



**SOUTH  
KESTEVEN  
DISTRICT  
COUNCIL**

# Cabinet

2 March 2021

**Report of:** Councillor Robert Reid

Cabinet Member for Housing and  
Planning



## Procurement of New Build Works

This report seeks approval for the award of a JCT Design and Build Contract for the construction of 12 Council properties to D Brown Building Contractors Limited.

### Report Author

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Corporate Priority:	Decision type:	Wards:
<b>Growth</b>	<b>Key</b>	<b>Two or more Wards</b>

<b>Reviewed by:</b>	Ken Lyon, Assistant Chief Executive, Housing Delivery	18 February 2021
<b>Approved by:</b>	Karen Bradford, Chief Executive	18 February 2021
<b>Signed off by:</b>	Councillor Robert Reid, Cabinet Member for Housing and Planning	19 February 2021

### Recommendation (s) to the decision maker (s)

1. That Cabinet note the request to consider this matter under the urgent decision process and approves the award of a contract of works to D Brown Building Limited for carrying out the development of 12 Council properties, using the Blue Skies Consortium Framework with a maximum contract value of £1,820,000 to allow works to start no later than April 2021.

# 1 The Background to the Report

- 1.1 As members will be aware officers have been engaged in significantly reviewing the capital HRA housing development objectives and outputs, to better reflect the capacity of the development team to deliver new homes, reduce the call on HRA capital resource to apply on other priorities associated with the Councils own stock, to especially reflect needs in the context of urgent improvement works, and compliance activities and needs.
- 1.2 This has resulted in a much reduced HRA capital new build programme within the 21/22 financial year and a revised more focused three-year development programme. Officers have therefore focused on those schemes which have progressed or are progressing effectively to ensure delivery of new homes and spend against the budget profile is achieved reducing any need to slip resources into future years, The scheme identified in this report and recommended for approval by Cabinet is the first of these early new build initiatives, and consists of 12 homes of much needed accommodation across two sites within the areas of Bourne and Stamford.
- 1.3 The sites identified are former Council owned garage areas, and members should appreciate that these 'infill' sites do represent some additional challenges relating to the development aspects of any scheme, and would not traditionally attract the volume builder interest a larger regeneration or greenfield opportunity would do. The location of the sites are attached as Appendix A for Members to refer to.
- 1.4 It is also important to note that in bringing forward such sites the Council is invariably incurring additional abnormal costs associated with preparing the sites for development. This abnormal cost provision is evident in a few ways and illustrated in the costs associated with these proposals. For example, within the total bid costs from the preferred contractor it is possible to identify abnormal and 'risk costs' across the two sites totalling some £324,000 circa £24,000 per property. These abnormal costs include preparatory works to drainage, new provision of drainage, road access improvements, retaining wall costs, and other ancillary works, plus a percentage uplift for risk. In considering the final cost outcomes officers have considered these and concluded they do not represent an unreasonable provision by the contractor, given the nature and scale of the development, site location, site conditions, and access challenges and the cost base estimates contained within the Framework provisions.
- 1.5 It is proposed that the new specialist designated bungalows, because of the specific attributes contained within the design aspects, including alarm connectivity, wet room facilities, and features designed with elderly and disabled clients in mind, it is not anticipated these properties would be available to acquire under the Right To Buy regulations.
- 1.6 Attached at Appendix B are the schematic design drawings so that members might appreciate the appearance of these homes once complete. The necessary planning consents were granted in August 2019 and which include 4 one bed flats and 3 one bed bungalows at Meadow Close Bourne, and one three bed bungalow, three two bed, and single one bed bungalow at Trinity Rd Stamford. The construction proposals also include the use of modern methods of construction and will deploy timber frame design approaches to improve the timelines associated with the development. The scheme proposals including the financial aspects of the proposals have previously been considered by the joint Officer and Member HRA Housing Development Project Group.

- 1.7 In considering the target housing market and housing need priority clients for these homes' officers have had regard to the identifiable housing needs trends within both the Bourne and Stamford areas. This has been achieved through the Strategic Housing Market Needs assessment data, local housing need assessments, and current waiting list priorities. The homes will meet these identified and evidenced based housing needs as identified across both areas.
- 1.8 The development proposals are also aligned with the key outcomes in the 2017-2021 Housing Strategy which includes the following:
- Maximising Council investment in affordable housing using traditional, off-site and modular construction options.
  - The continued delivery of Council housing to meet identified social housing needs.
  - Best use of existing land and property that can be converted to housing as quickly as possible

## 1.9 **Procurement Process**

- 1.9.1 In considering the most effective and efficient method for procuring the necessary development partner, officers have determined that a mini tender approach via a relevant Framework would be the most effective method to use. This ensures a managed process utilising the benefit of reduced timelines given the pre-qualification criteria has already been completed to gain access to the relevant Framework provider. Further the necessary VFM criteria are achieved using the final process of mini competition amongst those contractors that bid for the works from the Framework list.
- 1.9.2 In addition, this contract is procured in accordance with the Council's Contract and Procurement Procedure Rules 2020, and the Public Contract Regulations 2015. The contract that is procured include provisions to ensure the Council meets its statutory responsibilities, achieves a high level of customer satisfaction, and provides as stated above value for money. In progressing with the procurement of these development works, officers have chosen to use the most appropriate Framework provider. Accordingly, in this case the Blue Skies Framework was selected as it provided the necessary benefits of utilising a Framework approach but at significantly reduced fees when compared with an alternative provider such as SCAPE.
- 1.9.3 Formed in 2006, Blue Skies Consortium is well regarded by Homes England, and attracts considerable levels of grant through various funding schemes. They are fully compliant with all funding regulations and have produced a consultant's and contractor's framework. This framework is available to all consortium members and has previously tested cost comparative appraisals from contract bidders, and negates the need to complete a further tendering process, although a further mini tender has been carried out through the Blue Skies Consortium framework as per the prescribed rules within the Framework Agreement – following this mini tender process one bid was received with another two contractors declining to bid because they confirmed full commitment to other development opportunities. Subsequently Contractors A who submitted a compliant bid which met the specification and quality standards were selected. Further details are within the exempt Appendix C, Members should also note that within the exempt appendix officers have indicated that further price comparisons were used from the SCAPE framework given our previous use of this provider to check VFM given the single bid received from contractors A.

## **2 Consultation and Feedback Received, Including Overview and Scrutiny**

- 2.1 A public consultation has been carried out for both sites which included liaison with the Ward Members. Feedback from the consultation formed the Statement of Community Involvement submitted with the planning applications and which subsequently received planning approval. A further consultation period was carried out during the planning process, in which consultation letters are sent to neighbours and, where applicable, and various bodies such as Anglian Water and Lincolnshire County Council the Highways Authority, to obtain their expert view.

## **3 Available Options Considered**

- 3.1 **Do nothing**– this option was discounted as the Corporate Plan has “Housing that meets the needs of all residents” as one of the key five priorities – with a specific action to increase the supply of Council houses in the District. The Housing Strategy 2020-24 has a specific action of “The continued delivery of Council Housing to help meet social housing needs.
- 3.2 **Use traditional tender and procurement options** – consideration was given to using traditional tendering for these works, however due to the length of time required to complete such an OJEU compliant process, taking account of the value and complexity of the works specification this was discounted, as these challenges are mitigated by using the appropriate Framework approach.
- 3.3 **Use an approved OJEU compliant Framework** - An OJEU compliant framework was considered the most efficient and effective option as the necessary OJEU requirements, including contractor costs for works have already been assessed and completed as part of a contractor gaining access to the Framework. The completion of an options appraisal has confirmed that the most efficient and best value for money approach for procuring such works is via the compliant framework identified in this report.

## **4 Preferred Option**

- 4.1 Following the necessary procurement process the preferred option is therefore to award the works for new build properties at Trinity Road Stamford and Meadow Close Bourne to D Brown Building Limited using the Blue Skies Framework. And subsequently to enter into a JCT Design and Build Contract with the preferred contractor for the duration of the construction programme.

## **5 Reasons for the Recommendation (s)**

- 5.1 The contractor was identified as providing the best value for money when a price and quality assessments were completed. If approved the development meets a core objective of the Corporate plan and delivers much needed new social housing to meet housing need within the district.

## **6 Next Steps – Communication and Implementation of the Decision**

- 6.1 The contractors have been contacted and given the necessary information relating to the contract and have confirmed a willingness to proceed subject to final Cabinet approval.

## **7 Financial Implications**

- 7.1 The Cabinet is requested to consider this report under the urgent decision process. In considering the necessary funding provisions for the development a mixture of HRA

capital and other funding, it is necessary to consider the range of options to implement the most effective use of resources. This includes having specific regard to the resources available. In this case taking account of the management of such resources the Section 151 Officer needs to have regard to the availability of one for one capital receipts, and which are subject to strict timelines for spending on qualifying capital projects. If these receipts are not applied and used within these timeline stipulations, then the Government requires the receipts to be repaid with interest.

Financial Implications reviewed by: Richard Wyles, Interim Director of Finance

## **8 Legal and Governance Implications**

- 8.1 An award to D Brown Building Limited via the Blue Skies Framework can be approved by Cabinet being in accordance with the Council's Contract and Procurement Procedure Rules and the Public Contract Regulations 2015. All necessary permissions will be obtained before construction works are commence.

**Legal Implications reviewed by: Shahin Ismail, Director of Law and Governance**

## **9 Equality and Safeguarding Implications**

- 9.1 The new build property construction work activity has little impact in the context of the equality and safeguarding objectives set by the Council. These works substantially involve work to vacant sites, and therefore immediate equality and safeguarding issues are unlikely to arise.
- 9.2 The proposed development does however provide new specialist housing which will be of specific value to those who may have mobility and or medical needs which standard general needs housing would not provide. This therefore will be of significant value to these specialist categories in housing need within the District.

## **10 Risk and Mitigation**

- 10.1 **Poor contractor performance** – mitigated by robust contract management including regular contractor meetings, supervision of works, KPI contract performance reporting, and compliance and adherence to contract terms.
- 10.2 **Poor contract management** – mitigated by adopting 'good practice' project management principles including, timely contract management meetings, sound specification requirements, KPI information, good practice communication arrangements and adequate contract management resources through fully trained and qualified staff.
- 10.3 **Increased costs on a site** – These can be created by cost over-runs or "abnormal costs", these are effectively additional costs created by unexpected site conditions or events. These can be mitigated through the contract detail, and management.

## **11 Community Safety Implications**

- 11.1 All Council new build housing schemes are designed and built to Secure by Design. Secured by Design is the official police security initiative that works to improve the security of buildings and their immediate surroundings to provide safe places to live, work, shop, and visit.

## **12 How will the recommendations support South Kesteven District Council's declaration of a climate emergency?**

12.1 All new build works are carried out to the latest property standards, to ensure compliance with current statutory requirements, with an emphasis on new and modern technologies and thermal efficiencies to reduce the carbon footprint.

### **13 Other Implications (where significant)**

13.1 The option could be taken to not seek to build or buy any new homes and accept that the Housing stock would reduce over time due to further Right to Buy completions. This option is discounted as it would lead to a greater waiting list, and ongoing reduction in HRA properties and income, which in the long-term may cause the HRA assets to become too small and too fragmented to manage effectively.

13.2 Failure to secure the development opportunity would also fail to meet emerging Policy as part of the Corporate Plan, and there is likely to be an increased demand for Council housing following the negative impact on the economy of measures to counter COVID-19.

13.3 Finally as indicated above under the financial implications of this report, the failure to commit one for one designated capital receipts will impact significantly on the Councils overall utilisation of available capital funds, and will if the scheme fails to obtain approval result in significant capital receipts being lost to the Council having to be repaid to Government with interest penalties.

### **14 Background Papers**

14.1 Available on request.

### **15 Appendices**

15.1 Appendix A – Location of sites

15.2 Appendix B - Schematic design drawings

15.3 Appendix C – Exempt

<b>Report Timeline:</b>	Date of Publication on Forward Plan (if required)	2 November 2020
	Final Decision date	2 March 2021