

BOROUGH OF KETTERING

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Report Originator	John Conway Head of Housing	<i>Fwd Plan Ref No:</i> A16/006	
Wards Affected	Avondale Grange	21 st September 2016	
Title	AWARD OF CONTRACT: HAMPDEN CRESCENT – HOMES FOR THE FUTURE REGENERATION PROJECT		

Portfolio Holder: Councillor James Burton

1. PURPOSE OF REPORT

- 1.1 The Council's Capital Programme contains budgetary provision for a major capital project at Hampden Crescent (Block A)
- 1.2 The report seeks approval to award a tender for the scheme following a comprehensive tender process.
- 1.3 In accordance with the Council's Contract Procedure Rules, any contract with a value in excess of £250,000 needs to be formally approved by the Executive Committee.

2. INFORMATION

- 2.1. Kettering Borough Council's housing refurbishment project, Homes for the Future, aims to improve older council housing so that it continues to be fit-for-purpose, easy-to-let and low-maintenance over the long term. For our customers, Homes for the Future offers warmer, safer and more energy-efficient homes. Following works in Desborough, Hampden Crescent forms the next phase in the 'Homes for the Future' programme.
- 2.2 Hampden Crescent comprises two three-storey blocks which were originally constructed in 1927. They are amongst the oldest properties in the Council's housing portfolio. Each block contains 11 three-bedroom flats and two shops. The accommodation provided by these blocks is outdated, difficult to heat, hard to let and is no longer considered to be fit for purpose. The communal areas act as magnets for anti-social behaviour. Specific issues which need to be addressed are:
 - The blocks of three bedroom flats are unsuitable for larger families with small children as they have very small kitchens and bathrooms, and lack safe areas for play.
 - The enclosed internal staircases have fostered anti-social behaviour as casual surveillance is poor.
 - Energy loss is high and fuel bills are expensive due to the solid wall construction of the buildings.
 - The timber floors provide poor sound insulation between flats.
 - Heating installations, kitchen fittings and sanitary ware are in poor condition and require replacement.

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- Household waste is disposed through chutes which are frequently blocked and result in a fire hazard.

2.3 As a result of the problems above, it has been necessary to decant Block A. In recent times, the block has only been used on a short term basis to provide temporary accommodation for homeless households. Table 1, below, shows the current vacancy rates at Hampden Crescent and highlights the difficulties the Council has experienced in achieving a sustainable level of occupancy.

Table 1 Occupancy Levels at Hampden Crescent			
Block	Dwellings	Occupancy (5 Sept 2016)	Vacancy rate
A	11	2	82%
B	11	10	9%
Total	22	12	45%

- 2.4 To resolve these issues and ensure the long term viability of both Hampden Crescent blocks, a project has been devised to comprehensively remodel and refurbish the blocks so that they provide accommodation which meets contemporary standards and current housing needs.
- 2.5 Although this report considers the redevelopment proposals for both blocks, it is primarily concerned with the tenders for works to Block A (1 - 13 Hampden Crescent). Works to this block have been prioritised as this block has a greater number of vacant dwellings. Tenders for Block B (14 - 26 Hampden Crescent) will be the subject of a future report and will need to have a capital budget established through the next formal budget process.

The proposed works to Block A comprise:

- Redevelopment of the existing 11 three-bedroom flats to provide new one and two-bedroom properties and wheelchair accessible accommodation, in line with the priorities of the Housing Strategy 2015-20.
 - 12 one-bedroom apartments and two two-bedroom apartments will be created on the first and second floors of each block.*
 - Four one-bedroom apartments to wheelchair standard will be provided on the ground floor of each block.*
 - Overall, the existing 11 three-bedroom flats in Block A will be replaced by a mix of 18 apartments.*
- Completely refurbished living accommodation to create homes which meet the 'Homes for the Future' standard

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- ◆ *Central heating and hot water system powered by an air source heat pump which will help to reduce the Council's carbon footprint, provide tenants with warmer homes at lower cost and generate a new income flow to the Council.*
 - ◆ *New fitted kitchens.*
 - ◆ *New sanitary ware to bathrooms.*
 - ◆ *All first and second floor flats to have a shower over a bath.*
 - ◆ *Wheelchair flats to have level access showers.*
 - ◆ *Sound proofing to floors and internal walls to reduce noise transfer.*
 - ◆ *Full redecoration.*
 - ◆ *Secure by design fire doors to flat front entrances.*
 - ◆ *Solid flush doors to internal rooms.*
- A warm and energy efficient home environment for residents with low fuel costs.
 - ◆ *External wall insulation.*
 - ◆ *Thermo-boarding to internal walls backing onto solid outside walls.*
 - ◆ *Photo Voltaic panels to the roof to supply free electricity for the communal lighting and for the boiler plant room.*
 - ◆ *Energy efficient windows.*
 - A safer, more attractive neighbourhood with lower levels of anti-social behaviour.
 - ◆ *Three new enclosed glazed staircases and key fob entry, to the rear of the blocks.*
 - ◆ *Hard and soft landscaping to increase defensible space around ground floor flats and reduce opportunities for crime and anti-social behaviour.*
 - ◆ *LED lighting to the rear of the blocks to eradicate dark corners.*
 - ◆ *A new enclosed bin storage area on the rear boundary away from the main block to reduce the risk of fire.*
 - ◆ *New car parking spaces including spaces for disabled users.*
 - ◆ *Secure scooter storage.*
- 2.6 As well as improving the physical condition of the blocks and improving the living environment for tenants, this project offers a unique opportunity to increase income to the Council as a landlord.
- 2.7 Currently, if fully tenanted, Block A could generate a rental income of £41,500 per year. However, with only two tenants currently in occupation, the annual rental income is only around £7,500. If fully tenanted, the annual rent would be around £70,200 per year on completion of the proposed works— an annual

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increase of £62,700. Table 2 provides a summary of the impact of this project on rental income for Block A.

Table 2 Impact of Project on Rental Income	
	Block A
Current Dwellings	11
Proposed Dwellings	18
Tender	£1,328,000
Other Costs (Table 6)	£272,000
Total Investment	£1,600,000
Investment per Dwelling	£86,000
Annual Rent per Dwelling	£3,900
Total Annual Rent	£70,200
Current Income	£7,500
Increased Income	£62,700

2.8 The Council will also be able to introduce a service charge for both blocks for the supply of heating and hot water from the air source heat pump heating system. This will offer tenants significantly lower fuel bills than traditional gas fired central heating with estimated annual savings projected to be around 30%. With an installation cost of £155,000 and minimal servicing costs, the air source heat pump heating system will pay for itself within ten years.

2.9 Currently, the boiler in each of the 22 flats receives an annual service. This not only takes time and resources to complete but the Council also has to arrange with the tenant to gain access to their home, which can sometimes be problematic. The new system can be serviced once a year without a need for an engineer to gain access to each of the 36 flats in the reconfigured building.

3. PROCUREMENT PROCESS – BLOCK A

3.1 Works to Block A are being procured on a competitive basis in accordance with the Council's contract regulations. This involved a three stage tender process:

- Stage 1 Pre-qualification / financial viability Pass/fail
- Stage 2 Technical expertise and price 30% weighting
- Stage 3 Quality and deliverability 70% weighting

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- 3.2. A specification was used in conjunction with the National Housing Federation schedule of rates to form a pricing document which could be priced by contractors on a percentage uplift or reduction basis. A total of 30% of the overall marks were awarded on the basis of the tender price submitted by each contractor. The remaining 70% was awarded following an assessment of each contractor's ability to deliver the specified works. The weightings that have been applied to this scheme reflect learning from previous Homes for the Future projects.
- 3.3. Due to the specialist nature of the air source heat pump equipment, tenders were invited for this aspect of the project separately from the main package of works. The selected contractor was then appointed to design the air source heat pump and associated installation. The contractor will be nominated to the main contractor to supply and install the air source heat pump.
- 3.4. The contract for the refurbishment works was advertised on Contracts Finder, a Government procurement portal. A total of 11 contractors initially expressed interest in the project and were invited to submit tenders. Two contractors made compliant tender submissions. The remaining nine contractors did not return bids due to workload issues or because the specialist nature of some of the work was outside their expertise and experience.

4. MULTI-STAGE TENDER ANALYSIS

4.1 Stage 1 – Pre-qualification / financial viability

The contractors were asked to submit three years' financial accounts, which were analysed using an external financial appraisal model together with a financial assessment by council officers. Both contractors passed the financial checks and were permitted to move to the next stage of the process.

4.2 Stage 2 – Technical exercise and price

Priced schedules were submitted by the contractors, as follows:

Table 3 Summary of Bids			
Contractor	Tender Value £	Price Difference £	Percentage Score (Max 30%)
A	1,270,202.78	0	30
B	1,327,968.00	57,765.22	25

4.3 Stage 3 – Quality and Deliverability

Both contractors attended the Council offices and made presentations which were assessed by an interview panel against the following criteria:

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- ◆ Corporate aims and objectives (10x7points)
- ◆ Resourcing and staffing (15x7points)
- ◆ Process and delivery of service (15x7 points)
- ◆ Health and safety (15x7 points)

Members of the interview panel marked the contractors out of an available total of 385 points, as follows:

Table 4 Quality and Deliverability		
Contractor	Score	Percentage Score (Max 70%)
A	316	57
B	345	63

4.4 Tender Evaluation

Table 5 summarises the overall position following the evaluation of tenders.

Table 5 Evaluation of Tender Submissions		
	Contractor A	Contractor B
Estimated tender value	£1,270,202.78	£1,327,968.00
Pre-qualification / financial viability	✓	✓
Technical exercise and price (30%)	30	25
Formal presentation and interview (70%)	57	63
Total	87	88
Ranking	2	1

- 4.5 At the conclusion of the three stage procurement process, Contractor B has been assessed as financially viable and having the capacity to undertake the works package at a cost which provides the Council with good value for money. Accordingly, it is recommended that the Council awards the Hampden Crescent contract for Block A to Contractor B.

5. POLICY IMPLICATIONS

- 5.1. Around 28% of the 3,745 local authority homes within the borough were built before 1945 and have an average age of 83 years. The Hampden Crescent blocks were constructed 89 years ago.
- 5.2. It is essential that, over the long term, our older housing stock continues to meet local housing needs, remains easy-to-let, energy efficient and generates an income stream for the Housing Revenue Account. Accordingly, the Homes for the Future project is a key component in the Housing Strategy 2015-2020 as it

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helps the Council to ensure that older council housing will continue to play a valuable role within the local housing market over the years to come. The scheme will also meet the need for additional one and two bedroom dwellings.

6. CONSULTATION AND CUSTOMER IMPACT

- 6.1. The Council is consulting extensively with customers and other key stakeholders on this project. Tenants in Block A have been consulted individually prior to their moves. Following tender approval, an exhibition for residents will be held on site. In addition, members of the Tenants Forum visited Hampden Crescent in June and have expressed their support for the project. A member of the Tenants Forum was a member of the project team and the panel which interviewed contractors and assessed their presentations.
- 6.2 Due to the extensive nature of the refurbishment works and the complete change in dwelling mix, it will be necessary to decant both blocks completely. Depending on their individual circumstances, tenants are being given the option to return to a refurbished flat or to make a permanent one-way move. However, it is anticipated that few tenants will choose to return as the new flats will have fewer bedrooms than the properties they replace.
- 6.3 As the blocks will be fully re-configured, it has been necessary to buy back the three leasehold properties at Hampden Crescent at a cost of around £190,000. One-for-One capital receipts have been used to fund 30% of the cost of acquisition, which is around £57,000; the balance of £143,000 being funded from the One-for-One capital scheme, as previously reported to Members.

7. FINANCIAL RESOURCE IMPLICATIONS

- 7.1 The Housing Capital Programme currently contains budgetary provision of £1,637,000 for the Homes for the Future – Hampden Crescent project (Block A). This comprises £937,000 for 2016/17 and £700,000 in the indicative programme for 2017/18. Table 6 sets out the projected costs for the current project, Block A.

Table 6 Projected Costs for Block A	
	Block A
	£
Construction Works	1,327,968
Air Source Heat Pump	155,000
Salaries and professional fees	69,000
Tenant decant costs	1,000
Total estimated cost of project	1,552,968

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7.2. The anticipated cost of Block A can be accommodated within the financial provision for this project in the approved capital programme for 2016/17 and the indicative programme for 2017/18. The Capital Programme will need to be amended to reflect the latest phasing for the scheme as it is now estimated that the capital budget will all be required in 2016/17.

8. HR IMPLICATIONS

8.1. There are no human resources implications arising from this project, which is being managed within existing staff resources.

9. LEGAL IMPLICATIONS

9.1. Full planning consent for this project was obtained on 1st July 2016 and a further planning application for Block B is currently under consideration.

9.2. Procurement activity has to comply with the law relating to procurement by public authorities and the Council's own contract regulations. It will be necessary to enter into a contract with the successful contractor.

10. RECOMMENDATION

The Executive Committee is asked to:

- a) Accept the tender from Contractor B in the sum of £1,327,968.00 to undertake the refurbishment of Block A at Hampden Crescent.
- b) Delegate authority to the Head of Democratic and Legal Services to conclude and sign the contracts with Contractor B.
- c) Approve the budget changes as set out in section 7.2.

Background Papers:

Previous Reports/Minutes:

Title of Document: N/A

Ref: N/A

Date: -

Date: -

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