

Waverley Borough Council

Report to: Executive

Date: 5 September 2023

Ward(s) affected: Aarons Hill

Report of Director: Place

Author: Louisa Blundell

Tel: 01483 523205

Email: louisa.blundell@waverley.gov.uk

Executive Portfolio Holder: Councillor Nick Palmer

Email: nick.palmer@waverley.gov.uk

Report Status: Part Exempt

New Build Housing Delivery Aarons Hill

1.0 Executive Summary

- 1.1 The purpose of this report is to seek formal approval to enter into a contract for the demolition of existing and delivery of 4 new homes in Aarons Hill, Godalming.

- 1.2 Members have already considered and approved the business cases for and delivery of these homes and full project budget at a meeting of Full Council on 13 December 2022. However, following this approval the contractor submitted a revised tender sum to reflect the impact of inflation and market conditions since tendering for the contract. Due to this an additional budget is required to ensure that

the contingency is in place when we enter into contract. The scheme remains financially viable.

2.0 Recommendation to Executive

It is recommended that the Executive approves:

- i. Giving delegated authority to the Executive Head of Legal and Democratic Services to approve the final form of any legal agreements and to Strategic Director (Place) to enter into the JCT Contract with the preferred contractor.
- ii. Giving delegated authority to the Strategic Director (Place) to approve pre contract agreements with the preferred contractor to enable the development of the project and authorise spend in accordance with the budget.
- iii. Giving delegated authority to the Strategic Director (Place) to enter into any related contractual documentation (including collateral warranties or agreements) relating to the project.
- iv. Giving delegated authority to the Strategic Director (Place) to enter into any ancillary agreements related to the project provided that these are within the project budget.
- v. Give delegated authority to the Executive Head of Legal and Democratic Services to approve and enter into a Grant Agreement with Homes England for the provision of Rough Sleeper Accommodation and delegated authority to the Strategic Director of Place to administer the grant.
- vi. Approval of the allocation of an additional £80k budget to be met through a combination of capital receipts and borrowing.

3.0 Reason for Recommendations:

- 3.1 The Executive and Full Council have previously approved the Business Case for this site and the recommended authority is required to enter into the contract with a build contractor and approve additional budget to facilitate delivery of the new homes on this site through a JCT Design and Build Contract. Through delivery of the project there

may be a requirement to enter into project related contractual documents or ancillary agreements.

- 3.2 The Waverley Corporate Strategy 2020-2025 sets out the Vision and Strategic Priorities for the Council. One of the strategic priorities is to 'provide good quality housing for all income levels.'
- 3.3 Build More, Build Better, Build for Life Affordable Homes Delivery Strategy 2022 – 2025 sets out the Council's commitment to build homes to buy or rent for households from all income levels. The strategy has been supported by evidence studies including the Waverley Housing Affordability Study 2021.
- 3.4 Delivery of 4 homes at Godalming including two to provide rough sleeper accommodation which will be grant funded in part by Homes England.

4.0 Exemption from publication

- 4.1 Part Exempt – Open Report / Exempt Annexe

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

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 Paragraph 3 of Part I of Schedule 12A to the Local Government Act 1972, namely:

Information relating to the financial or business affairs of any particular person (including the authority holding that information).

5.0 Purpose of Report

- 5.1 To obtain Executive approval for additional budget and to enter into a JCT Contract with a build contractor to facilitate delivery of the 4 new homes.

6.0 Strategic Priorities

- 6.1 Affordable housing is central to community well-being. It is consistent with the Council's [Corporate Strategy 2020 – 2025](#), strategic priority to deliver 'good quality housing for all income levels and age groups' and 'effective strategic planning and development management to meet the needs of our communities.'
- 6.2 This project aims to increase the number of affordable homes available for those that are in housing need and registered on the Council's housing register and provide accommodation with support for rough sleepers.

7.0 Background

- 7.1 Members have already considered the business case and supporting appendix for four new homes and approved the delivery of the homes and full project budget at a meeting of Full Council on 13 December 2022 however a summary of proposals for the scheme is set out below with further financial information in Exempt Annexe 1.

8.0 Housing tenure

- 8.1 The affordable homes on the sites will be for rent at Waverley rent levels.

Property size	% Open market rent
1 bed	70

- 8.2 Two of the rented homes will be allocated on a license through the Rough Sleeper Accommodation Programme and the remaining homes will be advertised on HomeChoice the Council's online system for allocation of homes.

9.0 Procurement

- 9.1 The Housing Development Team have been working with our appointed employer's agent, quantity surveyor to procure a build contractor to deliver 4 new homes in Aarons Hill, Godalming.
- 9.2 Following the Contract Procedure Rule compliant tender for a build contractor, Ermine Construction Services Limited was identified as the preferred tenderer.
- 9.3 The council's Procurement Officer was involved in the procurement as moderator and was satisfied the council's Procurement rules had been followed.
- 9.7 To ensure the tender sum was maintained the council entered into a pre-contract services agreement (PCSA). This enabled Ermine to get discharge planning pre-commencement conditions and start on site to implement the planning consent and commission consultants to develop designs and some further surveys. The costs allocated to the PCSA are included in the tender sum and are not in addition to.
- 9.8 We are now in a position where we can enter into contract with Ermine Construction Services Limited (ECSL) to prevent delay with progression of the delivery of the new homes.
- 9.9 Whilst we secure the delegations, (ECSL) has asked for a letter of intent to demonstrate commitment of the Council to the scheme as they need to assign staffing and capacity to the project in their plans and ability to give assurances to their sub-contracting teams. If we are unable to provide this assurance, it risks the project being delayed and potentially loss of ECSL's commitment to the project.
- 9.10 In addition to the letter of intent, the schedule of work and value of the PCSA has been extended within the scope of officer delegation. This will enable ECSL to progress for example, the construction design, payments to utility companies to secure their fee for new

connections and some ground preparation works. Further financial detail relating to this can be found in Exempt Annexe 1.

9.0 Consultations

9.1 The Portfolio Holders for Housing Operations and Delivery together with members of the Resources Overview and Scrutiny Committee have considered the business case for the site prior to its consideration by Executive on 29 November 2022 and by full Council on 13 December 2022. The Portfolio Holder for Housing Delivery has also been consulted regarding information and recommendations for approval within this report.

10.0 Key Risks

10.1 If the Executive do not approve the recommendations made in this report, then the development of four homes will not be delivered and the allocation of DLUHC Rough Sleeper Grant Funding will be returned.

10.2 Delaying a decision to approve the recommendations will have additional cost implications as the preferred contractor is ready to mobilise subject to contract. It is therefore imperative that the contract is signed as soon as we have the authorities in place.

11.0 Financial Implications

11.1 The total budget approved for this development at full Council on 13 December 2022 was £1,054,959. The costs have now increased and a budget of £1,134,959 will be required. This is an increase of £80,000 which will be funded through a mixture of capital receipts and borrowing. Though the costs have gone up on this scheme overall viability has improved. We have reworked the viability assessments to take account of revised valuations received in June 2023 and a change in the borrowing assumptions considering the current market forecasts. This results in a favourable change in the viability of these schemes with NPV improving across the board as well as the revenue

impact improving. This information can be found in Exempt Annexe 1.

11.2 The gross development value for the four homes is £1,250,000.

12.0 Legal Implications

12.1 Procurement of a build contractor has been completed in line with the Council's Contract Procedure Rules.

12.2 Members have already considered the business case and approved the recommendations made at the meeting of the Council of 13 December 2022 however formal approval is needed to enter into the JCT contract with ECSL.

12.3 The delegations included in the report enable the full build and to be managed in an effective and coordinated way, having regard to the budget and strategic business case.

13.0 Human Resource Implications

13.1 There are no significant human resource implications. Officers in the Housing Development Team have and will continue to liaise with the internal stakeholders including Home Choice and Property Services Teams prior to handover of the new flats.

14.0 Equality and Diversity Implications

14.1 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 Service Equality Duty under the Equality Act 2010.

15.0 Climate Change/Sustainability Implications

15.1 Our build contractor appointment includes an assessment of responses in relation to minimise the carbon impact on delivery of schemes, with specific references to addressing their environmental

impact, pre-construction activity, build and post construction phases and management of their supply chain.

- 15.2 The scheme was originally designed prior to the council's net zero policy becoming a corporate requirement however they will be constructed to be net zero in operation taking a fabric first approach. This will be complemented through the installation of air-source heat pumps and photo voltaic (PV) panels as bolt-on technologies, to complement enhanced insulation (doors, windows, floor slab, roofs and wall) measures, the fabric-first elements.
- 15.7 Officers and the council's specialist consultants have applied lessons learnt in recent schemes (Laurel Close, (Site B) Ockford Ridge, Godalming, a Surrey Building Control Awards -winning scheme this year) to continue to improve performance in these areas.

16.0 Summary of Options

- 16.1 The options were proposed within the business case and covering report presented to members at Executive in November and Full Council in December 2022.

17.0 Conclusion

- 17.1 The Executive and Full Council have previously approved the business case and budget for delivery of 4 homes at Aarons Hill, Godalming. It is recommended that the Executive approve delegation to the Executive Head of Legal and Democratic Services approve the final form of legal agreements and to the Strategic Director (Place) to enter into the JCT Contract for the delivery of these homes and other delegations as set out in 1 (i -vi) of this report.

18.0 Background Papers

- 18.1 HRA Business Plan Strategic Review Housing Delivery - Executive 29 November 2022

HRA Business Plan Strategic Review Housing Delivery - Full Council 13
December 2022

Please ensure the following service areas have signed off your report.
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Service	Sign off date
Finance / S.151 Officer	CK 08/08/23
Legal / Governance	JLG 25/08/23
HR	-
Equalities	-
Lead Councillor	NP 18/08/23
CMB	15/08/23
Executive Briefing/Liaison	22/08/23
Committee Services	24/08/23