

Committee(s): Environment, Enforcement and Housing	Date: 13 December 2021
Subject: Contract Award for the Refurbishment of 17 Crescent Road, Brentwood	Wards Affected: Brentwood West
Report of: Tracey Lilley, Director, Housing & Enforcement	Public
Report Author/s: Name: Ian Winslet, Strategic Housing Consultant Telephone: 0777 0384141 E-mail: iwinslet@arkconsultancy.co.uk	For Decision

Summary

Planning Permission for the conversion of 17 Crescent Road, Brentwood, a vacant property into 2 x 2-bedroom 3 person apartments was approved on 29 June 2021. Since the last report to this committee in September, a 'Tender Pack' has been released and costs have been received. This report summarises the outcome of the tender process and seeks approval for the appointment of the successful contractor.

This is the first on site activity as part of the Strategic Housing Delivery Plan bringing a long-term empty property back into use. The Council's Corporate Strategy 'Brentwood 2025' looks to use 'brownfield sites efficiently, such as council owned garage sites, to provide affordable homes...".

Recommendation(s)

Members are requested to:

- R1. Following the completion of a competitive tender process, approve the contract award for the refurbishment of 17 Crescent Road, Brentwood to Colnesett Limited.**

Main Report

- 1. Tender process and pricing**
- 2 The Invitation to Tender was issued to Contractors with a return date of 24th September 2021. Seven returns were received from contractors. Competitive tenders for the works were invited on a fixed price basis with a 20-week Construction Period. The successful Contractor is to be appointed under JCT Minor Works Building Contract with Contractor's Design 2016 Edition including a 12 months' defects liability period in line with the Employer's requirements. It was also stipulated that the fixed price was to remain open to acceptance for 90 days from the tender return date and that the tender procedure would be in accordance with principles set out in JCT Practice Note 6 (series 2) "Main Contract Tendering". No guarantees were offered that any tenders would be accepted.

3. The Following Tenders were received exclusive of VAT.

Contractor	Price excluding VAT
Colnesett Limited	£ 253,428.62
Tender 2	£ 255,541.69
Tender 3	£ 259,019.12
Tender 4	£ 269,697.00
Tender 5	£ 298,206.29
Tender 6	£ 308,228.99
Tender 7	£ 326,499.94

4. The Council's technical advisor Hamson Barron Smith provided a Pre-Tender Estimate, upon which viability was assessed of £275,000 excluding VAT. 4 of the 7 actual tender pricing are lower than the estimate and a further viability assessment has been undertaken on the lowest tender received from Colnesett.
5. In November 2020 a viability assessment was completed which showed that the development met all 3 of the 'hurdles' set by the Council for its development programme. As a reminder, the tests are:

- 6.

Output Performance Criteria	Hurdle	Explanation
HRA Loan payback period maximum	30 Years	This is the year at which any borrowing for the scheme has been repaid.
Net Present Value (positive year)	Year 30	Where an NPV is positive at or before the target year, this shows that the value of cash coming in is greater than that going out over chosen investment period.
Internal Rate of Return	Positive and greater than the appraisal interest rate	In general, any opportunity where an IRR exceeds the cost of capital is deemed to be a profitable investment opportunity. The indicative cost of capital for appraisal purposes in the HRA Business Plan is 2%.

7. Due to the reduction in actual tendered cost against predicted cost, the viability of the scheme has improved since first tested

November 2020 – Predicted Viability	
	Costs
Works	269,680
Fees	60,256
Other costs	30,711
Interest	1,965
Total scheme costs	362,612
Subsidy for 1 additional unit	40,000
Long term loan	322,612
Repaid in year	22
Net present value @Year 30	128,341
Internal rate of return	4.53%

November 2021 – Tender Viability	
	Costs
Works	253,420
Fees	45,616
Other costs	41,356
Interest	2,505
Total costs	342,897
Subsidy for 1 additional unit	40,000
Long term loan	302,897
Repaid in year	20
Net present value @Year 30	151,960
Internal rate of return	5.12%

8. The subsidy element (£40,000) will either come by way of Homes England grant, or currently the opportunity to use section 106 developer contribution is also being explored.
9. Technical advisors, Hamson Barron Smith, have reviewed the tenders and concluded that Colnesett Ltd offer the best value on the project and have recommended that they are awarded the contract. Authority is therefore being sought to enter into contract with Colnesett Ltd to undertake the works. Subject to approval, the expectation is that works will commence on site in January or early February 2022 with an estimated 20-week programme to handover.

Consultation

10. Ward Councillors for Crescent Road have been updated on the timeline of the scheme, including the commencement of work anticipated in January 2022 subject to approval.

References to Corporate Plan

11. The Council's Corporate Strategy 'Brentwood 2025' commits to Introducing "innovative Carbon reduction and absorption schemes", "identify opportunities for low emission and green developments" and using "brownfield sites efficiently, such as council owned garage sites, to provide affordable homes...". The SHDP and specific proposals in this report contribute to all of these strategic objectives.

Implications

Financial Implications

Name/Title: Phoebe Barnes, Corporate Manager - Finance

Tel/Email: 01277 312500 phoebe.barnes@brentwood.gov.uk

The HRA's current capital budget has sufficient resources to fund the tendered works in this years budget. It is expected that the Affordable Housing Program budget

underspend will be slipped into the new budget year to help support these work developments.

The HRA 30-year business plan will be updated to reflect the timeline of development to help ensure the business plan remains relevant and affordable going forward.

The decrease in costs results in the project payback period reducing by 2 years which is a positive, however the project must be mindful of the current economic climate with inflation on building costs. Any cost pressures resulting from this project will be reported through financial updates to this committee as well as Policy, Resources and Economic Development.

Legal Implications

Name & Title: Amanda Julian, Director of Law & Governance and Monitoring Officer

Tel & Email: 01277 312705 amanda.julian@brentwood.gov.uk

The Council has followed the procurement process, legal input will be provided as needed as the matter progresses.

Economic Implications

Name/Title: Phil Drane, Director of Planning and Economy

Tel/Email: 01277 312610 philip.drane@brentwood.gov.uk

There are no direct economic implications. The Council's Strategic Housing Delivery Plan supports economic growth by enabling the delivery of new homes, including bringing homes back into use.

Background Papers

None

Appendices to this report

None