

CABINET

10 MARCH 2015

GATEWAY 3 CONTRACT AWARD: HRA DEVELOPMENT AT BEATTY AVENUE FOR ADDITIONAL HOUSING STOCK

Portfolio Holder: Councillor Howard Doe, Housing and Community Services

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

Authors: Ian Hagger, HRA Development Manager
Janet Elliott, Category Lead

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 by the Monitoring Officer 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 second work stream for the construction of 32 affordable bungalows on the former Gillingham Community College site on Beatty Avenue.

This Gateway 3 Report has been approved for submission to the Cabinet after review and discussion at the Regeneration Community and Culture Directorate Management Team Meeting on 12 February 2015 and Procurement Board on 25 February 2015.

1. BACKGROUND INFORMATION

1.1 Budget & Policy Framework

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

1.1.2 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 was £5.5m and is estimated to increase by approximately £806,000 in 2014/15 and £790,000 in 2015/16.

1.1.3 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.

1.1.4 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.

1.2 Background Information

1.2.1 This procurement links into the recently revised Housing Revenue Account Business Plan 2014 – 2044, 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.

1.2.2 The contract will deliver a development of 32 affordable homes in Beatty Avenue in Gillingham, Kent, on the site of the former Gillingham College, consisting of 23 1-bedroomed bungalows and 9 2-bedroomed bungalows, along with all associated site clearance, infrastructure, external works and landscaping.

1.2.3 It was originally proposed to develop the land to provide 43 affordable homes comprising the following accommodation:

- 5 x 1 bed flats
- 11 x 1 bed bungalows
- 4 x 2 bed flats

- 2 x 2 bed bungalows
- 12 x 2 bed houses
- 9 x 3 bed houses

- 1.2.4 However at a presentation to Members on 28 November 2013 detailing initial proposals for this site, it was agreed that the scheme should include only one and two bedroom bungalows to assist residents who wanted to down size from larger family type accommodation. As this dwelling type has a larger footprint the overall density of the site has been reduced.
- 1.2.5 A detailed planning application has been submitted and approval to the scheme was issued on 27 February 2015. Ecological surveys have been carried out and the translocation of slow worms will take place during May and June 2015.
- 1.2.6 The contract period will run for 18 months from April 2015 until October 2016.
- 1.2.7 The units will be completed in phases and handed over from May 2016 onwards.
- 1.2.8 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.
- 1.2.9 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 scheme with boards at the Beatty Avenue location.

2. PROCUREMENT PROCESS

2.1 Procurement Process Undertaken

- 2.1.1 The procurement process followed a restricted procedure (non-OJEU) via the Kent Business Portal, in line with the Council's Contract Procedure Rules.
- 2.1.2 The PQQ was published on the portal on 27 August 2014 and 10 submissions were returned on 19 September 2014. 29 contractors originally expressed an interest in the opportunity. The main reasons for not responding were contractors' existing workload being too high and the size of the project not being suitable.
- 2.1.3 Following evaluation of the PQQ, 6 contractors were shortlisted and invited to proceed to submit a full tender on 28 October 2014.

2.1.4 6 bids were received on 17 December 2014, two of which were non-compliant.

2.1.5 Please refer to section 3.1 of the Exempt Appendix for details of the final bidders.

2.2 Evaluation Criteria

2.2.1 The evaluation criteria set was Most Economically Advantageous Tender (MEAT), based upon a mixture of quality and price. 60% of the weighting was given to quality.

2.2.2 The criteria evaluated the design and technical quality of the submissions as well as the contractors' ability to deliver social housing development projects.

2.2.3 The quality criteria assessed:

- Design and technical proposals – particularly with regard to affordable housing
- Full appreciation of the desired outcomes and risks involved
- Programme and delivery proposals
- Quality and suitability of the team
- Working in close proximity to members of the public
- Economic and social benefits

2.2.4 40% of the weighting was given to price.

3. BUSINESS CASE

3.1 Delivery of Procurement Project Outputs / Outcomes

3.1.1 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 for delivery of the homes. The quality will be monitored by the HRA Development team and the Employer's agent
2. Appointing a contractor for the building works who has experience of working in close proximity to residential areas.	Successful procurement of the contractor 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. They have proposed communication, customer care and health and safety strategies to minimise disruption and ensure safety
3. Delivery of the key objectives for the project which is delivery of 32 new affordable homes on Beatty	Completion of the building works meeting all the Client's requirements	HRA Development; Category Management	Assessed at the end of the project, and also monitored throughout the	All homes will be built to the specified standard and completed within the timescales specified in the

Avenue in Gillingham			contract period	tender documentation
4. Apprenticeships	Employment and Skills Plan	HRA Development; Category Management	Monitored throughout the programme via monthly meetings and contractor reports	<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>
5. Sustainability and Environmental	Monitoring of Site Waste Management Plan at monthly meetings	HRA Development	Monitored throughout the programme via monthly meetings and contractor reports	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

				<p>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>
6. Local Labour	Employment Training Plan at monthly Meetings	HRA Development	Monitored throughout the programme via monthly meetings and contractor reports	<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>

4. RISK MANAGEMENT

4.1 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. Extensive liaison and communication will take place by the contractor prior to and during construction. Local residents were consulted during the planning period, and no objections were raised.		
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. Planning Approval	Likelihood: C	Impact: II
Outline Description: Planning approval may not be issued		
Plans to Mitigate: Draft conditions have been received; the HRA Development Team have met regularly with Medway Planners and permission was issued on 27 February 2015.		
6. 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		

5. CONTRACT AND QUALITY MANAGEMENT

5.1 Post Procurement Contract Management

- 5.1.1 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 the site, 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.
- 5.1.2 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 Asset Management Group as part of the overall HRA Development Programme.
- 5.1.3 As the properties are handed over there will be a rigorous snagging 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.
- 5.1.4 As part of the contract conditions STG Building Control will carry out the building regulations function.
- 5.1.5 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 as necessary.
- 5.1.6 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.

6. SERVICE COMMENTS

6.1 Financial Comments

- 6.1.1 The budget for this procurement and its associated delivery, as per the recommendations at Section 7, was agreed by Cabinet on 29th 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.

6.1.2 Further detail is contained within Section 2.1 Financial Analysis of the Exempt Appendix.

6.2 Legal Comments

6.2.1 Medway Council has the power to enter into this contract under The Local Government Contracts Act 1997 and the Localism Act 2011 in connection with the performance of its functions.

6.2.2 This procurement process complies with the Council's primary procurement objectives under 1.2.1 of the Council's contract procedure rules.

6.2.3 The process adopted also ensures that the Council complies with the EU principles of equal treatment, transparency, non-discrimination and proportionality.

6.2.4 As this is a high risk contract, the decision to award this contract is a matter for Cabinet.

6.3 Procurement Comments

6.3.1 As per the Contract Procedure Rules under section 3.3.1: 'All requirements above £100K must be advertised on the Council's Website, the Kent Business Portal and in the OJEU (where above the EU tender thresholds for goods, services or works).'

6.3.2 This procurement was carried out via a restricted procedure (non-OJEU) via the Kent Business Portal to comply with these rules, and to support the Council's procurement strategy to provide best value.

6.3.3 This procurement has achieved savings on the pre-tender estimate carried out prior to inviting contractors to submit a bid for the specified works.

6.4 ICT Comments

6.4.1 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.

7. PROCUREMENT BOARD

7.1 The Procurement Board considered this report on 25 February 2015 and it supported the recommendation set out in paragraph 8 below.

8. RECOMMENDATION

- 8.1 The Cabinet is recommended to approve the contract award for the HRA Development for Additional Housing Stock – Beatty Avenue, to the contractor set out in paragraph 2.2.1 of the Exempt Appendix and achieving the outputs described in Section 3 above.

9. SUGGESTED REASONS FOR DECISION

- 9.1 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

Name	Janet Elliott	Title	Category Lead
Department	Legal and Corporate Services	Directorate	Business Support
Extension	1023	Email	Janet.elliott@medway.gov.uk

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		13 November 2013
HRA Development Programme – Cabinet Report	http://democracy.medway.gov.uk/mglIssueHistoryHome.aspx?IId=11478	29 October 2013
Housing Revenue Account Capital and Revenue Budgets 2015/16 – Cabinet Report	http://democracy.medway.gov.uk/mglIssueHistoryHome.aspx?IId=13863	10 February 2015