

CABINET

8 APRIL 2014

GATEWAY 3 CONTRACT AWARD: HRA DEVELOPMENT OF GARAGE SITES FOR ADDITIONAL HOUSING STOCK

Portfolio Holder: Councillor Howard Doe, Housing and Community Services

Report from: Robin Cooper, Director of Regeneration, Community and Culture

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SUMMARY

This report seeks permission to award a contract to the supplier as highlighted within Section 3.2 of the Exempt Appendix.

At Procurement Board on 13 November 2013 approval was given to lower the risk rating to medium at Gateway 1 and to commence the procurement of the first two work streams within the HRA Development Programme, to create a number of affordable homes in Gillingham, Twydall and Rainham. These works will be part of the wider scheme to increase Medway's housing stock by using HRA Headroom available to finance the house-building programme.

This procurement is for the first work stream for the construction of 23 affordable homes on a total of 10 locations in Medway 9 of which are disused garage sites currently owned by the HRA.

This Gateway 3 Report has been approved for submission to Cabinet after review and discussion at the Regeneration Community and Culture Directorate Management Team Meeting on 20 February 2014 and Procurement Board on 19 March 2014.

1. Budget and Policy Framework

- 1.1 This procurement is affordable from the Housing Revenue Account (HRA) Headroom borrowing.

- 1.2 At the meeting of full Council on 17 October 2013 approval was given to include the HRA development programme within Medway's Capital Programme and to use Headroom borrowing available to the HRA to fund the programme. The HRA Headroom fund available as at April 2013 is £5.5m and is estimated to increase by approximately £800,000 per annum.
- 1.3 The proposal supports the Council's strategic priorities as set out within the Medway Council Plan 2013 – 2015 in the following ways:

Adults maintain their independence and live healthy lives.

- This procurement requirement will deliver against the Council's Priority of "Adults maintain their independence and live healthy lives" by delivering additional affordable housing to enable all members of society to live in secure, safe, affordable housing located within sustainable communities.

Safe, clean and green Medway.

- This project will deliver against the Strategic Priority of 'Safe, clean and green Medway' through the development and improvement of the unused and derelict garage sites to create safer environments for the local communities.

Everyone benefiting from regeneration.

- This procurement requirement will deliver against the Council's Priority of "Everyone benefitting from the area's regeneration" through the redevelopment of unused land and existing garage sites that are generally underused and have fallen into disrepair

The Council has a number of statutory and non-statutory responsibilities in relation to housing and takes overall responsibility for meeting the housing needs of their locality. At the same time there is a responsibility to make sure that the Council's resources are used in the most effective way ensuring value for money.

2. Background

- 2.1 The project will deliver up to 23 units on a total of 10 locations in Medway (please see appendices A and B):

Begonia Avenue
Romany Road
Buttermere Drive
Tangmere Close
Westerham Close – 2 separate sites
Charing road
Hazlemere Drive
Eastcourt Lane
Beachings Way

- 2.2 This procurement links into the Interim Housing Revenue Account Business Plan 2012 – 2042, and Asset Management Strategy. Since 1 April 2012 the new self-financing arrangement for the HRA has been in place. This has brought about new opportunities for the Council to invest in current or potential new stock by using the Headroom created by self-financing.
- 2.3 This is a works contract, which will run for a period of 15 months from May 2014 until July 2015. The preferred supplier has indicated they will complete 5 units by the end of March 2015: three 3-bed terraced houses in Begonia Avenue and two 2-bed semi-detached houses in Buttermere Close.
- 2.4 The remainder of the units will be completed and handed over from May 2015 onwards.
- 2.5 All the units have been designed to ensure full compliance with Lifetime Homes, Housing Quality Indicators (HQI) to measure the quality and design standards of affordable housing, Building for Life the national standard for well-designed homes and neighbourhoods, and the Homes and Communities Agency's Design and Quality Standards to a minimum Level 3 of the Code for Sustainable Homes, thereby reducing running costs.
- 2.6 A full communication strategy has been developed and once the scheme has been approved a press release will be published. It is also the intention to promote the schemes with site boards at each of the locations.

3. Procurement Process

3.1 Procurement Process Undertaken

- 3.1.1 6 Contractors were selected from Constructionline, – the UK register of pre-qualified construction services, who had experience of similar size developments of affordable housing, and who were local to Medway. The Council's requirements were fully specified prior to inviting tenders.
- 3.1.2 The tender period ran from 12 December 2013 – 30 January 2014. Prior to the tender issue all contractors confirmed their intention to submit tenders by the return date, however only 3 tenders were received, 1 of which was non-compliant.

3.2 Evaluation Criteria

- 3.2.1 The evaluation criteria set was Most Economically Advantageous Tender (MEAT), based upon a mixture of quality and price. The ratio used was 60% quality and 40% price.

4. Business Case

4.1 Delivery of Procurement Project Outputs / Outcomes

The following procurement outcomes/outputs identified as important at Gateway 1 to the delivery of this procurement requirement have been appraised in the table below to demonstrate how the recommended procurement contract award will deliver said outcomes/outputs.

Outputs / Outcomes	How will success be measured?	Who will measure success of outputs/ outcomes	When will success be measured?	How will recommended procurement contract award deliver outputs/outcomes?
1. Appointing a contractor for the works who will deliver quality products within the timescales required and within the given budget	Successful completion of the building works within the timescales which will be measured through the tender process	HRA Development; Category Management	Monitored throughout the programme by monthly site visits and contractor reports.	The preferred contractor has provided a programme to fulfil the authority's requirements of delivering at least 2 units by March 2015. The quality will be monitored by the HRA Development team and the Employer's agent
2. Appointing a contractor for the building works who is able to work within the constraints of small sites for the garage sites, and also residential areas.	Successful procurement of the contractors within the specifications contained within the tender process	HRA Development; Category Management	Monitored throughout the programme by monthly site visits and contractor reports.	The preferred contractor has significant experience of working in close proximity to the local community and has proposed communication, customer care and health and safety strategies to minimise disruption and ensure safety

<p>3. Delivery of the key objectives for the project which is delivery of a number of new homes on existing HRA garage sites</p>	<p>Completion of the building works meeting all the Client's requirements</p>	<p>HRA Development; Category Management</p>	<p>Assessed at the end of the project, and also monitored throughout the contract period</p>	<p>All homes will be built to the specified standard and completed within the timescales specified in the tender documentation</p>
<p>4. Apprenticeships</p>	<p>Employment and Skills Plan</p>	<p>HRA Development; Category Management</p>	<p>Monitored throughout the programme via monthly meetings and contractor reports</p>	<p>This will fit in with the Council's apprenticeship scheme and improve opportunities for local employment.</p> <p>The proposed contractor currently works with a number of key training providers in the South East to secure apprenticeships for all their construction projects, to support the Government Work Programme</p> <p>The apprenticeship scheme will support the local economy and provide training and up-skilling of those either leaving school/college or retraining for work.</p>

<p>5. Sustainability and Environmental</p>	<p>Monitoring of Site Waste Management Plan at monthly meetings</p>	<p>HRA Development</p>	<p>Monitored throughout the programme via monthly meetings and contractor reports</p>	<p>Reduction of waste and management of materials will reduce waste, lower costs to the contractor which will lead to reduction in the price per property and increase in profit share for Medway and the contractor.</p> <p>The proposed contractor's Environmental Management Plan Supports the Council's corporate sustainability plan by aiming to achieve recycling targets of 90% throughout the contract term.</p>
<p>6. Local Labour</p>	<p>Employment Training Plan at monthly Meetings</p>	<p>HRA Development</p>	<p>Monitored throughout the programme via monthly meetings and contractor reports</p>	<p>Increased levels of employment in Medway</p> <p>Support to Employ Medway</p> <p>Support to local apprenticeship framework</p> <p>Development of local business through use of local supply chain</p>

5. RISK MANAGEMENT

5.1 Risk Categorisation

1. Risk Category: Contractual delivery	Likelihood: E	Impact: III
Outline Description: Failure of contractor to deliver contractual arrangements		
Plans to Mitigate: Inclusion of contract monitoring procedures within the contract documents. Default clauses are part of the contract documentation		
2. Risk Category: Political Reputation	Likelihood: C	Impact: III
Outline Description: Unfavourable response to the proposals from the surrounding residents and unfavourable press interest		
Plans to Mitigate: Project specific communications plan has been developed. Only one planning application, namely Romany Road has received 3 or more representations and as such the application will go to Planning Committee for determination. Extensive liaison and communication will take place by the contractor prior to commencement of each site.		
3. Risk Category: Health & Safety	Likelihood: D	Impact: I
Outline Description: Construction works in close proximity to the local community		
Plans to Mitigate: Contractor to provide clear and concise health and safety procedures. CDM co-ordinator to review measures taken		
4. Risk Category: Financial	Likelihood: D	Impact: II
Outline Description: Possibility of unforeseen costs		
Plans to Mitigate: Detailed investigative work undertaken to highlight any issues. Contract will be let as a design and build fixed price contract which weight any such risk on the contractor		

5. Risk Category: Financial	Likelihood: C	Impact: II
Outline Description: Completing the units earlier than planned resulting in the borrowing funding instalments not being available to fund the programme		
Plans to Mitigate: Careful monitoring of this project and other HRA budgets to ensure other funding such as HRA reserves are available to fund this project if it finishes earlier than planned		
6. Risk Category: Full delivery of total number of units	Likelihood: C	Impact: III
Outline Description: Possibility of not being able to deliver the full 23 units on the garage sites due to drainage and planning issues in Charing Close		
Plans to mitigate: Review of alternative route for services is underway. Discussions with Medway Planning Department proposing to removed the tree, which is putting the laying of drains at risk and plant alternative trees when construction is complete.		
7. Risk Category: Full delivery of total number of units	Likelihood: C	Impact: III
Outline Description: Possibility of not being able to deliver the full 23 units on the garage sites due to current rights of way issues		
Plans to mitigate: Medway Property Services are in discussion with the property owners/tenants in question to resolve the issues. Work is also being undertaken to review alternative sites which could be included in the programme		
8. Risk Category: Quality of the completed properties	Likelihood: D	Impact: II
Outline Description: Possibility that the quality of the finished units may not meet the Council's required standard		
Plans to mitigate: Strict quality control measures are in place throughout the contract term and each phase of design and construction to ensure a high quality end product. Any issues will be raised immediately with the contractor and monitored until satisfaction is achieved		

6. Contract and Quality Management

6.1 Post Procurement Contract Management

- 6.1.1 The contract management of this project post award will be resourced through the HRA Development Team and the design team of external consultants. The team will undertake full management and monitoring of the project, including regular inspections of all 10 sites, to ensure the work is progressing on time, within budget and providing quality assurance for all stages of the process, from design development to site inspections and final sign off and handover.
- 6.1.2 Outputs of this process will include regular meetings with the contractor, project reporting, monthly valuations, strict change control processes and risk reviews with progress reports going to the Regeneration Community and Culture Directorate Management Team and Officer Project Board, for onward transmission to Members Project Advisory Group. Regular reports will also be submitted to the HRA Development Board as part of the overall HRA Development Programme.
- 6.1.3 As the properties are handed over there will be a rigorous process of snagging and checking the certification of all services, checking the installation of all appliances and fixtures and fittings as well as checking the general quality and standard of the product.
- 6.1.4 As part of the contract conditions STG Building Control will carry out the building regulations function.
- 6.1.5 Medway will only accept properties that are defect free and have a full set of operating manuals for residents as complete. The contractor will provide training on equipment to residents and Housing Officers if necessary.
- 6.1.6 Any defects reported by residents post handover will be managed by the Employer's Agent and rectified by the preferred contractor. Details of these works will be recorded and tracked and all historical data uploaded on to the HRA housing management database Academy

7. Procurement Board

- 7.1 Procurement Board considered this report on 19 March 2014 and supported the recommendation set out in section 9.

8. Service Comments

8.1 Financial Comments

- 8.1.1 The budget for this procurement and its associated delivery, as per the recommendations at Section 9, was agreed by Cabinet on 29 October 2013 (decision numbers 169/2013, 170/2013 and 171/2013). The cost of the scheme will be funded from borrowing created with the introduction of

the HRA self-financing. As a consequence of financing these schemes the Council will be required to borrow close to the maximum headroom available to finance the HRA Development Programme

- 8.1.2 Further detail is contained within Section 2.1 Financial Analysis of the **Exempt Appendix** at the end of this report.

8.2 Legal Comments

- 8.2.1 Medway Council has power under the Local Government (Contracts) Act 1997 and the Localism Act 2011 to enter into contracts in connection with the performance of its functions.
- 8.2.2 Medway Council's Constitution provides in Part 5 of Chapter 3 that the decision to accept a tender in a Category B High Risk procurement is a decision for Cabinet. Paragraph 9 of this report therefore recommends to Cabinet the approval of the contract award in accordance with the Exempt Appendix.

8.3 Procurement Comments

- 8.3.1 The value of the proposed contract(s) is below the EU procurement threshold for works currently set at £4,322,012 and therefore subject to the Council's Contract Rules, which require either, a formal tender process via advertisement or a tender process using an appropriate and compliant selected list of contractors.
- 8.3.2 The choice and use of Constructionline's list of approved contractors as a procurement mechanism to deliver the requirements as specified within this report is in line with the Contract Rules.
- 8.3.3 The client department must liaise with Legal and complete all necessary contractual requirements in accordance with Contract Procedure Rules.

8.4 ICT Comments

- 8.4.1 In relation to the project itself, there are no ICT implications. However it is recommended that all new housing stock has broadband access points included within the build. This will ensure that any new tenants or leaseholders can connect up, if they wish to, and access Council services electronically, which is part of Medway's channel shift strategy.

9. Recommendation

- 9.1 The Cabinet is recommended to approve the contract award for the HRA Development for Additional Housing Stock – Garage Sites in accordance with paragraph 3.2 of the exempt appendix, and achieving the outputs described in Section 4 above.

10. Suggested Reasons for Decision

- 10.1 This proposed development project would both improve and add to the HRA's existing housing stock, which will benefit existing tenants and Medway residents that qualify for affordable housing.

LEAD OFFICER CONTACT

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BACKGROUND PAPERS

The following documents have been relied upon in the preparation of this report:

Description of Document	Location	Date
HRA Development Programme for Additional Housing Stock – Gateway 1 Report		24 October 2013
HRA Development Programme – Cabinet Report	http://democracy.medway.gov.uk/mgconvert2pdf.aspx?id=21704	29 October 2013
Housing Revenue Account Business Plan 2012-2042, and Asset Management Strategy	http://democracy.medway.gov.uk/mgconvert2pdf.aspx?id=20567	27 June 2013

Appendix A

HRA Development - Garage site Schedule

Address	Area	Ward	Numbers	Accommodation
Westerham Close	Twydall	Twydall	3	1Bed 2 Person Bungalow
Charing Close	Twydall	Twydall	2	2 Bed 4Person House
Beechings Way	Twydall	Twydall	3	3 Bed 5 Person House
Eastcourt Lane	Twydall	Twydall	1	4Bed 6 Person House
Begonia Ave	Twydall	Twydall	3	3 Bed 5 Person House
Romany Rd	Twydall	Twydall	4	1Bed 2 Person Bungalow
Tangmere Close	Gillingham	Gillingham Nth	4	2 Bed 4 Person House
Buttermere Close	Gillingham	Gillingham Nth	2	2 Bed 4 Person House
Hazlemere Drive	Gillingham	Gillingham Nth	1	5 Bed 7 Person House
			23	

Key B - Bungalow

H - House



HRA Development Sites