

**ANGUS COUNCIL**

**COMMUNITIES COMMITTEE – DATE 17 NOVEMBER 2015**

**AFFORDABLE HOUSING, EASTGATE, FRIOCKHEIM – 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. RECOMMENDATION(S)**

1.1 It is recommended that the Committee:

- (i) approve the acceptance of the lowest acceptable tender for the construction of new affordable housing at Eastgate Friockheim from Andrew Shepherd Construction Ltd, in the amount of £532,862.50;
- (ii) approve the estimated total cost of £695,994 (at out-turn prices)
- (iii) note that the funding for this project amounting to £695,994 will comprise £150,000 from the Scottish Government Affordable Housing Grant and £545,994 from the HRA Capital budget. The Housing Financial Plan will be amended and presented on this basis to the Special Rent Setting meeting of this Committee in early February.
- (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 part of the site at the Former Teachers Resource Centre, Eastgate, Friockheim 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). The project was included in the HRA Financial Plan 2014/2018 which was approved by the Communities Committee on the 10 February 2015 (Report No 53/15). Part funding of the project is available from the grant received from the Scottish Government as part of Angus Council's Affordable Housing Supply Programme delivery plan.

3.2 The original funding proposal was to provide 3 new build affordable houses on part of the site of the Former Teachers Resource Centre, Friockheim. As the design has developed and works have been included to support the possible Community Asset Transfer of the Resource centre, additional funding has had to be identified.

#### 4. CURRENT POSITION

4.1 Tender documents were issued for the construction of two 1 bedroom single storey houses and one 2 bedroom single storey house together with all associated services. The documents include external works to the three houses along with the provision of a new access road to the Resource centre and additional parking facilities.

4.2 Based on initial estimated costs Property's procedures for selecting tenderers for contracts under £500,000 in value were followed. Tenderers who had previously indicated that they wished to work with Angus Council were considered and based on the information held on Constructionline, their Health and Safety information and performance, seven tenderers were identified.

4.3 All seven were contacted and four accepted the invitation to submit a tender. Tender documents were issued to the four selected contractors through the Public Contracts Scotland website portal. The tenders were lodged electronically on the Public Contracts Scotland website portal on Monday 21 September 2015.

4.4 The tenders received, after checking the three lowest offers, were as follows:

Contractors Name	Tender Amount	Corrected Amount
Andrew Shepherd Construction Ltd, Forfar	£551,760.77	£551,760.77
George Martin Builder Ltd, Dundee	£563,456.68	£563,456.68
Pert Bruce Construction Ltd, Montrose	£583,980.00	£583,980.00
Hadden Construction Ltd, Aberuthven	£631,294.18	Not Checked

4.5 An examination of the tender documents revealed a significant rating error contained in the lowest offer from Andrew Shepherd Construction Ltd, Forfar. This tenderer was contacted and given the opportunity to confirm or withdraw his tender offer in accordance with Angus Council's Financial Regulations. After consideration the contractor chose to confirm his offer.

4.6 Following consideration by Councils Officers of the impact to the Council of the rating error it was decided to re-tender, without change to the documents to all four tenderers. Re-tender documents were lodged electronically on the Public Contracts Scotland website portal on Thursday 8 October 2015 and remain open for acceptance until 6 January 2016.

4.7 The re-tenders received, after checking the three lowest offers, are as follows:

Contractors Name	Tender Amount	Corrected Amount
Andrew Shepherd Construction Ltd, Forfar	£532,862.50	£532,862.50
Pert Bruce Construction Ltd, Montrose	£541,166.70	£541,166.70
George Martin Builder Ltd, Dundee	£563,456.68	£563,816.79
Hadden Construction Ltd, Aberuthven	£631,294.18	Not Checked

4.8 The lowest acceptable tender is approximately £100,000 higher than the original allowance contained in the HRA Financial Plan 2014/2018 approved by the Communities Committee on the 10 February 2015 (Report No 53/15) and £50,000 higher than the revised estimate contained in the Housing Capital Monitoring Report 2015/2016 approved by the Communities Committee on the 18 August 2015 (Report No 311/15).

4.9 This increase resulted from:

- Significant increase in the cost of the drainage of £12,000 from feasibility stage due to increase in scope and design to meet the requirements of the site.
- Significant increase in the cost of site boundary walling and street furniture of £19,500 following further design and development.
- Increase in cost of roadway and parking of £13,000 due to scope of hard landscaping and design to meet access requirements to the existing Teachers Resource Centre site.
- Increase in the upfilling of hard landscaped areas due to depth of topsoil £5,000.
- Higher than expected preliminary costs compared to previous similar contracts £15,000.
- Higher than predicted general increase in costs on the builderwork trade compared to previous projects of £11,000.
- Higher than predicted increase in costs on Contractor Designed specialist services works including PV panels and house ventilation system of £6,000.
- The original feasibility study included for minor costs associated with Statutory Authority works including telecom, gas, water and electricity connections. Based on estimates from the Statutory Authorities the cost of these services is in the region of £15,500.

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	£532,863
Allowance for professional fees, supervisory, travel and administrative expenses	£79,131
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	£611,994
Allowance for appropriation of the site	£20,000
Allowance for feasibility fees	£5,000
Allowance for demolition of existing mobile units (procured separately)	£49,000
Allowance for statutory payments and sundry expenses	£10,000
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Estimated total cost (at out-turn prices)	£695,994
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## 6. FINANCIAL IMPLICATIONS AND ALLOWANCE IN ESTIMATES

6.1 The total additional cost for this project amounts to £145,994 compared to the estimated total cost of £550k contained in Housing Capital Monitoring Report 2015/2016 approved by Communities Committee on 18 August 2015 (Report No 311/15). This is an increase of approximately 26% over the original cost.

6.2 The increases in costs are mainly due to:

Cost Section	Reason for adjustment	Cost Increase/ (Reduction)
Lowest acceptable tender amount	See report section 5 above for details	£97,000
Allowance for professional fees, supervisory, travel and administrative expenses	Fees revised based on latest tender amount	£7,000
Allowance for demolition of mobile units	Originally not included in the estimated costs. Demolitions carried to remove mobile units from the site including asbestos removal. The demolition also assists in facilitating the community asset transfer.	£49,000
	TOTAL	£153,000

6.3 The HRA Financial Plan (2014-2018) contained a gross allowance of £500,000 for 3 houses in Eastgate, Fricockheim. This was subsequently revised to £550,000 in the Housing Capital Monitoring Report 2015/2016. The budget comprised £400,000 from the HRA Capital budget and £150,000 from the Scottish Government's Innovation and Investment Fund.

6.4 The HRA Financial Plan is currently in the process of being updated to 2015-2019 as part of the 2016/17 budget setting process. As part of this update the HRA Financial Plan will be adjusted accordingly to incorporate the estimated total cost for the project of £695,994. The proposed funding package is therefore as follows:

Scottish Government Affordable Housing Grant	£150,000
HRA capital budget allowance contained in the latest Monitoring Statement	£400,000
Additional budget required from the HRA capital budget	£145,994
TOTAL	£695,994

6.5 The HRA Financial Plan currently contains an unallocated "General Affordable Housing" provision of £669,000 over the 4 year period of the updated plan. The funding package detailed above indicates that the additional £145,994 required will be funded from within the overall proposed capital spend in the draft updated HRA financial plan. This would be an increase on the specific net provision of £400,000 already included for this project.

6.6 It is intended therefore that the additional net funding of £145,994 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 and presented on this basis to the Special Rent Setting Meeting of this Committee in early February.

**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 18/11/14 Report No 465/14 – Strategic Housing Investment Plan 2015/2016 – 2019/2020
- Communities Committee 10/02/15 Report No 53/15 – 2015/2016 Housing Revenue Account Estimates
- Communities Committee 18/08/15 Report No 311/15 – Housing Capital Monitoring Report 2015/2016

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