

## **CABINET**

**9 FEBRUARY 2016**

### **GATEWAY 4 PROCUREMENT CONTRACT REVIEW: HOUSING REVENUE ACCOUNT (HRA) DEVELOPMENT OF GARAGE SITES FOR ADDITIONAL HOUSING STOCK**

Portfolio Holder: Councillor Howard Doe, Deputy Leader and Housing and Community Services

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#### **SUMMARY**

This report sets out a review the progress of the contract currently delivered through the supplier(s) as highlighted within 1.1 of this Report.

At the Procurement Board meeting on 13 September 2013 approval was given by the Monitoring Officer, in consultation with the Procurement Board, 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 paper outlines the performance of the contract awarded for the delivery of the first work stream for the construction of 23 affordable homes on a total of 10 locations in Medway, 9 of which were disused garage sites previously owned by the HRA.

The project was given the risk category of high as this is high profile procurement. It is the first development of affordable housing undertaken by Medway Council and it represents significant investment in Medway by using HR Headroom borrowing.

This Gateway 4 Report has been approved for submission to the Cabinet after review and discussion at Regeneration Community and Culture Directorate Management Team meeting on 10 December 2015 and Procurement Board on 20 January 2016.

## **1. BACKGROUND INFORMATION**

### **1.1 Budget & Policy Framework**

- 1.1.1 This procurement is affordable from the use of the retained Right to Buy (RTB) 1-4-1 capital receipts and borrowing within Housing Revenue Account (HRA) Headroom.
- 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 which increases by approximately £0.8m through minimum repayment on the loan each year. The total budget for both phases of the new build programme is £8.6m. This also includes 32 bungalows in Beatty Avenue and one detached house at Christmas Street.

#### **Contract Background Information**

- 1.1.3 The project proposed to deliver 23 units in 10 locations in Medway:

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

- 1.1.4 An additional 2 bedroom detached property in Christmas Street, Gillingham was given Director approval in June, added to contract, and will be handed over by May 2016.
- 1.1.5 All the units are 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. BUSINESS CASE**

### **2.1 Procurement Project Outputs / Outcomes**

- 2.1.1 The following procurement outcomes/outputs identified as important at Gateway 1 to the delivery of this procurement requirement and identified as justification for awarding the contract at Gateway 3, have been appraised in the table below to demonstrate how the procurement contract and corresponding supplier(s) has delivered said outcomes/outputs.

Outputs / Outcomes	How has contract award delivered outputs/outcomes?
1. Appointing a contractors for the works who will deliver quality products within the timescales required and within the given budget	The preferred contractor has provided a programme to fulfil the authority's requirements The programme was slightly delayed due to the supply and connection of service meters 22 of the original 23 properties have now been handed over
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.	The contractor had significant experience of working in close proximity to the local community  The contractor held initial resident consultation meetings before work on each site started
3. Apprenticeships	This will fit in with the Council's apprenticeship scheme and improve opportunities for local employment.  The 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  The contract has provided local apprenticeship opportunities via the appointed subcontractors
4. Sustainability and Environmental	The contractor's Environmental Management Plan Supports the Council's corporate sustainability plan by aiming to achieve recycling targets of 90% throughout the contract term. This is currently on target
5. Local Labour	All the subcontractors used on this project were based in Medway and Kent

### 3. RISK MANAGEMENT

**Risk Categorisation** – The following risk categories have been identified as having a linkage to the procurement contract at this Gateway 4 stage

<b>1. Risk Category: Health &amp; Safety</b>	<b>Likelihood: D</b>	<b>Impact: I</b>
<b>Outline Description:</b> Construction works in close proximity to the local community		
<b>Plans to Mitigate:</b> Contractor to provide clear and concise health and safety procedures. CDM co-ordinator to review measures taken		
<b>2. Risk Category: Financial</b>	<b>Likelihood: D</b>	<b>Impact: II</b>
<b>Outline Description:</b> Possibility of unforeseen costs		
<b>Plans to Mitigate:</b> Detailed investigative work undertaken to highlight any issues. Contract was let as a design and build fixed price contract which weight any such risk on the contractor		

## 4. POST PROJECT APPRAISAL/PERMISSIONS REQUIRED

### 4.1 Post Project Appraisal

4.1.1 The contract started in July 2014, and has successfully delivered the programme of works. All of the new homes in the addresses below are occupied, with the exception of 1 property in Westerham Close.

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	

4.1.2 There has been one new 2 bedroom property added to the contract in Christmas Street in Gillingham. This will be handed over by May 2016.

4.1.3 Each property has a home office pack, which will allow broadband connectivity by any service provider, including cable.

4.1.4 The contractor has managed communications with local residents and there have been no major complaints or issues arising regarding the works.

4.1.5 The same contractor is also working on the second phase of the Development Programme in Beatty Avenue.

4.1.6 One complaint was received by a resident regarding the boundary in Beechings Way, and some self-seeded shrubs which were cut back to allow for the new building.

4.1.7 This complaint is being managed by the Landlord Service who is discussing possible solutions to the issue including additional screening.

4.1.8 A letter of compliment and thanks was also received from a tenant who moved in to one of the new properties in Tangmere Close.

**Overleaf is an example of a completed property in Romany Court, Romany Road**



## **5. CONTRACT MANAGEMENT**

### **5.1 Contract Management**

- 5.1.1 The contract management of this project has been resourced through the Regeneration Team and the design team of external consultants. The team has undertaken full management and monitoring of the project, including regular inspections of all sites, final site inspections and sign off and handover.
- 5.1.2 As the properties are handed over there is a rigorous snagging process, checking the certification of all services, the installation of all appliances and fixtures and fittings as well as the general quality and standard of the product.
- 5.1.3 Medway will only accept properties that are defect free and have a full set of operating manuals for residents as complete. The contractor has provided training on equipment to residents and Housing Officers if necessary.
- 5.1.4 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. PROCUREMENT BOARD**

- 6.1 The Procurement Board considered this report on 20 January 2016 and supported the recommendation set out in paragraph 8 below.

## **7. SERVICE COMMENTS**

### **7.1 Finance Comments**

7.1.1 The budget for this procurement and its associated delivery, was agreed by Cabinet on 29 October 2013 (decision numbers 169/2013, 170/2013 and 171/2013), following approval of the overall project as an addition to the Capital Programme at Full Council on 17 October 2013. The cost of the scheme has been funded from borrowing and RTB 1-4-1 capital receipts 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.

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

### **7.2 Legal Comments**

7.2.1 There are no legal implications arising directly from the contents of this report.

### **7.3 Procurement Comments**

7.3.1 This contract has been closely managed throughout and kept within the forecast timescales.

7.3.2 The variation of the contract to include the additional property in Christmas Street adhered to the Public Contract Regulations 2006, which apply to procurements tendered before February 2015 and the Council's Contract Procedure Rules.

## **8. RECOMMENDATION**

8.1 The Cabinet is requested to note the performance of the HRA Development Garage Sites and achievement of the outputs described in sections 2 and 4 above.

## **9. SUGGESTED REASONS FOR DECISION**

9.1 The contract, which started in July 2014, has successfully delivered the programme of works.

## LEAD OFFICER CONTACT

Name  Title   
Department  Directorate   
Extension  Email

## BACKGROUND PAPERS

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

Description of Document	Location	Date
Housing Revenue Account Business Plan 2012-2042, and Asset Management Strategy – Cabinet report	<a href="http://democracy.medway.gov.uk/ieListDocuments.aspx?CId=115&amp;MId=2758&amp;Ver=4">http://democracy.medway.gov.uk/ieListDocuments.aspx?CId=115&amp;MId=2758&amp;Ver=4</a>	9 July 2013
Additions to the Capital Programme – Full Council report	<a href="http://democracy.medway.gov.uk/ieListDocuments.aspx?CId=122&amp;MId=2776&amp;Ver=4">http://democracy.medway.gov.uk/ieListDocuments.aspx?CId=122&amp;MId=2776&amp;Ver=4</a>	17 October 2013
HRA Development Programme – Cabinet Report	<a href="http://democracy.medway.gov.uk/ieListDocuments.aspx?CId=115&amp;MId=2762&amp;Ver=4">http://democracy.medway.gov.uk/ieListDocuments.aspx?CId=115&amp;MId=2762&amp;Ver=4</a>	29 October 2013
HRA Development of Garage Sites for Additional housing Stock – Gateway 3 Cabinet Report	<a href="http://democracy.medway.gov.uk/ieListDocuments.aspx?CId=115&amp;MId=2767&amp;Ver=4">http://democracy.medway.gov.uk/ieListDocuments.aspx?CId=115&amp;MId=2767&amp;Ver=4</a>	8 April 2014

## APPENDICES – Exempt Appendix