

**ANGUS COUNCIL**

**COMMUNITIES COMMITTEE – 6 JUNE 2017**

**NEW AFFORDABLE HOUSING SMALL DEVELOPMENTS FRAMEWORK ARRANGEMENT –  
PROCUREMENT AUTHORITY APPROVAL REQUEST**

**REPORT BY HEAD OF TECHNICAL AND PROPERTY SERVICES**

**ABSTRACT**

Report seeking authority for the proposed procurement method where the maximum value of the contract arrangements is above the Chief Officer's delegated authority limit.

**1. RECOMMENDATIONS**

1.1 It is recommended that the Committee:

- (i) notes the indicative estimated overall available funding of up to £20,209,000 (subject to final confirmation of Grant) for the construction of small individual developments of less than £4,000,000 covering financial years 2017/18 to 2021/22 (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 available funding for small developments is up to £20,209,000 and includes up to £1,488,000 from the Scottish Government Affordable Housing Grant, and £18,721,000 from the HRA Capital budget. Further Scottish Government Affordable Housing Grant money will be available to support the HRA Capital budget; final confirmation is awaited of the level of grant available for Council funded schemes which would increase the level of available funding;
- (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 (SHIP) 2017/18-2021/22 approved by the Communities Committee on the 15 November 2016 (Report No 394/16) prioritised a number of sites for development by Angus Council. As part of the Local Housing Strategy (LHS), the SHIP sets out the key development priorities for each area within the Council. The SHIP identifies the projects to be funded through the Scottish Government's Affordable Housing Supply Programme (AHSP). The Council recently received notification from the Scottish Government that £5.754m grant funding will be made available to fund new affordable housing in Angus in 2017/18.

3.2 The Communities Committee also approved a revised Housing Revenue Account (HRA) Business Plan in February 2017 (Report 71/17) which proposed development of 350 new Council homes over five years. This forms part of the Council's £90m Capital Investment

Plan which as well as delivering much needed new affordable housing will see significant investment in existing stock.

- 3.2 The majority of sites to be developed are owned by the HRA, however where additional land is required this will be appropriated, subject to agreement, in accordance with the Council's financial regulations and will be the subject of separate Committee approvals. In special circumstances land acquisitions may include private purchases which will also be subject to separate Committee approval.

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

- 4.1 It is proposed this Framework covers the construction of new build affordable housing including properties funded through the shared equity route. The mix of properties will depend on the demand in each area. It will include detached, semi-detached and terraced, one to four bedroom single and two storey units. Development will include associated access roads, external works and services including gardens, communal landscaping and car parking.

- 4.2 The Framework will run for up to four years from October 2017 to March 2021. This period meets the available level of funding contained in the approved HRA Financial Plan 2017/18 which runs to 2020/21.

#### **5. PROCUREMENT AUTHORITY**

##### **Objectives**

- 5.1 As part of the ongoing planned programme of developments Angus Council has developed model designs for new build housing at other locations within Angus. The experience gained in design and procurement of each new build housing scheme is being replicated, where appropriate within future schemes. 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 future schemes.
- 5.2 In order to provide the most flexible procurement arrangement and to encourage Small to Medium Enterprises SME's to apply it is proposed that a Framework arrangement be set up which will be split into two Lots. Lot One comprising New Affordable Housing up to £2m: Lot Two comprising New Affordable Housing over £2m up to £4m in value. Any New Affordable Housing projects over £4m will be the subject of separate report detailing the preferred procurement route.
- 5.3 Similar Lotting strategies have been used successfully for previous procurements and will encourage participation by local SME's in this procurement opportunity and will allow them to compete on an equal basis with larger contractors.
- 5.4 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.

##### **Sourcing Route/ Collaborative Opportunities**

- 5.5 Collaborative procurement opportunity details were passed to Tayside Procurement Consortium (TPC) on the 17 April 2017. Confirmation was received on 18 April 2017 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 similar programmes. If in the future a collaborative opportunity did arise which would provide significant benefits and demonstrated value for money to Angus Council then the issuing of contracts under this Framework could be suspended and the programme could migrate across to any new collaborative procurement process.

- 5.6 Technical and Property Services has successfully completed a number of new affordable housing, conversion and modernisation contracts. In order to accelerate the programme to meet the Council's requirements to provide affordable housing Technical and Property Services proposes setting up a Framework which includes up to eight contractors on two separate Lots following a selection process. Mini-competitions issued through the Framework Lots could use a range of contract options from Design and Build through to a fully considered in-house design utilising the construction contract 'with Quantities' approach. Selection of the most appropriate contract option for each mini-competition will be made by each project team. In order to comply with the latest procurement legislation the appointment of the contractor following the mini-competition route will be on the basis of most economically advantageous tender.
- 5.7 The Framework will be advertised on Public Contracts Scotland in line with Council policy in July 2017. As the estimated value for the overall programme noted in Section 6.1 exceeds the EU threshold of £4,104,394 the relevant EU procurement procedures will apply. Any capable local contractor will be identified and steps taken to alert them to the bidding opportunity prior to advertisement of the programme.
- 5.8 Procurement will be via a two stage 'restricted' process which will require contractors to submit the standard European Single Procurement Document (ESPD), under the Public Contract (Scotland) Regulations 2015. Following evaluation of the ESPD's submitted, up to eight of the highest scoring bidders who satisfy the minimum qualification thresholds set and communicated within the Contract Notice will be invited onto the appropriate Lot within the Framework. The first stage pre-qualification assessment is set out in Section 5.20 of this report.
- 5.9 It is anticipated that the Framework will be available for use and mini-competition tender documents can be issued from October 2017. The mini-competition documentation will incorporate standard Scottish Building Contract 2011 conditions, contract specific preliminaries, pricing documents, community benefit clauses, fair work practices question, pre-construction information pack, specification and drawings. Mini-competition tenders will be evaluated in accordance with Section 5.22 of this report. The framework is to be in place for four years and will cover the current HRA Financial Plan period up to 31 March 2021.
- 5.10 In order to ensure the quality of the works a series of Performance Indicators (PI's) will be put in place on each contract. These PI's will be used to promote continuous improvement and will also assist in providing a basis for assessing the Framework contractors. The PI's along with notices issued in line with the conditions of contract may be used to rest or exclude contractors on the Frameworks who are not providing the expected level of service.
- 5.11 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 allowances contained in section 6 below.
- 5.12 This report details the funding arrangements and procurement options for the New Affordable Housing, Small Developments Programme that fall within the procurement authority requirements contained in Financial Regulations 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 the individual contracts 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 an 'Information Report'.

### **Sustainable Procurement Considerations**

- 5.13 The Scottish Government 'Sustainability Test' will be utilised, where appropriate, 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.
- 5.14 The designs of the schemes 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.

- 5.15 The design for the new affordable houses will include solutions which will allow the performance of the houses to, as a minimum, meet the requirements of Aspect Silver level 1 and 2 contained in the Scottish Building Standards Technical Handbook 2016. Designing to this level as a minimum meets the requirements contained in the current buildings regulations for insulation values and sustainability. This represents a reduction in CO<sub>2</sub> that exceeds Aspect Silver level 1 which delivers a significant improvement over the current base building regulations
- 5.16 As part of the specification to meet Aspect Silver levels 1 and 2 requirements, reduce CO<sub>2</sub> and running costs the designs incorporates:
- Photovoltaic panels which will be connected into the electrical system to feed in electric power and reduce running costs. Installation will be dependent on the orientation of the properties;
  - High levels of insulation exceeding the current building regulations;
  - Air tightness requirements reducing the loss of heat through drafts with the appropriate level of ventilation to match the air tightness levels
- 5.17 In comparison to existing housing stock of a similar nature, by incorporating various design solutions including those noted above, any new housing will have significantly lower energy costs for the tenants and help the Place Directorate to meet its carbon dioxide emission targets for housing within Angus, promoting the desired socio-economic outcomes.
- 5.18 The successful bidders will be required to meet the community benefits contained within the invitation to tender which will be considered to be proportionate to the contract and extent of works involved.

#### **Procurement Procedure and Contract Award**

- 5.19 It is considered that a two-stage 'restricted' procedure is the best means of procuring the works through PCS. There is anticipated to be a high degree of interest in this procurement opportunity for the two Lots and this process will allow the Council to select a list of up to eight of the top scoring bidders to receive mini-competition tender documents within each Lot.
- 5.20 The first stage pre-qualification assessment using the ESPD (Scotland) document will address the following items:
- Pass/fail assessment against minimum requirements for: business probity, criminal convictions, economic and financial standing, quality assurance schemes and environmental standards.
  - Scored evaluation of: technical & professional ability; previous relevant experience, level of resources/capability, and environmental management measures.
- 5.21 Once the Framework is in place with the highest ranking suppliers who satisfy the minimum qualification thresholds set out in 5.20 above will be available for the second stage which will comprise issuing mini-competition tender documents. These will be issued on a project programme basis to all the suppliers on the relevant Lots under the Framework. The mini-competition returns will be evaluated in line with the following award criteria.
- 5.22 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 Benefit – 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 or 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 funding available within the HRA Financial Plan 2016-2021 (incorporating later years) for various housing new build schemes through Angus is as follows: this includes demolition costs where applicable, fees, statutory payments and sundry expenses.

Proposed Scheme	Units Nr	Total Value
Lilybank Crescent, Forfar	4	£661,000
Newtyle	8	£1,352,000
Coronation Way, Montrose	12	£2,100,000
Funding available from General Affordable Housing, Land Acquisition and Strategic Housing Enablement Financial Plan General Section	N/A	up to £16,096,000
Estimated total available funding (at out-turn prices)		<u>up to £20,209,000</u>

- 6.2 The HRA Financial Plan 2016-2021 (incorporating later years) includes a gross allocation of up to £20.2m within the New Build section for new affordable housing as identified above. The allocation comprises £18.72m from the HRA Capital budget and £1.49m from the Scottish Government's AHSP. The Council is awaiting final confirmation of the level of AHSP grant beyond 2017/18 and anticipate further funding will be available to support the HRA Capital budget. This will increase the overall funding available for this programme of works.
- 6.3 The HRA Financial Plan contains the line for the General Affordable Housing, Land Acquisition and Strategic Housing Enablement Financial Plan which has a gross funding figure of £16.096m which is part of the £20.2m noted above. This funding does not relate to any identified projects at this time. It is anticipated that this allocation will be expended either through this Framework to support the New Affordable Housing – Small Developments Programme or through another procurement route for larger projects.
- 6.4 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. Accordingly as the capital programme has been determined to be affordable, any loan charges associated with these programmes of works within this report can be contained within the loan charges provision in the HRA.

## 7. OTHER IMPLICATIONS

### Risks

- 7.1 An assessment is being undertaken for this project and has initially identified risks associated with workload and continuous delivery resulting from contractual issues and ensuring local SME involvement. No other significant risks have been identified other than the normal risks inherent in carrying out projects of this size and complexity through a Framework. Technical and Property Services have extensive experience of procuring projects of this nature in a timely manner and every measure will be taken to ensure that these contracts are effectively managed. The assessment of risk for this procurement has initially identified the follow issues:

Risk	Mitigating Actions
Encourage SME Bidding Opportunity	The procurement is to be split into low value and medium value Lots. This will allow a range of SMES' to be able to apply for the Framework.  Promotion of the bidding opportunity and contacting local suppliers prior to publishing the contract notice.
Ensure value for money	The Framework requires mini-competitions to be carried out for each Lot.
Quality of Service	Performance indicators and notices issued in accordance with the conditions of contract will be used to assess the quality of service provided. Contractors not meeting the required levels may be excluded from future mini-competitions.

**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
- Communities Committee 14/2/17 Report 71/17 – Long Term Affordability of the Housing Revenue Account Financial Plan

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