

WILTSHIRE COUNCIL

CABINET

23 February 2010

NEW COUNCIL HOUSE BUILDING CONTRACTS

Cabinet Member: Councillor John Brady - Economic Development, Planning and Housing

Executive Summary

1. The purpose of the report is to seek approval to enter into five build contracts to deliver a total of 65 new affordable homes on Council owned sites.
2. Cabinet approved, at its meetings on 15th July 2009 and 20th October 2009 submission of a programme of bids to the Homes and Communities Agency (HCA) to deliver a total of 64 new affordable homes across 5 sites owned by the Council.
3. In addition, Cabinet gave officers the discretion to continue to progress the schemes to ensure the new homes could be delivered within the timescales required by the HCA and to enter into a grant agreement with the HCA.
4. The Southview 1 scheme is now able to deliver 14 new homes rather than the 13 homes anticipated the bid was originally submitted. Therefore there has been a slight variation to the figures for this bid. There is no additional funding requirement and we are anticipating that we can deliver the 14 units for the same price anticipated for 13 units. This has increased the total number of homes to be built to 65 rather than 64.
5. All five schemes have now been progressed and are at various stages within the procurement process. Approval is required to enter into five build contracts with the successful contractors in order to ensure work can start on site and completions can be delivered by March 2011.
6. Three of the contracts will exceed £1m and therefore require Cabinet approval. Two of the contracts are likely to be below £1m. However, in total, the contract value of all five schemes is estimated to be over £1m and therefore approval is sought to enter into contract for all five schemes.

Proposal

That Cabinet;

- a) Gives approval to enter into build contracts for 5 schemes to deliver a total of 65 new affordable homes to be owned and managed by the Council as detailed in Appendix A.
- b) Gives delegated approval to the Director of Housing in consultation with the Cabinet Member for Economic Development, Planning and Housing to sign the build contracts.

Reason for Proposal

7. Cabinet, at its meetings on 15th July 2009 and 20th October 2009, gave approval to bid for funding from the Homes and Communities Agency to deliver new Council housing across 5 schemes and to progress those schemes through the planning system to enable delivery of 64 new affordable homes.
8. All five bids were successful and the Council has secured £4.3m of grant funding to enable the delivery of new council housing.
9. The Council is now able to deliver an additional unit on the Southview 1 site and is proposing to enter contracts to deliver a total of 65 units within the same budget.
10. The schemes have been progressed to the point of concluding the procurement phase and awarding contracts. Approval is now sought to enter into contract on all five schemes in order to deliver completions within the timescales agreed with the Homes and Communities Agency.

Graham Hogg, Director of Housing

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Cabinet Member: Councillor John Brady - Economic Development, Planning and Housing

Purpose of Report

1. The purpose of the report is to seek approval to enter into five build contracts to deliver a total of 65 new affordable homes on Council owned sites.

Background

2. Cabinet approved, at its meetings on 15th July 2009 and 20th October 2009 submission of a programme of bids to the Homes and Communities Agency (HCA) to deliver a total of 64 new affordable homes across 5 sites owned by the Council.
3. In addition, Cabinet gave officers the discretion to continue to progress the schemes to ensure the new homes could be delivered within the timescales required by the HCA and to enter into a grant agreement with the HCA.
4. The Southview 1 scheme is now able to deliver 14 new homes rather than the 13 homes anticipated when we originally submitted the bid. Therefore there has been a slight variation to the figures for this bid. There is no additional funding requirement and we are anticipating that we can deliver the 14 units for the same price anticipated for 13 units. This has increased the total number of homes to be built to 65 rather than 64.
5. The other four schemes are Southview 5 (17 units), St Thomas Road (8 units), Southwick Road (4 units) and Pembroke Road (22 units) as detailed in the earlier Cabinet reports in July and October.
6. All five schemes have now been progressed and are at various stages within the procurement process. Approval is required to enter into five build contracts with the successful contractors in order to ensure work can start on site and completions can be delivered by March 2011.
7. Three of the contracts will exceed £1m and therefore require Cabinet approval. Two of the contracts are likely to be below £1m. However, in total, the contract value of all five schemes is estimated to be over £1m and therefore approval is sought to enter into contract for all five schemes.

Main Considerations for the Council

8. The Council has a target to deliver 590 new affordable homes in 2010/11 in order to meet the need for affordable housing in Wiltshire.
9. The Government announced an opportunity for local authorities to bid for grant funding to deliver affordable housing on Council owned land in order to increase the overall delivery of affordable housing nationally. This funding is additional to the funding made available to Housing Associations through the HCA's Approved Development Programme for 2008/11.
10. Wiltshire Council has been successful in securing £4.3m of grant funding to enable the delivery of 64 new affordable homes through this programme and is now in the position where build contracts have either been procured or are being procured.
11. Cabinet is now asked to give approval to enter into five build contracts in order to deliver the new housing. These contracts will all have been procured in accordance with The Public Contracts Regulations and the Council's New Contracts Regulations and procurement procedures.
12. Details of each site and estimated contract value are included in a table at **Appendix A**.
13. As this is a new programme for the Government it is high profile and local authorities are being closely monitored on their delivery performance. The ability to progress the individual contracts and deliver affordable housing within the timescales set will greatly enhance the reputation of the Council and will give confidence in the Council's ability to deliver. This could potentially lead to further opportunities to secure investment in housing provision in Wiltshire.

Environmental Impact of the Proposal

14. The environmental impact of developing affordable housing on the five sites identified will be less than that of market housing as all the homes are being constructed to Code for Sustainable Homes Level 4 which ensures the energy efficiency of the homes is at least 25% better than the energy efficiency of homes build to standard building regulations.

Equalities Impact of the Proposal

15. The new dwellings provided through this programme will be let through the Council's choice based lettings system in line with the approved allocations policy. These homes will enable people unable to meet their housing needs in the marketplace to secure high quality

affordable homes. The high standard of the homes will also contribute to reducing fuel poverty for the households living in them.

16. The provision of new affordable homes adds to the diversity of our towns and villages by ensuring that there is a good mix of tenures, thereby improving the sustainability of communities and ensuring they continue to be vibrant places to live and work.

Risk Assessment

17. In relation to this report, there is a risk that if approval is not given to enter into the five build contracts, the projects will not deliver within the timescales expected. This could risk the funding for the project and the overall delivery. If funding is withdrawn as a result of failure to deliver there will be significant abortive costs.
18. The risks involved in the development of new homes were outlined in the previous Cabinet reports referred to above. These include;
 - a) The risk that costs will increase
 - b) The risk that the HCA's timescales will not be met
 - c) The risk that planning consents will not be secured
 - d) The risk that the Council does not have sufficient capacity to deliver the new council house building project.

The assessment of and actions taken to mitigate these risks are detailed below.

a) Cost increases

- (i) The estimates made when bidding regarding the costs of the schemes included contingencies and were verified by an independent Quantity Surveyor to ensure they were robust.
- (ii) Since the bids were submitted, ground investigations have been carried out, the designs have been further developed and specifications have been completed. As a result we can be more confident that the estimated costings are accurate. The tendering process we are currently going through should confirm that the estimated costings were reasonable.
- (iii) The build contracts being entered into are standard contracts where the developer will provide a fixed price against our specification. This then passes the risk of increased costs of materials and sub-contracts during the development period on to the contractor.

b) Timescales

- (i) All five schemes have been progressed to enable the delivery of the completed units within the HCA timescales. The approval to enter into contracts when the preferred contractor has been selected will enable the schemes to start on site at the earliest possible opportunity.
- (ii) There has been some slippage in delivery as the original timescales were challenging. However, the HCA has been informed that some of the schemes will not start on site as early as originally anticipated but that we will still be aiming to complete all the units on time.

c) Planning

- (i) Two of the five sites already have full planning permission and tenders have been received for them. It is anticipated that these contracts will be signed upon approval of this report and a start on site achieved in March 2010.
- (ii) The remaining three sites are all currently being considered by planning officers and it is anticipated that planning decisions will be made early in 2010/11 enabling the projects to start on site early in the Summer of 2010. Two of the schemes have already had a consent but the plans have had to be amended to accommodate the high standards the Council wishes to achieve.
- (iii) Detailed discussions have taken place with Development Control colleagues to ensure the schemes comply with the Council's planning policies.

d) Capacity

- (i) A project team has been set up to manage the project including officers from Finance, Procurement, Legal, Property and Housing Teams. This team is working effectively to manage the risks and scrutinise the delivery of the project
- (ii) In addition GreenSquare Group has been appointed as a Development Agent to project manage the delivery including managing the consultants and professionals involved in the project such as architects, quantity surveyors and engineers.

Financial Implications

- 19. Four of the schemes, 48 units, are being funded through the Housing Revenue Account (HRA). The borrowing from the HRA can be repaid from the rental income with an interest rate of 5% built into the financial appraisals of the schemes.

20. The fifth scheme, 17 units, will be funded using prudential borrowing. Again, a 5% interest rate has been built into the financial appraisal. The loan will be repaid with interest from the rental income for the properties.

Legal Implications

21. The Council has the power to build additional affordable homes and to receive grant funding.
22. To receive grant funding from the HCA the Council is required to enter into a grant agreement and to comply with the terms of that agreement. Cabinet gave approval at its meeting in October to complete the grant agreement and the terms of that agreement are currently being negotiated.

Options Considered

23. The alternative option of not entering into build contracts for these sites would have the following consequences;
 - a) Inability to meet the required timescales for delivery
 - b) Potential withdrawal of funding by the HCA
 - c) Damage to the reputation of the Council
 - d) Failure to deliver 65 new affordable homes

Conclusions

24. The principle of developing new council housing including securing grant funding, progressing schemes through planning and procuring contractors was agreed by Cabinet in July and October 2009.
25. This report proposes the progression of the schemes to enable the Council to enter into build contracts with developers to start on site as soon as possible for each scheme to enable completion of the new homes by March 2011.
26. The successful delivery of this programme of development will contribute to meeting the needs of local communities, enhance the reputation of the Council as a delivering organisation and ensure investment in Wiltshire is maintained.

Proposal

That Cabinet;

- c) Gives approval to enter into build contracts for 5 schemes to deliver a total of 65 new affordable homes to be owned and managed by the Council as detailed in Appendix A.
- d) Gives delegated approval to the Director of Housing in consultation with the Cabinet Member for Economic Development, Planning and Housing to sign the build contracts.

Reason for Proposal

- 27. Cabinet, at its meetings on 15th July 2009 and 20th October 2009, gave approval to bid for funding from the Homes and Communities Agency to deliver new Council housing across 5 schemes and to progress those schemes through the planning system to enable delivery of 64 new affordable homes.
- 28. All five bids were successful and the Council has secured £4.3m of grant funding to enable the delivery of new council housing.
- 29. The Council is now able to deliver an additional unit on the Southview 1 site and is proposing to enter contracts to deliver a total of 65 units within the same budget.
- 30. The schemes have been progressed to the point of concluding the procurement phase and awarding contracts. Approval is now sought to enter into contract on all five schemes in order to deliver completions within the timescales agreed with the Homes and Communities Agency.

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Date of report: 2nd February 2010

Background Papers

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

None

Appendices

Appendix A. Confidential
