



SOUTH
KESTEVEN
DISTRICT
COUNCIL



Cabinet

Tuesday, 9 July 2024

Report of Councillor Virginia Moran,
Cabinet Member for Housing

Contract Award for New Build Housing Scheme at Larch Close, Grantham

Report Author

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Purpose of Report

This report sets out the proposals for a new build social housing development at Larch Close, Grantham and also recommends that the new build contract be awarded to Mercer Building Solutions Ltd.

Recommendations

That Cabinet:

1. Approves the outcome of the tender process and appoints Mercer Building Solutions Ltd as the preferred contractor for the construction of the housing development at Larch Close Grantham.
2. Delegates to the Deputy Chief Executive and Section 151 Officer, in consultation with the Cabinet Member for Housing, to enter into a contract with Mercer Building Solutions Ltd to build 19 units at a cost of £3,833,555.
3. Delegates to the Deputy Chief Executive and Section 151 Officer, in consultation with the Cabinet Member for Housing, to apply for amendments to the planning permission from the Local Planning Authority in order to ensure the development meets current housing needs and delivers value for money.
4. Subject to the outcome associated with Recommendation 3, agrees to delegate to the Deputy Chief Executive and Section 151 Officer, in consultation with the Cabinet Member for Housing, authority to vary the construction contract accordingly.

Decision Information

Is this a Key Decision?	Yes
Does the report contain any exempt or confidential information not for publication?	No
What are the relevant corporate priorities?	Housing
Which wards are impacted?	Grantham Earlesfield;

1. Implications

Taking into consideration implications relating to finance and procurement, legal and governance, risk and mitigation, health and safety, diversity and inclusion, safeguarding, staffing, community safety, mental health and wellbeing and the impact on the Council's declaration of a climate change emergency, the following implications have been identified:

Finance

- 1.1 The delivery of this scheme is a key element of the new build programme for the Housing Revenue Account (HRA). The proposal has been assessed utilising a scheme viability tool which takes into consideration the capital outlay, the projected income forecast, the operational holding costs and management and maintenance costs. This analysis demonstrates a positive financial return on the development and a positive cash inflow of between £40-£60k per annum. This surplus will contribute towards the ongoing financial viability of the HRA 30 year business plan. This is a priority for the Plan as the medium term outlook currently shows emerging deficits as operational and stock investment costs continue to increase. The viability tool also confirms a positive internal rate of return over the life of the asset.
- 1.2 This development will be wholly funded from HRA capital receipts that have been generated from RTB sales of HRA dwellings. The Council has entered into an Agreement with Government to reinvest its capital receipts into the supply of new homes for social housing. However there is a time limitation of five years for the spend of the receipts and after this time the receipts would be required to return to Government. Therefore it is important that the Council continues to deliver a pipeline of new build developments (either by direct build or property acquisitions). The delivery of the proposed development will ensure the risk of receipts being returned is significantly reduced.

- 1.3 From a value for money perspective, the report confirms that a robust tender process has been undertaken and the preferred bidder has submitted a robust proposal that has scored the highest overall.

Completed by: Richard Wyles, Deputy Chief Executive and s151 Officer

Procurement

- 1.4 The necessary processes have been followed in accordance with the Council's Contract Procedure Rules.

Completed by: Helen Baldwin, Procurement Lead

Legal and Governance

- 1.5 There are no further significant legal, or governance implications not already highlighted within the body of the report. Contract Procedure Rules state that an award of this value must be made by Cabinet.

Completed by: James Welbourn, Democratic Services Manager and Deputy Monitoring Officer

Risk and Mitigation

- 1.6 A project risk register will be created in partnership between the contractor and the Council, which will be subject to robust review as the project progresses. As part of the process there will be a mutual agreement of the identified risks and enable confirmation of ownership to be confirmed by the contractor of the Council.
- 1.7 The contractor will be responsible for insuring the building works until the properties are handed over to the Council.

Completed by: Tracey Elliott, Governance & Risk Officer

Health and Safety

- 1.8 Premier Risk Services are contracted by Mercer Building Solutions Ltd to provide inspections, support and guidance towards achieving compliance across all sites (and office) locations. All documentation will be made available to the Council and joint meetings will be arranged to ensure that there is a collaborative approach to health and safety.

Completed by: Phil Swinton, Health and Safety Manager

Climate Change

- 1.9 The contractor has included sustainable measures as part of their submission. The dwellings are to be constructed in line with current Building Regulations, Secured by Design standard (Bronze Award minimum) and SKDC Policy SB1. Properties are to be fitted with air source heat pumps and solar PV in order to provide energy efficiency for end occupiers and reduce carbon emissions.

Completed by: Serena Brown, Sustainability and Climate Change Manager

2. Background to the Report

- 2.1 The approved Corporate Plan 2024-2027 clearly sets out how South Kesteven District Council (SKDC) intends to meet the mission “to ensure that all residents can access housing which is safe, good quality, sustainable and suitable for their needs and future generations.”
- 2.2 The Corporate Plan, Priority 4 identifies ‘Housing’ as a key priority with high quality housing essential for all, and the council is committed to working with partners to provide this by:
- Facilitating a range of appropriate and sustainable housing and community facilities for future generations and the emerging needs of all our communities.
 - Delivering exemplary and high-quality services for housing and homelessness.
 - Increasing the supply of sustainable and high-quality Council-provided housing.
 - Working with developers and private landlords to ensure sustainable, affordable, and high-quality housing is facilitated.
- 2.3 The location of the proposed development is on the plan below edged red. The site is to the rear of existing homes off Larch Close, Grantham within the Earlesfield ward and is adjacent to the A1.

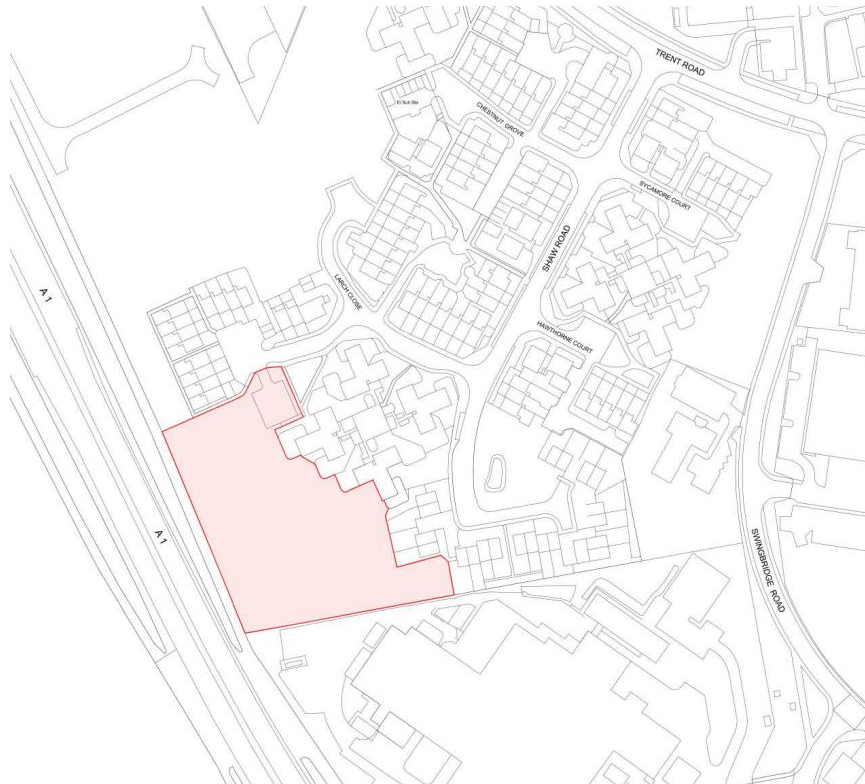


Figure 1- Site boundary in red

- 2.4 The development site is owned by South Kesteven District Council, it is currently used for car parking and has the remnants of a playground that has been subject to vandalism and various anti-social behaviour reports.



Figure 2- Current view of site

- 2.5 The scheme has been approved by the Local Planning Authority (subject to entering of the S106 Agreement) under reference S22/2308- Erection of 21 affordable dwellings with associated access, landscaping, parking and cycle storage provision with a link in the background papers section of the report. There are a number of planning conditions identified below:-

2.6 **Before the Development is Commenced**

- Archaeological Investigation
- Construction Management Plan
- Noise Impact Assessment Update
- Drainage Strategy

- Ground Conditions
- Mercer Building Solutions Ltd have included costs to undertake these works and want to discharge these conditions as soon as possible.

2.7 **During Building Works**

- **Remediation Scheme-** The scheme requires a plan to be submitted and approved for remediating the land
- **Sustainable Building -** The scheme shall include details of how carbon dioxide emissions would be minimised through the design and construction of the development, details of water efficiency; and the provision of electric car charging infrastructure.
- **Ecological Mitigation** All works on site, including construction works, shall be carried out including the installation of bat and bird roosting boxes.
- Mercer Building Solutions have included these costs in the tender including air source heating, solar PV roof panels and electric car charging infrastructure.
- Mercer Building Solutions Ltd have included costs in the contract sum to undertake these works.

2.8 **Before the Development is Occupied**

- **Noise Validation Testing –** costs have been included in the contract for these tests.

Shaw Road Pedestrian Crossing

- No part of the development hereby permitted shall be occupied before the works to improve the public highway (by means of an uncontrolled pedestrian crossing connecting people from Shaw Road over Trent Road) has been certified complete by the Local Planning Authority.
- An allowance of £2,012 has been included in the Mercer Building Solutions Ltd costs for this as an uncontrolled crossing which normally means dropped kerbs and tactile paving. If a zebra crossing is required this would be an additional cost but the dropped kerbs should be acceptable.

Estate Road Surface Levels

- Before any dwelling hereby permitted is occupied, all of that part of the estate road and associated footways that form the junction with Shaw Road, and which will be constructed within the limits of the existing highway, shall be laid out and constructed to finished surface levels in accordance with details that shall first be submitted to, and approved in writing by the Local Planning Authority.
- Costs for roads, paths, pavings and surfacing was included in the contract sum provided by Mercer Building Solutions Ltd.

Hard Landscaping Implementation

- Before any part of the development hereby permitted is occupied, all hard landscaping works shall have been completed in accordance with the approved details.
- Costs have been included for this as part of the contract sum.

Ongoing

Soft Landscaping Implementation

- Before the end of the first planting / seeding season following the first occupation of the development hereby permitted, all soft landscaping works shall have been carried out in accordance with the approved soft landscaping works.
- Costs have been included for this part of the contract sum.

Soft Landscaping Protection

- Within a period of five years from the first occupation of the final dwelling / unit of the development hereby permitted, any trees or plants provided as part of the approved soft landscaping scheme, that die or become, in the opinion of the Local Planning Authority, seriously damaged or defective, shall be replaced in the first planting season following any such loss with a specimen of the same size and species, unless otherwise agreed by the Local Planning Authority.
- Costs have been included for this as part of the contract sum.

- 2.9 The S106 agreement is a separate cost to the HRA of £25,000 which includes healthcare and a contribution of £10,000 to Lincolnshire County Council Highways towards traffic improvements as identified in the Grantham Transport Strategy.
- 2.10 The proposed site plan is attached as Appendix 1 to this report which shows that the 21 units will be made up of a mix of property types, 13 x 1-bedroom apartments, 6 x 2-bedroom houses and 2 x 4-bedroom houses. The costs are approximately £190,000 per unit for the apartments and 2-bedroom houses and approximately £215,000 for the four-bedroom houses. The cost received for constructing the 21 units was £4.041m including the four-bedroom properties. The new build properties are designed to include air source heat pumps, solar PV, infrastructure for electric vehicles, which has meant a higher cost per unit.
- 2.11 Due to the higher costs per unit and rental the HRA will receive on the four bedroom houses it is proposed to commence work on 19 of the units (the apartments and 2-bedroom houses) and to submit a new planning application to change the two four-bedroom properties into four two-bedroom properties. Should the planning permission be granted this will increase the HRA rental. Also, the original planning application for this site was submitted two years ago and reflected the needs of the housing register at that time, there is now a larger need for one- and two-bedroom properties therefore this amendment to the scheme will meet the current needs of our residents.

2.12 Below is an aerial perspective of the proposed new development.



2.13 Below is a perspective of the development showing the 3 storey apartments next to a 4-bedroom house and access. From initial conversations with the architects these houses can be easily split into 2-bedroom properties but this is not a non-material amendment to the original planning application as it will change the number of units being built from 21 to 23 therefore this would need a whole new planning application. Due to the considerable amount of time and costs associated with this scheme already the recommendation is to commence with delivery of 19 units and to submit an overlapping planning application for the two four-bedroom units only. Although it is to be noted that the reduction in the contract sum to build the 19 units is only £207k less than that 21 units that was originally tendered the infrastructure to build the additional units has been included.



Figure 3- Perspective of 3 storey flats and a 4-bedroom house

- 2.14 The housing need in Grantham is extremely high with a one-bed and two-bedroom houses most requested hence the type of housing being proposed on the site. The Council has a hybrid approach to delivering its housing pipeline as it loses around 40 properties per year through the Right to Buy process therefore there needs to be a plan to build on its own land and seek to secure affordable housing on larger developments to meet the needs of our residents. This development in Grantham will replace half of the houses lost through Right to Buy in one year and is one of the larger schemes in the pipeline on HRA owned land.
- 2.15 The rents will be set in-line with affordable rent, this will be set following the completion of the development and the outcome of the red book evaluation that will set the value of the assets. Affordable rent is set higher than social rent as per legal process around setting the rental value, finance support on this process to ensure all processes are correct and financially compliant.

Procurement Information

- 2.16 To ensure that there was a robust procurement the Council secured Welland Procurement to support this process. In accordance with the Public Contract Regulations 2015, this Tender opportunity was not advertised on the Official Journal of the European Union (OJEU) or Find a Tender Service (FTS) since a Further Competition exercise was used. The Westworks DPS framework is OJEU-compliant, and this was the preferred route due to the number of potential contractors on the framework.
- 2.17 This Tender followed a 3-step process.
- Stage 1- There was a call for Expressions of Interest (EOI). Qualifying providers were invited to review the opportunity and then either opt in or opt out. If opting out, a sufficient reason must be posted. Thirteen companies opted out at this stage for various reasons (lack of resource, site not large enough for economies of scale, timescales) and five providers opted in.
 - Stage 2- Should there have been a large number of opt in responses to an EOI then the Council could have sifted the five companies that opted in. The Council chose to progress all five companies to the next stage and not sift.
 - Stage 3- The Invitation to Tender included the full tender document set including pricing and employers' requirements etc. which was issued to all five providers on the 20 March 2024, the date for completed submissions was 15 May 2024.
- 2.18 Four bids were received on 15 May 2024, the fifth contractor declined to submit a bid due to their other tendering commitments.

- 2.19 The award criteria questions considered the merit of the eligible tenders in order to identify the most economically advantageous tender. The Council evaluated the award criteria as follows:
- A quality assessment worth 40%;
 - A price assessment worth 60%;
- 2.20 An evaluation panel was constructed in order to ensure that individuals assigned to evaluate questions were the most suitable and relevant to the criteria being examined, based upon qualifications and experience. Each question was evaluated by each evaluator and their scores and comments recorded. There were a total of two evaluators that reviewed the tenders.
- 2.21 Subjective evaluation was undertaken the a process of moderation for each individual evaluator's scores was undertaken by Welland Procurement using the documented rationale/comment from each evaluator (2), for their original score for each question or sub-question.
- 2.22 The moderation meeting held on 22 May 2024 enabled the panel to review the scores awarded by each evaluator and agree a moderated score for each question. The meeting also ensured that scoring had been consistent and key points in each question had been accounted for. In all such cases, following discussion, the moderator concluded the most appropriate mark to be awarded.
- 2.23 Non-Evaluator, Helen Baldwin (Procurement Lead) was present at the moderation meeting.
- 2.24 The evaluation scoring process was devised based upon a maximum score of 100% being available to each bidder as stated in the ITT documentation and outlined above.
- 2.25 Following the completion of the evaluation and moderation process the scores awarded to the participants were as follows:
- | | | |
|-----|---------------------------|--------|
| 1st | Mercer Building Solutions | 87.84% |
| 2nd | Bidder 2 | 85.66% |
| 3rd | Bidder 3 | 79.50% |
| 4th | Bidder 4 | 72.57% |
- 2.26 Mercer Building Solutions scored the highest score 87.84% and therefore are chosen as the preferred contractor.
- 2.27 A procurement evaluation summary has been completed by Welland Procurement and Westworks will inform the unsuccessful bidders of the outcome.

- 2.28 Mercer Building Solutions Ltd have experience of delivering affordable, sustainable schemes, they will be utilising solar photovoltaic (PV) on the roof and air source heating in the new properties to minimise costs to our tenants. They scored highly on the evaluation of their submission regarding the project team that will be delivering this scheme and also on their ongoing relationship with authorities in the handover period and 12 months following the completion. They will also be using our internal East Midlands Building Control Service.
- 2.29 If Cabinet approve the decision to award the contract the development will commence in July 2024 and the scheme is anticipated to take 56 weeks to complete.

3. Key Considerations

- 3.1 Key areas for consideration are set out within the report.

4. Other Options Considered

- 4.1 The Council could wait to commence the scheme or not build the development.

5. Reasons for the Recommendations

- 5.1 There is a housing need for the Council to develop the site therefore the recommendation is for the contract be awarded so that works can commence in summer 2024.
- 5.2 The procurement process is in accordance with the Council's Contract and Procurement Procedure Rules and the Public Contract Regulations 2015.

6. Consultation

- 6.1 A public consultation by SKDC was held in August 2021. At that time the proposal was for a larger scheme of 35 houses and incorporated an open piece of land to the north. A large section of the land fell under 'village green status' and the main objections to the proposal was the loss of public open amenity space. Following this consultation a smaller scheme was developed and submitted to the Local Planning Authority for pre-application consideration before a formal application was submitted and approved.
- 6.2 There was consultation as part of the Planning process.
- 6.3 The Housing Overview and Scrutiny Committee have been kept informed of the new build pipeline and this scheme.

7. Background Papers

- 7.1 Planning Portal for Application [S22/2308 | Erection of 21 affordable dwellings with associated access, landscaping, parking and cycle storage provision. | Land To The Rear Of Larch Close And Shaw Road Grantham Lincolnshire NG31 7XL \(southkesteven.gov.uk\)](#)

8. Appendices

- 8.1 Appendix 1 – Proposed Site Plan