

**ANGUS COUNCIL**

**COMMUNITIES COMMITTEE – 12 APRIL 2016**

**NEW AFFORDABLE HOUSING VIEWMOUNT, FORFAR –  
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 £2,080,000 (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) notes that the funding for this project amounting to £2,080,000 will comprise £649,000 from the Scottish Government Affordable Housing Grant and £1,431,000 from the HRA Capital budget. The Housing Financial Plan will be amended following the Special Rent Setting meeting of this Committee on the 9 February 2016; and
- (iv) notes the financial implications included in Section 6 of this report.

**2. ALIGNMENT TO THE ANGUS COMMUNITY PLAN/SINGLE OUTCOME AGREEMENT/COPORATE 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 Viewmount, Forfar approved by the Communities Committee on the 18 November 2015 (Report No 471/14) recommended that the project for the demolition of 34 flats and the construction of new Council houses be taken forward. This report provides detailed proposals and costings for the scheme in line with Report 471/14. 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 original proposal was following demolition of existing block to construct 12 to 14 new build units which are to be owned and managed by Angus Council as affordable rented accommodation. As the design has been developed by officers within the Communities Directorate the accommodation provision has been revised to allow for the construction of 11 new build units. Four of the units have already been allocated and are to provide a higher level of accessible accommodation than would normally be provided. The

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

- 3.2 The site is wholly owned by the Housing Revenue Account and is adjacent to the Reid Park and Steele Park in Forfar. The position and layout of the proposed scheme is shown in the attached **Appendix 1**.

#### **4. SCOPE OF CONTRACT**

- 4.1 The works comprise the construction of a total of 11 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
- 4 - two bedroom single storey semi-detached houses
- 2 – three bedroom two storey terraced houses
- 1 – two bedroom two storey terraced house

- 4.2 The 4 two bedroom two storey semi-detached houses have been constructed to easily allow conversion of the roof spaces to incorporate an additional one or two bedrooms and a shower room. As tenants are identified these properties may require to be converted under the contract arrangements. An allowance has been included in this report to cover the costs of the conversions.

- 4.3 Demolition works comprises the removal of 34 flats at 1-24C Viewmount and are procured separately due to the specialist nature of the works. The works comprise internal stripping out of the existing buildings, removal of external site furniture, site clearance and asbestos removal.

- 4.4 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 Strategic Housing Investment Plan. This funding will allow Angus Council to provide urgently needed new affordable rented housing to meet current and increasing future demands. The 11 new properties proposed for Forfar 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 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**

- 5.4 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.
- 5.5 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 following recommended procedures in the latest procurement legislation the appointment of the contractor will be on the basis of most economically advantageous tender.
- 5.6 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 11 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)).
- 5.7 The procurement of demolition works which is below the Financial Plan delegated authority limit of £500k will be 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.
- 5.8 The affordable housing project will be advertised on Public Contracts Scotland in line with Council policy in April 2016. Any capable local contractor will be identified and steps taken to alert them to the bidding opportunity prior to advertisement of the project. Indicative timescales are as follows.
- 5.9 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 qualifications 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 5.21 of this report.
- 5.10 Following the evaluation of the ESPD, it is anticipated that Invitations to Tender will be issued in September 2016 and returned during October 2016 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 5.23 of this report and the projected date for award of contract is October 2016 with the works commencing on site in December 2016 following a four week mobilisation period. The contract period is twelve months with contract completion expected by December 2017.
- 5.11 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.

- 5.12 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.
- 5.13 This report details the funding arrangements and procurement options for the New Affordable Housing, Viewmount, Forfar 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**

- 5.14 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 scheme comprising new-build properties was the best option available to fulfil the project requirements and promote socio-economic outcomes.
- 5.15 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.
- 5.16 The design for the 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 CO<sub>2</sub> that equates to Code 4 which delivers a significant improvement over the current base building regulations.
- 5.17 As part of the specification to meet the Code 4 requirements, reduce CO<sub>2</sub> 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.
- 5.18 In comparison to existing Housing stock of a similar nature, by incorporating various design solutions including those noted above, the flats and new affordable terraced 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.
- 5.19 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**

- 5.20 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.

5.21 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, bidder's capability of supporting delivery of Community Benefits and environmental management awareness/standards.

5.22 The second stage will comprise issuing tender documents to up to six of the highest scoring bidders who satisfy the minimum qualification thresholds.

5.23 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 Benefits – 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 of 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 11 affordable houses at the Viewmount site, Forfar is:

Construction of affordable housing comprising 11 affordable houses and associated external works	£1,595,000
Allowance for professional fees, supervisory, travel and administrative expenses	£185,000
	<hr/>
	£1,780,000
Allowance for demolition works to the existing blocks of flats (to be procured separately)	£160,000

Allowance for providing new car park to adjacent park	£50,000
Allowance for feasibility fees	£16,000
Allowance for statutory payments and sundry expenses	£14,000
Provisional allowance to convert 4 single storey houses to two storey 3 or 4 bedroom houses	£60,000
Estimated total cost (at out-turn prices)	<u>£2,080,000</u>

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 £1,800,000 for 11 units on the Viewmount Site, Forfar including demolition. The allowance comprises £1,250,000 from the HRA Capital budget and £550,000 from the Scottish Government's Affordable Housing Grant.

6.3 The original financial plan figure of £1,800,000 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 maintenance requirements of the existing building, listed building requirements, the finalised layout to provide the optimal number of units on the site and the latest outline design. As noted above this scheme now provides 11 units at an estimated total cost of £2,080,000 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 The original allowance of £550,000 from the Scottish Government's Affordable Housing grant was based on the grant allowance 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 £649,000.

6.5 The HRA Financial Plan will be adjusted at its next update to accommodate the revised estimated total cost of £2,080,000 together with an increase in the Scottish Government's Affordable Housing grant 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	£1,431,000	£1,250,000	£181,000
Scottish Government Affordable Housing Grant	£649,000	£550,000	£99,000
TOTAL	£2,080,000	£1,800,000	£280,000

6.6 This funding noted above represents an overall increase in the HRA capital budget element of £181,000 from that contained in the current Financial Plan.

6.7 The HRA Financial Plan currently contains an unallocated net "General Affordable Housing" provision of £578,000 over the 4 year period of the updated financial plan. The funding package detailed above indicates that the additional £181,000 required can be funded from within the overall proposed capital spend in the updated HRA financial plan. This would be an increase on the specific net provision of £1,250,000 previously allowed for this project.

6.8 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 £1,431,000 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 2016/17 £000	Year 5 2020/21 £000	Year10 2025/26 £000	Year 15 2030/31 £000	Year 20 2035/36 £000	Year 25 2040/41 £000
Estimated loan Charges	18	92	100	109	119	131

6.9 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.

6.10 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, no other significant risks have yet been identified. Technical and Property Services and Housing have extensive experience of procuring projects of this nature in a timely manner and every measure will be taken to ensure this contract is effectively managed.

**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 471/14 – Remodelling of Council Housing Stock in Viewmount, Forfar
- Communities Committee 09/02/15                      Report No 46/16 – 2016/2017 Housing Revenue Account Estimates

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**List of Appendices:**

Appendix 1 – Site and access arrangements

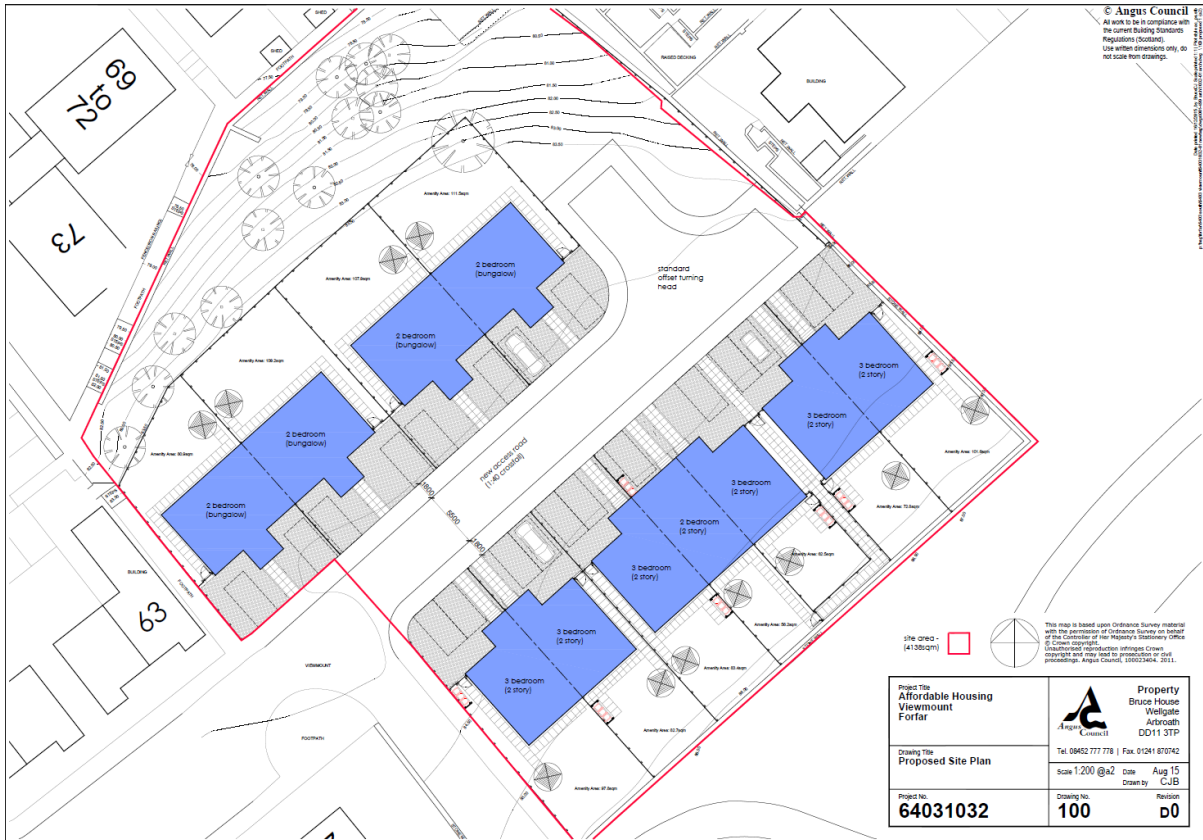
Appendix 2 – Proposed 3 Bedroom Semi-detached House Layout

Appendix 3 – Proposed 2 Bedroom Semi-detached House Layout

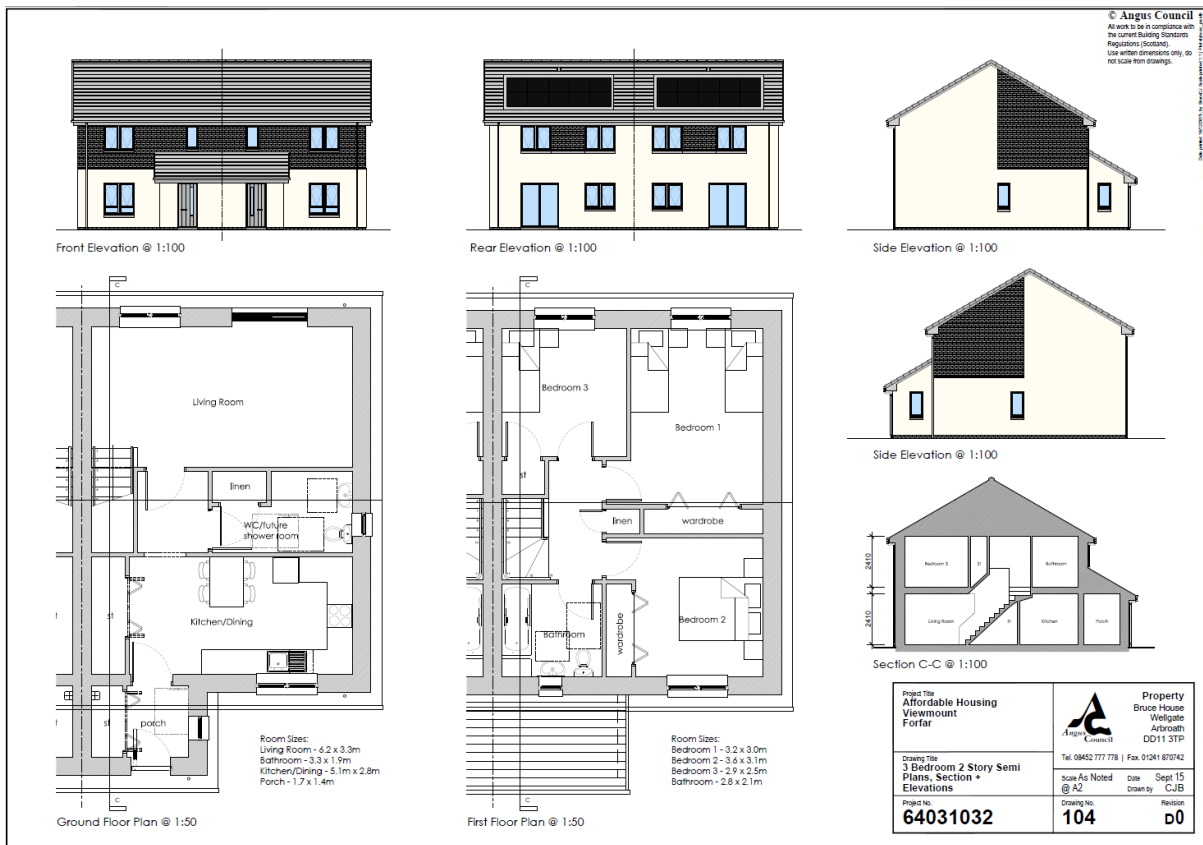
Appendix 4 – Proposed 2 and 3 Bedroom Terraced House Layout



## Appendix 1 – Site and access arrangements



## Appendix 2 – Proposed 3 Bedroom Semi-detached House Layout



### Appendix 3 – Proposed 2 Bedroom Semi-detached House Layout

© Angus Council  
 All work to be in compliance with the current Building Standards Regulations (Scotland).  
 Use unless otherwise stated, do not scale from drawings.

**Floor Plan @ 1:50**

**Front Elevation @ 1:100**

**Rear Elevation @ 1:100**

**Section A-A @ 1:100**

**End Elevation @ 1:100**

**Room Sizes:**  
 Lounge - 3.7 x 3.5m  
 Kitchen - 3.7 x 3.4m  
 Bedroom 1 (Dining) - 3.4 x 3.0m  
 Bedroom 2 - 3.5 x 3.0m  
 Bathroom - 2.3 x 1.8m  
 Porch - 1.7 x 1.4m

(upstairs after conversion)  
 Bedroom 2 - 3.5 x 3.5m  
 Bedroom 3 - 3.0 x 2.8m  
 Shower Room - 2.3 x 1.6m

<p><b>Project Title</b> Affordable Housing Viewmount Forfar</p> <p><b>Drawing Title</b> 2 Bedroom Bungalow Plans, Section + Elevations</p> <p><b>Project No.</b> <b>64031032</b></p>	<p><b>Property</b> Bruce House Wellgate Airthroft DD11 3TP</p> <p>Tel: 08452 777 778   Fax: 01241 870142</p> <p>Scale As Noted @ A2    Date: Sept 15          Drawn by: CJB</p> <p>Drawing No. <b>102</b>    Revision <b>D0</b></p>
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**Ground Floor Plan after Conversion @ 1:100**

**First Floor Plan after Conversion @ 1:100**

### Appendix 4 – Proposed 2 and 3 Bedroom Terraced House Layout

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 All work to be in compliance with the current Building Standards Regulations (Scotland).  
 Use unless otherwise stated, do not scale from drawings.

**Section B-B @ 1:100**

**End Elevation @ 1:100**

**Front Elevation @ 1:100**

**Rear Elevation @ 1:100**

**Ground Floor Plan @ 1:50**

**First Floor Plan @ 1:50**

**Two Bed - Room Sizes:**  
 Living Room - 5.2 x 3.3m  
 WC - 2.8 x 1.9m  
 Kitchen/Dining - 4.1m x 3.5m  
 Porch - 1.7 x 1.6m  
 Bedroom 1 - 3.9 x 3.0m  
 Bedroom 2 - 4.1 x 3.3m  
 Bathroom - 2.5 x 2.1m

<p><b>Project Title</b> Affordable Housing Viewmount Forfar</p> <p><b>Drawing Title</b> 3 bed + 2 bed Terrace Plans + Elevations</p> <p><b>Project No.</b> <b>64031032</b></p>	<p><b>Property</b> Bruce House Wellgate Airthroft DD11 3TP</p> <p>Tel: 08452 777 778   Fax: 01241 870142</p> <p>Scale As Noted @ A2    Date: Sept 15          Drawn by: CJB</p> <p>Drawing No. <b>103</b>    Revision <b>D0</b></p>
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