

EXECUTIVE

16th February 2023

Report Title	The Former Grange Methodist Church, Stamford Rd, Kettering - Housing Development Budget Amendment and Procurement
Report Author	David Watts, Executive Director of Adults, Health Partnerships and Housing
Lead Member	Cllr Matthew Binley, Executive Member for Housing, Communities and Levelling Up.

Key Decision	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Is the decision eligible for call-in by Scrutiny?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Are there public sector equality duty implications?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Does the report contain confidential or exempt information (whether in appendices or not)?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Applicable paragraph number/s for exemption from publication under Schedule 12A Local Government Act 1972	Paragraph 3 Appx A & B

List of Appendices

Appendix A- The Former Grange Church Cost Plan (**Exempt**)

Appendix B- The Former Grange Church Risk Register (**Exempt**)

Appendix C- The Former Grange Church Site Plan

1. Purpose of Report

- 1.1. To seek approval to amend the project budget for the Former Grange Methodist Church, Kettering housing development following a redesign of the site to meet planning requirements; achieve the target EPC rating and allow for general build cost inflation since the original budget was approved under the former Kettering Borough Council.
- 1.2. To seek approval to procure a principal contractor via an open procedure tender process, subject to planning approval for the site.

- 1.3. To seek delegation of authority to the Executive Member for Housing, Communities and Levelling up, in consultation with the Executive Director of Adults, Health Partnerships and Housing, to take any further decisions/actions necessary to conclude the procurement and enter into a contract or contracts to deliver the project.

2. Executive Summary

- 2.1. The Former Grange Methodist Church housing development is a scheme to demolish an existing building, formerly used as a church and community centre on Stamford Road in Kettering and construct eight new affordable rented homes in its place.
- 2.2. This project forms part of the Housing Revenue Account (HRA) Capital Programme and the homes developed will be owned, managed, and maintained by the Council as part of its portfolio of HRA properties (otherwise known as 'council housing').
- 2.3. The capital costs of the project are covered over the longer-term by the rental income collected from the completed properties once occupied.
- 2.4. Initial budget approval for this scheme was obtained from Kettering Borough Council in January 2021.
- 2.5. Work has been ongoing to formulate a site layout and design which meets all necessary planning requirements and overcomes a neighbour objection on the grounds of amenity impact.
- 2.6. Six of the eight homes have been designed to be accessible for disabled people in the form of four bungalows and two specially designed houses which enable a wheelchair user to occupy the ground floor. These are of particular importance as there are a growing number of larger households on the housing register who require adapted homes. Bespoke housing options such as these are difficult to secure via private sector developers due to the higher costs involved and the floor area they occupy within a development site.
- 2.7. A budget increase of £313,000 is required to cover the inflation of estimated build costs since the original budget was set.
- 2.8. It is proposed to procure the construction contractor via an open procedure tender process as this ensures the opportunity is available to all suitable contractors in the market, including SME contractors and those who are locally based, ensuring greater competition than using an external framework arrangement.
- 2.9. This report seeks approval to uplift the project budget. It also seeks approval to procure a principal contractor via an open procedure tender process.

3. Recommendations

3.1. It is recommended that the Executive:

- a) Approves the amendment of the budget to £2,173,000 for the Former Grange Methodist Church, Stamford Rd, Kettering - Housing Development
- b) Note that the construction works will then be procured via an open procedure tender process
- c) Delegates authority to the Executive Member for Housing, Communities and Levelling Up in consultation with the Executive Director of Adults, Health Partnerships and Housing to take any decisions necessary to complete the project including decisions to conclude procurement and award contracts

3.2. Reasons for Recommendations:

- To enable the delivery of the housing development.
- To bring back into use a redundant brownfield site in a residential area, which is currently subject to vandalism and attracts anti-social behaviour.
- The Avondale Grange ward within which the proposed development is located has been designated as a “left behind” area and in need of additional investment under the Government’s levelling up agenda.
- To increase the supply of affordable rented housing available in North Northamptonshire, which meets the corporate objective of enabling safe and thriving places.
- To increase the supply of housing suitable for disabled people, which meets the corporate objective of helping people to live healthier, more active and fulfilled lives in North Northamptonshire.

3.3. Alternative Options Considered-

- Do nothing – this would not deliver any of the objectives set by the Council and would not deliver additional affordable housing.
- Cease the development and sell the site- not recommended because the site is required by the Council to deliver its existing programme of housing development, increase the supply of affordable housing and housing suitable for people with disabilities and enable spend of Right to Buy Receipts, which would otherwise have to be returned to the Government.
- Further pause the development and redesign the scheme to achieve lower per unit costs/increase rental income- not recommended because it would not allow the provision of additional housing suitable for disabled people. It would also require the project to be restarted as a new planning application would be required and all spend to date would be abortive cost.

4. Report Background

- 4.1. This project forms part of the Housing Revenue Account (HRA) Capital Programme and the homes developed will be owned, managed, and maintained by the Council as part of its portfolio of HRA properties (otherwise known as 'Council housing').
- 4.2. The capital costs of the project are covered over the longer-term by the rental income collected from the completed properties once occupied.
- 4.3. A budget of £1,860,000 was approved by the Executive of the former Kettering Borough Council in January 2021 and is included within the existing approved HRA capital programme for housing development.
- 4.4. The site has been designed to meet all necessary planning requirements. There has been significant delay in the planning process due to a neighbour objection on the grounds of amenity impact (which has now been addressed by a site layout change), and the recent introduction of the requirement for a biodiversity net gain assessment to be carried out. Once the net gain assessment has been completed the scheme should be able to progress to a planning determination, expected in early in 2023.
- 4.5. The development has been designed so that six of the eight homes would be suitable for disabled people, in the form of four bungalows and two specially designed houses which will enable a wheelchair user to occupy the ground floor. These are of particular importance as there are a growing number of larger households on the housing register who require adapted homes. Bespoke housing options such as these are difficult to secure via private sector developers due to the higher costs involved and the floor area they occupy within a development site.
- 4.6. A budget increase of £313,000 is required to cover the inflation of estimated build costs since the original budget was set.
- 4.7. The updated cost plan (attached as **Appendix A**) identifies that a budget of £2,173,000 is required to ensure that the project can be delivered to completion. This report seeks approval to increase the budget to this amount from the £1,860,000 previously approved, an increase of £313,000.
- 4.8. There is sufficient money available within the HRA housing development capital budget to fund this increase and therefore no additional borrowing would be required within the HRA. 40% of the total cost of the development (£869,200) will be funded by Right to Buy Receipts, which is money collected from the sale of other council homes to tenants who exercise their Right to Buy.
- 4.9. The additional budget will be vired from an existing overall budget allocated for housing development projects as outlined in the Capital Update Report elsewhere on the agenda.

- 4.10. It is important to note that the increased budget allows for the entire cost of the development and all cost to date, including all statutory and planning fees, surveys, design fees, professional fees, and the estimated cost for the construction work. The risk register also identifies the specific risks and quantifies the level of contingency required to allow for those risks within the overall budget. Any risk/contingency money which is not required at the conclusion of the project will be returned into the overall capital housing development budget to be spent on other projects.
- 4.11. It is recommended that a principal contractor is sought via an open procedure tender process, rather than via an external framework arrangement. A fully competitive tender process is considered the best test of the current contractor market as it allows any interested contractor to tender for the project and is the best way to demonstrate that value for money has been achieved. It will also allow close scrutiny by officers of the Council over issues relating to quality control, use of local sub-contractors and labour, Health and Safety procedures and environmental sustainability standards, which are all important to the successful delivery of this project. This route to market will help officers to identify a suitable contractor to deliver the project.

5. Issues and Choices

- 5.1. Several options were considered in formulating the recommendations contained within this report.
- 5.2. If the full budget allocated is expended, the cost per unit for this development is high. It is important to note however that there are several reasons for this including:
- The site includes properties which have a larger floor area. The proposed development consist four one and two bed bungalows, two specially adapted three-bedroom homes which enable a wheelchair user to occupy the ground floor and two standard three bed houses. These larger and more bespoke homes are particularly important to meeting the needs of a growing number of households on the Keyways housing register.
 - The specification is high on sustainability and energy efficiency. The homes will achieve an EPC B rating by taking a fabric first approach.
 - The current economic climate and the level of build cost inflation seen since the project was first approved has significantly increased costs beyond what could have reasonably been predicted at the project's inception.
- 5.3. Options considered:

- Do nothing – This would not deliver any of the objectives set by the Council and would not deliver additional affordable and specialist housing for people currently on the Council's housing register.
- Cease the development and sell the site- This is not recommended as the site is required by the Council to deliver its existing programme of housing development, increase the supply of affordable housing and housing suitable for disabled people and enable spend of Right to Buy Receipts, which would otherwise have to be returned to the Government.
- Further pause the development and redesign the scheme to achieve lower per unit costs/increase rental income- this is not recommended because it would not allow the provision of additional housing suitable for disabled people, and the scheme is still financially viable in its current form. The rental income for the development will cover the cost of borrowing required to deliver the scheme over time, despite the per unit cost being relatively high.

6. Next Steps

- 6.1. If approval is given to increase the budget as recommended, the Housing Development and Enabling Lead will await the planning determination. If permission is granted, they will instruct the current professional team to conclude the RIBA stage 4 technical design and start preparing the necessary tender documentation, following the approval of the Procurement, Finance and Legal Teams.
- 6.2. The construction works will then be procured via an open procedure tender process, with the support of the Council's Procurement team.
- 6.3. A construction contract will need to be agreed between the Council and the successful contractor and then contracts prepared by the Council's Legal Service.
- 6.4. Currently it is envisaged that a start on site could be achieved in early autumn 2023 and a 45 week build programme has been assumed, although the exact programme will be agreed during the tender and contract award process. An indicative programme is below:

The former Grange Methodist Church site- Indicative Programme	
Task	Date
Exec	Feb 2023
Planning Approval (Est.)	March 2023
Tender period and	Jun/Jul 2023

analysis	
Contractor Mobilisation	Aug 2023
Start on Site	Sep 2023
Practical Completion	Sep 2024

7. Implications (including financial implications)

7.1. Resources, Financial and Transformation

- 7.1.1. This project requires an additional £313,000 of capital budget to be allocated from within the Housing Revenue Account, increasing the overall budget to £2,173,000.
- 7.1.2. It is important to note that the budget allows for the entire cost of the development, and all spend to date, including all statutory and planning fees, surveys, design fees, professional fees, and the estimated cost for the construction work. The risk register also identifies the specific site risks and quantifies the level of contingency required to allow for those risks within the overall budget. Any risk/contingency money which is not required at the conclusion of the project will be returned into the overall capital development budget.
- 7.1.3. There is sufficient money available within the HRA capital budget for housing development to cover the additional costs and 40% (£869,200) of the total development cost will be paid for from retained Right to Buy Receipts. There are currently approximately £9m of Right to Buy Receipts which require spend between 2022 and 2027.
- 7.1.4. The capital costs of this development will be covered over the longer-term by the rental income collected from the homes once occupied and so the development is self-funding over the life of the asset. No additional borrowing is required against the Housing Revenue Account to fund this project as it can be funded within existing allocated budgets.
- 7.1.5. The budget virement will be captured in the Capital Programme Report 2023-2026 for February's Council budget meeting for the Medium-Term Budget Approval
- 7.1.6. A copy of the latest cost plan for the project is attached as **Appendix A** and the full risk register as **Appendix B**. This information is classed as commercially sensitive at the current time and is therefore exempt from publication. This is because, in being made public, it would also be available to potential contractors and may prejudice the open tender exercise which would prevent best value from being achieved.

7.2. Legal and Governance

- 7.2.1. All procurement activities associated with the project shall be subject to the Council's Contract Procedure Rules (CPRs) and where the value of any works contract is above the threshold for the relevant type of contract shall be subject to the Public Contract threshold for £5,336,937 (inclusive of VAT) subject to the Public Contracts Regulations 2015 (as amended). Support will be provided by Legal Services and the Procurement Team in relation to the conduct of the procurement process to ensure that it is compliant and risk of legal challenge is minimised.
- 7.2.2. Legal Services will advise and assist client officers as necessary in order to put in place an appropriate form of construction contract, along with any relevant bonds, guarantees and/or warranties to deliver the project.
- 7.2.3. The Council will be required to manage the project in compliance with the Construction Design and Management Regulations 2015 and ensure all other Health and Safety requirements are met. An independent Health and Safety/CDM Advisor will be appointed as part of the project to ensure the Council is meeting its obligations as a client in this regard and will conduct independent site safety audits throughout the construction phase to monitor compliance.

7.3. Relevant Policies and Plans

- 7.3.1. This development will provide eight additional affordable rented homes, which will be owned and managed by the Council and allocated to households on the housing register. It also includes the homes specifically designed to meet the needs of households with disabilities.
- 7.3.2. The provision of additional affordable housing meets the objective of creating safe and thriving places in the Corporate Plan 2021-2025.
- 7.3.3. The provision of specialist housing to meet the needs of disabled people meets the Corporate Plan objective of helping people to live healthier, more active and fulfilled lives in North Northamptonshire.

7.4. Risk

- 7.4.1. A fully costed risk register has been prepared for this project and attached as **Appendix B**. It is exempt from publication for the same reasons as the cost plan, to avoid prejudicing the open tender exercise. The risks contained within the register will be monitored and managed closely as the project progresses and the register updated accordingly. A professional project manager/contract administrator will be appointed to oversee the risk register as part of the management of the overall project in consultation with the Strategic Lead for Housing Development and Enabling.

7.4.2. A cost report will be provided each month by an appointed Quantity Surveyor and any financial risks will be reported through the Council's monthly budget monitoring report to Executive.

7.4.3. If the project does not proceed there is a risk that the Right to Buy receipts committed to this project would not be spent by the deadlines required by DLUHC (within five years from receipt). Failure to spend Right to Buy Receipts by the required deadlines means that the money must be returned to the Treasury with punitive interest.

7.5. Consultation

7.5.1. Consultation was carried out as part of the planning application for the site.

7.6. Consideration by Executive Advisory Panel

7.6.1. This item has not been considered by an Executive Advisory Panel.

7.7. Consideration by Scrutiny

7.7.1. The decision has not been considered by scrutiny as it is proposed to cover the additional costs within the existing HRA capital budget for housing development and does not require any increase to the overall housing development budget. It is however eligible for call-in by scrutiny if required.

7.8. Equality Implications

7.8.1. The three aims of the General Equality Duty under the Equalities Act 2010, which must be considered consider in the Council's decision-making processes, are:

(a) Eliminate unlawful discrimination, harassment and victimisation and any other conduct prohibited by the Act.

(b) Advance the equality of opportunity between those who share a protected characteristic and those that do not share it.

(c) Foster good relations between those who share a protected characteristic and those that do not share it.

7.8.2. It is considered that this decision will have a positive impact on a group with a protected characteristic, particularly people who have a disability. The negative impact on disabled people which would be caused by selecting one of the previously discussed alternative options was a primary consideration in discounting those options.

7.9. Climate and Environment Impact

- 7.9.1. The scheme has been designed to exceed Building Regulations on energy efficiency and sustainability, the properties will achieve at least an EPC B rating taking a fabric first approach.
- 7.9.2. In the quality scoring for the tender process, questions will be included about how contractors consider environmental impact and climate change in the operation of their business.

7.10. Community Impact

- 7.10.1. The site is situated within an existing residential area in Kettering and the site existing building has been subject to arson and vandalism. The development of this site will have a positive impact on the community, bringing back into use a currently redundant and unattractive site. The site is located within the Avondale Grange ward, which has been identified as left behind area requiring additional investment to “level up” the area.

7.11. Crime and Disorder Impact

- 7.11.1. The development of this site will reduce the likelihood of crime and disorder by bringing a redundant site back into use. The scheme has been designed with Secured by Design Principles being adopted and the Police were consulted as part of the planning application process.

8. Background Papers

- 8.1 None