

# Report to Cabinet

**10 February 2021**

<b>Subject:</b>	The Construction of 20 Houses at Church Hill Street, Smethwick – Acceptance of Tender and change of funding source
<b>Cabinet Member:</b>	Cabinet Member for Homes, Cllr Keith Allcock
<b>Director:</b>	Interim Director Regeneration and Growth Tammy Stokes
<b>Key Decision:</b>	Yes
<b>Reason for urgency:</b>	Tenders submitted are required to be approved and awarded within 90 days of submission to ensure no increase in costs can be applied. The Tender for this scheme was dated 18 <sup>th</sup> November 2020, so the 90 day period will expire on 16 <sup>th</sup> February 2021. If we await until the end of February for approval this date will be missed which may result in increased costs and delays.
<b>Contact Officer:</b>	Partnerships and Programme Manager Alan Martin <a href="mailto:alan_martin@sandwell.gov.uk">alan_martin@sandwell.gov.uk</a>

## 1 Recommendations

- 1.1 That approval be given to change the funding source for this scheme from the Shared Ownership and Affordable Homes Programme administered by Homes England (formally the Homes and Community Agency) approved at Cabinet meeting 16<sup>th</sup> May 2018 (minute number 76/18) to Right to Buy 1-for-1 Capital receipts.



- 1.2 That the Director Regeneration and Growth be authorised to accept the tender and award a contract to Keon Homes Ltd, in the sum of **£3,499,796.00** for the Construction of 20 Houses at Church Hill Street, Smethwick as tendered using the Council's Procurement Services In-Tend portal.
- 1.3 That the Interim Director of Law and Governance and Monitoring Officer be authorised to enter into or execute under seal any documentation in relation to award of the contract and/or other agreements as may be deemed necessary.

## 2 Reasons for Recommendations

- 2.1 The original Cabinet approval 16 May 2018 (minute 76/18 refers) gave approval for the construction of circa 26 housing units (subject to planning consent) at Church Hill Street, Smethwick subject to grant funding from the Shared Ownership and Affordable Homes Programme administered by Homes England (formally Homes & Communities Agency) being approved. It is now more financially beneficial to the Council to fund the scheme through Right to Buy 1-for-1 capital receipts.
- 2.2 The cost of the proposed contract with Keon Homes Ltd is covered within the original capital allocation identified above. Project costs were originally split between the HRA and Homes England grant funding, now funding is proposed to be split between the HRA and Right to Buy 1-for-1 capital receipts. The funding sources for all schemes within the Council New Build programme are constantly monitored to ensure that the most beneficial funding source is selected, that all Homes England grant commitments are achieved and that all RTB capital receipts are allocated to prevent any loss of the receipts due to not expending them within the designated time periods.
- 2.3 Procurement and Contract Procedure Rules 2018-2019 clause 16.2 provides authority to the Cabinet to award contracts above the value of £250,000.





- 2.4 Expression of Interest documents were issued to the DPP3 framework in February 2020, and only one contractor responded. As there was insufficient interest in the project from the framework, this route was abandoned and a new procurement process commenced using the Council's Procurement Services In-Tend portal.
- 2.5 Expression of interest documents were issued on 27 August 2020 seeking suitably experienced contractors to express an interest in tendering for the Construction of Houses at Church Hill Street.
- 2.6 6 companies responded expressing an interest.
- 2.7 These were assessed for suitability in accordance with the requirements set out in the expression of interest documents, and all 6 contractors, who met all the requirements were invited to submit tenders.
- 2.8 The estimated budget cost of the services was **£3,600,000.00**
- 2.9 5 companies returned tenders within the stipulated date.
- 2.10 The tenders were evaluated on a 80:20 (price:quality) most economical advantageous tender basis.
- 2.11 The scores for the evaluation are:

Tenderer	Price Score	Quality Score	Total Score
Keon Homes Ltd	80.00	14.25	94.25
Company B	73.45	18.75	92.20
Company C	72.74	11.00	83.74
Company D	62.69	18.75	81.44
Company E	61.65	15.00	76.65

- 2.12 The tender of Keon Homes Ltd., in the sum of **£3,499,796.00** has been checked and found to be technically and arithmetically correct.
- 2.13 The successful contractor will work with officers from Building Services/Urban Design in the management of the construction works.



### 3 How does this deliver objectives of the Corporate Plan

	<p>Quality homes in thriving neighbourhoods The redevelopment of this under-utilised site with modern residential accommodation will improve the immediate area, public realm, street scene and the asset base of the borough by providing much needed affordable housing.</p> <p>The provision of this proposed scheme will provide <b>Homes that meet people's needs</b>. Sandwell's population is growing, and people need quality housing that fits their requirements.</p> <p>The development of this site will be guided by the Local Planning Authority in accordance with approved planning and development guidance. This will seek to achieve a development of a quality that sets the highest architectural standards and provides energy efficient buildings, in furtherance of the aims of the Environmental Policy and Climate Change Strategy for Sandwell.</p>
	<p>A strong and inclusive economy The development of this scheme will support <b>investing in businesses, people and jobs</b> that will create wealth and tackle poverty. It will also actively promote Think Sandwell with the inclusion of apprenticeships and training opportunities within the contractual arrangements</p>

### 4 Context and Key Issues

- 4.1 This scheme will provide 20 new council-owned affordable homes that meet Building Regulations and current housing requirements.
- 4.2 Sandwell's Housing Management Team have provided housing demand data in relation to bidding activity for different property types in the area which shows that there is demand for all proposed property types.



4.3 Subject to the approval and completing contractual arrangements it is envisaged that works could commence May/June 2021 and complete Spring 2022.

4.4 The development of these sites with new homes will result in the following benefits:

- Increasing the levels of high quality stock to replace units lost under Right to Buy through the HRA investment programme. (Minute no. 1/13 of the joint meeting of Strategic Resources and Jobs & Economy)
- Contributing positively to the financial position of the Council by generating New Homes Bonus and new Council Tax receipts.
- Developing fit for purpose accommodation.
- Increased good quality, energy efficient housing provision in the Borough
- Increasing the levels of new build Council housing stock within the Borough contributing towards meeting target forecasts.
- Re-developing areas of vacant land reducing the quantity of vacant land in the Borough and improve the image of the local built environment thereby supporting the aim of creating a safe and clean place to live.
- Linking to the work of Think Local and Think Sandwell approaches that will offer significant employment and training opportunities as well as additional community benefits to the local economy, including working with local supply chains and use of local labour.
- Producing positive outputs for community safety through the redevelopment of a vacant site.



4.5 It should be noted that the full impact of the current Covid 19 pandemic on the construction industry and its supply chain is still yet unknown. It is apparent that schemes that are currently on site are experiencing delays to contract programmes due to changes in working practices as a direct result of risk assessments and safe working procedures being implemented. Extended programmes have cost implications to contractors due to increased preliminary costs and overheads. There is also emerging evidence that some material costs are increasing above the rate of inflation again because of safe working procedures being implemented within the manufacturing process. The extent to which contractors will price this risk in current and future tender price returns is uncertain at present and something that the Council will be monitoring.

## 5 Alternative Options

5.1 Add this site to the Homes England funding programme to accord with the previous recommendation of Cabinet – this is not recommended as it is more financially advantageous for the council to use to the Right to Buy Receipts to deliver this scheme. The Homes England funding can be used against other schemes so will not be lost.

## 6 Implications

<b>Resources:</b>	<p>The Cabinet meeting on 16 May 2018 approved the allocation of adequate resources to fund the Construction of Houses at Church Hill Street. The minute number is 76/18.</p> <p>The cost of the proposed contract with Keon Homes Ltd is covered within the capital allocation identified above and changing the funding source has no impact on the viability of the scheme.</p>
<b>Legal and Governance:</b>	<p>Procurement and Contract Procedure Rules 2016-2017 clause 16.1 provides authority to the Cabinet to award contracts above the value of £250,000.</p> <p>The Cabinet meeting on 16 May 2018 approved delegated authority to Chief Officers to award the</p>





	<p>contract for the Construction of Houses at Church Hill Street. The minute number is 76/18.</p> <p>The Council has to comply with the Public Contracts Regulations 2015 and the Council's own Procurement and Contract Procedure Rules 2016/17. This report confirms that this tender exercise has been conducted in accordance with the required procedures.</p>
<b>Risk:</b>	<p>The Corporate Risk Management Strategy (CRMS) will continue to be complied with throughout, in identifying and assessing the significant risks associated with this strategic proposal. This includes (but is not limited to) political, legislation, financial, environmental and reputation risks. A project risk register has been compiled and will be reviewed and updated on a regular basis. The risk register is monitored by the Project Team. Based on the information provided it is the officers' opinion that for the initial risks that have been identified, arrangements are in place to manage and mitigate these effectively.</p> <p>A risk assessment has been undertaken and no "red" risks were reported.</p> <p>This report does not relate to the collection of personal information and therefore a privacy impact assessment is not required.</p>
<b>Equality:</b>	<p>An Equality Impact Screening Assessment has been completed and has not highlighted any equality issues.</p>
<b>Health and Wellbeing:</b>	<p>The redevelopment of this under-utilised site with modern residential accommodation will improve the immediate area, public realm, street scene and the asset base of the borough by providing much needed affordable housing.</p> <p>The provision of this proposed scheme will provide <b>Homes that meet people's needs</b>. Sandwell's population is growing, and people need quality housing that fits their requirements.</p>



<b>Social Value</b>	The development of this scheme will support <b>investing in businesses, people and jobs</b> that will create wealth and tackle poverty. It will also actively promote Think Sandwell with the inclusion of apprenticeships and training opportunities within the contractual arrangements.
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**7. Appendices**

List appendices

**8. Background Papers**

**Report to Cabinet 16<sup>th</sup> May 2018 - Delivering New Homes – Demolition and Clearance of Church Vale Supported Housing Scheme – Construction of 26 New Affordable Homes on the Site (Key Decision Ref. No. SMBC11/04/2018) (Minute 76/18 refers)**

