

## Portfolio Holder for Housing

Item

17 November 2020

<b>Report of</b>	<b>Assistant Director of Place &amp; Client</b>	<b>Author</b>	<b>Andrew Tyrrell (CBC) Martin Leek (CBH) ☎ 282390</b>
<b>Title</b>	<b>Award of the Contract for the Build of New Council Homes at Military Road</b>		
<b>Wards affected</b>	New Town & Christchurch		

### 1. Executive Summary

- 1.1 The Council is delivering an ambitious plan for a “New Council Housebuilding Programme” that creates 350 extra affordable homes over 5 years. This report provides a summary of the outcome of a procurement exercise to select a contractor to build 8 new council homes at Military Road as part of that wider programme. The delivery of more affordable homes is a key priority of the Council.
- 1.2 The budget for this project has previously been agreed as part of the New Council Housebuilding Programme and will be funded through the ring-fenced Housing Revenue Account (HRA). The tenders have come back within estimated budgets.
- 1.3 Bringing this contract forwards has provided the opportunity for local construction companies to tender for the work in an open and fair bidding process. It will consequently create a local employment opportunity to assist in the post-Covid recovery. The homes will also be built to high standards of energy efficiency with renewable energy sources in recognition of the Council’s leadership role and climate emergency declaration.

### 2. Recommended Decision

- 2.1 To award a contract to T J Evers Limited for the construction of 8 new council homes (2 x 2-bedroom mews houses, 3 x 1-bedroom flats and 3 x 2-bedroom flats) at Military Road.
- 2.2 To agree that in the event of any unforeseen issue(s) in proceeding with the above contractor, the contract would then be awarded sequentially to the next-placed contractors.
- 2.3 To note that once awarded, the Assistant Director for Place & Client Services was previously delegated authority (via Cabinet decision dated 8 July 2020), in consultation with the Portfolio Holder for Housing, to agree and implement all consequential contractual, legal, financial or other related matters for the contracted project through to completion and occupation of the new homes.

### 3. Reason for Recommended Decision

- 3.1 At Cabinet in January 2019 the Council agreed a New Council Housebuilding Programme to build 350 new affordable homes over 5 years. On 8 July 2020 the Council made several decisions to increase and progress new Council housebuilding over a longer period. The opportunity for this specific contract was subject to an open

procurement exercise and resulted in a high level of interest from contractors both locally and further afield. The competitive tenders have resulted in acceptable contract bids that the Council wishes to proceed with in order to continue fulfilling its ambition to deliver 350 new Council-owned affordable homes.

- 3.2 Bringing this project forward now is in accordance with past decisions that will provide much-needed additional affordable homes for the nearly-3,000 people currently on the local housing needs register.
- 3.3 The construction and development will also provide further local employment opportunities that assist with the wider economic recovery of the borough after the impacts of the Covid pandemic.
- 3.4 In addition, these homes, like others starting construction over the next few months, are being built to future homes standards that will lead in the Council's response to the climate emergency and be some of the most sustainable affordable homes built to date by this Council.

#### **4. Alternative Options**

- 4.1 Not to appoint a contractor at all; but this contract moves the Council closer to its target of building 350 new Council homes over 5 years. The selection of this site and its progression to this stage has taken significant effort and to abort now, unnecessarily, would be in direct opposition to the Council's published commitments to building new homes and increasing the supply of affordable social housing.
- 4.2 Not to appoint the highest scoring contractor with a compliant bid; but this would most likely result in a legal challenge under the Contract Procedure Rules unless they withdrew or another unforeseen issue arises in the completion of the contract; in which circumstance it would be suitable to award sequentially to avoid further delay from a re-procurement exercise.

## 5. Background Information

- 5.1 Cabinet approved the overall strategy for building new Council homes in January 2019 and committed to a Programme of 350 new affordable homes over 5 years. In July 2020 the Council increased the scope of the Programme to look at additional projects and continue over a longer period. Also on 8 July, the Cabinet delegated powers relevant to this project (alongside those for other projects) as follows:
- “2.3 To delegate authority to the Portfolio Holder for Housing to award a contract for the construction of 8 affordable homes at Military Road.
- 2.5 To delegate authority to the Assistant Director Place & Client Services, in consultation with the Portfolio Holder for Housing, to agree and implement all consequential contractual, legal, financial or other related matters for each of the above contracts once awarded and through to completion and occupation of the new homes.
- 2.6 To commit to the (previously agreed) budget provisions required in 2020/21 and 2021/22 to deliver all 3 of the construction contracts and deliver the 24 new affordable homes.”
- 5.2 The suitability of this site for new housing was identified in the January 2019 decision and progressed from then. Planning Permission was achieved on 4 November 2019. In the initial stages of “lockdown” there was some uncertainty in the construction industry around supply, safe working and overall impacts from Covid. However, recognising the importance of keeping construction contracts coming and creating work chains, as well as the fact that affordable housing supply would certainly not be reducing over forthcoming years, the Council has been keen to continue progress on these sites and completed tender documentation and a procurement exercise in order to do so.
- 5.3 Tenders were spaced out approximately a month apart so that contractors could bid for each of them. Local contractors were notified about the forthcoming opportunities in advance. A proactive campaign was also undertaken to encourage new local contractors to register for notification of upcoming opportunities so that they knew that there was a stable flow of local contracts from the Council. Although the process is then open to all and analysis of bids is open and fair, with no favouritism, the competitive tenders process on all of these housing sites has resulted in local companies winning work from the Council (or its company, Amphora Homes) at Hardings Close, Creffield Road, Buffett Way and Scarfe Way. This has secured local jobs and assist with the local economic recovery in the post-Covid period.
- 5.4 The tendering process for this contract was managed by the Colchester Borough Council’s Senior Procurement Consultant via the e-tendering system (BiP Solutions Ltd, Delta eSourcing web portal). The tender opportunity was issued on 21 July 2020 with a return date of 1 September 2020. There were 23 expressions of interest that were received, and this translated into 6 bids submitted at the close of the tender.
- 5.5 Tenders are based on the Schedule of Work which details specific works; the form of contract is the JCT Standard Building Contract Without Quantities 2016 with an overall project duration of 12-months. The tenders were evaluated on quality and price, with scores being allocated for each element, on this occasion, the weighting of this was 50% price, and 50% quality.
- 5.6 The quality was scored under three criteria; Approach to Undertaking the Works 25%, Relevant Experience & Contract Examples references 15% and Social Value 10%. Each one of these is allocated a maximum score of 5 points for each criterion. For pricing, the lowest pricing contractor is allocated a score of 50% with all other tenderers being awarded a pro-rata score against the lowest tender received.

- 5.7 Some subsequent clarification was required from contractors that is allowed under post-tender processes. In addition, due diligence and checks were undertaken. This has now ensured a level of risk reassurance before awarding the contract.
- 5.8 Given the nature of the works and the current uncertainty within the building industry and supply chain caused by C19 (which has occurred since the pre-tender estimate was prepared) all contractors bids were over the most recent pre-tender estimates. However, the pre-tender estimate was lower than the (pre-planning permission) cost estimates originally forecast when the project budget was set (in 2019). Thus, the project can be delivered within the overall budget provisions for the New Council Housebuilding Programme, using existing budget for 2020/21 and continuing into 2021/22.
- 5.9 In addition, the modelling for the HRA Programme financial viability was originally based on an assumption that interest rates for borrowing could go up, from the 2.5% at the time of initiation, and allowed for this in the resilience of that business modelling (demonstrating viability at 3.5%). At present borrowing rates are 1.2% and this means that over the “payback period” the financial model remains better than first allowed for. The variance between the pre-tender estimate, and the tenders submitted, is therefore deemed to be acceptable and remains economically viable to the HRA and “value for money”.
- 5.10 Part of the reason for low interest rates on borrowing for new affordable homes is to keep the economy moving, and construction working, recognising that it faces national and international issues from Covid impacts. The continued push to deliver these homes aligns with the Council priority to maximise the benefits of housing in leading the economic recovery and ensures that we continue to deliver much-needed affordable housing for our more vulnerable residents. The homes also deliver some of the most sustainable homes the Council has ever built, alongside the other housing schemes currently being delivered, and lead by example in demonstrating a response to the climate emergency.

## **6. Equality, Diversity and Human Rights implications**

- 6.1 Under the Equality Act 2010, Section 149, a public authority must, in the exercise of its functions, have due regard to the need to:
- eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
  - advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and
  - foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
- 6.2 The recommendations will have no disproportionate impact on any protected group.

## **7. Strategic Plan References**

- 7.1 The activities to be completed under the contract to be awarded will contribute to the following Strategic Plan references:

GROWTH... Ensuring all residents benefit from the growth of the borough

- Help make sure Colchester is a welcoming place for all residents and visitors
- Ensure residents benefit from Colchester’s economic growth with skills, jobs and improving infrastructure

OPPORTUNITY... Promoting and improving Colchester and its environment

- Promote initiatives to help residents live healthier lives.

WELLBEING... Making Colchester an even better place to live and supporting those who need most help

- Target support to the most disadvantaged residents and communities.

## **8. Consultation**

- 8.1 The Council has consulted with residents living close to the named sites in addition to the opportunities afforded to them through the planning process in 2019.

## **9. Publicity Considerations**

- 9.1 A bespoke Communications Plan is being implemented across all the Council's housebuilding projects. This site and other similar "garage sites" are generally thought to be making best use of the Council's existing resources and have positive communications messages.

## **10. Financial implications**

- 10.1 The development sites are being funded via the Housing Revenue Account (HRA). The funding for which has already been approved by Cabinet as part of the 2020/21 Housing Investment Programme report in January 2020.
- 10.2 The schemes continue to represent value for money and the cost of any additional borrowing within the HRA will be serviced by the new properties created. There is more detail about the 30-year HRA debt model in the Cabinet Report of 8 July 2020, and the economics of housebuilding (capital costs/debt/rental returns).

## **11. Health, Wellbeing and Community Safety Implications**

- 11.1 There are no particular implications. However, it should be noted that by developing affordable housing on unused sites, the risks of crime and antisocial behaviour in these areas are being addressed.

## **12. Health and Safety Implications**

- 12.1 Contractors bidding for these works are expected to demonstrate a strong track record and high level of competence in managing Health and Safety through the procurement process. Health and Safety will be managed daily by the contractors, although the Council retains its CDM responsibility with the Client and has ultimate responsibilities.

## **13. Risk Management Implications**

- 13.1 A risk register will be created by the winning contractor and actively managed throughout the project. CAHL also have their own risk register that they manage on behalf of CBC as project managers.

## **14. Environmental and Sustainability Implications**

- 14.1 The development has been designed to Future Homes Standard for new developments. We hope to achieve a 20% improvement over the current fabric standards and to achieve a 20% reduction in CO2 emissions by means of fabric improvements. In terms of Building Regulations, the developments will be achieving a higher standard than the minimum

requirement set in Approved Document L1A: Conservation of fuel and power in new dwellings. The development will be heated by air source heat pumps which is a greener alternative to boiler heating, they take energy from the outside air and convert it into heat. By using a renewable resource an air source heat pump produces lower carbon emissions than most boilers.

## **Appendices**

Appendix A – CONFIDENTIAL summary table of scoring.

## **Background Papers**

None