

ANGUS COUNCIL

COMMUNITIES COMMITTEE –1 MARCH 2016

AFFORDABLE HOUSING, CHAPELPARK, FORFAR – TENDER REPORT

REPORT BY HEAD OF TECHNICAL AND PROPERTY SERVICES

ABSTRACT

Report on tenders received and recommendation of acceptance where the lowest acceptable tender exceeds the Chief Officer's procurement delegated authority limits contained in section 16.8.1 of Financial Regulations

1. RECOMMENDATIONS

1.1 It is recommended that the Committee:

- (i) approve the acceptance of the lowest acceptable tender for the construction of new houses and the conversion of former primary school buildings to form new affordable housing at Chapelpark, Forfar from Andrew Shepherd Construction Ltd, in the amount of £4,590,116.53;
- (ii) approve the estimated total cost of £5,608,147 (at out-turn prices);
- (iii) note that the funding for this project amounting to £5,608,147 will comprise £1,661,000 from the latest approved Scottish Government Affordable Housing Grant subsidy levels, £300,000 from the Affordable Housing Account and £3,647,147 from the HRA Capital budget. The Housing Financial Plan will be amended following the Special Rent Setting meeting of this Committee in early February; and
- (iv) note 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 proposal to develop the buildings and site at the Former Chapelpark Primary School, Forfar forms part of Angus Council's Strategic Housing Investment Plan 2015/16 – 2019/20 which was approved by the Communities Committee on the 18 November 2014 (Report No 465/14).

3.2 Report No 407/14 submitted to the Communities Committee on the 30 September 2014 approved the procurement authority, in accordance with the process stated in section 16.8 of the Financial Regulations, for this project. This meant that, subject to the overall costs following receipt of tenders being within the approved budget, the contract could be accepted without further approval by the relevant Committee. The tenders have now been received

and the overall project cost exceeds the previously approved budget of £4,700,000 by more than the reporting limit of 5% set out in Financial Regulation 7.6.

- 3.3 The procurement authority section of the Financial Regulations states that if the post tender costs are outwith the overall budget allowance by the budget reporting limits set out in Financial Regulations 3.8 or 7.6, then the tender results and revised funding require to be approved by Committee. This report seeks approval of the lowest acceptable tender and the revised cost and funding package.

4. CURRENT POSITION

- 4.1 Tender documents were previously issued to appoint a contractor to carry out enabling works consisting of complete internal strip out of finishes, non-load bearing partitions, internal doors, fittings and furniture, and all services and fittings. This work was completed and greatly benefited the design process as it revealed elements of works that were required which would otherwise only have come to light during the course of the main contract. These additional works have been included in the main works design and tender documents.
- 4.2 Tender documents were issued for the construction of a total of 29 properties comprising four 5 bedroom three storey townhouses, the conversion of the existing Main Building to provide twelve 1 bedroom flats and four 2 bedroom flats, the conversion of the existing Annexe building to provide six 1 bedroom flats, two 2 bedroom flats and one 3 bedroom flat, together with all associated services. The documents include external works along with the demolition of part of the existing Annexe building.
- 4.3 Based on initial estimated costs Property's procedures for selecting tenderers for contracts over £500,000 in value were followed. A notice was published on Public Contracts Scotland – Tender inviting contractors to submit an application to be considered on a select tender list. This involved completing a Pre-Qualification Questionnaire which was assessed to ensure contractors had the required experience and resources to carry out the work. Following an assessment of the responses submitted five tenderers were selected with no reserves being available.
- 4.4 Tender documents were issued to the five selected contractors through the Public Contracts Scotland - Tender website portal. The tenders were lodged electronically on the Public Contracts Scotland – Tender website portal on Wednesday 3 February 2016.
- 4.5 The tenders received, after checking the three offers, were as follows:

Contractors Name	Tender Amount	Corrected Amount
Andrew Shepherd Construction Ltd, Forfar	£4,591,650.91	£4,590,116.53
McGill & Co Ltd, Dundee	£4,683,217.22	£4,683,216.25
Hadden Construction Ltd, Aberuthven	Qualified tender submission	
CHAP Construction (Aberdeen) Ltd, Aberdeen	Declined to tender	
Pert Bruce Construction Ltd, Montrose	Declined to tender	

- 4.6 An examination of the tender documents received from Andrew Shepherd Construction Ltd revealed that they had not fully complied with the requirements of the contract documentation. This tenderer was contacted and has confirmed, in writing, that the company is prepared to conform to the requirements of the contract documentation without amendment to the total sum quoted in the tender.
- 4.7 An examination of the tender documents received from Hadden Construction Ltd revealed that they had not fully complied with the requirements of the contract documentation. This tenderer was contacted and has confirmed, in writing, that the company is not prepared to conform to the requirements of the contract documentation without amendment to the total

sum quoted in the tender. In accordance with clause 16.13.2 of the Financial Regulations the tender is rejected.

- 4.8 Pert Bruce Construction Ltd withdrew from the tender process prior to the date for lodging tenders and gave the reason as being due to their current workload. CHAP Construction (Aberdeen) Ltd withdrew from the tender process prior to the date for lodging tenders and gave the reason as being due to personnel issues.
- 4.9 The lowest acceptable tender received is approximately £990,000 higher than the previous estimated cost for the building works of £3,600,000, contained in Report No 407/14 which approved the procurement authority approval request (PAAR) for this project. Details of the cost increases are contained in Section 6 of this report.
- 4.10 Based on a direct comparison of the tenders received the level of pricing contained within the lowest acceptable offer is considered to be competitive having regard to the nature, specification and extent of the work involved.

5. ESTIMATED TOTAL COST

- 5.1 The estimated total cost of this project, based on the lowest tender is as follows:

Lowest acceptable tender amount	£4,590,117
Allowance for professional fees, supervisory, travel and administrative expenses	£591,000
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	£5,181,117
Allowance for enabling works contract, including fees	£257,030
Allowance for feasibility fees	£35,000
Allowance for statutory payments and sundry expenses	£105,000
Allowance for additional steelwork to strengthen roof structure	£330,000
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Estimated total cost (at out-turn prices)	£5,608,147
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- 5.2 The lowest acceptable tender has resulted in the total project cost being approximately £908,000 higher than the original allowance of £4,700,000 contained in Report No 407/14 which approved the procurement authority approval request (PAAR) for this project.

- 5.3 This overall increase to the original costs resulted from:

- Additional preliminary costs arising from extra works - £30,000
- Significant structural issues in the Annexe building which became apparent following the enabling works contract resulting in the requirement to demolish and rebuild external and internal load-bearing walls while supporting the existing roof structure - £143,000.
- Structural steelwork in the Annexe building associated with the above - £17,000.
- Works in the basement of the Annexe building to provide stores for tenants and caretakers/cleaners store - £83,000.
- Significant structural issues in the Main Building which became apparent following the enabling works contract resulting in the requirement to demolish and rebuild external and internal load-bearing walls while supporting the existing roof structure - £98,000.
- Structural steelwork in the Main Building associated with the above - £6,000.

- Works in the basement of the Main Building to provide general storage for tenants - £6,000.
- Rot treatment to timbers in the Main Building which became apparent following the enabling works contract - £32,000.
- Rot treatment to timbers in the Annexe building which became apparent following the enabling works contract - £14,000.
- Replacement of roof structure to the two entrance porches of the Main Building - £3,000.
- Glass balustrading to the stairwells in the Main Building – £4,000.
- Replacement of district heating flow and return pipework as the existing pipework was not considered suitable for re-use – £35,000.
- Additional cost for tanks and pumps for sprinkler installation as mains fed system was not considered suitable - £20,000.
- Additional cost for full communal TV aerial system comprising three satellite dishes, amplifiers, splitters, etc. - £27,000.
- Replacement of section of ground floor in the Annexe building - £10,000.
- Provision of glazed canopies over entrance doors to meet Building Control requirements - £12,000.
- Complete replacement of roof drainage installation as existing installation was not deemed suitable for repair - £13,000.
- Upgrading works to floors and ceilings in the Main Building to improve acoustic and thermal properties and to reduce the floor to ceiling height - £45,000.
- Upgrading works to floors and ceilings in the Annexe building to improve acoustic and thermal properties and to reduce the floor to ceiling height - £71,000.
- Secure access to site through controlled gates - £13,000.
- Provision of cycle shelters - £15,000.
- Additional costs for stairwells to Main Building - £22,500.
- Additional foundation costs to new build properties due to site requirements - £9,000.
- Additional external wall costs to new build properties to meet Planning/site requirements - £25,000.
- Additional costs for new build roof covering to meet Planning/site requirements - £25,000.
- Additional decoration work to basements and stairwells - £7,500.
- Works originally identified as being part of the enabling works contract now included in main contract of £144,000. This was offset by a reduction in the original enabling works allowance from £380,000 to £257,000 resulting in a reduction of – (£123,000). Overall effect on the total cost £21,000.

- Adjustment to accommodate provisional sums for utility connections included in the main works tender of - £60,000. This was offset by a reduction in the statutory payments and sundry expenses line of – (£60,000). Overall effect on the total cost £0.
- Adjustment to accommodate additional steelwork to strengthen roof structure identified prior to tenders being returned of - £30,000. This was offset by reducing the original additional project contingency line of – (£50,000). Overall effect on the total cost (£20,000).
- Additional professional fees to cover additional design amendments - £121,000.

6. FINANCIAL IMPLICATIONS AND ALLOWANCE IN ESTIMATES

- 6.1 The total additional cost for this project amounts to £908,147 compared to the estimated total cost of £4,700,000 contained in New Affordable Housing at Chapelpark Site, Forfar Procurement Authority Approval Report (PAAR) approved by Communities Committee on 30 September (Report No 407/14). This is an increase of approximately 19% over the original cost. The funding package contained in the HRA Financial Plan approved at the Rent setting meeting on 9 February 2016 (Report no 46/16 refers) comprised £3,050,000 from the HRA Capital budget, £1,350,000 from the Scottish Government's Affordable Housing grant and £300,000 from the Affordable Housing Account.
- 6.2 The allowance of £1,350,000 from the Scottish Government's Affordable Housing grant was based on grant the level provided from the Scottish Government at the time the HRA Financial Plan was updated. The Council has been informed in a letter dated 25 January 2016 from the Scottish Government that the 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 £1,661,000.
- 6.3 The HRA Financial Plan will be adjusted at its next formal update (presentation of the final capital budget following conclusion of the final accounts process) to incorporate the estimated total cost for the project of £5,608,147 and the following proposed funding package:

Scottish Government Affordable Housing Grant contained in Report No 46/16	£1,350,000
Affordable Housing Account Funding contained in Report No 46/16	£300,000
HRA capital budget allowance contained in Report No 46/16	£3,050,000
Scottish Government Affordable Housing Grant adjusted to accommodate additional subsidy as set out in the Scottish Government's letter dated 25/01/2016.	£311,000
Additional budget required from the HRA capital budget	£597,147
TOTAL	£5,608,147

- 6.4 The HRA Financial Plan currently contains an unallocated "General Affordable Housing" provision of £1,148,000 over the 4 year period of the updated financial plan. The funding package detailed above indicates that the additional £552,147 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 £3,050,000 previously allowed for this project.

6.5 It is intended therefore that the additional net funding of £597,147 will be met from the balance of the existing unallocated "General Affordable Housing" budget allowance and if the proposal is approved the Housing Financial Plan will be amended at its next update as indicated at paragraph 6.3 above.

7. RISK

7.1 There are always inherent risks with procurement but given the size and complexity of this project, the Corporate Procurement Manager and the Service Manager - Legal Services have been consulted regarding the decision to reject the lowest tender.

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:

- Communities Committee 30/09/14 Report No 407/14 – New Affordable Housing at Chapelpark, Forfar – Procurement Authority Approval Request
- Communities Committee 18/11/14 Report No 465/14 – Strategic Housing Investment Plan 2015/2016 – 2019/2020

REPORT AUTHOR: IAN COCHRANE, HEAD OF TECHNICAL AND PROPERTY SERVICES

EMAIL DETAILS: CommunitiesBusinessSupport@angus.gov.uk