details of any implications and proposed measures to address:
Equality and diversity	<ul style="list-style-type: none"> There are no direct equality and diversity implications arising from the project, albeit this will continue to be monitored throughout
Health, social and economic impact	<ul style="list-style-type: none"> The future development of the Mile Cross former depot site will see the provision of much needed new housing. Remediating the land in order to provide additional social housing will advance financial inclusion by helping to improve housing affordability. The provision of sufficient and high-quality housing is essential to ensuring decent levels of health and well-being.
Crime and disorder	<ul style="list-style-type: none"> No directly but emerging site design will be developed in line with Secure by Design guidance

Consideration	Details of any implications and proposed measures to address:
Children and adults safeguarding	<ul style="list-style-type: none"> By remediating the land and building more homes to meet needs will help provide accommodation for many people including vulnerable adults who may otherwise be rough sleeping.
Environmental impact	<ul style="list-style-type: none"> Waste management measures will be undertaken in line with best practice guidance. A treatment area will be constructed to manage unexpected contamination finds and dealt with in accordance with the Contamination Discovery Strategy. The existing stockpiles may be re-used, recycling material and cost saving. The new future dwellings will be energy efficient. Housing Delivery Team will explore the use of modern methods of construction which will help minimize waste during construction The contractor is local to the area with local employees therefore reducing mileage or travel to complete tasks. Full consideration will be given to the council's emerging Nutrient Neutrality policy, as necessary.

Risk management

Risk	Consequence	Controls required
One Public Estate Funding.	If the construction doesn't commence on site before December 2023 there is a risk funding of £1m may be reclaimed.	Remediation works due to commence January 2023 taking 6-8 months. Design and procurement will be undertaken for the development during the remediation project.
Cost of inflation	Increase in cost from price submitted in tender.	The contract will be at a fixed sum with a contingency for any identified matters outside of the scope of works. This is subject to commencement of works in accordance with the current timeframe.
Costs escalate due to additional hazards on site	Proposed works exceed budget	The proposed successful tenderer has provided appropriate contingency to mitigate the potential additional cost coverage

Other options considered

36. The procurement team, together with the Housing Delivery Team conducted an initial analysis to explore the requirement further and have identified the following options:

- (a) **Identify a single supplier to award the contract to without competition:** This route would be contrary to Contract Procedures as the value is approximately £3m. An exemption to the contract procedures could be requested in order to engage a supplier at pace, however, this would not justify best value. This option is **not recommended**.
- (b) **Utilise an existing framework:** Various frameworks provided by Crown Commercial Services (CCS), Eastern Shires (ESPO), Eastern Procurement Ltd (EPL), Procurement for Housing (PfH) and PAGABO were explored.

Market research conducted by NRL identified that some local SMEs capable of delivering this work were not available on the frameworks. Alternative routes to market will ensure that we are able to engage our local supplier base and align to the Economic Strategy, Covid Recovery Blueprint and Procurement Strategy. This option is **not recommended**.
- (c) **Utilise an existing dynamic purchasing system framework:** PAGABO has a suitable dynamic purchasing system available for use by local authorities for small works. Suppliers are able to join during the lifetime of the DPS and as a result, new local suppliers will not be excluded from the opportunity to quote for the works. However, the disadvantages of the DPS are that a two stage process is involved including an expression of interest. This will add approximately 3 weeks to the procurement process. There is the potential that the suppliers pass on costs of the supplier framework fee 3-5% in their quotations. By utilising a different route to market we could realise a commercial benefit of an anticipated £90k -150k. This option is **not recommended**
- (d) **Establish competitively tendered contract via an open procedure:** Run a competitive and 'open' procurement exercise looking for a single supplier to meet the council's requirements. This would encourage competition, and as such is the council's preferred route to market for contracts with a value in excess of £100k and may drive down pricing in the bidding process. However, an open tender may negatively impact timescales at evaluation stage. In addition, this route would be suited to larger national companies that could deliver pricing points achieved through economies of scale, it may negatively impact small and local suppliers. This option is **not recommended**
- (e) **Establish competitively tendered contract via a closed minimum 3 quote procedure:** Run a competitive procurement

exercise looking for a single supplier to meet the council's requirements. The procurement team could invite a minimum of 3 preferred suppliers to quote using the councils e-procurement system. The process still drives competition and best value. Timescales are approximately 3-4 weeks quicker than using the PAGABO framework, or open tender, and is likely to achieve a better value for money outcome. This is the **recommended approach**.

Background papers: None

Appendices: None

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