

WAVERLEY BOROUGH COUNCIL

EXECUTIVE

8 SEPTEMBER 2020

Title:

Ockford Ridge, Godalming Site B **- Virement Request**

Portfolio Holder: Cllr Anne-Marie Rosoman, Portfolio Holder for Housing and Community Safety

Head of Service: Andrew Smith, Head of Housing Delivery and Communities

Key decision: Yes

Access: Open

1. Purpose and summary

- 1.1 The Council is delivering a programme of new and refurbished affordable housing on its Ockford Ridge estate in Godalming. This scheme includes redevelopment of 6 sites and refurbishment of the remaining stock, to provide modernised and new build affordable homes for local people.
- 1.2 To date, one site (Site D) has been completed, with another (Site A) 3 months from completion delivering a total of 53 new homes. Two sites (Sites B and C) of 17 and 30 homes respectively are being progressed through the planning and procurement stages. Proposals for two further sites (Sites E and F) are currently being developed.
- 1.3. Site B has full planning consent and following a delay in the programme for delivery of Site A as a result of COVID-19, the existing tenants are currently being moved into new homes on Site A.
- 1.4 Invitations to Tender were issued for the appointment of a design and build contractor in accordance with the Public Contracts Regulations 2015 and following a compliant non-OJEU tender, its evaluation and recommendation by the council's Employers Agents preferred contractor has been identified.
- 1.5 Council approved the budget for Site B for 2020/21 and budget estimates for 2021/22 at its meeting on 18 February 2020.
- 1.6 The current budget for 2020/21 and estimated budget 2021/22 is £3,384,000. Following procurement of both the demolition contractor and build contractor a need to request a supplementary budget approval has been identified to allow sufficient funds to deliver the scheme.
- 1.7 Delivery of Site A is now significantly advanced and review of the cashflow

forecast and other costs to completion has identified a budget underspend a proportion of which is proposed to be vired to budget for Site B.

- 1.8 The purpose of this report is to seek Executive's approval to a capital budget virement, under the provisions within the Financial Regulations, to transfer a budget from Site A to Site B of the approved Ockford Ridge projects and reprofile the budget for Site B.

2. Recommendation

- 2.1 It is recommended that the Executive approves the virement of £559,468 from the approved capital budget for Ockford Ridge Site A to the project to deliver Site B.

3. Reason for the recommendation

- 3.1 To ensure full budget provision for the delivery of Site B prior to the appointment of the main build contractor.

4. Relationship to the Corporate Strategy and Service Plan

- 4.1 This project's relationship with the Corporate Strategy includes:
- A financially sound Waverley, with infrastructure and services fit for the future
 - Housing to buy and rent, for those at all income levels
- 4.2 This project's relationship with the Housing Delivery and Communities Service plan includes:
- Increased delivery of well-designed and well-built new homes
 - Delivery of 20 new Council homes a year
 - Delivery of Ockford Ridge Regeneration Scheme

5. Implications of decision

5.1 Resource (Finance, procurement, staffing, IT)

Finance - there will be a financial implication in regard to additional costs for delivery of Site B Ockford Ridge; however, it is proposed that these costs can be met from budget savings identified from Site A.

Site B's cost profile has changed through outside influences and, while it means we will underspend in current year, the budget would need to be transferred to 21/22 which has not been approved yet. In order to proceed with Site B in 20/21 advance budget approval is required for 21/22.

Current Budget

The current approved Site B budget and budget estimates for 2021/2022 are set out below:

Financial year	Current Approved budget / estimate
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	(£)
2020/2021(B)	1,692,000
2021/2022 (E)	1,692,000
2022/2023 (E)	0
TOTAL	3,384,000

The proposed appointment of our preferred build contractor can be met from the current budget for the year 2020/2021 but due to delay to the programme as a result of COVID-19's impact on site A and the moves out of site B, the budget for this financial year will need to be reforecast.

Financial year	Revised expenditure forecast (E) and budget requirement (£) for site B
2020/2021(B)	1,309,630
2021/2022 (E)	2,546,415
2022/2023 (E)	87,423
TOTAL	3,943,468
	Additional budget amount needed £ 559,468

These budget and estimate changes reflect and accommodate an overall increase in the scheme's total cost, due mainly to increased construction costs resulting from an underestimate from our cost consultants during appraisal modelling in November 2019; increased demolition costs and additional prelims in the Tender Return. Contingency has been increased (from 5% to 10%) to reflect the increased risks around COVID-19.

The new provision for 2022/23 of £87,423 is made to account for retention payments due on completion and following the 12 month defects period.

In addition to the request to reforecast £382,379 of the current budget 2020/21 for Site B, an additional budget is now sought to secure full budget approval and delivery of this scheme.

Supplementary budget for Site B - proposed Virement from Site A

Delivery of Site A is now significantly advanced and review of the cashflow forecast and other costs to completion has identified a budget underspend and a proportion of which is proposed to be vired to provide the supplementary budget for Site B.

Site A Budget 2020/21

Financial year	Current Approved budget / forecast spend (£)
2020/2021(B)	£3,682,000
2020/2021 (Forecast)	£2,734,722
Budget underspend	£947,272

Total budget virement requested is £559,468 of which £472,045 (2021/22) and £87,423 (2022/23).

Scheme viability

The scheme's ProVal appraisal demonstrates that it has a positive Net Present

Value (NPV) for scheme which will provide 15 homes at a social rent and two shared ownership, at £35,940 with a repayment period of 26 years.

6.2 Risk management

The existing Ockford Ridge Regeneration Project risk register will be reviewed as part of the ongoing project management and governance of the project(s).

6.3 Legal

The Council's Legal Services team has already been fully involved with the process linked to the delivery of both the new build and refurbishment projects at Ockford Ridge. Internal and external specialist legal advice has been sought regarding procurement and contract documentation and this will continue as and when required.

6.4 Equality, diversity and inclusion

There are no direct equality, diversity or inclusion implications in this report. Equality impact assessments are carried out when necessary across the council to ensure service delivery meets the requirements of the Public Sector Equality Duty under the Equality Act 2010.

6.5 Climate emergency declaration

New Build contribution to the Council's environmental and sustainability objectives

Design / Construction

Work with architects and landscape consultants to develop climate positive design, developing carbon off-set opportunities in the materials used in hard landscaping and plants in soft landscaping.

Use of contractor shortlisting / tender process to support WBC ambition of being carbon neutral by 2030.

The most economically advantageous tender criteria were used to enable Waverley Borough Council to take account of the qualitative, technical and sustainability aspects of the tender as well as price when evaluating and reaching a contract award decision. This included an assessment of responses in relation to minimizing carbon impact on delivery of schemes (including Site B) with specific references to addressing their environmental impact, pre-construction activity, build and post construction phases and management of their supply chain.

Contractors are required to demonstrate areas of innovation the firm has developed and how it might introduce and develop with the council, having regard to our current Employers Requirements.

The Council have already delivered a scheme with timber frame construction and this is the proposed method of delivery of the Site B Ockford Ridge. Waverley Borough Council Housing Design Standards and Specification to be reviewed by Housing Overview and Scrutiny Committee (Task and Finish Group) in January 2020 to include opportunities and methods of delivery of carbon neutral / Passivhaus homes.

Regeneration of Ockford Ridge has and will deliver energy efficient and sustainable homes for existing and future tenants.

7. Consultation and engagement

- 7.1 Officers presented the budget monitoring report to the Housing Delivery Board on 22 July 2020 and are due to present a Housing Delivery Update to Housing Overview and Scrutiny Committee in September.

8. Other options considered

- 8.1 The Council has committed to delivery of the regeneration of Ockford Ridge. Other options have been considered including requesting additional budget as part of the budget setting process however this would not bring full budget certainty at the point of appointment of the main build contractor.

9. Governance journey

- 9.1 A project governance board Ockford Ridge Programme Board made up of key officers from Housing, Finance and Legal services, Strategic Directors and Head of Housing Delivery and Communities provide strategic oversight and direction. This governance board reports to the Housing Delivery Board.

Background Papers

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

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Agreed and signed off by:
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Strategic Director: 21/08/2020
Housing Finance Manager:
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