

Executive Board – 13th February 2024

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| Subject: | Increase and reprofile of budget for Oakdene development, St Ann's |
| Corporate Director(s)/Director(s): | Sajeeda Rose, Corporate director for Growth & City Development |
| Portfolio Holder(s): | Councillor 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, Housing Services Thomas Straw - Senior Accountant HRA David Worthington – Accountant HRA Jeremy Delderfield – Procurement & Sourcing Manager Antony Heath – Team Leader – Contracts and Commercial Beverley Gouveia - Head of Property Sarah Baker – Finance Business Partner |
| 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: 25 January 2024 |
| Total value of the decision: | £873,000 |
| Section 151 Officer expenditure approval | |
| | Has the spend been approved by the Section 151 Officer? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/a Spend Control Board approval reference number: 6180 |
| Wards affected: | St Ann's |
| Date of consultation with Portfolio Holder(s): | 01 February 2024 |
| 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): | |
| | Oakdene is a 24 council home development on Woodborough Road in St Ann's. Having tendered the scheme for a second time, an increased budget is required to award the contract and complete the project; homes that are key to meet need from the waiting list and in turn ease pressures on homelessness' general fund expenditure. The existing budget includes an element of s.106 monies from developer contribution for affordable housing delivery; the sums can no longer be matched to Right to Buy replacement receipts in the same way that HRA capital can, therefore swapping s.106 monies out for HRA capital will enable 40% match to be made from our RTB receipt resource, which needs to be |

spent in a timely manner to avoid return to government with interest.

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

An appendix to the report is exempt from publication under paragraph 3 of Schedule 12A to the Local Government Act 1972 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 contains commercially sensitive information which could impact the council's ability to obtain value for money during tender processes.

Recommendation(s):

- 1** To award Morro Partnership (previously Jessup Partnership) the contract to complete the scheme using Modern Methods of Construction.
- 2** To replace the s.106 element of the budget with a 60/40 mix of HRA revenue to capital transfer and RTB replacement receipts.
- 3** To increase the budget for the Oakdene housing scheme by £865,000 using HRA revenue to capital transfer, RTB replacement receipts and re-allocation of underspend from an approved project budget, as per the recommendation of the Capital Budget report, and to note that this expenditure has been approved by the Section 151 Officer

1. Reasons for recommendations

- 1.1 The increased budget is required to award the contract to the selected contractor and to complete the scheme of 24 new council homes that will meet need from the waiting list and in turn, assist in the reduction of pressure on homelessness's general fund expenditure.
- 1.2 S.106 commuted sums can no longer be matched with RTB replacement receipts, whereas HRA capital can. It is therefore better value to use HRA capital that can be matched 40% with RTB replacement receipts, a) to the project, and b) to the council as we have a large pool of these receipts which if not spent need to be returned to government with interest.
- 1.3 Using a combination of HRA Revenue Contribution to Capital, RTB replacement receipts and underspend on an existing approval enables funding without additional HRA prudential borrowing.
- 1.4 Sufficient underspend on an existing project/approved budget has been identified for vire to Oakdene, without jeopardising the closing stages of that project.
- 1.5 Development of new council homes enables a rental income stream which supports HRA repair and maintenance reserves.

2. Background (including outcomes of consultation)

- 2.1 A scheme of 48 flats was approved for Oakdene in June 2020, this was later revised to 15 houses and 9 flats in February 2022. (Delegated Decision No. 3896)
- 2.2 The scheme was granted planning approval in February 2023, and is being built to enhanced eco/energy efficiency standards, with an aim to attain an 'A' SAP rating. Car charging points and solar panels will be provided on homes where appropriate (planning application reference 22/00676/PFUL3).
- 2.3 There have been two separate tender exercises undertaken. The initial tender only resulted in one submission as potential contractors declined to participate due to market conditions at the time. A second tender exercise has been much more successful with four contractors coming forward.
- 2.4 The requirements for the tender was to be split into two separate proposals, Traditional Build and a form of Modern Methods of Construction (MMC) in order to review a variety of proposals to thoroughly test the market and speed of delivery comparing the two submissions against each other.
- 2.5 An evaluation of the quality, cost and health and safety considerations has been undertaken. As a result, Morro Partnership (previously Jessup Partnership) have been successful with their modern methods of construction submission, and approval is now sought to appoint them. Their tender was submitted in July and is valid for 6 months.
- 2.6 A budget increase of £865,000 is required to appoint Morro Partnership as above and complete the scheme. This increase is predominantly due to an increase in labour and material costs, and increases to charges for contingencies that are calculated as a percentage of scheme costs.

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

- 3.1 A review of the specification of the development, in terms of enhanced build standards, was undertaken but reducing the specification did not make a significant difference to the costs.
- 3.2 Consideration was given to completing a portion of the development and leaving the remainder such that it could be completed in the future. The most reasonable way to split the scheme, was to leave the block of flats to a later date, however the height and position in the development was key to the scheme's relationship to the main road (Woodborough Road), so would not have been straightforward.

4. **Consideration of Risk**

- 4.1 Risks associated with construction costs and abnormals have been factored into the scheme's contingencies. Specific, additional, contingency has been provided for drainage element as this was highlighted through the tender process.

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

The scheme was subject to an open tender process, whereby submissions were evaluated on cost, quality and health and safety. The tender also required contractors to submit costs for traditional and modern methods of construction

approaches, so that the pace of completing the scheme and bringing properties into use could be factored in.

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

6.1 Please refer to the exempt appendix.

6.2 Spend Control Board approval was granted on 2nd February 2024 (#6180)

7. Legal colleague comments

7.1 Based on the proposed use of funds being appropriate and confirmation of a compliant route to market, the proposed project creates little legal concern. External legal support will be required as there is not the internal council resource available to draft and negotiate this contract; the time and cost of this should be considered in the project budget and timetable.

Anthony Heath, Team Leader, Contracts and Commercial 15th February 2024

8. Other relevant comments

8.1 Procurement – Following the submission of the original tender in July 2023, the financial envelope containing the material costs was evaluated by the NCC New Build Housing Services Quantity Surveying team. The material costs were considered to be higher than would have been expected for a typical Design Build (D&B) contract. Therefore an open tender was issued via the Councils e-procurement portal, that provided a compliant process which was carried out in accordance with Nottingham City Council Procurement Contract Rules (PCR). Revised commercial envelopes were provided and these costs were evaluated by the NCC New Build Housing construction team. Details of the updated material costs are attached in Enclosure (1) “Extension to Budget at Oakdene”.

Jeremy Delderfield, Procurement and Sourcing Manager, 15th January 2024

8.2 Strategic Assets and Property – The recommendations contained in this report do not cause any concerns from a Strategic Assets & Property perspective. The Strategic Assets & Property team will support this project as required.

Beverley Gouveia, Head of Property, 15th January 2024.

9. Crime and Disorder Implications (If Applicable)

9.1 n/a

10. Social value considerations (If Applicable)

10.1 Enable provision of social housing and use of a vacant site. Contractors have performance measures relating to recycling and employment of local people.

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 an EIA was attached to original decision, and this is a budget increase for the same scheme.

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:

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 a CIA was provided with the decision to approve the scheme, and this is an extension to the same scheme's budget.

Yes

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

15.1 None

16. Published documents referred to in this report

16.1 Delegated Decision No. 3896 - [EXECUTIVE BOARD - 2010](https://www.nottinghamcity.gov.uk)
([nottinghamcity.gov.uk](https://www.nottinghamcity.gov.uk))