

Executive Board – 19th December 2023

Subject:	Increase to Eastglade development budget
Corporate Director(s)/Director(s):	Sajeeda Rose – Corporate Director for Growth & City Development Kevin Lowry – Director for Housing
Portfolio Holder(s):	Cllr Jay Hayes, Portfolio Holder for Housing
Report author and contact details:	Ceri Davies, Regeneration Team Leader. ceri.davies@nottinghamcity.gov.uk ; x.63530
Other colleagues who have provided input:	Paul Stanley – Head of Development David Worthington – Senior Accountant (HRA) Thomas Straw – Senior Accountant (Capital Programme) Antony Heath – Senior Solicitor (Contracts & Commercial) Beverley Gouveia – Development & Disposals Manager Steve Oakley – Head of Contracting & Procurement
Subject to call-in: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
Key Decision: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
Criteria for Key Decision:	
(a) <input checked="" type="checkbox"/> Expenditure <input type="checkbox"/> Income <input type="checkbox"/> Savings of £750,000 or more taking account of the overall impact of the decision	
and/or	
(b) Significant impact on communities living or working in two or more wards in the City <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
Type of expenditure: <input type="checkbox"/> Revenue <input checked="" type="checkbox"/> Capital If Capital, provide the date considered by Capital Board Date: 06/12/2023	
Total value of the decision: £2.11m	
Section 151 Officer expenditure approval	
Has the spend been approved by the Section 151 Officer? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
Spend Control Board approval reference number:	
Wards affected: Bestwood	
Date of consultation with Portfolio Holder(s): 21/11/2023	
Relevant Council Plan Key Outcome:	
Green, Clean and Connected Communities	<input type="checkbox"/>
Keeping Nottingham Working	<input type="checkbox"/>
Carbon Neutral by 2028	<input type="checkbox"/>
Safer Nottingham	<input type="checkbox"/>
Child-Friendly Nottingham	<input type="checkbox"/>
Living Well in our Communities	<input type="checkbox"/>
Keeping Nottingham Moving	<input type="checkbox"/>
Improve the City Centre	<input type="checkbox"/>
Better Housing	<input checked="" type="checkbox"/>
Serving People Well	<input type="checkbox"/>
Summary of issues (including benefits to citizens/service users):	
Eastglade is a 106 council home development in Bestwood that started on site in 2021. In 2022, the principal contractor went into liquidation when the scheme was around three-quarters completed, meaning the development was paused and a replacement principal contractor required.	
The increased costs associated with procuring a second contractor two years after approved budget was set and those incurred in securing the site whilst inactive, has meant an increased budget is required to complete the development.	
Phase A of the development resumed with Lovell Partnership as principal contractor in Summer 2023, with properties to start handover in December for letting to households on the waiting list.	

Retaining the existing (replacement) contractor presents the most time and cost effective way to complete the development, which is a key component of Nottingham's new council home provision that is required to meet waiting list need and subsequently ease pressures on homelessness resources and budgets.

Does this report contain any information that is exempt from publication?

This report contains an appendix to the report is exempt from publication under paragraph 3 of Schedule 12A to the Local Government Act 1972 because it contains information relating to the Council's anticipated expenditure on a construction contract and, having regard to all the circumstances, the public interest in maintaining the exemption outweighs the public interest in disclosing the information. It is not in the public interest to disclose this information because it may impact on value for money to be achieved

Recommendation(s):

- 1** To seek approval via the section 151 officer's spend control panel put in place as a result of the issuance of the s114(3) report to spend £2.11m to increase the budget for the Eastglade development, noting that the spend cannot proceed until the above approval has been given.
- 2** To seek approval via the section 151 officer's spend control panel put in place as a result of the issuance of the s114(3) report to use £1.26m HRA revenue to capital contribution and £0.84m RTB replacement receipts to fund the £2.11m budget increase, noting that the spend cannot proceed until the above approval has been given.
- 3** To appoint Lovell Partnership to undertake the completion of Phase B of the scheme.

1. Reasons for recommendations

- 1.1 The Eastglade development is three quarters complete and critical to Nottingham's new supply of council housing, with homes having already been allocated to households from the waiting list. Completion of the scheme is the only viable option.
- 1.2 The proposed approach of appointing the existing principal contractor for the remaining phase B reduces a further round of pause, re-tender and associated transition costs.
- 1.3 The existing contractor has been retained to quote because they demonstrate good value via the procurement approved Fusion 21 framework.
- 1.4 The proposed funding of the budget increase does not require any HRA borrowing and allows the use of RTB replacement receipts to meet 40% of increased cost.

2. Background (including outcomes of consultation)

- 2.1 The Eastglade new build housing development consists of 106 affordable council owned homes. The scheme has subsequently been split into two phases, A and B, each including 53 new homes, approved in February 2020 Decision link: ([EXECUTIVE BOARD - 2010 \(nottinghamcity.gov.uk\)](https://www.nottinghamcity.gov.uk/EXECUTIVE%20BOARD%20-%202010)).
- 2.2 The principal contractor appointed to the scheme, Robert Woodhead Ltd, ceased trading in September 2022. At this point, build on half of the site was 79-88% completed (now Phase A), and 58-79% complete on the other half (Phase B).

- 2.3 Approval was granted on 16 February 2023 for a direct award for Phase A (formerly Phase 1 and 2 of 4) to Lovell Partnership as the new principal contractor. The completion of the scheme continued in two separate phases to accelerate getting activity back on site, reduce security costs and get delivery of the first 53 homes back on track as far as possible. Lovell re-started work to Phase on 3 July 2023 with handovers due to start in December 2023.
Decision link: [DD4862.pdf \(nottinghamcity.gov.uk\)](#)
- 2.4 As Phase A costs could be accommodated within the original total approval, no budget increase was sought at this point, though it was anticipated that it would be required to complete the project owing to the addition of costs external to legal advice for both severance from Robert Woodhead Ltd and retendering, inactive site security costs, replacement contractor premium (mobilisation of subcontractors and plant, risk and complex defects process) and resolution of arrangements with subcontractors.
- 2.5 The project was also tendered over 2 years after the original contract was awarded, so labour and materials costs would have increased over this time, as would supply chain risk/required contingency. Further, as the costs of construction increase, so do the fee and contingencies which are calculated on a percentage basis.
- 2.6 The preferred option for Phase B was to retain Lovell Partnership on the scheme for continuity; and so avoid incurring further delay or pause and a repeat of the spend associated with a further change of principal contractor. A single point of contact for all items effecting the scheme is also the most desirable approach going forward.
- 2.7 Lovell Partnership were retained in August 2023 to quote via the Fusion 21 framework for Phase B. This is a compliant procurement method, where Lovell Partnership were selected from the framework to quote and will also, subject to approval, be awarded the contract via the framework system, representing a procurement compliant approach/route to market.
Decision link: [230809b Form.pdf \(nottinghamcity.gov.uk\)](#)
- 2.8 Using Fusion 21 meant that NCC could demonstrate that a value for money assessment has taken place by utilising the submitted rates for all of their framework members. – including Lovell Partnership. Fusion 21, which was reviewed in April 2023, provided a formal assessment notifying NCC that Lovell Partnership can provide value for money as they are first/second lowest priced on their framework across all regions they operate in.
- 2.9 The scheme is majority complete, and homes due to be handed over and made available for letting. The homes are critical to Nottingham's ability to house households from its waiting list and subsequently to ease pressures on homelessness and homelessness budgets.
- 2.10 It is not a viable option to abandon the project at this late stage, nor would another pause be cost effective owing to the rent loss and security cost implications. Moving the scheme to another provider would also not be possible as households have already been allocated council tenancies, and another provider would unlikely find the purchase plus implications of it being incomplete an attractive or viable proposition.

2.11 The approach set out demonstrates value for money because:

- a) Lovell Partnership have been assessed as providing the lowest costs as per an independent procurement framework.
- b) Lovell are already on site so there are no mobilisation costs, delay or pause implications.
- c) Retaining the same contractor avoids the costs associated with retendering and replacement principal contractor premiums.
- d) The increase can be funded through a HRA revenue to capital contribution and RTB replacement receipts, therefore avoiding any further HRA borrowing and utilising RTB replacement receipts in a timely and overall cost effective manner

2.12 **Financial Summary** (Refer Appendix A for detail and finance colleague advice):

- a) The original approved budget for Eastglade was £19.143m, reduced to £16.719m upon finalising of contract.
- b) To date the project has spent or committed £14.21m with a further £4.62m required to complete it, and therefore an increase of £2.11m is needed.
- c) The increase can be funded 60% via a HRA revenue contribution to capital and 40% via RTB replacement receipts.

3. **Other options considered in making recommendations**

3.1 As above completion of the scheme for the best value possible is the only viable option, no others were considered.

4. **Consideration of Risk**

4.1 The risk of the contract sum increasing further and another increase to budget is low, and mitigated by the inclusion of contingency sums.

5. **Best Value Considerations, including consideration of Make or Buy where appropriate**

5.1 The proposed contractor is already on site therefore reducing costs associated with re-tendering, further replacement contractor premium, mobilisation or further pause and interim site security The contractor is on the Fusion 21 framework and are assessment as being either first or second lowest cost across all the regions in which they operate. The proposed funding of the budget increase allows 40% of it to be met from RTB replacement receipts.

6. **Finance colleague comments (including implications and value for money/VAT)**

6.1 Please refer exempt appendix A

7. **Legal colleague comments**

- 7.1 This decision seeks approval to increase the budget for the project and award a contract to the Lovell Partnership via the Fusion 21 Framework for completion of the works.
- 7.2 Procurement colleagues will advise on compliance with our own Contract Procedure Rules and other requirements of this proposed approach to award.
- 7.3 The Framework will impose a set of terms and conditions for use when engaging suppliers under the framework; those terms and conditions needs to be confirmed as meeting the needs of the Council and the Council being able to comply with any obligations imposed on them by the terms and conditions. As a construction contract, should legal advice be required, funds to cover the cost of external lawyers should be identified as there is no construction law expertise in Legal Services. If funds are identified and there is a need for such support, it may be prudent to engage the same law firm who advised previously via the EMLawshare arrangement.
- 7.4 Subject to the above, and comments from Procurement colleagues, this decision presents no significant legal risk for the Council beyond what would be expected for a project like this.
Anthony Heath, Senior Solicitor, 27th November 2023.

8. **Other relevant comments**

8.1 **Procurement:**

- 8.2 The proposal to retain Lovell Partnership utilising a compliant procurement method was agreed and for the Fusion 21 Framework to publish; via a formal notice on its "Find a Tender service". The opportunity description is for Refurbishment, Construction, New Build & Modular Building Framework that is available to NCC as a Fusion 21 Consortium Member using Contract reference: 2022/S 000-036086.
- 8.3 The formal Tender was published on 20 December 2022 and was the most suitable as provides a compliant procurement route for awarding a contract to Lovell Partnership.

Jeremy Delderfield, Housing Services Procurement Manager, 24/11/2023

8.4 **Strategic Assets & Property:**

- 8.5 The proposals set out in this report do not cause any issues from a Strategic Assets & Property perspective. The increased budget will enable more housing to be delivered.
- 8.6 Strategic Assets & Property will support the Regeneration Team as required.

Beverley Gouveia, Disposals & Development Manager, 24th November 2023.

9. **Crime and Disorder Implications (If Applicable)**

- 9.1 Keeping the development site live until completion and households start to move into their home, reduces the risk of ASB and theft on the site, which were significant issues when the site was inactive between contractors.

10. **Social value considerations (If Applicable)**

- 10.1 The development is for council, social rented housing. The principal Lovell Partnership have performance measures relating to the employment of local people and to recycling targets.

11. Regard to the NHS Constitution (If Applicable)

11.1 n/a

12. Equality Impact Assessment (EIA)

12.1 Has the equality impact of the proposals in this report been assessed?

No
An EIA is not required because this is an amend/extension to previous decision regarding delivery of homes.

Yes

13. Data Protection Impact Assessment (DPIA)

13.1 Has the data protection impact of the proposals in this report been assessed?

No
A DPIA is not required because the decision does not contains nor seeks to obtain any personal information.

Yes

14. Carbon Impact Assessment (CIA)

14.1 Has the carbon impact of the proposals in this report been assessed?

No
A CIA is not required because this is an amend/extension to previous decision and the development is already majority complete.

Yes

15. List of background papers relied upon in writing this report (not including published documents or confidential or exempt information)

15.1 **Appendix A – Financial Detail and Advice (exempt)**

16. Published documents referred to in this report

16.1 **Executive Board (No. 2010)** – Redevelopment of Eastglade School site and Southchurch Court garages for new council Housing

16.2 **Operational Decision (No. 4862)** – Appointment of new/replacement contractor for completion of Eastglade phases 1 and 2

16.3 **Operational Decision (No. 5001)** - Eastglade new build development (phase B) – procurement approach for the direct award to a principal contractor.