

AGENDA ITEM NO 6

REPORT NO 145/16

ANGUS COUNCIL

COMMUNITIES COMMITTEE – 12 APRIL 2016

NEW AFFORDABLE HOUSING AT GUTHRIE HILL AND SMITHY CROFT, ARBROATH – PROCUREMENT AUTHORITY APPROVAL REQUEST

REPORT BY HEAD OF TECHNICAL AND PROPERTY SERVICES

ABSTRACT

Report seeking authority for the proposed procurement where the maximum value of the contract is above the Chief Officer's delegated authority limit.

1. RECOMMENDATIONS

1.1 It is recommended that the Committee:

- (i) approves the estimated total cost of £7,100,000 (at out turn prices);
- (ii) approves the procurement authority, as contained in this report, in accordance with the process stated in Section 16.8 and 16.24.16 of the Financial Regulations;
- (iii) approves funding in the amount of £100,000 for this project from the Affordable Housing Account;
- (iv) notes that the funding for this project amounting to £7,100,000 will comprise £2,478,000 from the Scottish Government Affordable Housing Grant, £100,000 from the Affordable Housing Account and £4,522,000 from the HRA Capital budget. The Housing Financial Plan was amended following the Special Rent Setting meeting of this Committee on the 9 February 2016;
- (v) notes the financial implications included in Section 6 of this report.

2. ALIGNMENT TO THE ANGUS COMMUNITY PLAN/SINGLE OUTCOME AGREEMENT/CORPORATE PLAN

2.1 This report contributes to the following local outcomes contained within the Angus Community Plan and Single Outcome Agreement 2013-2016:

- We have a sustainable economy with good employment opportunities
- Angus is a good place to live in, work and visit
- Our communities are safe, secure and vibrant
- Our communities are developed in a sustainable manner

3. BACKGROUND

3.1 The Remodelling of Council Housing Stock in Central Arbroath approved by the Communities Committee on the 18 November 2015 (Report No 470/14) recommended that the project for the demolition of 5 blocks of flats including the Homeless Person block and the construction of new Council houses was to be taken forward. This report provides detailed proposals and costings for the scheme in line with Report 470/14. Funding to support this project is available from the grant received from the Scottish Government as part of Angus Council's Affordable Housing Supply Programme delivery plan. The proposal is following the demolition of existing blocks to construct 36 flats and 6 new build houses within the confines of the site which are to be owned and managed by Angus Council as affordable rented accommodation.

The overall provision of properties on the site and the range of flats and house types available for rent meet the current anticipated housing demand in this area.

- 3.2 The site is generally owned by the Housing Revenue Account; however three privately owned flats in Smithy Croft, Arbroath required to be purchased to allow the project to proceed. Approval was given to purchase the flats in Report No 218/15 which was presented to the Communities Committee on the 26 May 2015. These flats have now been purchased at a cost within the original allowance of £225,000 contained in the HRA Financial Plan. The Guthrie Hill and Smithy Croft site is now wholly owned by the Housing Revenue Account and the position and layout of the proposed scheme is shown in the attached **Appendices**.

4. SCOPE OF CONTRACT

- 4.1 The works comprise of the construction of a total of 42 properties together with all associated access roads, external works and services including gardens, communal landscaping and car parking. The levels of accommodation to be provided are as follows:
- 4 – three bedroom two storey semi-detached houses
 - 2 - two bedroom single storey accessible bungalows
 - 28 – one bedroom flats (mixture of single and two storey)
 - 8 – two bedroom flats (mixture of single and two storey)
- 4.2 Current demolition works comprises the removal of 36 flats in four blocks at Guthrie Hill and Smithy Croft, Arbroath and are procured separately due to the specialist nature of the works. The demolition works include the removal of foundations, all associated external works and services, together with any associated asbestos works. The former Homeless Persons Block Guthrie Hill was demolished in 2014.
- 4.3 These properties form part of the new Council house building programme which is guided by the Local Housing Strategy (LHS) (the primary strategic document on housing need), the Strategic Housing Investment Plan (SHIP) and Angus Council's Affordable Housing Supply Programme delivery plan.

5. PROCUREMENT AUTHORITY

Objectives

- 5.1 As part of the Scottish Government's affordable housing programme Angus Council has received grant funding to assist in meeting Angus Council's Affordable Housing Supply Programme delivery plan. This funding will allow Angus Council to provide urgently needed new affordable rented housing to meet current and increasing future demands. The 42 new properties proposed for Arbroath are an integral part of the programme and are part of the Angus Council's new affordable housing provision.
- 5.2 Angus Council has developed model designs for new build housing at other locations within Angus as part of the ongoing planned programme of developments. The experience gained in design and procurement of each new build housing scheme is being replicated, where appropriate within this project. An integral aspect of the designs is the adoption of the latest best practice regarding the provision of affordable housing where applicable. This includes the utilisation of sustainable materials and techniques which protect and enhance the built and surrounding environment and delivers high performance standards for new buildings in terms of flexibility, adaptability, low carbon emissions, standards of comfort and low operating and maintenance costs. The best practice gained in the previous designs has been incorporated into this project.
- 5.3 Due to the proximity of the historic Arbroath Abbey and other requirements relating to road realignment, additional design and planning requirements are required to be taken into account as part of this project. Consideration was given to various design solutions and following extensive consultation between Councillors and Council officers the current design solution was considered to be the most appropriate option. Following the recent Charrette held in

Arbroath, the Council are currently consulting with Architecture and Design Scotland to review and assess the design. Following this, it is the intention to hold a further members briefing to fully discuss the final design before the planning application is submitted.

- 5.4 It was determined that these objectives would be best achieved by utilising the experience gained by Technical and Property Services from recent high quality projects to undertake a feasibility study and initial design which would establish the best layout to meet the combined objectives and subsequently develop and finalise the project brief with the client.

Sourcing Route/ Collaborative Opportunities

- 5.5 Collaborative procurement opportunity details were passed to Tayside Procurement Consortium (TPC) on the 15 February 2016. Confirmation was received on 24 February 2016 from TPC that based on the size, type and timescale of the proposed project there are currently no opportunities for collaborative procurement for the Council's requirement under the umbrella of TPC. This will be reviewed in the future as part of any procurement strategy for the delivery of a similar programme.
- 5.6 Technical and Property Services has successfully completed a number of new affordable housing, conversion and modernisation contracts using a procurement process which includes a fully considered in-house design utilising the construction contract 'with Quantities' approach encompassing open market competition on a restricted procedural basis. This procurement option which has been used on a number of affordable housing and modernisation projects has been very successful at providing high quality housing at competitive rates. In order to comply with the latest procurement legislation the appointment of the contractor will be on the basis of most economically advantageous tender.
- 5.7 Based on the previous success of this procurement method it is the recommendation of the Head of Technical and Property Services that the Construction of affordable housing comprising 36 new build flats, 6 new build houses and associated external works is procured using this procurement approach encompassing open market competition, using the restricted tendering procedure and awarding to a single supplier (a single contract (lot)).
- 5.8 The procurement of demolition works which is below the Financial Plan delegated authority limit of £500k is being carried out in advance using the procedures normally associated with works of this value. This will include inviting quotations for the works through the normal Public Contracts Scotland (PCS) procurement portal process.
- 5.9 The affordable housing project will be advertised on Public Contracts Scotland in line with Council policy in September 2016. As the estimated value for the new build works noted in Section 6.1 exceeds the EU threshold of £4,104,394 the relevant EU procurement procedures will apply. Any capable local contractor will be identified and steps taken to alert them to the bidding opportunity prior to advertisement of the project.
- 5.10 Procurement will be via a two stage 'restricted' process which will require contractors to submit the standard European Single Procurement Document (ESPD) which, under the Public Contract (Scotland) Regulations 2015 (for procurement commenced from 18 April 2016), replaces the Pre-Qualification Questionnaire (PQQ). Following evaluation of the ESPD's submitted, up to six of the highest scoring bidders who satisfy the minimum qualification thresholds set and communicated within the Contract Notice will be invited to submit a tender. The first stage Pre-qualification assessment is set out in Section 5.22 of this report.
- 5.11 Following the evaluation of the ESPD it is anticipated that invitations to tender will be issued in December 2016 and returned during February 2017. The Invitation to Tender will include preliminaries and bills of quantities which will be priced by the bidders. The tender documentation will incorporate standard Scottish Building Contract 2011 (with quantities) conditions, contract specific preliminaries, pricing documents, community benefit clauses, fair work practices question, pre-construction information pack, specification and drawings. Tenders will be evaluated in accordance with Section 5.24 of this report and the projected date for award of contract is March 2017 with the works commencing on site in May 2017 following a six week mobilisation period. The contract period is twenty four months with contract completion expected by May 2019.

- 5.12 Using the procurement method identified above will ensure that Angus Council has complete control of the design and procurement process thereby obviating any delays, ensure that the project is designed to exactly fulfil client requirements and provide an appropriate level of cost control. The established experienced resource within Technical and Property Services will be able to guide, support and deliver further phases of the new affordable housing programme and to build on the positive experience already gained.
- 5.13 The project includes a requirement to procure from statutory utility providers comprising telephones, gas, electricity and water. In these circumstances payment in advance on the basis of single quotations is warranted. The statutory utility provisions will be procured in accordance with Financial Regulation 16.24.16 and will be funded from the allowance for statutory payments and sundry expenses contained in section 6 below.
- 5.14 This report details the funding arrangements and procurement options for the New Affordable Housing, Guthrie Hills and Smithy Croft, Arbroath that fall within the procurement authority requirements contained in Financial Regulations (FR) 16.8. This procurement is not considered to be a “major procurement” in terms of Financial Regulation 16.8.4. Approval of this report would mean that the contract can be accepted without the need for further approval by the relevant committees. In accordance with the current arrangements the contract award will be the subject of a ‘Noting Report’ and will be available on the Council’s ‘Information Hub’.

Sustainable Procurement Considerations

5. 15 The Scottish Government ‘Sustainability Test’ is utilised to identify any additional sustainable procurement measures which could be incorporated within the requirement. In accordance with standard practice the Technical and Property Services has integrated whole life/life cycle requirements within its best practice design approach for this project to assist in fulfilling the range of objectives detailed earlier. The feasibility study and development of the project brief identified that a mixed scheme incorporating new-build flats and houses was the best option available to fulfil the project requirements and promote socio-economic outcomes.
5. 16 This project will be designed to incorporate sufficient materials with a high recycled content that the target of 10% by value of recycled content in property related construction projects valued over £1 million will be achieved. The design will also incorporate the Sustainable Timber Policy approved by the Corporate Services Committee on the 23 October 2008 (Report No. 1040/08, Article 11 refers) ensuring that all timber or timber materials required for this contract will be from sustainable sources.
5. 17 The design for the new affordable flats and houses will include solutions which will allow the performance of the houses to meet the requirements of Code 4 as contained in the Code for Sustainable Homes Technical Guide. Designing to this level substantially exceeds the requirements contained in the current buildings regulations for insulation values and sustainability. This represents a reduction in CO₂ that equates to Code 4 which delivers a significant improvement over the current base building regulations
5. 18 As part of the specification to meet the Code 4 requirements, reduce CO₂ and running costs the design incorporates:
- Photovoltaic panels which will be connected into the electrical system to feed in electric power and reduce running costs;
 - High levels of insulation exceeding the current building regulations;
 - Air tightness requirements reducing the loss of heat through drafts;
 - Whole house ventilation including an element of pre-heating the incoming fresh air to reduce heating costs.
- 5.19 In comparison to existing Housing stock of a similar nature, by incorporating various design solutions including those noted above, the flats and housing will have significantly reduced energy costs for the tenants and help the Communities Directorate to meet its carbon dioxide emission targets for housing within Angus, promoting the desired socio-economic outcomes.
- 5.20 The successful bidder will be required to meet the community benefits contained within the invitation to tender which will be considered to be proportionate to the contract.

Procurement Procedure and Contract Award

- 5.21 It is considered that, based on a full design with quantities option, a two-stage 'restricted' tender procedure is the best means of procuring the works through PCS. There is anticipated to be a high degree of interest in tendering for this work, based on similar projects and this process will allow the Council to select a list of up to six of the top scoring bidders to receive tender documents.
- 5.22 The first stage Pre-qualification (ESPD) assessment will include:
- Minimum requirements for: business probity, criminal convictions, economic and financial standing, technical capability/expertise, Health & Safety, prohibited (black) lists, equalities and contractual issues.
 - Evaluation of: technical & professional ability; previous relevant experience, technical references/statements, level of resources/capability, relevant, bidder's capability of supporting delivery of Community Benefits and environmental management awareness/standards.
- 5.23 The second stage will comprise issuing tender documents to up to six of the highest scoring bidders who satisfy the minimum qualification thresholds..
- 5.24 Under the second stage the selected tenderers will be evaluated on the basis of the most economically advantageous tender (MEAT) having regard to the following criteria which are weighted according to importance. Price is to be given a weighting of 70%, with the other quality related criteria listed below to be given a total weighting of 30% in accordance with the council's Financial Regulations. Once the tender have been evaluated then an acceptance will be issued to the tenderer providing the highest MEAT score.

Quality Criterion

- Management and Supervision – 7%: Tenderers to identify number, role, qualifications and management of staff.
- Resources – 7%: Tenderers to identify project management and project administration processes.
- Quality and Performance – 7%: Tenderers to identify process and procedures to ensure quality and performance of the contract is maintained at appropriate levels.
- Community Benefit – 5%: Tenderers to identify additional community benefits to be provided as part of this procurement to meet the Councils' requirements.
- Fair Work Practices - 4%: Tenderers to confirm how they commit to Fair Work Practices for workers (including any agency or Sub-Contractor workers) engaged in the delivery of the Contract.

Price Criterion

- The weighted price of 70% will be evaluated on the basis of the lowest total price received following a check for arithmetical and rating errors.

6. FINANCIAL IMPLICATIONS AND ALLOWANCE IN ESTIMATES

- 6.1 The estimated total cost for the provision of 36 flats and 6 affordable houses at the Guthrie Hill and Smithy Croft site, Arbroath is as follows; this includes the demolition costs and the cost of purchasing three flats in the blocks:

Construction of affordable housing comprising 36 flats, 6 houses and associated external works	£5,820,000
Allowance for professional fees, supervisory, travel and administrative expenses	£705,000
	<hr/>
	£6,525,000
Purchase of flats	£225,000
Allowance for demolition works of 5 blocks of flats including the Homeless Persons block	£252,000
Allowance for feasibility fees	£41,000
Allowance for 3D model fees	£9,000
Allowance for statutory payments and sundry expenses	£48,000
	<hr/>
Estimated total cost (at out-turn prices)	<hr/> £7,100,000 <hr/>

- 6.2 The HRA Financial Plan 2015/2019 approved at the Rent setting meeting on 9 February 2016 (Report No 46/16) contains a gross allowance of £6,780,000 for 42 units on the Guthrie Hill Smithy Croft Site, Arbroath including repurchase of properties and demolition. The allowance comprises £4,680,000 from the HRA Capital budget and £2,100,000 from the Scottish Government's Affordable Housing Grant.
- 6.3 The financial plan figure of £6,780,000 was an allowance made at an early stage before the outline design process had commenced. The projects costs have been reviewed and updated based on the latest information relating to the latest scheme following consultation with Councillors, Planning and Roads and meets the requirements to provide a 'gateway' housing scheme adjacent to the historic Arbroath Abbey. The scheme provides 42 units at an estimated total cost of £7,100,000 which has been agreed as the most beneficial taking into account cost, design, specification and the mix of houses required / achievable on this site.
- 6.4 A part of this project works are to be carried out to areas outwith the site boundaries to enhance the gateway access to the Abbey. This comprises upgrading public car parks at Leonard Street and the North Port, upgrading the grass area at Fisheracre and Barngreen junction along with provision of a new wall and railings to the Arbroath Abbey side of the road at Barngreen. The cost for these works which is included in the estimated total cost above is £275,000.
- 6.5 The original allowance of £2,100,000 from the Scottish Government's Affordable Housing grant was based on the anticipated grant income at that time. The Council has been informed in a letter dated 25 January 2016 from the Scottish Government that the unit grant will increase to £59,000 for greener standard properties and £57,000 for other properties. Applying these figures to the housing mix contained in the project the total grant available to the Council is increased to £2,478,000.
- 6.6 The HRA Financial Plan will be adjusted at its next update to accommodate the revised estimated total cost of £7,100,000 together with an increase in the Scottish Government's Affordable Housing and in increase in the HRA Capital budget funding. The revised funding package for the works compared to the original budget is now as follows:

Funding	Revised Allowance	Original Allowance Report No 46/16	Increase/ (Decrease)
HRA Capital Budget	£4,522,000	£4,680,000	(158,000)
Scottish Government Affordable Housing Grant	£2,478,000	£2,100,000	£378,000
Affordable Housing Account	£100,000	0	£100,000
TOTAL	£7,100,000	£6,780,000	£320,000

- 6.7 Additional funding of £100,000 has been identified from the Affordable Housing Account relating to the formation of a wall and railings to the pavement at the Arbroath Abbey side of the Barngreen Road outwith the site boundaries. This additional funding is to support the enhancement of the 'gateway' access alongside the site leading towards Arbroath Abbey.
- 6.8 This funding noted above represents an overall reduction in the HRA capital budget element of £158,000 from that contained in the current Financial Plan.
- 6.9 The overall mix of funding of the HRA capital budget (e.g. borrowing, receipts) is determined as part of the Council's year end final accounts process. This assumes that the overall required capital funding of £4,522,000 is met from borrowing, members should note the estimated loan charges in line with the Housing Long Term Affordability exercise will be calculated over an average 25 year period. The following table shows what the loan charges will be at certain points over the borrowing write off period.

	Year 1 2017/18 £000	Year 5 2021/22 £000	Year10 2026/27 £000	Year 15 2031/32 £000	Year 20 2036/37 £000	Year 25 2041/42 £000
Estimated loan Charges	35	291	314	342	374	409

- 6.10 As noted above loan charges have been calculated in line with the assumptions within the Housing Long Term Affordability Strategy. The current HRA Financial Plan 2015/2019 has been the subject of an affordability review by Finance officers as part of the 2016/17 rent setting process. This review ensured that the overall revenue consequences (including borrowing costs) of the proposed total capital spend can be sustained on a long term basis by the HRA.
- 6.11 Accordingly as the capital programme has been determined to be affordable, the loan charges noted above can be contained within the loan charges provision in the Housing Revenue Account.

7. OTHER IMPLICATIONS

Risks

- 7.1 A risk assessment is being undertaken for this project and other than the normal risks inherent in carrying out a project of this size and complexity, the only other significant risk relates to receipt of planning permission for the works due to the proximity of Arbroath Abbey. This risk has been partially mitigated as initial discussions have taken place with the Council's Planning section with regard to the proposed scheme with further discussion being planned with Historic Scotland. Once the final outcome of the planning process is known, minor design changes may have to be made to the scheme to meet planning requirements. It is anticipated, at this stage, that any changes required shouldn't have a significant effect on the programme or the estimated total cost.

7.2 Technical and Property Services has extensive experience in delivering projects in a timely manner and every measure will be taken to ensure that through effective project management the project is delivered on time and on budget

NOTE: The background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) which were relied on to any material extent in preparing the above report are:

- | | |
|---|---|
| • Corporate Services Committee 20/10/08 | Report No 1040/08 – Sustainable Sourcing of Timber and Timber Products for Property Construction Projects |
| • Communities Committee 18/11/14 | Report No 465/14 – Strategic Housing Investment Plan 2015/16 – 2019/20 |
| • Communities Committee 18/11/14 | Report No 470/14 – Remodelling of Council Housing Stock in Central Arbroath |
| • Communities Committee 26/05/15 | Report No 218/15 – Property Acquisitions - Arbroath |
| • Communities Committee 09/02/15 | Report No 46/16 – 2016/2017 Housing Revenue Account Estimates |

Report Author: Ian Cochrane, Head of Technical and Property Services
Email Details: Communitiesbusinesssupport@angus.gov.uk

List of Appendices:

Appendix 1 – Site and access arrangements

Appendix 2 – Block 1: Proposed 1 bedroom Flats Layout

Appendix 3 – Block 2: Proposed 1 bedroom Flats Layout

Appendix 4 – Block 3: Proposed 1 Bedroom Flats Layout

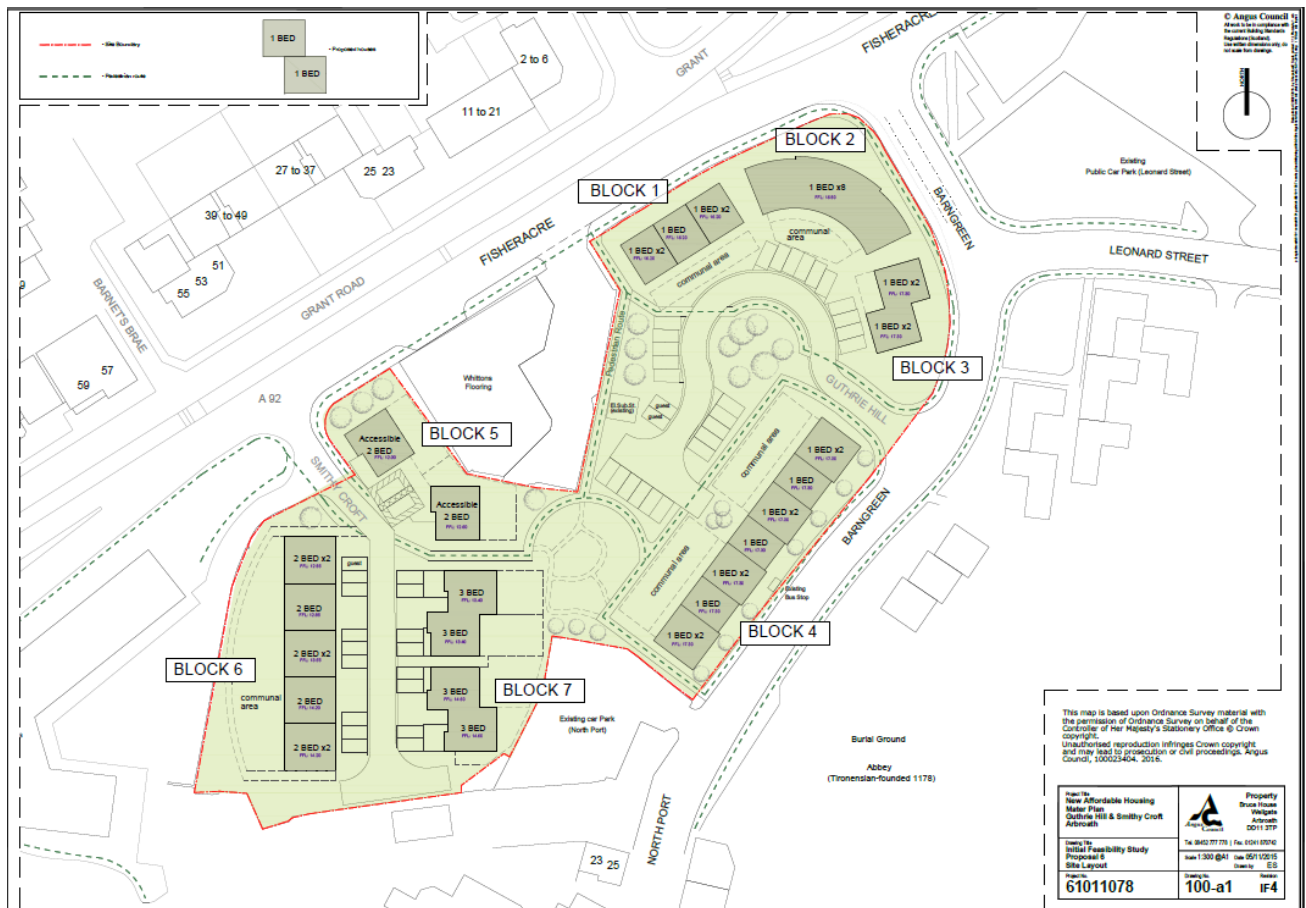
Appendix 5 – Block 4: Proposed 1 Bedroom Flats Layout

Appendix 6 – Block 5: Proposed 2 Bedroom Houses Layout

Appendix 7 – Block 6: Proposed 2 Bedroom Flats Layout

Appendix 8 – Block 7: Proposed 3 Bedroom Houses Layout

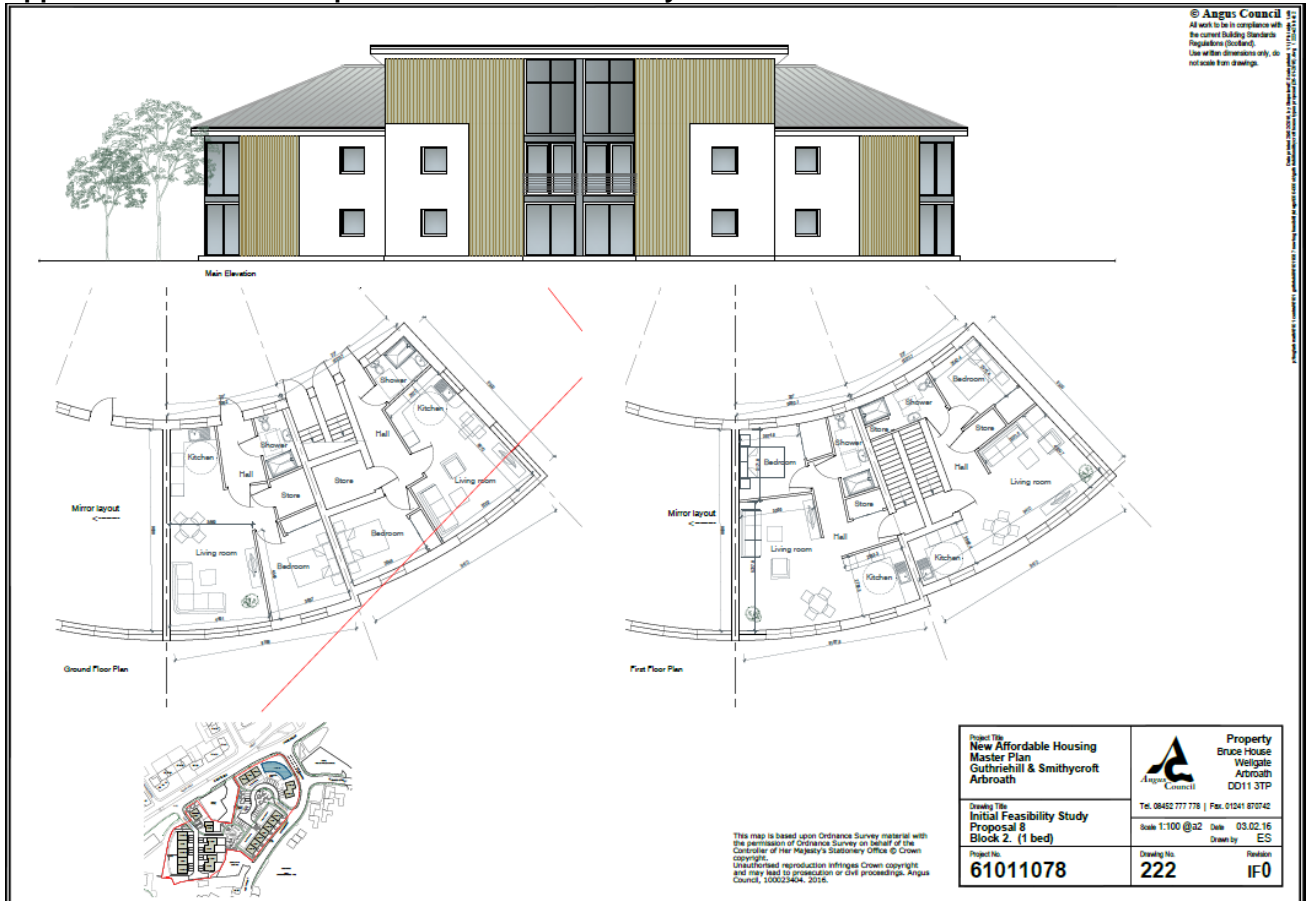
Appendix 1 – Site and access arrangements



Appendix 2 – Block 1: Proposed 1 bedroom Flats Layout



Appendix 3 – Block 2: Proposed 1 bedroom Flats Layout



Appendix 4 – Block 3: Proposed 1 Bedroom Flats Layout



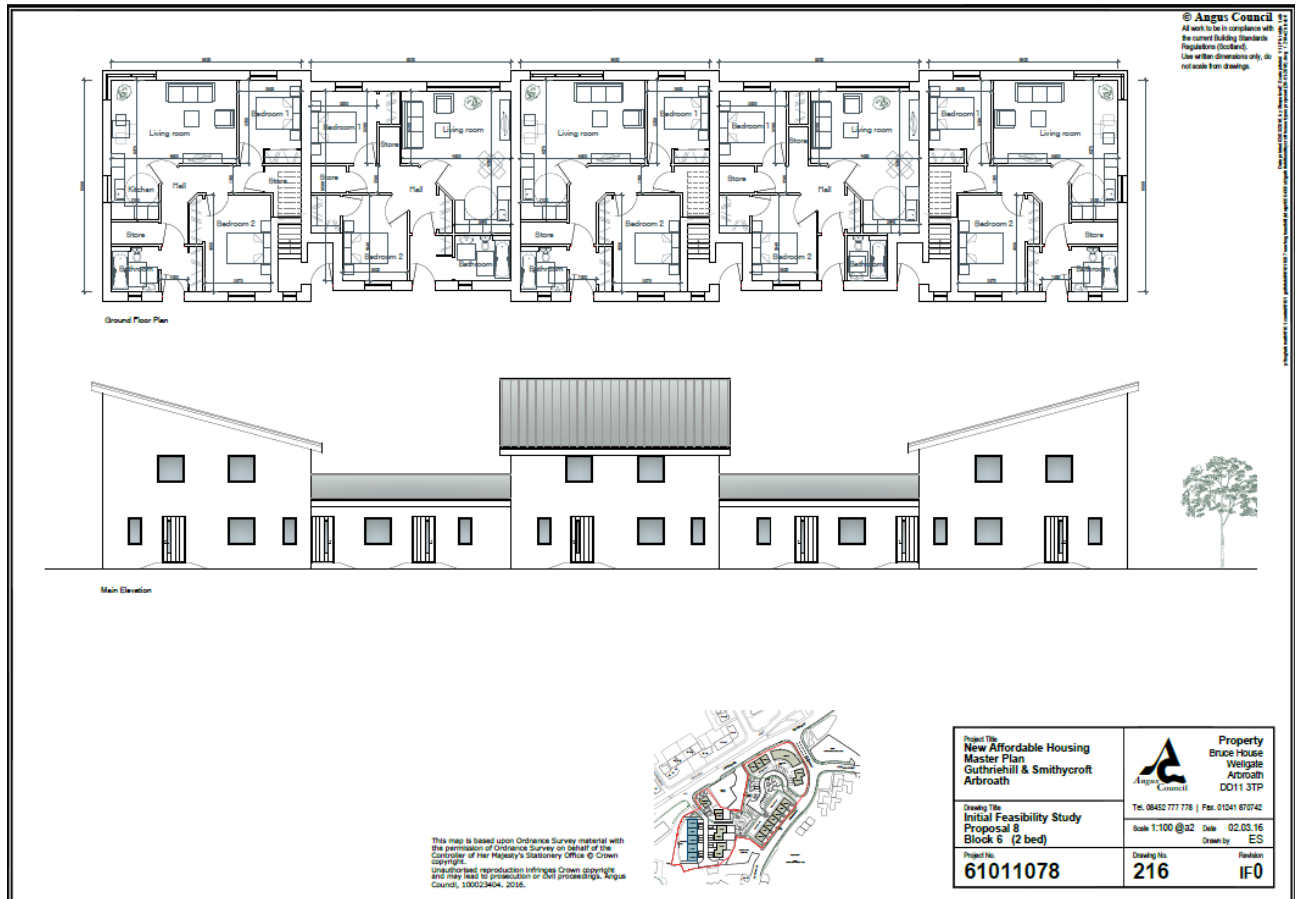
Appendix 5 – Block 4: Proposed 1 Bedroom Flats Layout



Appendix 6 – Block 5: Proposed 2 Bedroom Houses Layout



Appendix 7 – Block 6: Proposed 2 Bedroom Flats Layout



Appendix 8 – Block 7: Proposed 3 Bedroom Houses Layout

