

Subject:	New Homes for Neighbourhoods Frederick Street - Procurement of Contractor		
Date of Meeting:	20 January 2021		
Report of:	Executive Director for Housing, Neighbourhoods & Communities.		
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Ward(s) affected:	St Peter's & North Laine;		

FOR GENERAL RELEASE**1. PURPOSE OF REPORT AND POLICY CONTEXT**

- 1.1 In September 2019, Housing Committee approved the proposed scheme of four new council homes at Frederick Street and the appropriation of land to the Housing Revenue Account.
- 1.2 The scheme achieved planning permission in April 2020 and the project is now developed into full technical design awaiting building regulations approval. The scheme has been re-costed by our quantity Surveyors, The Millbridge Group and is within existing budget approvals for the design competition sites.
- 1.3 This report outlines the procurement pathway for the construction period which has been chosen for the project and outlines the reasons why.

2. RECOMMENDATIONS:

- 2.1 That the Committee agrees to delegate authority to the Executive Director for Housing, Neighbourhoods & Communities and Head of Legal Services to procure and award a contract through an open procurement process.

3. CONTEXT/ BACKGROUND INFORMATION

- 3.1 The scheme will make a contribution towards achieving our Housing Committee Work Plan (2019-23) target of 800 additional council homes by 2023. The budget for the project is being financed by a combination of HRA borrowing, right to buy receipts and Commuted Sums as set out in the September 2019 Committee paper.
- 3.2 The scheme has planning permission for four homes and the design team has developed the plans to RIBA stage 4 alongside a full specification and tender package. The infill nature of the site means several party walls notices have been served on neighbouring properties and these discussions are ongoing.

- 3.3 The site is deemed too small for the Strategic Construction Partnership and alternative procurement routes have been considered to ensure the Council achieves value for money.
- 3.4 The pre-tender estimates produced by The Millbridge Group are outlined below in comparison to the previous report to Housing Committee in 2019:

Topic	September 19	Jan 21
	£'000	£'000
Basic Build costs	690	754
Preliminaries	120	151
Construction Contingency	50	30
Inflation allowance	30	19
Land appropriation	300	300
Professional fees	130	130
Total scheme cost	1,320	1,384

- 3.5 This results in an estimated cost increase of £0.064m. This primarily relates to the inclusion of air source heat pumps in each flat at an increase of £0.030m in basic build costs. The estimated total build contract value is £0.954m.
- 3.6 The inclusion of renewable heating was highlighted as being under review in the September 19 report and the design team successfully integrated the heat pumps into the design. This increase in costs is only indicative at this point and will be analysed further once the tender documents have been returned.
- 3.7 The contingency has been decreased as planning has been achieved and detailed designs are now available. The inflation accrued during the timing of these reports has also been included within the basic build cost assumptions with an additional allowance included.

3.8 PROCUREMENT ROUTES CONSIDERED

- 3.9 A suitable framework has been identified known as the Orbis Construction Framework. The advantages and disadvantages are outlined below:

Advantages	Disadvantages
The council is successfully using this framework for the Victoria Recreation Ground Sports Pavilion Project.	Contractors on the framework are fixed for the duration of the framework so unable to accommodate the addition of any new contractors entering the marketplace and/or maintain the necessary capacity required on the framework if a contractor is removed.
Due to the framework being run by Orbis, the council can access it for free.	Limited to the 3 contractors on the framework.
Framework members are small to medium-sized contractors which	May not gain enough interest or receive only one tender

would be more suited to this type of project	
Social Value will be delivered in accordance with the councils Social Value Framework	The council may not have experience of working with winning contractor before which may possibly extend the mobilisation period
	The minimum contract value for the framework is currently higher than the estimated contract value for Frederick Street

3.10 The council may also consider an open tender which is a fully complaint option:

Advantages	Disadvantages
The council has full control over the procurement process and familiarity of processes.	May attract contractors unsuitable for the project
An open tender would encourage competition in the market and ensure council standing orders compliance.	Could be a longer evaluation process depending upon number of returns supplied.
More likely to encourage interest amongst several contractors and receive higher levels of response	Additional due diligence required that would be completed by framework provider.

3.11 Both options offer potential routes forward to successfully procure a contractor for the construction phase. It is recommended in this instance to proceed with an open tender to ensure a number of bids are received to provide a comparison across the market.

3.12 An indicative timetable is outlined below for an open procurement process:

<u>Timeline</u>	<u>Action</u>
February 2021	Issue contractor tender
May 2021	Contractor appointed and contract issued
June 2021	Contractor mobilisation period
July 2021	Works commenced
July 2022	Letting of properties

3.13 A longer tender due diligence period of six weeks has been allowed for to ensure all tenders are evaluated in detail by the project team.

4. CONCLUSION

4.1 The development at Frederick Street is progressing well and is now developed into a full tender package to start on site this year. The site will contribute towards the target of 800 additional council homes.

5. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 5.1 If approved the procurement of a contractor from an open tender will continue to ensure that Value for Money is maintained for the development of the 4 new homes at Frederick Street.
- 5.2 As reported to Housing Committee and Policy & Resources Committee (P&R) on 18 September 2019 and 10 October 2019 respectively, there is sufficient budget set aside for the development at Frederick Street in the current HRA capital investment programme, approved for the four design competition sites at P&R. This is based on the January 2021 cost estimates. The remaining design competition sites will be reported to Housing committee and subsequently P&R for scheme approval and, where necessary, for budget approval.
- 5.3 If following the return of the tender documents there are any significant variations to the costs at Frederick Street these will be reported in accordance with the council's standard financial procedures and reported through P&R.

Finance Officer Consulted: Craig Garoghan

Date: 04/01/2020

Legal Implications:

- 5.4 Given the value of this contract, it is necessary for the Committee to authorise officers to procure it and to accept the resultant tender. Officers' powers under Part 6 of the constitution (Scheme of Delegation to Officers) are limited to contracts not exceeding £500,000.

Legal Officer Consulted: Liz Woodley

Date: 24/12/2020

Equalities Implications:

- 5.5 An Equalities Impact Assessment has been carried out for the New Homes for Neighbourhood programme and actions are built into the project management procedures. Homes will be allocated through the council's existing housing register.

Sustainability Implications:

- 5.6 The scheme has been designed to high sustainability standards, the measures included are installations of PV solar panels at rooftop level, air source heat pumps for each flat and inclusion of permeable surfaces to achieve betterments in run-offs in comparison to the existing site.

Crime & Disorder Implications:

- 5.7 Redevelopment of the site will assist with low-level issues regarding anti-social behaviour in the existing car park.

Risk and Opportunity Management Implications:

- 5.8 Any risks associated with the project will be closely monitored by the project manager and design team.

Public Health Implications:

- 5.9 There are strong links between improving housing, providing new affordable homes and reducing health inequalities. Energy efficient homes which are easier and cheaper to heat are likely to have a positive influence on the health of occupants of the new homes.

Corporate / Citywide Implications:

- 5.10 These proposals support corporate and citywide priorities including increasing Housing Supply which is a City Plan and Housing Strategy priority.

Brexit Implications

- 5.11 The countries exit from the EU increases risks of cost inflation, and access to materials, which may affect the financial viability and programme of delivery for this project. The risk cannot be quantified at this time, but an element of risk is added to the project budget and timescales to account for this.

6.0 Supporting documentation

Appendices:

1. Site Plan
2. Street elevation

