

ITEM 23 – APPENDIX R

WAVERLEY BOROUGH COUNCIL

EXECUTIVE – 1 APRIL 2014

Title:

**NEW AFFORDABLE HOUSING PROJECT AT
BADGERS CLOSE, WARREN & PERRIOR ROAD AND SILO DRIVE**

**[Portfolio Holder: Cllr Keith Webster
[Wards Affected: Farncombe and Binscombe]**

Note pursuant to Section 100B (5) of the Local Government Act 1972

An annexe to this report contains exempt information by virtue of which the public is likely to be excluded during the item to which the report relates, as specified in the specific Paragraphs of the revised Part 1 of Schedule 12A to the Local Government Act 1972, namely;-

1. Information relating to an individual; and
3. Information relating to the financial or business affairs of any particular person (including the authority holding that information).

Summary and purpose:

The Council has secured planning permission for 9 affordable homes at three sites in Farncombe and appointed Mitchell Evans Associates (MEA) to act as an employer's agent for this project. This paper seeks approval to increase the budget for the project and confirms the intention to appoint Contractor 2 as the build contractor for this project.

How this report relates to the Council's Corporate Priorities:

This report relates to the Council's Corporate Priorities of working hard to provide more **affordable housing** in the Borough for local people in housing need. There is a considerable need for affordable housing across the Borough.

Financial Implications:

On 5th November 2013, Executive approved an allocation of £1.27 million within the HRA Capital Programme to deliver nine new build properties across three sites in Farncombe. A tender process has been carried out to select a build contractor and the build costs exceed the budget allocation. There is sufficient resource in the New Homes Reserve to cover the additional cost.

Legal Implications

The Council will be required to enter into a legal agreement with the selected contractor to deliver the build contract. Legal Services have reviewed the JCT Design and Build Contract and tender documentation and confirmed that they are acceptable to Waverley Borough Council.

1 Background

- 1.1 Gerry Lytle Associates Ltd submitted planning applications for the three sites at the end of March 2013. Planning permission was granted on 22nd May 2013.
- 1.2 Pre-development services have been provided by Michael Edwards Associates (MEA) in the role of Employers Agent and Coopers & Withycombe and Pope Consulting to provide structural and services engineering services respectively.
- 1.3 On 10th December 2013, Full Council approved an allocation of £1.27 million from the New Affordable Homes Reserve for development of nine properties at three sites in Farncombe (Silo Drive, Badgers Close and Warren and Perrior Road). The approval also included approval for pre-development cost and for the selection of a build contractor in accordance with the Council's Contract Procedure Rules. These costs are set out in Annex 1 (Exempt)

2 Tender process

- 2.1 Prior to a tendering the build contract, adverts were placed on the South East Business Portal to seek expressions of interest from contractors through a pre-qualification questionnaire. Eight contractors responded and were financial assessed. The contractors PQQ's were assessed against the set criteria and were financially assessed, to ensure they met the specified financial criteria and to verify that they are financially sound.
- 2.2 Tender documents were issued to the short-listed contractors. Three of the four contractors submitted tender returns, Contractor 1, Contractor 2 and Contractor 3.
- 2.3 All the tender bids received were higher than expected and there are several reasons why this may be the case. Over the last 12 months there has been an increase in development activity in the South East and this has had an impact on the availability of contractors, also the extent of external works on at these sites is quite large which adds costs to the scheme. MEA have advised that the current average build cost per square meter is approximately £1,800 - £2,000 which is higher than the initial cost estimates calculated a year ago.
- 2.4 In mid-January, the lowest tenderer, Contractor 1, withdrew their bid stating the reason as their recent success at securing other larger commissions. This is unprecedented and unusual considering the effort required on a design and build contract bid to submit a tender. The implication of the withdrawal of the lowest bidder was the requirement to consider the 2nd and 3rd place bids from Contractor 2 and Contractor 3.

- 2.5 Post tender interviews were held on Thursday 30 January 2014, with Contractor 2 and Contractor 3 who both demonstrated significant capability to deliver the scheme. The interviews focussed on costs and both tenderers were given tasks to reduce costs, primarily relating to elements of the external works and design fees included within the bids. (Exempt) Annexe 1 also provides details of the initial and post interview bids.
- 2.6 On 10 February 2014 the Housing Development Team updated the Housing Delivery Board on the outcome of the value engineering exercise. The Board requested that further negotiations were undertaken to bring the bids closer to the agreed budget. As one of the contractors had also provided a bid based on a longer build programme it was agreed that, the other contractors should be asked to do the same. If it the project could not come in on budget a report should be submitted to Executive requesting approval of additional budget provision to fund the development of the 9 new units of affordable housing in Farncombe.
- 2.7 On Friday 14 February 2014 both Contractor 2 and Contractor 3 submitted their final proposals. The revised tender totals are set out in (Exempt) Annexe 1. There could be additional savings made in the specification which would lead to a reduction from Code for Sustainable Homes Level 4.

3 Conclusion

- 3.1 MEA and the Housing Development Team have considered the final bids from Contractor 2 and Contractor 3 and Contractor 3 as the preferred contractor to deliver the new affordable homes in Farncombe.

Recommendation

That the Executive recommends to Council the approval of:

1. an additional budget from the New Homes Reserve to the approved budget to fund the development of 9 new affordable homes at three sites in Farncombe, as set out in (Exempt) Annexe 1; and
2. the appointment of the preferred Contractor 2 using the approval given by full Council on 10 December 2013 and delegates authority to the Director of Operations in consultation with Director of Finance and Resources, the Portfolio Holder for Housing (Strategic) and the Portfolio Holder for Finance to agree contractual terms.

Background Papers

There are no background papers (as defined by Section 100D(5) of the Local Government Act 1972) relating to this report.

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