

Report to Cabinet

22nd March 2018

By the Cabinet Member for Housing and Public Protection

DECISION REQUIRED

Not Exempt – Appendix 1 Exempt under Part 1 of Schedule 12A to the Local Government Act 1972



**Horsham
District
Council**

Appointment of a contractor for the development of 17 residential units for temporary accommodation

Executive Summary

The Council has a requirement for additional temporary accommodation to support families in housing need and to reduce the Council's use of bed and breakfast accommodation.

To this end, the Council is seeking to develop two of the Council's surplus parcels of land to create 17 residential units. Residential schemes have been prepared for both parcels and planning applications submitted.

Subject to planning, the completed development will deliver an income return to the Council of c£118,000 per annum, after management and void costs. The overall approved budget envelope for the development is £3,000,000; funded through commuted sums.

This report sets out the procurement process for the appointment of the building contractor and seeks Cabinet approval to proceed with the appointment for the contract sum outlined in Appendix 1 (exempt), in the event that the planning applications are approved.

Following appointment of the contractor, the development will commence when Planning Approvals are received and Judicial Review Periods have expired.

Recommendations

Cabinet is recommended to delegate authority to the Director of Planning, Economic Development and Property to enter into the contract with the recommended contractor, PMC Construction Limited, for the sum set out in Appendix 1, subject to a satisfactory planning consent being obtained.

Reasons for Recommendations

To enable the Council to provide additional temporary accommodation for eligible families in housing need.

Background Papers

None

Wards affected: All

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Background Information

1 Introduction and Background

- 1.1 The Council has a requirement for additional temporary residential accommodation for the purpose of housing eligible families in need and to reduce the Council's reliance on bed and breakfast accommodation.
- 1.2 It is proposed to develop two surplus sites, subject to planning, which are suitable for residential use. One site is a former scout hut at Peary Close, Horsham and the other is a sub-standard block of garages in Rowan Drive, Billingshurst. The proposal is to build eight residential units at Peary Close and nine at Rowan Drive. The budget allocation of £3,000,000 spans 2017/18 and 2018/19.
- 1.3 The 17 residential units will be let as temporary accommodation. There continues to be an imbalance of demand and supply in the Council's temporary housing portfolio and there are currently sixteen families housed in bed and breakfast (14/3/2018). As well as increasing the stock of temporary housing, these developments will provide capacity to review the Council's temporary property portfolio, which, subject to cabinet approval, may lead to disposals.
- 1.4 The new units will produce an income of c£118,000 pa net of a 20% allowance for void and management costs. The approved budget envelope is £3,000,000, which will be funded by commuted sums. On completion, the project is forecast to deliver a 4% return on capital invested. These figures ignore the potential cost saving from decanting families from bed and breakfast accommodation.
- 1.5 In order to maximise resource efficiency, the Council appointed a single professional team to deal with both projects. This approach enables the Council to achieve efficient use of Council and external professional resources and a consistent approach to design and construction methodology.
- 1.6 Similarly, for construction of the buildings, there are benefits to securing a single contractor to deal with both sites as this means that the contract appeals to larger contractors who have a more efficient supply chain.
- 1.7 These projects suit a two-stage tender process, which means that the contractor can participate and add value to the design development before the contract sum is settled. Both stages of the tender process need to be completed before a construction contract is issued and building works can commence.

2 Relevant Council policy

- 2.1 The procurement team has been consulted to ensure compliance with Horsham's Procurement Code and EU Procurement Directives. The Council has chosen to access a framework agreement for the procurement of the contractor which is fully compliant with procurement regulations.
- 2.2 The development of residential property for temporary accommodation supports the Council's statutory responsibility to provide accommodation for families in housing need. The Council has a shortfall of accommodation, which means that expensive

bed and breakfast accommodation is often used and development of further accommodation will reduce such expenditure.

3 Details

- 3.1 The Council currently manages 76 units of temporary residential property throughout Horsham District. This is used to discharge the Council's statutory duty pursuant to Part VII of the Housing Act 1996 (as amended). The demand for temporary accommodation is expected to increase following the implementation of the Homeless Reduction Act 2018, as the duties towards homeless households are expanded.
- 3.2 The two sites, at Peary Close and Rowan Drive, are surplus parcels of land, which can, subject to planning, be developed to provide 17 residential units for use as temporary accommodation, consisting of 5 one bed units and 12 two bed units. There continues to be an imbalance of demand and supply in the Council's temporary housing portfolio and there are currently eight households in bed and breakfast. These proposed units will increase the size of the temporary portfolio to 93 units and will enable the Council to reduce reliance upon costly and inappropriate bed and breakfast accommodation and provide capacity to review the temporary accommodation portfolio. The developments will enable the Council to ensure the right properties are in the right areas to help households in the greatest housing need and dispose of property with poor utility.
- 3.3 Planning applications have been submitted on both sites and will be considered by the relevant planning committees in March and April. The request to approve the contract sum is of course conditional on a satisfactory planning approval being obtained.
- 3.4 Central Government encourages a collaborative approach to construction contract procurement and recommends the use of frameworks and a transparent culture between client and contractor.
- 3.5 The Hyde Housing Association Limited framework was selected as an appropriate framework of contractors who can deliver the right quality of build and cost certainty. This framework promotes a two-stage tender process.
- 3.6 A partial team was assembled to take the project through to planning application. This team incorporated a contractor selected from the Hyde Housing framework. The contractor selected for this process was PMC Construction Limited, who successfully delivered Burstow Court. The experience of Horsham District Council and other members of the project team is that PMC have a culture of quality and delivery to programme without additional financial claims. The framework agreement is a fully OJEU complaint route to market and ensures that overheads and profit are pre-determined and that the project is undertaken in an open book transparent manner.
- 3.7 The design phase of the project process maximised the number of units that could be built and identified a number of construction issues, such as poor ground conditions and the need for sensitive treatment of elevations to adjoining properties. Anticipated constraints, such as the pond at Peary Close, were also dealt with.

- 3.8 Discussions have taken place with the contractor, on an open book basis, to agree a contract sum. This agreed sum is detailed in Appendix 1 (exempt) including technical design and survey fees. This is a Guaranteed Maximum Price, with only three provisional sums, thus eliminating significant cost risk. The three provisional sums relate to drainage solutions at Rowan Drive, contamination risk at Rowan Drive and service connections at both sites. The Council has had poor experience with the performance of statutory service providers, which caused delays to the programme (but no additional capital cost) at Burstow Court. The project team will seek to settle the statutory service requirements as soon as possible in the project programme.
- 3.9 Risk management is always an issue in building contracts and there is a 10% contingency sum within the budget envelope.
- 3.10 The programme for the construction phase is to start works in May 2018 with a programmed completion date of May 2019.

4 Next Steps

- 4.1 Approval of the contract sum and appointment of the contractor will allow the development to proceed and works to commence on site in May, subject to planning.

5 Outcome of Consultations

- 5.1 The procurement team were engaged in the appointment process and the proposals are policy compliant.
- 5.2 The proposal is within the budget allocation for the development.
- 5.3 Comments from the Monitoring Officer and Head of Finance are incorporated in this report.
- 5.4 The Finance and Assets Policy Development and Advisory Group have considered this paper and support the recommendation.

6 Resource Consequences

- 6.1 The project will provide an income return to the Council.
- 6.2 As with all developments, there are financial risks but no out of the ordinary risks have been identified and a contingency of 10% has been set aside within the budget envelope to cover any unforeseen costs.

7 Legal Consequences

- 7.1 The Constitution requires that Cabinet approve contracts in excess of £250,000.

8 Risk Assessment

- 8.1 As previously stated there are risks associated with property development, however the risk register does not identify any out of the ordinary risks and a contingency has been set aside for this eventuality.

9 Other Considerations

- 9.1 There are no impacts on human rights or disability access. The new schemes incorporate the possibility of electricity charging points being installed for resident's cars at a future date, if required.