



# NORWICH City Council

**Committee name:** Cabinet

**Committee date:** 06/03/2024

**Report title:** **Contract award for the main contractor for the development at Argyle Street**

**Portfolio:** Councillor Jones, Deputy leader and cabinet member for housing and community safety

**Report from:** Executive director of development and city services

**Wards:** Mancroft

**OPEN PUBLIC ITEM**

**KEY DECISION**

## **Purpose**

To consider the award of a contract relating to the construction of 14 new homes at Argyle Street, Norwich.

## **Recommendation:**

- To agree to award the contract **for construction of the 14 homes** to Marfleet and Blyth Ltd; and
- To agree to utilise £729,166 S106 affordable housing commuted sum towards this 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.

The report addresses the first three of these priorities.

This report addresses *Great neighbourhoods, housing and environment corporate*

*priority* or action in the Corporate Plan.

This report helps to meet *Build and maintain a range of good quality affordable and social housing* adopted policy of the Council.

This report helps to meet *Housing, regeneration and development* objective of the COVID-19 Recovery Plan.

### **Report details**

1. Following the demolition of council houses in 2015, the land at Argyle Street has remained vacant. Ownership of the site has been retained within the Council's Housing Revenue Account identified within the housing pipeline, with costs of redevelopment included within the agreed HRA business plan.
2. The land is situated in Norwich City centre, close to amenities offered on the Riverside.
3. The site has known complexities in its ground conditions associated with historic mining. These add to development costs. A strategy of remediation of the ground using recycled materials from other developments within the city is proposed. This is considered to be the most sustainable approach available to remediation.
4. The scheme proposed is modelled to deliver 100% social housing, creating 14 new highly energy efficient properties built to national described space standards. It comprises 6 1-bed flats, 3 2-bed houses, 2 3-bed houses and 3 4 bed houses. The development will incorporate 9 parking spaces.
5. Planning permission for the development was granted on 8<sup>th</sup> November 2023 (application 22/00273/F). The development will be water efficient but nevertheless it utilises credits from the Council's own nutrient neutrality mitigation scheme to demonstrate that it will not add to problems of phosphate and nitrogen in the rivers Wensum and Yare.

### **Procurement process**

6. The Project's procurement is deemed to be works with a value below the £5,336,937 (inc. VAT) Public Contract Regulations threshold for works (PCR threshold).
7. The Councils constitutional Contract Procedures requires that contract values between £100k and the PCR threshold are managed by the Procurement Service and the route must be quotations or tenders (ideally open) with at least three to be sought from preferred suppliers, or through a framework.
8. In this instance the following procurement options were considered:
  - (a) Do Nothing: If the Project is not carried out then 14 additional homes will not be added to the social housing portfolio and its additional benefits will not be achieved. This option was not pursued for this reason.
  - (b) In-House Provision: The Council does not have any existing in-house resources. This option was not pursued for this reason.

- (c) Joint Venture with Norwich City Services Ltd (NSCL) to deliver the Project: There are no opportunities for NCSL to deliver this for the council. This option was not pursued for this reason.
- (d) Identify a single supplier to award the Contract to without competition: This route would be contrary to the Council's Contract Procedures as the value is approximately £3.1m and so over the £100k value. This option was not pursued for this reason.
- (e) Utilise an existing Framework: An extensive appraisal of Frameworks was conducted assessing local suppliers and framework rates charged to suppliers. Two frameworks appear to provide the most commercial benefits to the Council.
- Crown Commercial Service RM6088 Construction Works and Associated Services (1 local supplier)
  - Places for People procurement hub Development Contractors Dynamic Purchasing System (ability to limit opportunity to region and add local suppliers)
- (f) Whilst Frameworks can provide an effective, compliant, and quick route to market, with cost benefits of aggregation, this option may exclude many smaller suppliers in local area. As the development was potentially well suited for local small to medium sized builders to tackle this option was not pursued.
- (g) **Establish a competitively tendered Contract via open procedure:** Run an open and competitive procurement exercise. This would encourage competition and is the Council's preferred route to market for contracts with a value in excess of £100k and may drive down and encourage efficient pricing in the bidding process.

However, an open tender could negatively impact timescales at the evaluation stage. It is believed that this route could be suited to larger national companies whose pricing points are achieved through economies of scale, negatively impacting small and local suppliers. This option was not pursued for this reason.

- (h) **Establish competitively tendered Contract, inviting five local suppliers to bid.** The council's constitutional contract procedures allow a restricted quote procedure for contract values below the PCR threshold. By waiving the open procedure route we are able to limit the opportunity to a handful of suppliers within the East of England. Additional value to the procurement process and supplier selection:
- Opportunity to stimulate local markets, and reach local SMEs and further building on the social value benefits of this project.
  - Local market knowledge will be used to identify competent and capable suppliers to enter the bidding process, informal

expressions of interest have been sent to 6 suppliers. 5 responded positively expressing an interest in bidding.

- Previous tenders identified that we can strengthen evaluation with robust clarifications on pricing, quality and in-depth financial analysis of the winning tenderer- limiting the number of local suppliers allows sufficient time to achieve this
- Competitive pricing is still achieved through the bidding process and through our price quality weighting.

This was the procurement route taken.

9. The specification and tender documents were developed by the Employers Agents in consultation with the Council's Housing Delivery Team, Procurement Team and nplaw. The tender pack was issued on 29<sup>th</sup> November 2023 via the council's e-tendering portal.
10. The evaluation criteria was on a 50% quality and 50% price split. This approach was considered to be the best way to encourage competitive pricing whilst ensuring that considerable social value was also delivered.
11. Following the tender submission deadline, the Council received only 1 bid, and this was from Marfleet and Blyth Limited. The other 4 companies who were approached failed to submit tenders, notwithstanding their previous stated intention to do so. They have been approached to understand the reasons for non-submission. Workload, subcontractor risk and contract risk were cited as the reasons. As two of these withdrew late in the tender period there was limited opportunity to consider whether to revisit the tender process.
12. Evaluation has been carried out on the single tender submission received. This scored 31 points out of a possible 50 for quality demonstrating the Marfleet and Blyth Ltd will be able to meet the Council's requirements. With regard to price scoring as there was only one bidder Marfleet and Blyth Ltd score 50 out of 50. It should also be noted the submission price is £3,192,567.93 ex VAT which is within the budget envelop for this project (see financial implications below). Overall Marfleet and Blyth scored 81 out of a possible 100 points under the assessment completed.
13. Marfleet and Blyth Limited is considered financially sound following due diligence. A Dunn and Bradstreet report has been obtained.
14. In light of the above and in order to avoid the delay and costs associated with any retendering exercise it is recommended that the contract is awarded to Marfleet and Blyth Ltd. Development should commence in the autumn.

## **Consultation**

15. Previous consultation took place as part of the planning phase of the project. Consultation was not relevant to the procurement of the construction contractor.

## Financial and resources

16. 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.
17. As a result of the proposed development the taxbase is likely to increase, however the impact on Council finances cannot be calculated at this time as it will depend on the number of Band D equivalents these properties equate to, and any discounts or reductions the property/residents may be entitled to. Depending on the completion date, the full potential increase will not take effect until the financial year following completion (2026/27).
18. Full Council approved the Capital and Commercial strategy, a 5-year strategy and capital budget for the development of the project on 21 February 2023. The budget for this was £3.675m from 2023/2024, in addition to circa £0.194m which had been spent to date, allowing a total budget for the scheme of circa £3.869m.
19. Officers have modelled the costs for the financial business case. The project is deliverable within the current approved budget of £3.869m and within the overall HRA business plan. This is the total of all costs including design, construction, contingency and management of the development.
20. The associated development costs as well as the development contingency 15%(£0.475m) is included within the budget due to the nature of the ground conditions. It is recommended that the full budget of £3.869m, including the contingency, is retained at the present time to mitigate against unforeseen construction costs and this will be monitored throughout the development by the Delivery team.
21. The modelling shows that, utilising the grant funding and retained RTB receipts detailed below, a payback period of 29.5 years is achieved at social rents and an assumed HRA business plan borrowing rate of 3.7%. If affordable rents were charged, capped at LHA rates the payback period would reduce to 21.3 years. The development is included within the approved HRA business plan and this payback period means the development has a positive effect upon the plan. No final decision has yet been made on the rent level.
22. For this development, 40% of the total cost will be met by Retained Right to Buy receipts to the value of circa £1.5m. The continuation of this project reduces the risk of having to pay retained RTB receipts to central Government that are currently held for this project and associated interest at base rate plus 4%
23. In addition, the council secured £0.15m from the Governments Brownfield Land Release Fund and this report is seeking approval for the use of c£0.729m S106 affordable housing commuted sum held from the development of Wherry Road (Planning application 11/02236/F). This commuted sum was received in February 2017 and must be used within 1km of the site and within 10 years.
24. Costs have been incurred to date of c£0.194m for delivery of the planning strategy, development design costs, and employer's agent / quantity surveying fees. Should the project not proceed these will become abortive costs and

there is a risk that these costs may not be capitalised and become revenue costs to the HRA.

## Legal

25. The contract will be subject to a standard JCT terms and conditions, nplaw will be involved in the detailed drafting of the contract.

## Statutory considerations

<b>Consideration</b>	<b>Details of any implications and proposed measures to address:</b>
Equality and diversity	Neutral Impact
Health, social and economic impact	Positive impact – the development will comprise of 14 new highly energy-efficient homes with access to a wide landscaped public walkway for the community linking directly to the public play area.
Crime and disorder	Positive impact – The opening up of the play area into the development reduces hidden areas where anti-social behavior can occur.
Children and adults safeguarding	Positive impact – Each apartment will have their own front door, generous lobby space and private balcony. The 4 bed properties will share a ginnel for children to play together.
Environmental impact	<p>The delivery of 14 new homes using a fabric first approach designed to high environmental and sustainable standards working towards a net zero approach.</p> <p>Parking provisions have been pushed to the perimeter, so that streets feel safe and ‘owned’ by pedestrians rather than cars.</p> <p>Solar panels will be installed enabling home user generated electricity to power sustainable sources such as air source heat pumps, and underfloor heating.</p> <p>The use of redundant materials from other council sites can be utilized to reduce waste and cost for land remediation works.</p>

## Risk management

Risk	Consequence	Controls required
Program delays (e.g., arising from the incorporation of any required design changes) (M)	May result in increased costs and/or threaten delivery deadlines.	<p>Detailed design information has been produced by client team ahead of tender and detailed specification produced to reduce the need for changes.</p> <p>Some detailed design changes may be required post tender.</p> <p>A contingency budget is maintained.</p>
Brief (i.e., scope creep (e.g., the incorporation of any brief changes)) (M)	May result in increased costs and/or threaten delivery deadlines.	<p>Employers Agent to administer contract to ensure any changes are valid and assess impact of any proposed changes and seek Client instructions.</p> <p>A contingency budget is maintained.</p>
New building regulations are not achieved with current design leading to changes. (M)	Potential additional costs would be incurred.	<p>Part O assessment has been carried out on the current tender designs to ensure compliance. Other regulations such as part L will be achieved during the detailed design.</p> <p>A contingency budget is maintained.</p>
The lack of certain construction materials and/or labor. (M)	May give rise to additional costs and/or cause delay.	<p>Establish early warning system with contractor early in the construction stage.</p> <p>A contingency budget is maintained.</p>

## Other options considered

26. Not to let the contract. This would have the advantage of allowing a wider range of potential bidders to submit tenders to undertake the work. Whilst this is likely to result in a greater range of contractors engaging in the process and therefore may reduce the costs of the build. There would be a minimum delay of 4 months to retender the projects which will delay the provision of much

needed affordable housing. There is also a risk that if the project is retendered prices will increase.

### **Reasons for the decision/recommendation**

27. Following the issuing of expressions of interest to 5 contractors, only 1 contractor was successful in completing the tender return. The reasons for this were related to the complexity of the site and its existing ground conditions and the city centre location adding additional risk to the contractor. With this in mind, a rigorous evaluation process was undertaken to establish both quality in the response and value for money.
28. To demonstrate value for money, the appointed Employers Agent, Oxbury, undertook a review of the costings of the Marfleet and Blyth submission. This included benchmarking costs against comparator schemes. It concluded that the construction cost per m<sup>2</sup> (of £2,439 m<sup>2</sup>) represented good value for money.
29. The quality of the tender submission was considered good. The questions focused on experience and collaboration, social value (such as local economy, local labour and education), logistics, build and programme, Health, Safety and risk and Building Safety.
30. The contractor has demonstrated specific social value benefits including; inviting schools and colleges to site to help educate students about the construction industry; allowing local business to promote their services on site; providing skips and taking part in community tidy up activities; providing building materials for community projects. They also will offer staff two volunteering days per year allowing them to make engagement with local community in projects of their choice.
31. It is therefore recommended to award the construction contract to Marfleet and Blyth Ltd.

**Background papers: None**

**Appendices: None**

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