

ANGUS COUNCIL

COMMUNITIES COMMITTEE – 6 JUNE 2017

**NEW AFFORDABLE HOUSING NORAN AVENUE, ARBROATH –
PROCUREMENT AUTHORITY APPROVAL REQUEST**

REPORT BY HEAD OF TECHNICAL AND PROPERTY SERVICES

ABSTRACT

Report seeking homologation of the granting of 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 £990,000 (at out turn prices);
- (ii) homologates the approval given by the Strategic Director of Communities in consultation with the Head of Corporate Finance and the Head of Technical and Property Services during the election period, to initiate the procurement process and now retrospectively grant 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;
- (iv) notes that the funding for this project amounting to £990,000 will comprise £228,000 from the Scottish Government Affordable Housing Grant and £762,000 from the HRA Capital budget. The Housing Financial Plan will be amended at its next review to reflect the revised funding for this project;
- (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 Strategic Housing Investment Plan 2017/2018-2021/2022 approved by the Communities Committee on the 15 November 2016 (Report No 394/16) identified the proposal for the construction of 4 nr units at Noran Avenue, Arbroath. This particular proposal included the specific requirements of a family with special needs. An option appraisal had been carried out to identify the most effective solution and considered the merits of remodelling the existing block or demolition and new build. The initial proposal was to convert the existing two storey building containing 8 nr two bedroom flats to provide 3 nr three bedroom two storey houses, 1 nr two bedroom first floor flat and 1 nr 5 bedroom houses on one level with an extension being constructed to provide the additional accommodation. While this would have provided the required accommodation it was felt that the layout was not ideally suited to the needs of the family. A new build option was then considered and, whilst it was likely to be slightly more expensive, this provides a design solution better suited to the needs of the family as well as providing a further 3 modern energy efficient two storey houses.. 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 situated off Noran Avenue in Arbroath. 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 4 properties together with all associated external works and services including gardens and off-street car parking. The levels of accommodation to be provided are as follows:

- 1 – four bedroom two storey detached house
- 2 - three bedroom two storey semi-detached houses
- 1 – five bedroom single storey detached house

4.2 The five bedroom single storey detached house has been designed to meet the specific requirements of a family with special needs. Similarly the design of the four bedroom two storey house incorporates minor adaptations which can assist in meeting the future requirements of a family with special needs.

4.3 Demolition works comprise the removal of 8 flats at 2 – 16 Noran Avenue in Arbroath and are procured separately. These works comprise the 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 4 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 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 17 April 2017. Confirmation has been received from TPC on the 18 April 2017 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. No Scotland Excel contract currently exists to meet this requirement.

- 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 follow 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 4 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 May 2017. 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 June 2017 and returned during August 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 5.23 of this report and the projected date for award of contract is September 2017 with the works commencing on site in October 2017 following a four week mobilisation period. The contract period is seven months with contract completion expected by May 2018.
- 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, Noran Avenue, 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. The procurement process set out in this report has commenced based on the approval set out in recommendation 1.1(ii)

above. 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 The design will 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 exceed the requirements of Aspect Silver levels 1 and 2 contained in the Scottish Building Standards Technical Handbook 2016. 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 exceeds Aspect Silver level 1 which delivers a significant improvement over the current base building regulations.
- 5.17 As part of the specification to meet Aspect Silver levels 1 and 2 to 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.
- 5.18 In comparison to existing Housing stock of a similar nature, by incorporating various design solutions including those noted above, the new affordable 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 As the family were living in unsuitable accommodation there was an urgent need to construct the 5-bedroom house as quickly as possible. The decision was therefore taken to prioritise progress of the design, procurement and construction of the 5-bedroom house. It was recognized at the time that this may incur additional cost due to the contract being for a single house. During this process the family was re-housed in more suitable accommodation on a temporary basis until the 5-bedroom house was constructed. Tenders were received and, as expected, were significantly higher than expected due to the size of the contract. As the family have already been moved to more suitable accommodation, the urgency to construct the 5-bedroom house has been reduced. It is now proposed to include the 5-bedroom property in the contract for the 3 other properties that will be constructed on the site. This is expected to save in the region of £30,000 - £40,000 on the cost of the 5-bedroom property alone.
- 6.2 A further value engineering exercise on the four properties was undertaken and identified savings in reducing the floor area of the 5-bedroom house, drainage design, reduction in number of rooflights and other minor areas was undertaken. This resulted in additional savings to the costs amounting to £20,000. These changes will have a minimal impact on the design solution for this project.
- 6.3 The estimated total cost for the provision of 4 affordable houses at the Noran Avenue site, Arbroath is:

Estimated cost for construction of 5-bedroom house and associated external works based on recent tender	£380,000
Expected saving by procuring 5-bedroom house with other 3 houses	(£40,000)
Construction of affordable housing comprising 3 affordable houses and associated external works	£475,000
Savings following value engineering exercise	(£20,000)
	£795,000

Allowance for professional fees, supervisory, travel and administrative expenses	£125,000
	£920,000
Allowance for demolition works to the existing block of flats (procured separately)	£46,000
Allowance for feasibility fees	£12,000
Allowance for statutory payments and sundry expenses	£12,000
	£990,000

- 6.4 The HRA Financial Plan 2017/2018 approved at the Communities Committee on 14 February 2017(Report No 70/17) contains a gross allowance of £1,000,000 for 4 units on the Noran Avenue Site, Arbroath including demolition. The allowance comprises £772,000 from the HRA Capital budget and £228,000 from the Scottish Government's Affordable Housing Grant.
- 6.5 The original financial plan figure of £1,000,000 was an allowance made at an early stage before the outline design process had commenced. The project costs have been reviewed and updated based on the latest information relating to site conditions, the finalised layout and the latest outline design.
- 6.6 The HRA Financial Plan will be adjusted at its next update to accommodate the revised estimated total cost of £990,000. The funding required represents an overall reduction in the HRA capital budget element of £10,000 from that contained in the current Financial Plan.
- 6.7 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 £762,000 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	14	49	53	58	64	70

- 6.8 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 2016/2021 has been the subject of an affordability review by Finance officers as part of the 2017/18 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.
- 6.9 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 15/11/16 Report 394/16 – Strategic Housing Investment Plan 2017/18 – 2021/2022

- Communities Committee 14/2/17 Report 70/17 – 2017/18 Housing Revenue Account Estimates Incorporating Rents, Charges and St. Christopher's Site Rentals

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List of Appendices:

- Appendix 1 – Site layout
- Appendix 2 – Site Elevations
- Appendix 3 – Proposed 3 Bedroom Semi-detached House Layout
- Appendix 4 – Proposed 4 Bedroom Detached House Layout
- Appendix 5 – Proposed 5 Bedroom Detached House Layout

Appendix 1 – Site layout



Angus Council
 All work to be in accordance with
 Building Standards Regulations 2006
 Use of other dimensions only in
 accordance with drawings

22
 24

SITE LAYOUT OPTIONS
 1 NO. 4 BED
 2 NO. 3 BED
 1 NO. 2 BED (BATHROOM)

Approved Plans	Scale	Project Name
1	1:200	Arbreath

NOTES

1. All work to be in accordance with Building Standards Regulations 2006.
2. All work to be in accordance with the Building Standards Regulations 2006.
3. All work to be in accordance with the Building Standards Regulations 2006.
4. All work to be in accordance with the Building Standards Regulations 2006.
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8. All work to be in accordance with the Building Standards Regulations 2006.
9. All work to be in accordance with the Building Standards Regulations 2006.
10. All work to be in accordance with the Building Standards Regulations 2006.

PLANNING

Project Title
**Nos 2-16 Noran Avenue
 Arbreath**

Property
 Bruce Hoggie
 Margaret
 Arbreath
 DD11 3TF

Drawing Title
Proposed Site Layout

Scale
 1:200 @ A1

Project No.
61011086

Drawing No.
101

Revision
D0

Company Logo: Arbreath
 Tel: 01422 777 778 | Fax: 01424 870746
 Email: info@arbrath.co.uk
 Website: www.arbrath.co.uk

Appendix 2 – Site Elevations



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



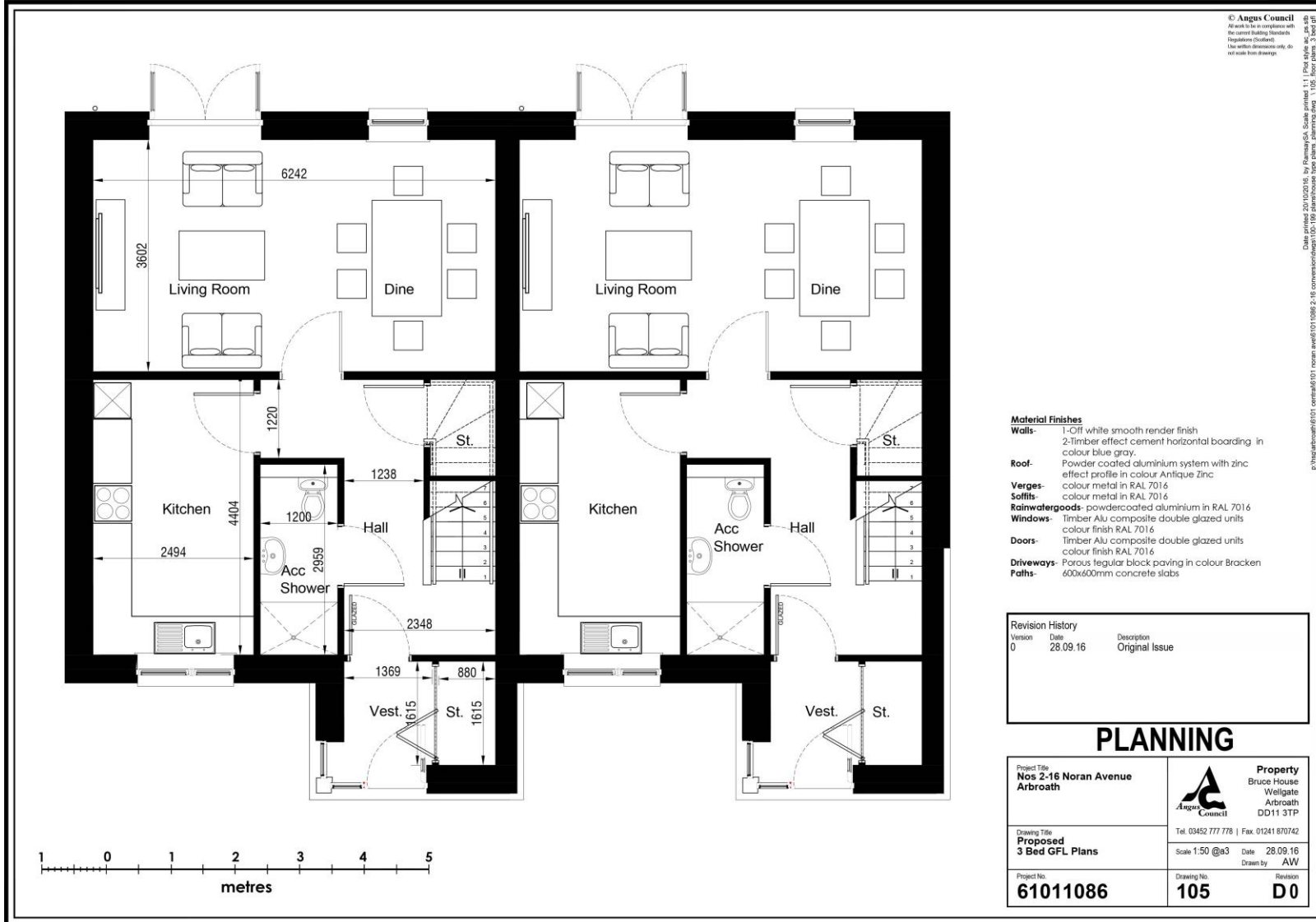
PLANNING

Material Schedule
 Walls: 1. Col. white smooth render finish
 2. Timber effect cement horizontal boarding in colour view grid
 Roof: Powder coated aluminium system with zinc effect panels in colour antique zinc
 Verges: colour match to BS 2012
 Rafters: colour match to BS 2012
 Windows: 1. Timber effect composite double glazed units colour match BS 2012
 2. Timber effect composite double glazed units colour match BS 2012
 Doors: Timber effect composite double glazed units colour match BS 2012
 Paths: Porous highker block paving in colour brickwork
 300x300x50mm concrete slabs



Project Site Nos 2-16 Noran Avenue Arbroath	Property Bruce House Wellgate Arbroath DD11 3TP
Drawing Title Proposed Site Elevations & 3D Views	Tel: 01452 777 778 Fax: 01451 870742
Project No. 61011086	Scale 1:100 @A1 Date: Sept 2016 Drawn by: AW
Drawing No. 104	Revision D0

Appendix 3 – Proposed 3 Bedroom Semi-detached House Layout



- Material Finishes**
- Walls-**
 - 1-Off white smooth render finish
 - 2-Timber effect cement horizontal boarding in colour blue gray.
 - Roof-** Powder coated aluminium system with zinc effect profile in colour Antique Zinc
 - Verges-** colour metal in RAL 7016
 - Soffits-** colour metal in RAL 7016
 - Rainwatergoods-** powdercoated aluminium in RAL 7016
 - Windows-** Timber Alu composite double glazed units colour finish RAL 7016
 - Doors-** Timber Alu composite double glazed units colour finish RAL 7016
 - Driveways-** Porous tegular block paving in colour Bracken
 - Paths-** 600x600mm concrete slabs

Revision History		
Version	Date	Description
0	28.09.16	Original Issue

PLANNING

Project Title Nos 2-16 Noran Avenue Arbroath	 Property Bruce House Wellgate Arbroath DD11 3TP
Drawing Title Proposed 3 Bed GFL Plans	Tel. 03452 777 778 Fax. 01241 870742 Scale 1:50 @a3 Date 28.09.16 Drawn by AW
Project No. 61011086	Drawing No. 105 Reason D0

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 All work to be in compliance with
 the current Building Standards
 Regulations (Scotland)
 Use metric dimensions only, do
 not scale from drawings.

Date printed: 19/10/2016 by: Ramanvish, Scale printed: 1:1 Plot style: ac_dwg.ctb
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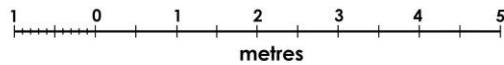
Material Finishes

- Walls:**
 - 1-Off white smooth render finish
 - 2-Timber effect cement horizontal boarding in colour blue gray.
- Roof:** Powder coated aluminium system with zinc effect profile in colour Antique Zinc
- Verges:** colour metal in RAL 7016
- Soffits:** colour metal in RAL 7016
- Rainwatergoods:** powdercoated aluminium in RAL 7016
- Windows:** Timber Alu composite double glazed units colour finish RAL 7016
- Doors:** Timber Alu composite double glazed units colour finish RAL 7016
- Driveways:** Porous tegular block paving in colour Bracken
- Paths:** 600x600mm concrete slabs

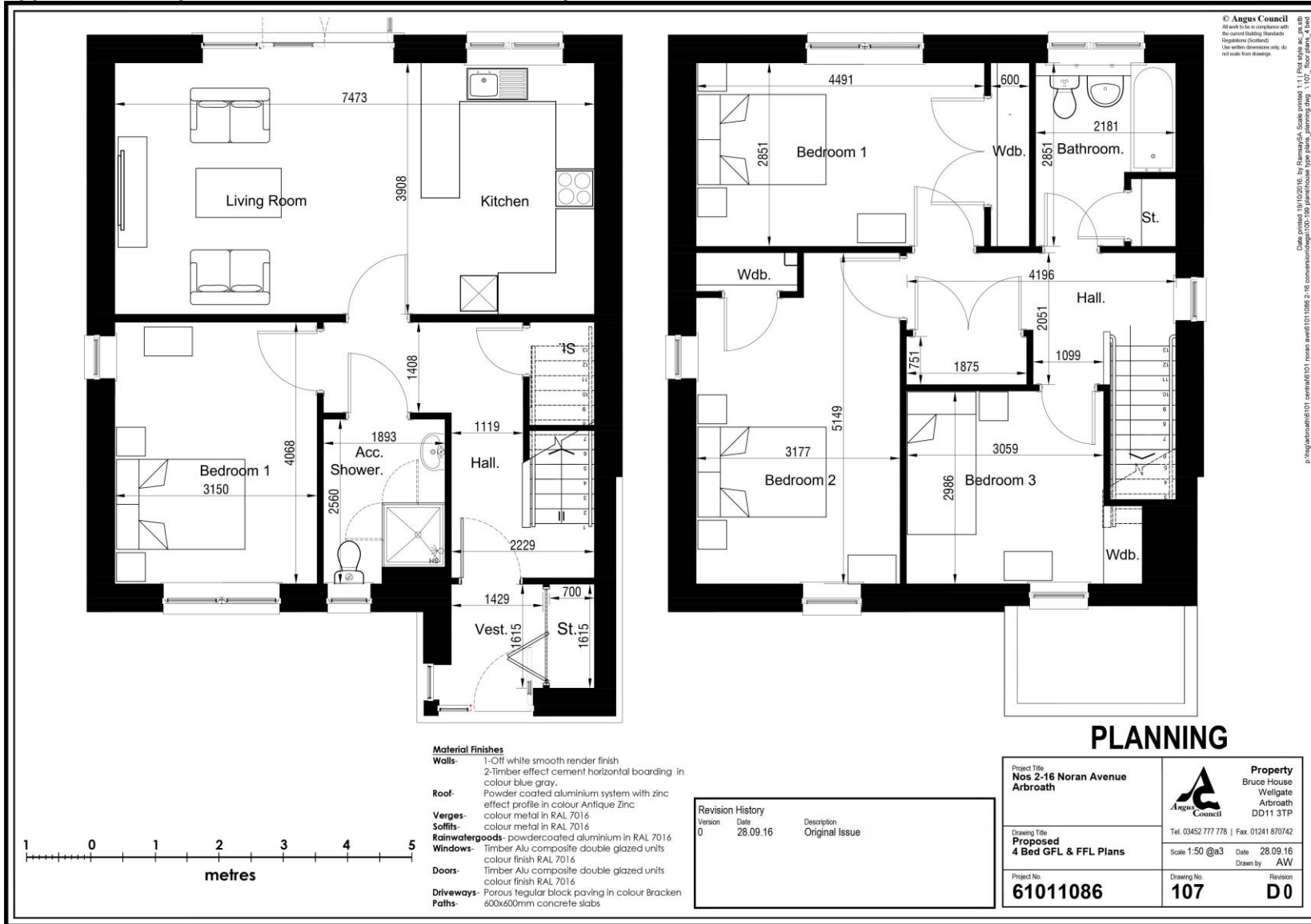
Revision History		
Version	Date	Description
0	28.09.16	Original Issue

PLANNING

Project Title Nos 2-16 Noran Avenue Arbroath	 Property Bruce House Wellgate Arbroath DD11 3TP
Drawing Title Proposed 3 Bed FFL Plans	Tel. 03452 777 778 Fax. 01241 870742 Scale 1:50 @a3 Date 28.09.16 Drawn by AW
Project No. 61011086	Drawing No. Revision 106 D0



Appendix 4 – Proposed 4 Bedroom Detached House Layout



Appendix 5 – Proposed 5 Bedroom Detached House Layout

