

ANGUS COUNCIL

COMMUNITES COMMITTEE – 30 SEPTEMBER 2014

**NEW AFFORDABLE HOUSING AT CHAPELPARK SITE, 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 £4,700,000 (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 £300,000 for this project from the Affordable Housing Account;
- (iv) notes that the funding for this project amounting to £4,700,000 will comprise £1,305,000 from the Scottish Government Affordable Housing Grant, £300,000 from the Affordable Housing Account and £3,095,000 from the HRA Capital budget. The HRA Financial Plan will be amended at its next review to accommodate the estimated total cost for this project and will be the subject of a separate report;
- (v) 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 outcome(s) 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 Angus Strategic Housing Investment Plan 2013/2014 Report which was approved by the Neighbourhood Services Committee on the 15 August 2013 (Report No 431/12) included this project on a reserve list. The opportunity has been taken to proceed with this project as funding, in part, is available from the grant received from the Scottish Government as part of Angus Council's Affordable Housing Supply Programme delivery plan. The original funding proposal was to convert the existing Chapelpark Primary School and Annexe, Forfar to provide 30 flats 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 and discussions have been undertaken with the Directorate's Planning team the accommodation provision has been revised to allow for 25 flats following the conversion of the

existing buildings and 4 new build terraced houses all within the confines of the site. Although this has reduced the overall provision of properties the range of house types available for rent is enhanced to meet the current anticipated housing demand.

- 3.2 The site was appropriated to the Housing Revenue following approval of Report No 33/14 which was presented to the Communities Committee on the 21 January 2014. The site was appropriated at a Nil value based on a valuation in line with the approved policy for the appropriation of surplus general fund asset to the Housing Revenue Account for affordable housing. The site is now held on the Housing Revenue Account and the position and layouts of the proposed scheme is shown in the attached **Appendices**.

4. PROCUREMENT AUTHORITY

Description of Works

- 4.1 The works comprise the conversion of the existing grade B listed Chapelpark Primary School and Annexe to provide a total of 25 flats together with the construction of 4 new terraced houses within the confines of the site. The levels of accommodation to be provided are as follows:
- 18 - one bedroom flats (12 - school building/ 6 – annexe)
 - 6 - two bedroom flats (4 – school building/ 2 – annexe)
 - 1 - three bedroom flat (1 – annexe)
 - 4 - four bedroom new build terraced houses
- 4.2 The conversions of the existing buildings to form the 25 flats are to include new kitchens, new showers and sanitary ware, lining external walls internally with insulation, new partition walls, sound insulation to floors and walls, loft insulation, general internal alterations, new electrical installations, new plumbing, ventilation and heating systems, new internal and external doors, new double glazed windows, internal finishes and decoration, stonework repairs and re-pointing.
- 4.3 Heating is to be supplied from high efficiency gas fired boiler plant which will be installed within the Annexe in the original boilerhouse. This will operate as a district heating system and supply heat to all 29 properties on the site.
- 4.4 External works to the site are to incorporate removal of the existing tarmac surfacing with the provision of access roads, services, gardens, communal landscaping, refuse areas, communal drying facilities and car parking.
- 4.5 Enabling works incorporating demolition and repair works to the existing buildings are to be procured separately due to the specialist nature of the works. The works comprise internal stripping out of the existing buildings and partial demolition of the annexe, removal of external site furniture, re-slating and roof repairs, timber dry/ wet rot treatment, repairs and asbestos removal.
- 4.6 These properties form part of the new Council house building programme which is guided both by the Local Housing Strategy (the primary strategic document on housing need) and Angus Council's Affordable Housing Supply Programme delivery plan.

Objectives

- 4.7 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 29 new properties proposed for Forfar are an integral part of the programme and are part of the Angus Council's new affordable housing provision.

- 4.8 Angus Council has developed model designs for new build housing at other locations within Angus as part of the ongoing planned programme of developments. Work to convert, upgrade and modernise properties to provide various flatted housing schemes has also been carried out previously by the Council. The experience gained in design and procurement of each of these types of different options 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, where possible, into both the conversion and new build elements of this project.
- 4.9 The design requirements relating to a grade B listed building are required to be taken into account as part of this project. Consideration was given to various design solutions but as one of the objectives of this project was to retain a historic building in the centre of Forfar the conversion of the existing buildings was considered to be the most appropriate option.
- 4.10 It was determined that these objectives would be best achieved by utilising the experience gained by Property 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.

Procurement Options

- 4.11 Collaborative procurement opportunity details were passed to Tayside Procurement Consortium (TPC) colleagues on 30 July 2014. Confirmation was received on the 31 July 2014 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.
- 4.12 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 'with Quantities' approach encompassing open market competition on a restricted procedural basis with appointment on the basis of lowest acceptable tender. 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.
- 4.13 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 25 flats in existing buildings, 4 new build terraced houses and associated external works is procured using this procurement approach encompassing open market competition within a single contract (lot).
- 4.14 This lot has been identified as one of the pilot pipeline projects which will test the suitability of the Public Contracts Scotland (PCS) – Tender module for possible full implementation by Angus Council. PCS – Tender is a further development of the Public Contracts Scotland procurement portal which is already in use by the Council. The Scottish Government is promoting the use of PCS – Tender to provide a fully integrated electronic procurement system. The size and procurement option for this lot ensures that the qualification, technical, commercial and award sections of PCS – Tender can be evaluated. A report on the adoption of PCS – Tender will be submitted following the evaluation of a range of pilot projects identified through the Angus Corporate Procurement Group.
- 4.15 The procurement of the enabling 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 tendering this section of the works through the normal PCS procurement portal process.
- 4.16 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.

- 4.17 This report details the funding arrangements and procurement options for the New Affordable Housing, Chapelpark Site, 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 ‘Information Hub’.

Programme

- 4.18 It is anticipated that the main procurement process for the construction of affordable housing comprising 25 flats in existing buildings, 4 new build terraced houses and associated external works will begin in October 2014 with the placing of an advert for the proposed supply on the Public Contracts Scotland (PCS) web portal. With assistance from TPC and PCS the procurement opportunity will also be set-up in the PCS - Tender module which can then be accessed by applicants interested in tendering for this lot. Subject to the approval of this report the subsequent tenderer selection process will be finalised in accordance with the Council’s Financial Regulations.
- 4.19 Following the finalisation of the list of tenderers through PCS - Tender, it is anticipated that tender documents will be available in PCS - Tender by August 2015 and completed by October 2015. Once the tenders have been assessed via PCS – Tender an acceptance will be issued to the lowest acceptable tenderer by November 2015. The contract is anticipated to start on site in December 2015 following a six week Construction Design and Management planning lead-in period. The contract period is currently 66 weeks which, based on the programme dates above, would allow for a contract completion in March 2017.
- 4.20 It is anticipated that the separate procurement of the enabling works through the PCS web portal will be carried out in the last quarter of 2014 and the first quarter of 2015 with these being completed during the second quarter of 2015.

Whole Life Costing

- 4.21 In accordance with standard practice the Technical and Property Services has integrated whole life costing 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 conversion of the existing building and new-build properties was the only option available to fulfil the project requirements.
- 4.22 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.
- 4.23 Due to the mixed nature of the construction requirements for the properties different design solutions have been applied.
- 4.24 The design for the 4 new affordable terraced 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 44% improvement over the current building regulations
- 4.25 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.
- 4.26 As the conversion to form 25 new flats is being carried out on existing buildings there is limited scope to fully employ new build design solutions to reduce running costs. The conversions are still required to meet the latest building regulations and the opportunity has been taken to include various energy saving design solutions as follows:
- High levels of thermal and sound insulation between internal wall and floors;
 - High levels of loft insulation;
 - Insulation installed internally on external walls;
 - Double glazed windows to replace existing single glazed windows;
 - New energy efficient external entrance and individual flat entrance doors;
- 4.27 In order to take advantage of the existing boilerhouse, services and main supply pipework in the Annexe building a district heating system is to be provided. High efficiency gas boilers are to be installed and they will provide heat to the 25 flats and 4 new build terraced houses. Due to the compact nature of the site, the requirements to meet grade B listed building consent and the use of an existing boilerhouse the installation of a district heating system will reduce running costs and resolve possible design issues.
- 4.28 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.
- 4.29 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. CURRENT POSITION

Procurement Procedure

- 5.1 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 - Tender. 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 the most appropriate applicants to receive tender documents.
- 5.2 The tenderer selection process, using PCS - Tender will follow Property's procedures for a contract of this size and nature and will fully utilise the sections included in the Scottish standard Pre-Qualification Questionnaire (sPQQ) contained in PCS – Tender. As the initial advert will be through the main PCS web portal the local supply base, as indicated in previous similar procurement, can easily access the advert. They will then be directed to the PCS-Tender where they can provide answers electronically to the sPQQ questions and upload supporting documentation to each section as required. The process will include applying a minimum qualification combined with a comparative supplier selection to provide a tender list of up to a maximum of six tenderers. The selection will be based on minimum requirements for business probity, financial, technical and health, prohibited lists and safety information together with comparative evaluations on previous relevant experience, technical references/statements, levels of resources, community benefit awareness, equal opportunities and environmental awareness.
- 5.3 Once the first stage process is completed selected tenderers will be informed that tender documents will be available through the PCS – Tender web site. Following the expiry of the

tender period the completed tenders contained in the secure portal electronic 'post box' will be evaluated. Community benefit including provision of apprentices will be included in the contract documentation and will form part of the tender return. The contract will be awarded on the basis of the lowest acceptable price to the Council, in accordance with the conditions of contract.

- 5.4 The Corporate Procurement Manager has been consulted on the proposed procurement process and outline requirement and is satisfied that that this approach is suitable and likely to produce best value for the Council.

6. FINANCIAL IMPLICATIONS AND ALLOWANCE IN ESTIMATES

- 6.1 The estimated total cost for the provision of 25 flats and 4 affordable houses at the Chapelpark site, Forfar is:

Construction of affordable housing comprising 25 flats in existing buildings, 4 new terraced houses and associated external works	£3,600,000
Allowance for professional fees, supervisory, travel and administrative expenses	£470,000
	<hr/>
	£4,070,000
Allowance for enabling works comprising works to existing buildings including roof repair works, rot treatment/ repairs, asbestos removal general stripping out and partial demolition of annexe (to be procured separately)	£380,000
Allowance for feasibility fees	£35,000
Allowance for statutory payments and sundry expenses and 3D model	£165,000
Additional project contingency for any unforeseen works which may arise relating to the existing buildings	£50,000
	<hr/>
Estimated total cost (at out-turn prices)	<u>£4,700,000</u>

- 6.2 The updated HRA Financial Plan 2013/2017 approved by Communities Committee on 19 August 2014 (Report No 323/14) contains a gross allowance of £4,200,000 for approximately 30 units on the Chapelpark site, Forfar comprising £2,550,000 from the HRA Capital budget, £1,350,000 from the Scottish Government's Affordable Housing Grant and £300,000 from the Affordable Housing Account.

- 6.3 The original financial plan figure of £4,200,000 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 29 units at an estimated total cost of £4,700,000 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 £1,350,000 from the Scottish Government's Affordable Housing grant was based on constructing 30 units on the site. As the number of properties which can be constructed on the site has been reduced to 29, the grant income has been recalculated. It is based on £45,000 per property in accordance with Angus Council's Affordable Housing Supply Programme delivery plan, the maximum grant that can be allocated to this project has therefore been reduced to £1,305,000.

- 6.5 The HRA Financial Plan will be adjusted at its next update to accommodate the revised estimated total cost of £4,700,000 together with a reduction 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 323/14	Increase/ (Decrease)
HRA Capital Budget	£3,095,000	£2,550,000	£545,000
Scottish Government Affordable Housing Grant	£1,305,000	£1,350,000	(£45,000)
Affordable Housing Account Funding	£300,000	£300,000	£0
TOTAL	£4,700,000	£4,200,000	£500,000

- 6.6 This funding noted above represents an overall increase in the HRA capital budget element of £500,000 from that contained in the current Financial Plan.
- 6.7 The updated HRA Financial Plan 2013/2017 includes an unallocated "general" new build provision of £4,352,000 over the 4 year period of the plan and the additional £500,000 required from the HRA capital budget will be funded from this provision.
- 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 £3,095,000 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 2015/16 £000	Year 5 2019/20 £000	Year10 2024/25 £000	Year 15 2029/30 £000	Year 20 2034/35 £000	Year 25 2039/40 £000
Estimated loan Charges	197	207	220	241	266	295

- 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 2013/2017 has been the subject of an affordability review by Finance officers as part of the 2014/15 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 has been 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 listed building consent for the works. This risk has been partially mitigated as initial discussions have taken place with the Council's Planning section with

regard to the proposed scheme. Once the final outcome of the planning process is known, design changes may have to be made to the scheme to meet listed building 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
- Neighbourhood Services Committee 15/08/13 Report No 432/13 – Angus Strategic Housing Investment Plan 2013/14
- Communities Committee 21/01/14 Report No 33/14 – Proposed Appropriation of Chapelpark Primary School, Forfar
- Communities Committee 19/08/14 Report No 323/14 – Housing Capital Monitoring Report (Revised Capital Monitoring Budget) 2014/15

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

List of Appendices:

Appendix 1 – Site and access arrangements

Appendix 2 – Proposed Existing Annexe Flats Layout

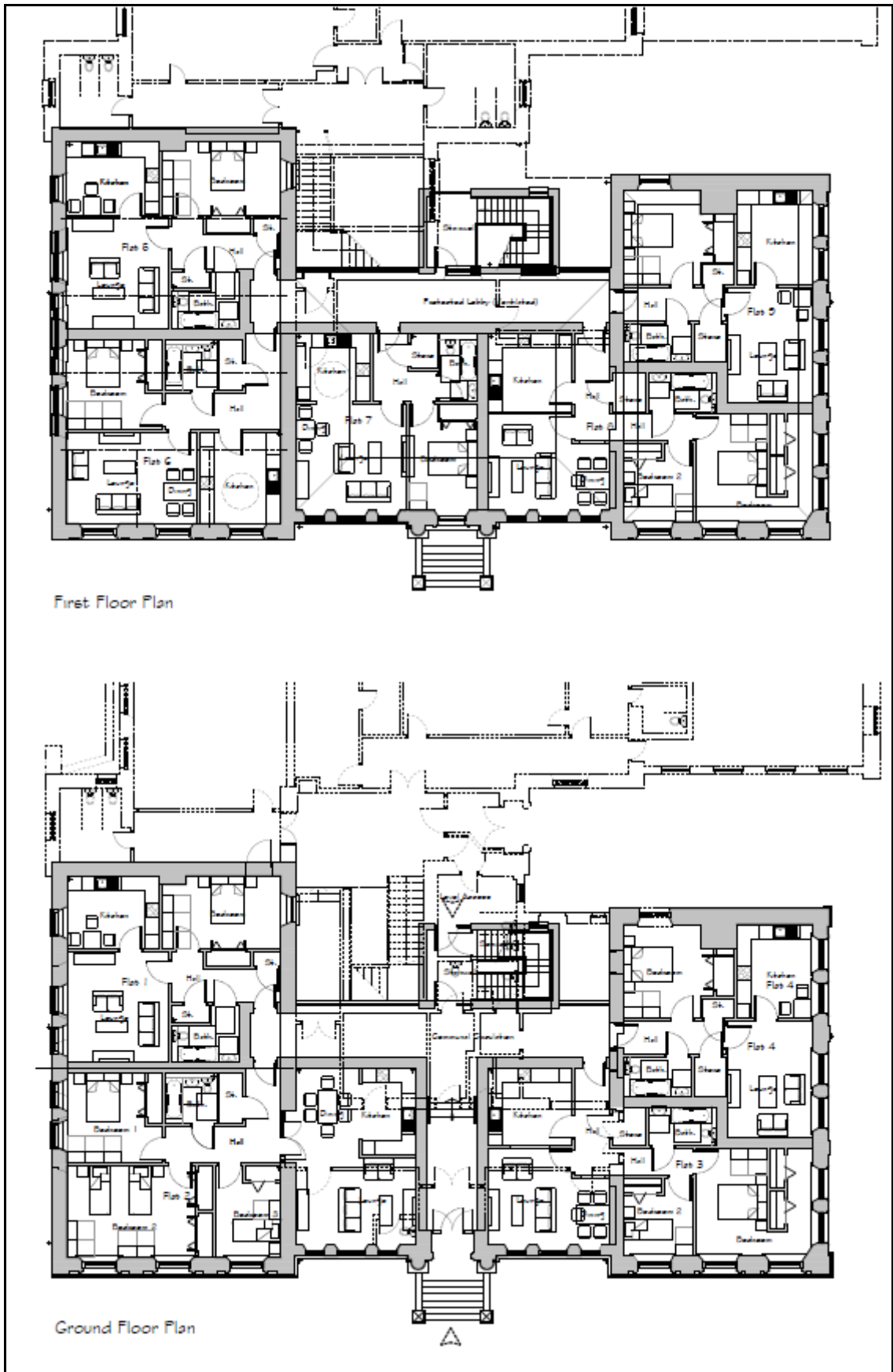
Appendix 3 – Proposed Existing School Building Flats Layout

Appendix 4 – Proposed New Four Bedroom Terraced House Layout

Appendix 1 – Site and access arrangements



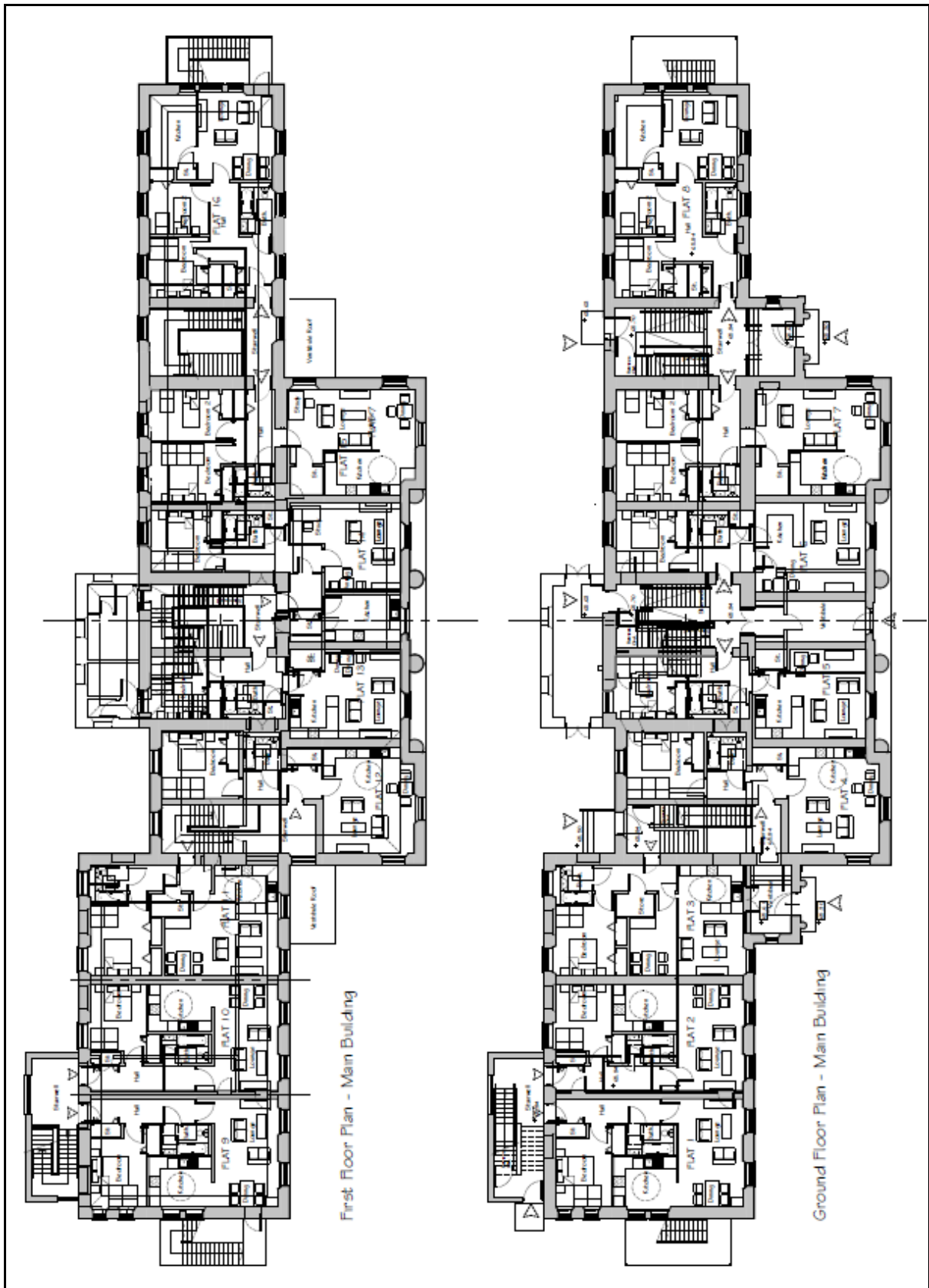
Appendix 2 – Proposed Existing Annexe Flats Layout



First Floor Plan

Ground Floor Plan

Appendix 3 – Proposed Existing School Building Flats Layout



Appendix 4 – Proposed New Four Bedroom Terraced House Layout

