

	<p align="center"><b>London Borough of Hammersmith &amp; Fulham</b></p> <p align="center"><b>CABINET</b></p> <p align="center"><b>6 JULY 2015</b></p>
<p><b>DIRECT HOUSING DELIVERY PROGRAMME AND SINGLE CONTRACTOR FRAMEWORK</b></p>	
<p><b>Report of the Cabinet Member for Economic Development and Regeneration : Councillor Andrew Jones</b></p>	
<p><b>Open Report</b></p> <p>A separate report on the exempt Cabinet agenda provides exempt information in connection with the financial implications.</p>	
<p><b>Classification - For Decision</b>  <b>Key Decision: Yes</b></p>	
<p><b>Wards Affected:</b> All</p>	
<p><b>Accountable Director:</b> Juliemma McLoughlin – Director for Planning, Regeneration and Growth</p>	
<p><b>Report Author:</b> Matthew Doman Development Manager</p>	<p><b>Contact Details:</b>  Tel: 020 8753 4547  E-mail:  matthew.doman@lbhf.gov.uk</p>

## 1. EXECUTIVE SUMMARY

- 1.1. It is a key priority of the Council to increase the number of genuinely affordable rented homes available to residents of the borough. This was confirmed in the new Housing Strategy approved by Cabinet on 11 May 2015.
- 1.2. The Council's programme for the direct delivery of new homes has been revised to reflect his change in policy. The revised direct delivery programme now has the potential to deliver circa 208 homes. A phased approach is being taken to the delivery of this programme and this report covers the first two phases of this programme which will deliver around 65 affordable rented council homes.

- 1.3. The Direct Housing Development programme forms part of the Council's overall programme for affordable housing delivery which includes:
- The Joint Venture arrangement with Stanhope
  - Council Homes and Conversions Programme
  - Units secured via the planning process in line with the recently adopted revised Housing Strategy
- 1.4. The report also seeks approval to appoint a contractor to a single contractor framework to enable the delivery of these homes.

## 2. RECOMMENDATIONS

- 2.1. To approve the undertaking of Phase 1 of the Direct Housing Development programme. (as detailed below)
- 2.2. To approve the allocation of £7.6m of section 106 funds required to complete Phase 1 of the Direct Housing Development programme.
- 2.3. To approve the use of £3.25m Right to Buy (RTB) required to complete Phase 1 of Direct Housing Development programme
- 2.4. To approve the undertaking of necessary work to achieve detailed planning consent on Phase 2 schemes.
- 2.5. To approve the undertaking of additional feasibility work for the Direct Housing Development programme and undertake pre-application discussion with the planning authority and resident consultation where appropriate.
- 2.6. That approval is given to incur additional consultancy fees for ongoing professional, technical and legal advice to complete Phase 1 of the Direct Housing Development programme, to undertake work up to and including submitting a planning application for Phase 2 of the direct housing development programme, and to undertake feasibility work on remaining schemes included in the Direct Housing Development programme as set out below:

Legal Advice	£ 30,000
Architectural and Design Services	£350,000
Technical and Cost Advice Services	£350,000
Surveys	£ 70,000
Contingency	£ 50,000

- 2.7. To delegate authority to the Cabinet Member for Economic Development and Regeneration, in conjunction with the Director of Planning, Regeneration and Growth, the Director of Finance and Resources and the Director of Law, to approve the appointment of consultants required to

undertake work on Phase 2 of the Direct Housing Development programme and additional feasibility work as required.

- 2.8. That approval is given to establish a single contractor framework for the provision of development and construction services in order to deliver the Council's Direct Housing Development programme.
- 2.9. That approval is given to appoint Aecom Construction Services to the single contractor framework to provide development and construction services.
- 2.10. To approve the entering into build contracts (at a total cost and financing arrangements for each scheme as detailed in the exempt report on the exempt Cabinet agenda), subject to all outstanding terms being agreed, for the construction of:
  - Barclay Close
  - Becklow Gardens,
  - Spring Vale
  - Barons Court
- 2.11. To delegate authority to the Cabinet Member for Economic Development and Regeneration and the Cabinet Member for Finance, in conjunction with the Director of Planning, Regeneration and Growth, the Director of Finance and Resources and the Director of Law to agree any outstanding terms in advance of entering into construction contracts to build Barclay Close, Becklow Gardens and Spring Vale.
- 2.12. To delegate authority to the Cabinet Member for Housing, in conjunction with the Lead Director for Housing and the Director of Law, to approve Local Lettings Plans to govern the allocation of homes provided under Phases 1 and 2 of the Council's Direct Housing Delivery programme.

### **3. REASONS FOR DECISION**

- 3.1. To enable the redevelopment of the Council owned sites identified in Phase 1 for the provision of new affordable housing.
- 3.2. To ensure that the required section 106 funds and Right to Buy 1-4-1 receipts are allocated to the Direct Housing Development programme to allow for the completion of Phase 1. This report also ensures that Right to Buy 1-4-1 receipts will not have to be paid over to central government.
- 3.3. To enable officers to work up and submit detailed planning applications and achieve detailed planning permission for Phase 2 schemes.
- 3.4. To enable further feasibility work to be undertaken to establish viable options for the future provision of affordable housing

- 3.5. To establish a framework and appoint a contractor partner to provide development and construction services to enable the Council to deliver its Direct Housing Development programme.

#### **4. INTRODUCTION AND BACKGROUND**

- 4.1. On 24 June 2013 Cabinet approved the Housing Development Programme Business Plan 2013-17, for the direct delivery of new homes in the Borough in pursuance of the Council's previously adopted (2012) Housing Strategy.
- 4.2. Since May 2014, planning and resident consultation activities on further schemes in the programme have been on hold pending the outcome of a comprehensive programme review to consider options for delivering a greater number of affordable rented units, within the overall delivery programme to reflect the Council's Housing Strategy as approved by Cabinet on 11<sup>th</sup> May 2015. The revised direct delivery programme now has the potential to deliver 200 homes. A phased approach is being taken to the delivery of this programme and this report covers the first two phases which will deliver around 65 social rented council homes.
- 4.3. The following schemes make up Phase 1 of the Direct Housing Development programme. All have detailed planning permission and can be used for the provision of social rent:
- Barclay Close
  - Becklow Gardens
  - Spring Vale
  - Barons Court
- 4.4. The following schemes make up Phase 2 of the Direct Housing Development programme and these schemes will be worked up alongside Phase 1 to achieve detailed planning permission:
- Jepson House
  - 50 Commonwealth Avenue Road (Nubian Centre)

#### Single Contractor Framework

- 4.5. In order to deliver the units included in the Direct Housing Development programme it was agreed that the Council would establish a single contractor framework to provide construction and development services. This decision was made after receiving advice from consultants on the basis that the potential economies of scale and time savings achieved by using a single contractor would increase the efficiency of providing new homes. This proposal was presented to Cabinet for approval in April 2014.
- 4.6. Following Cabinet approval in April 2014 a procurement exercise was initiated by the Council. A notice was published in the Official Journal of

the European Community (OJEU) and PQQs made available for download on 27<sup>th</sup> July 2014.

- 4.7. A total of four PQQs were received from the following companies:
  - Aecom Construction Services
  - Keepmoat
  - Mears Ltd
  - United House
- 4.8. Following evaluation of the PQQs a report was submitted to the Cabinet Member for Economic Development and Regeneration in December 2014 recommending that all four companies be invited to tender.
- 4.9. Following Cabinet Member approval tender documents were issued in January 2015 and bids were invited for return by 20<sup>th</sup> March 2015.
- 4.10. As part of the framework tender exercise bidders were asked to submit bids for the construction of Barclay Close and Becklow Gardens for assessment. Bidders were asked to price both projects in the following manner:
  - Barclay Close Mandatory – Rational House construction model
  - Barclay Close Alternative – Bidder to propose an alternative construction method
  - Becklow Gardens Mandatory – Rational House construction model
  - Becklow Gardens Alternative – Bidder to propose an alternative construction method
- 4.11. The decision was made to request a price for an alternative construction method due to the fact that the Rational House model is a new product that is not currently being used at scale in the residential sector. Moreover it gave the Council the opportunity to test the market to come up with a cost effective solution for developing the sites.
- 4.12. Bidders were asked to submit their tenders on a fixed fee basis for both construction methodologies which will enable the Council to call off the contracts for works using the method that offers best value for money.
- 4.13. Bidders were also asked to submit fixed framework fees for items such as preliminary costs and design fees.

## 5. PROPOSAL AND ISSUES

### Direct Housing Development Programme

- 5.1. The review of the Direct Housing Development programme shows that around 208 new homes could be built on 20 Council owned sites. These schemes are at various stages in the development cycle, some have detailed planning consents, some are at feasibility stage and some have been identified as suitable for redevelopment.

### Phase 1

- 5.2. The proposal is to phase the Direct Housing Development programme and include in Phase 1 the schemes that have implementable detailed planning consents. These are:

<b>Scheme</b>	<b>Description</b>	<b>Location</b>
Barclay Close – New Build <b>Social Rent</b>	This site has detailed planning permission for <b>6</b> units. Consultancy work was procured via the CHPL framework and the units are designed to Rational House principles.	Located off Fulham Road and near Fulham Broadway Tube Station
Becklow Gardens –New Build <b>Social Rent</b>	This site has detailed planning permission for <b>13</b> units. Consultancy work was procured via the CHPL framework and the units are designed to Rational House principles.	Located just off A4020 Uxbridge Road in Shepherds Bush
Spring Vale- New Build <b>Social Rent</b>	This site has detailed planning permission for <b>10</b> units. Consultancy work was procured via the CHPL framework and the units are designed to Rational House principles	Located close to Kensington Olympia
Barons Court – Conversion of store area <b>Social Rent</b>	This site has detailed planning permission for <b>2</b> units. Consultancy work was undertaken by Baily Garner.	Located close Barons Court Tube Station

- 5.3. The redevelopment of these four sites will result in **31** much needed new affordable homes being built.
- 5.4. In order to develop Phase 1 £7.6m of section 106 funds and £3.25 Right to Buy receipts (£10.85m in total) will need to be allocated.

- 5.5. It is proposed that, subject to the necessary funds being allocated, the works for the development projects included in Phase 1 be procured and undertaken.

### Phase 2

- 5.6. It is also proposed that work be undertaken to develop Phase 2 schemes in order to achieve detailed planning consents. Phase 2 schemes are as follows:

<b>Scheme</b>	<b>Description</b>	<b>Location</b>	<b>Provisional Cost</b>
Jepson House – New Build	This scheme has reached pre-application stage following initial feasibility modelling. Consultancy work has been undertaken via the CHPL framework but this will be reviewed moving forward. The current design would provide for <b>28 new affordable homes</b> .	Located in the South of the Borough close to Wandsworth Bridge Road	£9.5m
50 Commonwealth Avenue – New Build	This scheme has been discussed with planners and has the potential of providing <b>14 new affordable homes</b> .	Located in White City	£4m

- 5.7. Achieving detailed planning permission will enable these homes to be delivered within the next two years if the funds required to construct the properties are secured from future s.106 commuted sums.
- 5.8. The value of these sites will also be increase by obtaining detailed planning permission.
- 5.9. In addition, it is proposed that feasibility work be undertaken for schemes to be included in subsequent Phases of the Direct Housing Development programme to pre-planning stage.
- 5.10. The Council’s Scheme of Allocation for council homes allows for the introduction of Local Lettings Plans (LLPs) to govern the allocation of homes in a particular area or of a particular type. It is proposed that the letting of the properties developed as a consequence of this report be subject to LLPs so as to benefit existing tenants in the vicinity of the newly-developed homes. It is anticipated that this will benefit in particular existing tenants in the local area who are living in overcrowded conditions. Prior to implementation, the plans would be subject to consultation with residents in the area.

### Single Contractor Framework

- 5.11. The recommendation to establish a single contractor framework was approved by the Cabinet in April 2014 on the basis that it would be the most efficient and cost effective way of delivering development projects. This was based on the fact that economy of scale savings should be achieved by engaging with a single partner and there would be no requirement to undertake full procurement exercises for each individual project.
- 5.12. A regulated procurement exercise was initiated in July 2014 as detailed above and resulted in four developers being invited to tender. These were:
- Aecom Construction Services
  - Keepmoat
  - Mears Ltd
  - United House
- 5.13. During the tender stage Keepmoat, Mears Ltd and United House withdrew from the procurement exercise citing lack of resources due to the volume of work they are currently undertaking.

### Tender Evaluation

- 5.14. The closing date for tender returns was 20<sup>th</sup> March 2015 and evaluation was completed on 31<sup>st</sup> March 2015.
- 5.15. Bids were evaluated on three key criteria with a maximum of 40% awarded for financial proposals, 50% to quality proposals and 10% for their approach to community engagement.
- 5.16. The issue of whether the Council could establish the framework and appoint a contractor if only one bid was received was discussed in detail with the Council's legal advisor Sharpe Pritchard. It was confirmed that as long as a full-regulated procurement exercise was undertaken there is nothing preventing the Council establishing a framework in the event it only receives one bid. Lambert Smith Hampton has provided separate advice confirming value for money (see paragraph 5.18 below).
- 5.17. It is proposed that the works required to deliver Phase 1 of the direct housing development programme be called-off the framework subject to all outstanding terms being agreed.



### Value for Money

- 5.18. Fixed framework fees for items such as preliminary costs and design fees were submitted and evaluated as part of the procurement exercise. These amounts are fixed and will form part of the framework contract document. This, in conjunction with an open book approach to pricing the construction works, will ensure that value for money is achieved on future schemes.
- 5.19. All figures for future schemes will also be assessed by a Quantity Surveyor appointed by the Council who will confirm that the proposals offer value for money prior to entering into a construction contract.

### Community Investment

- 5.20. Bidders were scored on their approach to community engagement which included resident consultation, local supply chain, local labour and training opportunities.
- 5.21. Future construction contracts and appointments will have obligations in relation to social return on investment and an emphasis on investment in local communities.

## **6. OPTIONS AND ANALYSIS OF OPTIONS**

### Direct Housing Development Programme

- 6.1. The revised Housing Strategy places more emphasis on the supply of social rented units, particularly so on Council owned sites.
- 6.2. A number of options were reviewed exploring how to improve the number of social rent units in the Direct Housing Development programme as a whole. These options required either a number of units to be sold at private market levels in order to cross-subsidise the provision of social rent units or for the programme to be split into smaller phases that could be 100% funded without the need for selling private units or taking on external debt.
- 6.3. The proposal set out above is to split the Direct Housing Development programme into smaller phases. The first phase is exclusively social housing and 100% internally funded by RTB and s106 receipts. This option was chosen as it maximises the provision of social housing on each site without the need to increase HRA debt. The alternatives would have involved:
  - increased HRA borrowing, however as set out in the finance comments there are a number of pressures on the Housing Capital Financing Requirement and/or
  - not maximising the provision of social housing on each site.

## Single Contractor Framework

- 6.4. Procuring construction works for individual small to medium size development schemes has become increasingly difficult mainly as a result of an extremely buoyant construction market.
- 6.5. This issue was discussed in detail with the Council's development management partners and a number of options were considered, these were:
  - To undertake individual OJEU procurement exercises for each scheme above the relevant threshold.
  - To access an existing framework and undertake a competitive exercise to appoint a contractor.
- 6.6. Both of these options throw up the same problems in so much as the schemes are not of sufficient size to attract tenders from companies that would meet the Council's supplier requirements; also tender returns would probably be high in value as it is likely that no economies of scale could be achieved.
- 6.7. In order to overcome these issues and achieve efficiencies and economies of scale approval was given to undertake a regulated procurement exercise in order to establish a single contractor framework.

## **7. CONSULTATION**

- 7.1. Formal consultation with residents in relation to the schemes that make up Phase 1 was undertaken at various stages prior to submitting a planning application. Resident and other interested parties also had the opportunity to comment on the application prior to planning being granted.
- 7.2. During consultation it was explained that the Phase 1 properties would be sold at either Market or Discount Market levels in line with the 2013-17 HDP Business Plan. Further consultation will be required prior to starting construction works to explain the change in tenure to social rent and initial letters have been sent to residents.
- 7.3. For Phase 2 and future schemes detailed resident consultation exercises will be undertaken. Resident consultation will include:
  - Ward Councillor briefings
  - TRA engagement
  - Resident newsletters
  - Additional letters to leaseholders
  - Drop-in sessions to enable residents to engage in site design
  - Presentations to tenants and leaseholder area forums

- 7.4. The outcome of the consultation will inform scheme development and planning submission for each scheme.

Further resident engagement will be undertaken prior to the construction work at each of the development sites to introduce the contractor and provide residents with further details regarding the development process.

## **8. EQUALITY IMPLICATIONS**

### Direct Housing Development Programme

- 8.1. Under the Equality Act 2010, the Council must consider its obligations with regards to the Public Sector Equality Duty (PSED). It must carry out its functions (as defined by the Human Rights Act 1998) with due regard to the duty and its effect on the protected in a relevant and proportionate way. The duty came into effect on 6<sup>th</sup> April 2011.
- 8.2. An initial Equality Impact Analysis (EIA) has been undertaken. It shows that the development sites are to be of medium relevance and have a positive impact on the following groups:
- Age (especially younger age groups)
  - Disabled people (and the Council recognises that some disabled people may require more assistance to benefit)
  - Women
- 8.3. Some Phase 1 schemes may impact on women and men, as set out in the EIA, where pram sheds will be moved. There is likely to be disruption but the degree to which this occurs will vary from site to site. However, there will be no loss of the facility as this will be mitigated by the re-provision of the facility.
- 8.4. Full EIA assessments will be undertaken on a scheme by scheme basis as part of the planning application process.

### Single Contractor Framework

- 8.5. As this process involves the establishment of a Contractor framework it is unlikely there will be any equality implications.
- 8.6. *Implications verified by: David Bennett, Acting Head of Change Delivery  
0208 753 1628 - david.bennett@lbhf.gov.uk*

## **9. LEGAL IMPLICATIONS**

### Direct Housing Development Programme

The legal implications are set out in the report. Section 106 money must be used in accordance with the terms of the agreement under which it was

given. Provided that the agreement is complied with, funds can be used in this way.

### Single Contractor Framework

- 9.1. Legal advice on the procurement of the Framework Agreement is provided by external lawyers, Sharpe Pritchard. The procurement has been carried out in accordance with the Public Contract Regulations 2006 and the Council's Contract Standing Orders.
- 9.2. It is noted that whilst four organisations were invited to bid, only one bid was received. However, as set out earlier in this report, provided a compliant procurement exercise was undertaken, and the Council is satisfied that it will receive value for money, the Council is permitted to award the in the event it only receives one bid.
- 9.3. Implications verified/completed by: Cath Tempest, Senior Solicitor (Contracts) 020 8753 2774

## **10. PLANNING IMPLICATIONS**

- 10.1. The S106 contributions that are required to enable the redevelopment of the Council owned sites specified for affordable housing purposes would be a use of the funds, as they were secured for either affordable housing or social and physical infrastructure purposes in the borough. The timetable for payment/receipt of the funds is considered to be realistic if not conservative, and the triggers for payment will be monitored.
- 10.2. Implications verified/completed by: (Peter Kemp, Planning Change Manager, 020 8753 6970)

## **11. FINANCIAL AND RESOURCES IMPLICATIONS**

- 11.1. It should be noted that £1.033m of capitalised costs are currently held on the balance sheet as at 31<sup>st</sup> March 2015 against these sites. Should any not progress the costs associated with that site would have to be written off to revenue and would be a call on the HRA Strategic Regeneration and Housing Development Earmarked Reserve which had a balance on 31<sup>st</sup> March 2015 of £1.746m.
- 11.2. 30% of each sites predicted costs will be financed by Right to Buy capital receipts that have been earmarked for the provision of affordable rented housing. These are known as 1-4-1 receipts and are exempt from pooling to central government on the proviso that they are used for providing additional affordable rented housing. They must be used within 3 years of the last day of the quarter in which they were retained. The 30% to be used for each site is the maximum allowable as stipulated by the 2012 Self Financing Agreement with Communities and Local Government. Based on the above this amounts to £3.25m which will be funded using the oldest retained receipts. As at March 31<sup>st</sup> 2015 the Council held £9.7m Right To

Buy 1-4-1 receipts. Details of the 1-4-1 receipts held in reserve and the deadlines by which they must be used are set out in appendix 2.

- 11.3. The remaining £7.59m is funded by s106 receipts, details of which are in appendix 1 (in the exempt report on the exempt Cabinet agenda). Where possible funding has been allocated to schemes fulfilling the geographic restrictions conditions of some s106 agreements. At the time of this report £20.4m of s106 receipts are expected to be available within this financial year and next. Not all of this funding is currently in hand, however the schedule provided by Planning Services confirms that £8.69m is expected this year and £11.75m next. This adequately covers the funding required for the four schemes going into build contract. Associated risks are covered in the subsequent section.
- 11.4. Additional consultancy fees are required for on-going professional, technical, and legal advice to complete Phase 1 of the Direct Housing Development programme and to undertake work up to and including submitting a planning application for Phase 2. The £850k estimated total costs will be funded from Capital Receipts Reserve balances within the Decent Neighbourhood Fund. The consultancy fees funded by this need to qualify as capital expenditure and will be checked on an item by item basis. Any which do not qualify can be either charged to S106 or to the HRA Strategic Regeneration and Housing Development Earmarked Reserve.
- 11.5. For Jepson House and /or Commonwealth Avenue further funding will need to be identified before entering into build contracts and a further Cabinet report will be required. Furthermore Commonwealth Avenue is a General Fund owned site, if the option to develop this within the HRA is exercised then the site would need to be appropriated for Housing Land. This would increase the HRA's Capital Funding Requirement (CFR). Any appropriation would be based on market value; currently the Capital Budgets assume a £500k receipt for the sale of this site. Obtaining planning permission for new homes will increase the value of these sites.
- 11.6. It should be noted that any funding committed to the schemes considered within this report will reduce the potential contributions to other Decent Neighbourhood Programme projects such as the redevelopment of Edith Summerskill House.
- 11.7. Implications verified/completed by: (Firas Al-Sheikh, Housing Financial Strategy Accountant, 020 8753 4790)

## **12. FINANCIAL RISK MANAGEMENT**

- 12.1. Not all of the s106 funding the four schemes is in hand. The schedule provided by the Planning department confirms that if received on time there will be sufficient receipts to fully finance the four schemes going into build contract. Whilst there is no material risk of the receipt values being

less than anticipated there is a significant risk of short term delays (i.e. up to a quarter). Two significant sums are expected in the final quarter of 2015/16: £4.25m from the Town Hall redevelopment and £2.25m from St. James White City. If these two receipts slip into 2016/17 then it is estimated the funding shortfall could be up to £2m which would consequently increase the Housing Revenue Account's (HRA's) Capital Financing Requirement (CFR) by up to the same amount for the financial year 2015/16. It should be noted that this would represent a short term increase if the risk is realised which is containable within the CFR cap for the HRA and any such increase would be reversed when the delayed s106 receipts are subsequently realised in 2016/17.

- 12.2. To mitigate against this risk Finance and Planning Officers will continue to monitor progress on the sites involved carefully. Furthermore whilst this risk remains in place Finance will reflect it in subsequent 2015/16 budget reports.
- 12.3. There is a risk that the Government's current commitment to introduce an extension to Right to Buy to Registered Providers and to make Council's sell their high value homes may impact on the future use of these homes. If this risk materialised then it is likely that the tenure would be converted to equity share, however it should be noted that this would probably not be as effective at reducing pressure on Temporary Accommodation costs in the General Fund as providing Affordable Rented Homes.
- 12.4. If progression to build contract is not realised for Jepson House, Commonwealth Avenue and other Phase 2 sites then the costs incurred to date will be written off as unbudgeted revenue of up to £850k to the Housing Revenue Account.
- 12.5. There is a risk that if phase 2 does not progress the £850k of costs incurred will need to be written off to revenue. This can be covered out of the HRA Strategic Regeneration and Housing Development Earmarked Reserve which as at 31<sup>st</sup> March 2015 had a balance of £1.746m
- 12.6. There is a risk that if development does not progress the Council may need to repay retained Right to Buy Receipts to central government in accordance with the deadlines set out in Appendix 2
- 12.7. Implications verified/completed by: (Firas Al-Sheikh, Housing Financial Strategy Accountant, 020 8753 4790)

## **13. RISK MANAGEMENT**

### **Development Risk**

#### Phase 1

- 13.1. Fixed construction costs have been received for Becklow Gardens and Barclay Close. These fees were returned during the procurement exercise on the basis of a summer/ autumn 2015 start on site. Should we not be in a position to call off these contracts there is a risk that the contractor may look to renegotiate or withdraw all together. The rate of construction inflation would suggest that if the contractor withdrew and the sites retendered it would be likely that construction costs would increase.
- 13.2. Spring Vale and Barons Court are based on up to date costs estimates supplied by the Council's cost consultants with a contingency figure included. If approval to undertake the works is delayed significantly it is likely that construction costs will go up.
- 13.3. If approved at July 2015 Cabinet it is anticipated that Phase 1 schemes will complete between a 6 -12 month period from award of contract. A delay to the approval will see the delivery of these homes pushed back.
- 13.4. There is limited risk that ground conditions on site will delay the delivery of Phase 1 schemes as detailed surveys were undertaken and included in the tender documents. Tender returns include delivery programmes that make allowance for any issues identified. The works will be procured using a JCT Design and Build contract on a fixed sum basis so unforeseen issues encountered on site are at the Contractor's risk.

#### Phase 2

- 13.5. As Phase 2 involves taking sites from feasibility to detailed planning stage there are a number of risk items that have to be considered. These include:
  - The ability to obtain planning permission for a viable scheme.
  - Local opposition to the development
  - Adverse ground conditions that would result in high abnormal development costs that would impact on a viable scheme being delivered.
  - The requirement for service diversions which would have a significant cost impact on the project.
  - Insufficient funds available to undertake the construction work when planning permission is achieved

The major risks associated with these items are financial as they may all create abortive costs. This will be mitigated by structured fee schedules which have fixed sums at feasibility, pre-app and detailed planning stages. If feasibility work suggests that the sites are unviable to be developed then they will not be progressed.

- 13.6. Jepson House has already undergone feasibility work and several pre-app discussions which suggest a viable scheme can be achieved on site.

- 13.7. Should planning be achieved and funding not be available to develop the sites can be sold or transferred to an affordable housing provider to construct for the provision of social housing.

#### **Procurement Risk**

- 13.8. Advice has been sought from the Council's legal advisors at each stage of the procurement exercise. Risk has been minimised by ensuring that an open and transparent evaluation has been undertaken.
- 13.9. Implications verified/completed by: Matthew Doman, Development Manager x4547

#### **14. PROCUREMENT AND IT STRATEGY IMPLICATIONS**

- 14.1. The proposal to set up a Single Contractor Framework was approved by Cabinet in April 2014.
- 14.2. The procurement has been carried out in accordance with the Public Contract Regulations 2006 and the Council's Contract Standing Orders.
- 14.3. Implications verified/completed by: (Robert Hillman, Procurement Consultant x1538)

#### **LOCAL GOVERNMENT ACT 2000**

#### **LIST OF BACKGROUND PAPERS USED IN PREPARING THIS REPORT**

<b>No.</b>	<b>Description of Background Papers</b>	<b>Name/Ext of holder of file/copy</b>	<b>Department/ Location</b>
1.	None		

#### **LIST OF APPENDICES:**

Appendix 1 - The financing arrangements for each scheme (*in the exempt report on the exempt Cabinet agenda*).

Appendix 2 - Details of the councils Right to Buy 1-4-1 receipts held in reserve



## APPENDIX 2

Details of the councils Right to Buy 1-4-1 receipts held in reserve

Receipts received in Quarter	RTB 1-4-1 receipts received £	Amount used £	Amount remaining	Amount allocated for Phase 1a £	Deadline to use receipt
01/01/2014 - 31/04/2014	1,468,185	149,214	1,318,971	1,318,971	01/01/2017 - 31/04/2017
01/04/2014-30/06/2014	2,402,271	-	2,402,271	1,933,563	01/04/2017-30/06/2017
01/07/2014 - 30/09/2014	2,707,645	-	2,707,645	-	01/07/2017 - 30/09/2017
01/10/2014 - 31/12/2014	2,071,846	-	2,071,846	-	01/10/2017 - 31/12/2017
01/01/2015 - 31/03/2015	1,213,379	-	1,213,379	-	01/01/2018 - 31/03/2018
	9,863,327	149,214	9,714,113	3,252,534	