

Brighton & Hove City Council

Housing Committee

Agenda Item 43

Subject: New Homes for Neighbourhoods Rotherfield Crescent – Procurement of Contractor

Date of meeting: Housing Committee 16 November 2022; Policy & Resources Committee 1 December 2022

Report of: Rachel Sharpe – Executive Director Housing, Neighbourhoods & Communities

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Ward(s) affected: Patcham

For general release

1. Purpose of the report and policy context

- 1.1 In September 2018 Housing Committee approved a proposed scheme of four new council homes at Rotherfield Crescent under the New Homes for Neighbourhoods programme. Following further community consultation and pre-Planning application advice, a final scheme for the demolition of the existing garages and three, three-bedroom homes achieved Planning approval in December 2021.
- 1.2 Post Planning approval, the technical design stage is nearing completion. The Pre-Tender Estimate at today's cost is £1.192m. The original budget allowance for Rotherfield Crescent was part of a £2.500m budget allocated for four original Design Competition schemes, including Frederick Street and Rotherfield Crescent. The budget allowance will need to be increased to deliver both schemes at today's costs.

2. Recommendations

- 2.1 That Committee agrees the recommendation to Policy & Resources Committee to approve the increase of £0.600m in the Design Competition budget allowance to deliver the Rotherfield Crescent scheme for three, three-bedroom homes based on the Pre-Tender Estimate £1.192m.
- 2.2 That Committee delegates authority to the Executive Director for Housing, Neighbourhoods and Communities to procure and award a contract for construction via an existing Framework (the preferred route) or other compliant route.

3. Context and background information

- 3.1 Housing Committee in September 2018 approved a proposed scheme of four new council homes at Rotherfield Crescent, Brighton under the New Homes for Neighbourhoods programme. Based on costs at the time, the build was estimated at £1.037m and the scheme considered viable with rent levels at 37.5% of Living Wage. The preferred procurement route was undecided.
- 3.2 The site was originally one of four sites part of a Design Competition run by BHCC and RIBA in 2015 inviting architect led design teams to design for smaller sites, schemes sensitive to their local context, able to maximise the potential of each site while respecting neighbours, embrace sustainable principles and be capable of future adaptation. Innes Associates Architecture and Urban Design were selected for their response to the brief and have been engaged through the design stages to deliver a highly sustainable development encompassing the technical criteria and wider thoughts about communal living, affordability and life-time costs and ease of maintenance.
- 3.3 Community engagement has taken place over several years with residents invited to score and comment on the shortlisted competition designs in 2015 and meetings to discuss the proposals in more detail in 2015/16 and 2019/20. Following consultation with residents some key concessions were made to alleviate concerns about the impact on neighbouring properties. The design changes included the number of properties reduced from four to three, increasing the distance from the proposed properties to the site boundary, removing roof terraces and retaining vehicle access to four private garages as existing through careful positioning of the new homes.
- 3.4 A full Planning application submitted in June 2021 was approved in the December. The approval for the demolition of the 10 existing council garages and construction of three, two-storey, three-bedroom family homes with parking, landscaping, creation of a communal garden and outdoor space.
- 3.5 The scheme delivers much needed larger family homes for the council to let within affordable rent levels to applicants on the Homemove register. Approval for the rent levels at Rotherfield Crescent has already been received in September 2018 so the rents at these homes will be at the council's 37.5% Living Wage rent. This rent is set in line with the council's rent policy, which sets the living wage rents based on the prevailing living wage hourly rate at the time of letting.
- 3.6 It fits with the council's Housing Strategy objectives, to increase housing supply and prioritise support for new housing development that delivers a housing mix the city needs, with a particular emphasis on family and affordable rented housing. This scheme will also help to achieve the council's aim to deliver at least 800 new council homes.
- 3.7 The scheme exceeds our current New Homes Design Specification

requirements by incorporating the higher energy efficiency standards introduced in new Building Regulations Approved Documents June 2022 and sustainability measures to future proof new homes and help tenants save on energy bills. These measures include installing air source heat pumps with underfloor heating, upgraded insulation for walls and roof, providing 3x electric car charging points and planting to promote sustainable drainage and increase biodiversity. It is estimated the fabric enhancements, based on average heating energy consumption and electricity at current prices, saving tenants £83 p/a on their fuel bills

- 3.8 The technical design stage is nearing completion. The Pre-Tender Estimate (PTE) prepared by external Quantity Surveyors (QS) Millbridge is £1.192m (£0.397m per dwelling) This includes all preliminaries, risk allowances and demolition costs. The demolitions, asbestos removal and site remediation has £0.039m in funding secured through the Land Release Fund (LRF2), subject to release of land for housing by 31 March 2023. The allowances for external works including demolitions, abnormal elements (maintaining access to several private garages, redesign of the single access track), below ground drainage and landscaping, account for 18% of the construction cost, reflecting the complexity of developing the site and achieving a highly sustainable development. Excluding the allowances for external works the PTE is £0.922m (£0.307m per dwelling)
- 3.9 The original budget allowance for Rotherfield Crescent was part of a £2.500m budget allocated for four original Design Competition schemes, of which Frederick Street and Rotherfield Crescent have been taken forward.
- 3.10 After some delay, the Frederick Street contract is now let, the final contract value is £1.260m. Costs on this scheme increased for several reasons: the construction contract had to be tendered twice, once through an open procurement (April 2021) and once through a framework (January 2022) ; the Pre-Tender Estimate prepared in 2020 was not reflective of current market rates; there was an uplift in cost of 6.3% (£76,000) on the tender sum in January and final contract value in line with construction industry inflation due to various factors such as Brexit, Covid and the war in Ukraine. The increase in costs on this scheme affect the overall budget request.
- 3.11 The original budget allowance for both schemes is now insufficient to cover the construction cost and all associated professional fees on both projects and the land appropriation on Frederick Street. The total cost to deliver both projects is £3.100m. The new budget required is £0.600m outlined in table 1 below.

Table 1: Cost analysis for design competition sites	£'000	£'000
Current budget		2,500
Frederick Street land appropriation	300	
Costs incurred to date	190	
Frederick Street construction	1,260	
Rotherfield Crescent construction	1,190	
Stage 5-7 payments 5.25% (both sites)	130	
Other professional fees	30	

Total costs		3,100
New budget required		600

3.10 Costs have risen for several reasons:

- The original estimate for Rotherfield Crescent was prepared in 2018, before COVID-19, Brexit and the war in Ukraine and is not reflective of current market rates. The change in value between the estimate in 2018 and the PTE in September 2022 is considered proportionate by external consultants providing QS and Contract Administration services, Faithorn Farrell Timms, even allowing for the loss of the one, two-bedroom unit.
- The PTE includes higher energy efficiency and sustainability measures, meeting the challenge to reduce energy demand and greenhouse gas emissions in new homes and increase biodiversity.
- The scheme has taken some time to develop. Residents have been consulted on the proposals over several years and in response to this and changes in ownership there have been several iterations of the scheme. This has caused some delay but resulted in the planning application only receiving two objections, highlighting the importance of the consultation process.

3.11 Completion of the Stage 4 Design work with the existing design team will produce a Tender Package of information and a Pricing Schedule on which tenders will be based and evaluated. Several procurement routes have been assessed, including using the Strategic Construction Partnership, using an existing Framework and open tender. The construction market is currently experiencing considerable fluctuations and preferred routes are changing rapidly.

3.12 A report to the Procurement Advisory Board (PAB) 17 October 2022 requested the Board review and provide recommendations on the procurement proposals. PAB reviewed the evaluation of the routes to market i.e., using the Strategic Construction Partnership, mini competition off an existing Framework such as the Brighton and Hove Major Capital Project Framework (the preferred option) and open tender route. The decision at PAB was to recommend the proposals set out in this report based on the PTE of £1.192m with social value and sustainability contributions incorporated into the procurement and evaluation of tenders in line with current policy.

4 Analysis and Consideration of Any Alternative Options

4.1 Not building out the scheme would result in the loss of much needed family homes and any delay in building out is likely to incur higher costs in the future.

4.2 Reducing the specification is likely to reduce the energy efficiency and sustainability measures. Revisions to the cost plan have incorporated

savings identified during the technical design stage and following a value engineering exercise in May 2022.

Design change	Saving	justification
Removal of PV panels & associated guard railing & access hatches	£37,500	5 PV panel and folding guardrail scheme could not work; ASHP & underfloor heating achieve the required betterment
Removal of windows	£850	Required to meet new overheating requirements
Removal of rooflights from the scheme	£6,100	value engineering; better design

5. Community engagement and consultation

- 5.1 Local residents have been consulted on proposals over several years. The site was originally identified for redevelopment in 2011 with initial resident contact in 2012/13. Following this, the design competition was launched for the redevelopment of the site with a public exhibition held in October 2015 where residents were able to score and comment on the 5 shortlisted competition designs and an online consultation portal set up. Meetings with neighbouring residents took place in 2015/16 to discuss the proposals in more detail, with a particular focus on the garage accesses. This was followed up by further meetings in April 2019 and a further public exhibition held in January 2020. Following consultation with residents, some key concessions were made to the scheme to address issues and concerns: the number of properties was reduced from 4 to 3 (reducing massing of the development) , the distance from proposed properties to the site boundary was increased, the roof terraces were removed and the private gardens of each property increased in size, the number of proposed car parking spaces was increased from 1 to 3 (1 parking space per home) and the vehicular access to private garages, as existing, was retained, through careful positioning of the new homes.
- 5.2 Members have been updated on the development of the scheme proposals and design at the Members' Housing Supply Board meetings and Ward Councilors through updates at key stages, most recently in June 2022 to update on the progress of the technical design stage of work and communication with residents.

6. Conclusion

- 6.1 The development at Rotherfield Crescent has progressed well and is now developed into a full tender package ready to tender. If approved, this scheme will deliver three family homes for the council to let within affordable rent levels to applicants from the Homemove register. Delivery the scheme will contribute to the council's aim to deliver at least 800 new homes on council land under the New Homes for Neighbourhoods programme

7. Financial implications

- 7.1 The HRA capital programme currently includes a budget line of £2.500m to bring forward the development of Frederick Street and Rotherfield Crescent.
- 7.2 Costs incurred up to 30th September 2022 in bringing these two sites forward are £0.490m, this includes the appropriation of land at Frederick Street from the General Fund. Construction costs for both sites total £2.450m with a further £0.160m in estimated in professional fees across both sites. Therefore, the total estimated cost for these two projects is £3.100m. This is outlined in table 1 in the main report. Compared to the original budget of £2.500m an increase of £0.600m is required.
- 7.3 Funding of the budget is met from several sources, this includes commuted sums, Land Release Funding grant, RTB receipts and HRA borrowing. To fund the additional budget request and to ensure the project remains viable the percentage of RTB receipts has been increased to 40% the maximum allowed in the updated RTB receipts pooling policy. This 40% is only applied to future costs and not those already incurred.
- 7.4 The standard financial viability modelling for housing projects has been updated for both sites with the latest costs and rent assumptions. it sets out to show whether the project can pay for the initial investment itself by using the new rental stream only (net of service charges, management, maintenance, and major repairs and voids costs) over a 60-year period. It also assumes that 40% of the eligible investment costs are met from retained Right to Buy (RTB) Receipts. With the increase in the RTB receipt funding from 30% to 40% the project has a Net Present Value (NPV) that breaks even.
- 7.5 If approved the additional £0.600m budget will be added to the HRA capital investment programme and profiled across the financial years to reflect the programme of delivery. Any significant variations to the costs at Frederick Street or Rotherfield Crescent will be reported in accordance with the council's standard financial procedures and reported through P&R.
- 7.6 Decisions around the borrowing requirement for this project will be made in consultation with the council's Treasury Management team to ensure that it is undertaken in accordance with the council's borrowing strategy, authorised borrowing limits and prudential indicators.
- 7.7 Under the Capital Accounting regulations if the Rotherfield Crescent project does not progress to the construction stage the costs associated with the site development incurred to date will need to be recognised as a HRA revenue cost and therefore need to be added to the latest 2022/23 TBM revenue forecast for the HRA.

Name of finance officer consulted: Craig Garoghan Date consulted:
17/10/2022

8. Legal implications

- 8.1 Under Contract Standing Orders, each Executive Director has unrestricted delegated power to agree to the Council entering Contracts or joining existing Framework Agreements up to the sum of £500,000. Above this sum and before inviting expressions of interest from potential bidders, approval must be sought from the relevant Committee. This recommendation at 2.2 satisfies that requirement.

Name of lawyer consulted: Liz Woodley Date consulted: 01/09/22

9. Equalities implications

- 9.1 This scheme provides three new, affordable three-bedroom family homes for rent, new homes that will be let through the council's homemove scheme to families in housing need and with a local connection. Current housing waiting list figures (August 2022) show that there are currently 963 households in need of a three-bedroom home, including 77 households in need of an accessible, mobility rated property, and in the last 12 months just seven three-bed homes available to re-let. Looking at the average wait, for households housed in Band A, the average wait was 10 months, for households in Band C it was 111 months, just over nine years. This scheme contributes to increasing the supply of much needed family sized homes.

10. Sustainability implications

- 10.1 The scheme exceeds our current New Homes Design Specification requirements by incorporating the higher energy efficiency standards introduced in new Building Regulations Approved Documents June 2022 and sustainability measures to future proof new homes and help tenants' save on energy bills

11. Other Implications

Social Value and procurement implications

- 11.1 Procurement and tender evaluation will be based on a 60/40 split quality and cost. We will work with the winning contractor on site to identify relevant SV up to 3% of the overall contract value and monitor whether the SV value has been completed or not. We will ask Contractors at the tendering stage to provide evidence of what SV they have delivered to date against previous projects and showing the ratio of SV vs. the project value. If a Contractor has not delivered any projects previously, we automatically accept them and evaluate their tender as normal. If a Contractor has previously been awarded contracts based on their SV commitments and

they did not deliver these SV commitments, then we will reserve the right to clarify why these were not delivered

Crime & disorder implications:

- 11.2 Redevelopment of the site will deal with current issues regarding anti-social behaviour on the former garage site, fly tipping and unauthorised access and use for car repairs.

Public health implications:

- 11.3 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

Supporting Documentation

Appendices

- 1. Site Plan

Background documents

- 1. Housing and New Homes Committee - Scheme Approval 19 September 2018
- 2. PAB report 17 October 2022