



COMMITTEE TITLE Housing, Health & Community

DATE 11th March 2024

REPORT TITLE:	Strategic Housing Delivery Programme (SHDP)
REPORT OF:	Steve Summers (SHDP Programme Sponsor)

REPORT SUMMARY

The Strategic Housing Delivery Programme (SHDP) is made up of two distinct elements, 1) the regeneration of Brookfield Close and Courage Court, Hutton to develop 62 zero carbon homes alongside Harewood Regeneration which consists of 40 new zero carbon homes, and 2) the development of a range of smaller HRA sites to deliver further affordable homes on further council owned sites.

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...".

RECOMMENDATIONS

R1 to progress the Brookfield Regeneration Main Contract through a selected Framework to Direct Award (two stage tender) in accordance with the agreed budget.

R2 to progress the Harewood Regeneration Main Contract through a selected Framework to Direct Award (two stage tender) in accordance with the agreed budget.

R3 Authorise delegated Authority to the Strategic Director and Director of Assets and Investments in consultation with the Chair of HHC Committee and Section 151 officer to enter into PCSA (Pre-Contract Service Agreements) on both Harewood and Brookfield Regeneration sites in accordance with the agreed budget.

R3 to seek resolution of recommendations 1, 2 and 3 at Ordinary Council on March 13th 2024.

1.0 REASONS FOR RECOMMENDATIONS

To continue the implementation of the adopted Strategic Housing Delivery Strategy and scheme programmes for Brookfield and Harewood Regeneration.

SUPPORTING INFORMATION

Members are requested to agree these schemes are taken through the Direct Award process (two Stage Tenders) to a selected contractor using the Notting Hill Genesis Framework.

In addition to the main body of this report, Members are requested to note **Appendix A** HBS Technical Team advice regarding the recently completed Soft Market Testing for the Main Contracts.

1.1 Report Context

Despite a guided and detailed process over several months, the exercise to harness Main Contractors for both sites (albeit separate contracts) through the competitive process on CCS has culminated in 'no bid' returns in late September 2023 (refer to section 2.0).

The following quarter (3q) period was utilised by the team to obtain market feedback around the 'no bids'; utilising procurement advice (internally and externally) alongside that of the HBS technical team.

An alternate Framework, Notting Hill Genesis (NHG) was also pursued, and the Council thereafter on-boarded by the Brentwood Council Procurement Officer.

Simultaneous to this, targeted market discussions with a selection of potentially suitable contactors (those identified with high scoring on the NHG Framework) and those with experience in building to highly sustainable, fabric first Standard Affordable Homes has been undertaken.

The SHDP delivery team have now reviewed the Expressions of Interest received from the suitably qualified contractors (please note this was not a formal tender exercise) and alongside the advice of the appointed technical team HBS it is recommended to progress a Direct Award (Two Stage Tender) as being the most suitable route to progress the schemes to the agreed quality, standards and budget.

In order to get to this position for the SHDP Regeneration sites, these potential main contractors were provided with information outlining detail of the schemes and a good level of design information, technical reports and overall programme aspirations, allowing for more in-depth review by the market responses.

Contractors were advised to provide views on overall budget albeit assumed and whether given their market insight, the schemes would be deliverable within a predicted budget figure developed by the Council team.

Contractors have provided illustrative values against the next stage of the project. The next stage being to Pre-Construction Service Agreement (PCSA), which can be entered into from this proposed Direct Award mechanism.

This process outlined above reflects soft market investigations in order to identify the most suitable Contractor, as per the mechanisms within the NHG framework; it was not 'formal tender' but permissible under the guidelines of the framework and Local Government Procurement Legislation.

Upon approval of Recommendations 1 and 2, the PCSAs can be entered into through Direct Award via the NHG Framework thus affording the ability to make the bid to

Homes England for grant funding in relation to these Regeneration Sites together with securing skilled and specialist Contractors for the first part of their delivery.

Both sites will have a PCSA and then a separate JCT design and build contract. With each site being separately 'contracted' and having separate PCSA contracts it allows greater control over any single risk exposure and divorce any association that each project may have on one another.

The PCSA is a JCT contract that captures some of the earlier, generally non-site related or construction related, aspects of the work (albeit it can be amended to incorporate physical works if required).

Works included within the PCSA is the ongoing design of the project to a RIBA stage 5 level of detail, together with the Contractors approach to the various subcontractor markets seeking subcontracted tenders for each respective trade package within the project and any further surveys required together with overall management of that process. Note: We have the option of including Demolition if needed.

By the end of the PCSA process there will be a detailed design that is at a level suitable for construction plus the contractor will present to us their Contractors Proposals for a lump sum fixed price contract sum. If that proposal is acceptable and subsequently approved then we will move forwards into the main JCT design and build contract, however if that proposal is not subsequently accepted then BBC will still benefit from all the design and intellectual property that has been produced under the PCSA.

1.2 Level of Risk

Entering into a PCSA exposes the Client (Council) to an exposure for the full value of that PCSA works. However, BBC have sought legal advice from Devonshires LLP, who created a bespoke set of Contract Amendments for integration into the Contract which reduces risk. The Council will benefit from the designs and Intellectual Property that arises out of the PCSA works so the PCSA costs are not abortive.

Full contract sums will be brought before members anticipated in June 2024.

1.3 Homes England Grant Funding

Maintaining BBC's ambition to increase the supply of new, quality, affordable housing within the Borough, BBC have been in the process of securing Investment Partner Status (IPS) with Homes England. The Investment Partner Status application has been submitted but remains pending until a specific bid for grant funding has been submitted.

In order to progress Brentwood Borough Council must register a bid in order for Homes England to progress with the Investment Partner Qualification (IPQ) application.

Holding Investment Partner Status permits the Authority to make specific bid requests for Homes England Funding which aids the delivery and financial resourcing of high-quality affordable homes.

2.0 OTHER OPTIONS CONSIDERED

2.1 Procurement Journey

During the inception stages of these schemes, it was agreed to adopt a single stage design and build contract for the programme of works, but further exploration of the specific procurement vehicles and frameworks would be undertaken post planning.

During October and November 2022, the delivery team including the Council's procurement Officer began exploring framework options.

The process was led by the Council's procurement officer who explored opportunities within the framework market and presented such back to the technical team; this was centred on two main procurement options to explore in further detail.

These being Direct Award through 'Places for People' and Tendering via Crown Commercial Services. The frameworks differed in their offering and whilst both appropriate, the team agreed that further review was required to ensure the Council's aspirations and procurement guidelines could be reflected.

The conclusion of further engagement with the respective frameworks was that whilst both offered viable options, the competitive dialogue of Crown Commercial Services tipped the balance both in terms of determining value but also being able to mobilise and deliver against our required programme.

In April 2023 the Request for Information (RFI) documents were drafted through CCS.

The responses returned in early May 2023. There were 18 contractors in the CCS general works lot however only five contractors indicated that they would tender when the full tender pack was released. The contractors who replied also unanimously indicated that they would only be willing to tender if it was via a two-stage design and build procurement route rather than single stage.

Hamson Barron Smith recommended that the tender package be adjusted to reflect a two-stage design and build approach and that CCS given the largely positive response was utilised.

The tender documents were subsequently issued via CCS, using the council's Delta E sourcing portal, to the general works lot. Contractors were provided with a tender period of four weeks to provide their first stage tender. The tender came to a close in September with unfortunately no tenders being received.

Crown Commercial Services advised that the market had shifted considerably in the last 2 quarters and recommended 3 changes to our procurement route which they felt would deliver greater success. 1) Change the Lot to Residential, 2) Change the scoring of the tender to 75% quality and 3) change the proposed form of Contract from JCT.

The team acknowledged and accepted recommendations one and two but we were not willing to change the contract form to an unknown form of contract on projects that are so significant and important.

A new expression of interest was issued to the residential lot of Crown Commercial Services incorporating the advice of the framework. Contractors were provided one week to file their responses as to whether they would be interested in tendering, which again concluded with no viable outcomes.

Summary

Following approval to progress direct awards (two stage tenders) enables PSCAs to commence; this report to HHC will be reported to Ordinary Council on 13th March 2024, allowing officers under delegated authority with relevant consultation to enter into the pre-construction agreement with the preferred contractor from the Notting Hill Genesis framework.

A further update will be presented to members of the Housing, Health and Committee following elections.

Awarding the main contracts for development would remain subject to a future Full Council decision.

References to the Corporate Plan

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.

4.0 FINANCIAL IMPLICATIONS

Name & Title: Tim Willis, Director – Resources & Section 151 Officer
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The Strategic Housing Delivery Plan is expected to spend £60million over 5-7 years. This is currently reflected in the HRA 30-year business plan. The 30-year Business plan is updated to reflect the timeline of development to help ensure the business plan remains relevant and affordable going forward.

The SHDP requires revenue and capital resources from the HRA to deliver this programme. The finance structuring on each scheme is dependent on whether Homes England Grant Funding is applicable, whether any Section 106 is available and if Retained Right to Buy Capital Receipts can be utilised. Any difference requires borrowing which incurs financing costs that are to be borne by the HRA.

5.0 LEGAL IMPLICATIONS

Name & Title: Claire Mayhew - Corporate Manager (Democratic Services) & Monitoring Officer

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The Council must follow the statutory process when looking to develop or regenerate areas. This includes serving the statutory notices and holding consultations. The Council in following the process is mitigating the risks of challenge as the programme moves forward.

6.0 ECONOMIC IMPLICATIONS

Name & Title: Leigh Nicholson, Corporate Director (Interim)- Place

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The Council's Housing Strategy provides further detail to the Corporate Plan and the recently adopted Local Plan. The Strategic Housing Development Plan adds specific detail on a programme of sites that utilise council owned land to deliver new affordable homes with environmentally led innovations. Housing delivery plays a vital role in the local economy, both in terms of short-term related construction benefits (i.e., technical preparatory work, on-site jobs and supply chains), and longer-term accommodation provision for people who can contribute to the local economy in a range of ways. This helps to ensure the borough remains an attractive place to live, work and visit.

7.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

All staffing, ICT and Asset implications are included within the appropriate SHDP Project Plans.

8.0 RELEVANT RISKS

Viability under current market conditions and Homes England Grant Level Awards.

9.0 ENGAGEMENT/CONSULTATION

All SHDP schemes are supported by an engagement strategy which is developed and adjusted according to site specific requirements. This engagement continues through implementation process; contractor community engagement is embedded within Employers Requirements (ERs) for Tendering Main Contracts.

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APPENDICES

Appendix A HBS REPORT

BACKGROUND PAPERS

None

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
HHC Committee	September 2023

Document Title: SHDP – Market Engagement Summary

Date: 26th February 2024

Introduction

HBS, part of the Norse Group, are providing technical design team services to support Brentwood Borough Council's SHDP programme. Services include Project Management, Architectural Design, Engineering and Quantity Surveying.

HBS have been involved with the Brookfield Close and Harewood Road development schemes from the outset. HBS have assisted the client in realising the potential of the existing site, developed feasibility options for the schemes, secured planning consent for the agreed preferred options and are now coordinating procurement activities to secure suitable contractors to undertake the construction works.

Current Project Status

The project programmes for the Brookfield Close and Harewood Road schemes are now aligned and are running concurrently. Both projects are within the contractor procurement stage, the challenges of which are detailed within the SHDP Committee Reports. Progress has now been achieved via a market engagement exercise with suitable and experienced contractors. An information pack including designs, specifications and survey information was issued to the contractors on 21st December 2023 and subsequently returned by all on 16th February 2024.

Market Engagement outcome

The market engagement exercise has provided a positive response. The overall construction cost estimates provided by the contractors have been reviewed by the technical team and were generally consistent and fall within the budgets as recommended by HBS. Furthermore, the cost for the next project Stage, namely the Pre-Construction Services Agreement, is well within both the estimated cost and SHDP budgeted figure.

The contractors were also able to demonstrate experience and competence in terms of general contracting and residential development, with one contractor excelling in demonstrating experience of comparable schemes. This includes examples of sustainable developments, including PassivHaus design and construction.

Pre-Construction Services Agreement (PCSA)

PCSA is the next stage of the project and the point where a contractor is appointed by the client. It should be noted that the appointment is not for construction / site activity, but instead for detailed technical design activity, as necessary for the Design and Build procurement route. The stage allows for detailed designs to be produced by the contractor's design team without committing the client to subsequent construction costs. The construction costs will be determined during the PCSA period and formalised once the design activity is complete. These will then be presented to the client and approval sought prior to any commitment being made to the contractor.

HBS recommendations

Following the success of the market engagement exercise HBS recommend that Brentwood Borough Council proceed to the Pre-Construction Services Agreement stage for both Brookfield Close and Harewood Road. This will enable the contractor's design team to complete the necessary detailed design activity for both developments as well as securing fixed price certainty for the resultant construction activity.