ABSTRACT: Report seeking authority for the proposed procurement where the maximum value of the contract is above the Chief Officer’s delegated authority limit.

1 RECOMMENDATIONS

It is recommended that the Executive Sub-Committee:

(i.) approve the estimated total cost of £700,000 (at out turn prices);

(ii.) approve the procurement authority, as contained in this report, in accordance with the process stated in section 16.8 of the Financial Regulations;

(iii.) note that the funding for this project amounting to £700,000 will comprise £120,000 from the Scottish Government Affordable Housing Grant and £580,000 from the HRA Capital budget. The HRA Financial Plan will be amended at its next review to accommodate the estimated total cost for this project and will be the subject of a separate report;

(iv.) note the financial implications included in Section 6 of this report.

2 INTRODUCTION

Report Nr 542/10 approved by the Neighbourhood Services Committee on the 19 August 2010 noted the successful bid for a grant from Scottish Government’s Incentivising New Council House Building Fund. Part of that bid included the proposal to build 4 single-storey main stream houses in Kirriemuir between 2010/12 which formed Phase 6 of the Angus Council’s new build programme. The site in Kirriemuir identified as part of the bid was adjacent to Lindsay Street and is also known as Mortar Holes, the site is owned by Angus Council’s Housing division. The report also agreed that further reports would be produced providing additional information on the Affordable Housing projects.

In accordance with FR 16.8 approval of this report would mean that, subject to the overall project costs following receipt of the tenders being within the approved budget then, the contract can be accepted without approval by the relevant Committees. This procurement is not considered to be a “major procurement” in accordance with the new arrangements therefore tender evaluation and award information reports will be provided to the Head of Finance as required by FR 16.8.6.
3 LATEST POSITION

Following development of the design for the scheme it was identified that five houses could be incorporated into the site. The layout and type of houses were also amended to incorporate two-storey houses which offer a more flexible accommodation mix therefore increasing the opportunities to allow housing to attract tenants.

The access road to the site will also serve an adjacent future development as shown in Appendix 1. The developer has received planning consent for the access road and Housing will discuss the provision of shared access over Angus Council’s site with the developer. Depending on the final outcome of any discussions it may allow the access road over the Council’s site to be constructed at an early stage. The discussions will also clarify the extent of any financial contribution from the developer for the construction of the access road and other related services which will also supply his site.

4 DESCRIPTION OF WORKS

The works comprise the construction of five houses comprising three two-storey 2 bedroom houses and two single-storey 2 bedroom houses on an open site including all associated access roads, external works and services.

These houses form part of the new Council house building programme which is guided both by the Local Housing Strategy (the primary strategic document on housing need) and the Angus Strategic Housing Investment Plan.

5 PROCUREMENT AUTHORITY

Objectives

As part of the Scottish Government's affordable housing programme Angus Council has made a number of successful bids for grant funding. This funding will allow Angus Council to provide urgently needed new affordable rented housing to meet current and increasing future demands. The five new affordable houses proposed for Kirriemuir is an integral part of the programme and is the sixth phase of the Housing Division’s new affordable housing provision.

Angus Council has developed a model design which is being replicated, in part or in whole, at other locations within Angus as the planned programme of developments is taken forward. An integral aspect of this design is the adoption of the latest best practice regarding the provision of affordable housing. 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.

It was determined that these objectives would be best achieved by utilising the experience gained by the Property division 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 department.

Programme

It is anticipated that the procurement process will begin in June 2011 with the placing of an advert for the proposed supply on the Public Contracts Scotland web portal. The subsequent tenderer selection process will be carried out in accordance with the Financial Regulations and will follow the Property division’s normal procedures for a contract of this size.

Originally the timescale for the provision of these properties allowed for ongoing negotiations with the developer of an adjacent site regarding vehicular access and drainage issues. It was
envisaged that the construction of the houses would commenced in early 2012. Negotiations with the developer have allowed the Housing Division to accelerate the construction works.

Following the finalisation of the list of tenderers, tender documents are to be issued in September 2011 and returned by early October 2011. Once the tenders have been assessed an acceptance will be issued to the lowest acceptable tenderer in October 2011. The contract is anticipated to start on site in November 2011 after a four week Construction Design and Management planning lead-in period. The contract period is currently 27 weeks which, based on the programme dates above, would allow for a contract completion in May 2012.

**Procurement Options**

The Property division has had extensive and recent experience of the merits of the three normal procurement processes employed for projects of this type and detailed in Table 1.

Collaborative procurement opportunities were considered but none of the neighbouring authorities were undertaking projects of a similar type and timing to permit collaborative working to develop common designs, specifications and deliver procurement economies.

**Table 1 Normal Procurement Options**

<table>
<thead>
<tr>
<th>Traditional construction</th>
<th>In-house design and traditional procurement through open competition. Design fully considered and agreed with client, provides enhanced degree of cost certainty.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Design and Build</td>
<td>A short list of contractors is invited to offer competing designs and following analysis, the successful contractor is appointed to deliver the project. May result in shorter design and construction period, however specification and design is mainly left with the tenderers and increased design risk on the tenderers may lead to increased costs.</td>
</tr>
<tr>
<td>Strategic partnering</td>
<td>This would require a long term programme of works to be agreed and budgeted for. Partnering is not a specific procurement method but can be incorporated into other contractual arrangements and involves and element of negotiation to reach an agreed price. In this case as a long term programme hasn’t been fully identified it wasn’t considered to provide a significant advantage to conventional procurement options.</td>
</tr>
</tbody>
</table>

Whilst each procurement method has its advantages, and disadvantages, and is suited for differing circumstances it is the recommendation of the Head of Property that the most appropriate procurement option for delivering this project in the established timescales and to deliver the stated objectives is to utilise the traditional construction 'with Quantities' approach encompassing open market competition on a two-stage restricted procedural basis with appointment on the basis of lowest acceptable tender.

This 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 establish an experienced resource within the Property division which will be able to guide, support and deliver further phases of the new affordable housing programme if funding is identified. It will also promote efficiencies through the use of standardised house designs based upon those developed for earlier phases.
The scale of the project and the tight timescales combined with the requirement to undertake the procurement in accordance with the current procurement rules have dictated that quick, but well balanced decisions were needed to ensure that the procurement strategy was the most appropriate and would deliver Value for Money for the Council.

The Head of Finance is satisfied that the chosen procurement strategy will deliver these objectives and that this procurement is not considered to be a ‘major procurement’ within the meaning of FR 16.8.4.

Whole Life Costing

In accordance with standard practice the Property Division has integrated whole life costing within its best practice design approach to this project to fulfil the range of objectives detailed earlier. The feasibility study and development of the project brief identified that a new-build scheme was the only option available to fulfil the project requirements.

The design has also incorporated the Sustainable Timber Policy approved by the Corporate Services Committee on the 23 October 2008 (report 1040/08 refers) ensuring that all timber or timber materials required for this contract will be from sustainable sources.

The design for the new affordable housing will include solutions which will allow the performance of the houses to surpass the requirements of Code 4 as contained in the Code for Sustainable Homes Technical Guide. 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 Code 4 which already delivers a 44% improvement over the current building regulations.

Air source heat pumps which provide hot water and heating have been specified to assist in providing low running costs. They operate by absorbing heat from the external air into a fluid and through a heat exchanger. This fluid, containing low grade heat, is then fed through a heat pump compressor and is delivered at a higher temperature to a heat exchanger which is capable of delivering hot water for the heating and domestic hot water circuits of the house.

In comparison to existing Housing stock of a similar nature, by incorporating the various design solutions noted above, the new affordable housing will have significantly reduced energy costs for the tenants and help the Housing division to meet carbon dioxide emission targets.

Contract Award basis

The completed tenders returned to the Council will be evaluated and the contract will be awarded on the basis of the lowest acceptable price, in accordance with the conditions of contract, to the Council.

Risk Management

An assessment has been 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 been identified. The Property division has extensive experience of delivering projects in a timely manner and every measure will be taken to ensure that through effective project management the project is delivered on time and on budget.

ALLOWANCE IN ESTIMATES AND FINANCIAL IMPLICATIONS

The estimated total cost for this Phase 6 of the affordable housing programme is:
Construction of five new affordable houses and associated external works £555,000
Construction of new access road (may be procured separately following discussions with adjacent developer) £35,000

£590,000
Allowance for professional fees, supervisory, travel and administrative expenses £60,000

£650,000
Allowance for feasibility fees £4,000
Allowance for initial site clearance and minor preparatory works £1,000
Allowance for statutory payments and sundry expenses £45,000

£700,000

The HRA Financial Plan as approved at the special rent setting meeting of the Neighbourhood Services Committee on 8 February 2011 contains a net allowance of £535,000 for the provision of 4 houses at Lindsay Street, Kirriemuir together with £120,000 from the Scottish Government Affordable Housing Grant. This provides a total gross expenditure budget of £655,000 which will require to be adjusted to accommodate the estimated total gross cost of £700,000 noted above. There is currently no specific provision for the additional house, which will not benefit from Scottish Government grant assistance, although the estimated cost above shows an increase of only £45,000 over the original budget figure as the overall cost for the five houses is now based on the latest information available from the competitive rates contained within two recent Affordable Housing tender returns.

The approved financial plan does contain an unallocated “general” new build provision of £2,600,000 over the 4 year period of the plan. It should be noted however that report 261/11 to the Neighbourhood Services Committee of 14 April 2011, approved the use of £835,000 of this “general” allowance to meet the additional funding which was required to progress the Dungman’s Tack development. Accordingly a balance of £1,765,000 remains on this allowance.

The funding package detailed above assumes that the additional £45,000 required will be funded from within the HRA financial plan which is an increase on the specific provision of £535,000 already included. It is intended that the additional net funding of £45,000 will be met from the balance of the existing unallocated “general” New Build budget allowance and if the proposal is approved the Housing Financial Plan will be amended at the next opportunity.

For information, the following table provides a summary of the utilisation of the “general” new build provision in the approved HRA Financial Plan - assuming approval of the above funding.

<table>
<thead>
<tr>
<th>Description</th>
<th>£000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unallocated general new build provision per approved HRA Financial Plan</td>
<td>2,600</td>
</tr>
<tr>
<td>Utilised for Dungman’s Tack (report 261/11)</td>
<td>(835)</td>
</tr>
<tr>
<td>Utilised for Lindsay Street (this report)</td>
<td>(45)</td>
</tr>
</tbody>
</table>
On the assumption that the overall required capital funding of £580,000 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.

<table>
<thead>
<tr>
<th>Year</th>
<th>Estimated Charges £000</th>
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<tr>
<td>2012/13</td>
<td>32</td>
</tr>
<tr>
<td>2016/17</td>
<td>38</td>
</tr>
<tr>
<td>2021/22</td>
<td>41</td>
</tr>
<tr>
<td>2026/27</td>
<td>46</td>
</tr>
<tr>
<td>2031/32</td>
<td>49</td>
</tr>
<tr>
<td>2036/37</td>
<td>54</td>
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</tbody>
</table>

As noted above loan charges have been calculated in line with the assumptions within the Housing Long Term Affordability Strategy. The Strategy includes the specific £535,000 allowance for 4 units as well as the allowance for “general” New Build Housing of £2,600,000 (report 114/10 to members dated 8th February 2011 refers).

Accordingly as the current 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.
## REFERENCES

<table>
<thead>
<tr>
<th>Committee</th>
<th>Date</th>
<th>Report</th>
<th>Subject</th>
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<tr>
<td>Neighbourhood</td>
<td>14/01/10</td>
<td>21/10</td>
<td>Kinloch Housing Development Update – Award of Grant Procurement</td>
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<tr>
<td>Services</td>
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<tr>
<td>Neighbourhood</td>
<td>19/08/10</td>
<td>542/10</td>
<td>Award of Grant Funding for Further Phases of Council House New-Build Programme</td>
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<td>Neighbourhood</td>
<td>08/02/11</td>
<td>113/11</td>
<td>2011/12 Housing Revenue Account Estimates Incorporating Rents, Charges and Tayock Site Rentals</td>
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<td>Neighbourhood</td>
<td>08/02/11</td>
<td>114/11</td>
<td>Long Term Affordability of the Housing Revenue Account Financial Plan</td>
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### Appendix 1  Site and access arrangements

Colin McMahon  
DIRECTOR OF CORPORATE SERVICES

### BACKGROUND PAPERS

NOTE: No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information), were relied on to any material extent in preparing the above report.

Property/JWP/DMH/SAH – 6502/1013
Appendix 1 – Site and access arrangements