

## Decision Report - Executive Decision

Forward Plan Reference: FP/23/11/05

Decision Date – 6 March 2024

Key Decision – yes



### Confidential Information – Appendices B and C

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#### Phase B & Ci of the North Taunton Woolaway Project

Executive Member(s): Lead Member for Communities, Housing and Culture

Local Member(s) and Division: NTWP – Ward: Cllr Lee Baker & Cllr Tom Deakin

Lead Officer: Chris Brown, Service Director, Housing

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#### Summary / Background

1. Following completion of an invitation to tender for the main contractor of Phase B & Ci of the North Taunton Woolaway Project, this report seeks approval to appoint the lead bidder for this work.
2. A Tender Report (Appendix A) has been prepared by Procurement setting out the procurement process and evaluation methodology. The Tender Evaluation Report (Appendix B) provides details of the evaluation of the bids together a Value for Money Statement.
3. Equans, the main contractor for Phase A, withdrew their intention to develop the next phase of the NTWP (Phase B and Ci) and it was necessary to procure a replacement main contractor. Equans will be withdrawing from Phase A upon completion of the last plot (est. March 2024) and will be unable to conclude the S278 Agreement highway works in that time and will not be undertaking the conversion works for the change of use of the community facility (which will be provided to shell and core stage) to 2 x additional self-contained flats. These additional Phase A works are included in the Phase B and Ci contract.
4. Subject to performance and price, the allocated contractor will be able to continue to develop the future phases, Cii, Ciii and D.

## **Recommendations**

5. The Executive:
  - a. Approves the outcome of the procurement process to award a contract to the lead bidder named in the Tender Evaluation Report Confidential Appendix B.
  - b. Agree the case for applying exemption information provision as set out in the Local Government Act 1972, Schedule 12A and therefore treat the attached confidential Appendices B and C in confidence, as they contain commercially sensitive information, and as the case for the public interest in maintaining the exemption outweighs the public interest in disclosing that information.
  - c. Agree to exclude the press and public from the meeting where there is any discussion regarding confidential Appendix and confidential Appendix C (to be treated as exempt information).

## **Reasons for recommendations**

6. To allow the continuation of the North Taunton Woolaway Project and enable Phase B and Ci to be built. The Council has already approved the appointment of a separate demolition contractor and the appointment of the main contractor will enable a seamless transition between end of demolition and the construction start on site. The grant funding for Phase B & Ci for start on site is required in the first quarter of 2024/2025.
7. The Tender Evaluation Report (Appendix B) and Risk Register (Appendix C) should be considered confidential and are exempt as they contain commercially sensitive information relating to the bidders' submissions and as the case for the public interest in maintaining the exemption outweighs the public interest in disclosing that information.

## **Other options considered**

8. Following receipt of the tenders the following options were considered:
  - a) Option 1: Do not appoint and do nothing.
  - b) Option 2: Do not appoint and proceed via another OJEU compliant framework.

- c) Option 3: Appoint lead contractor on basis of scores for quality, social value and price, ensuring Value for Money is achieved.
9. Options 1 and 2 were discounted as tenants have been decanted and are awaiting their new homes in the North Taunton Woolaway Project. Time is of the essence to complete Phases B and C to ensure the Home England Regeneration Funding can be claimed and new funding secured for the next phases.
10. Option 3 is recommended as the bids have been evaluated and value for money achieved from the lead bidder. This will ensure no further delays to programme and enable decanted tenants to be rehomed.

### **Links to Council Plan and Medium-Term Financial Plan**

11. The projects link to the following priorities in the Council Plan
- a. A Greener More Sustainable Somerset – by providing very low carbon homes (NTWP)
  - b. A Healthy and Caring Somerset – through the provision of higher quality homes for the returning NTWP tenants and new tenants via Homefinder.
  - c. A Fairer, Ambitious Somerset – the plan commits the council “to be innovative in our approach to housing and supporting people who are struggling. The provision of decent, low carbon social housing will be integral to us in delivering a fairer county.”
12. The Council’s Housing Revenue Account Business Plan sets out the financial model for the Housing Service over a 30-year period. The Council has agreed a number of priorities in its updated Housing Revenue Account (HRA) Business Plan 2020-2050, which are included in the vision statement “Great Homes for Local Communities” that accompanies the business plan (‘the Action Plan’). Its overarching mission statement is: “Our homes will be safe and secure, and we will build many more in which our tenants will thrive. To do this we will develop a great team to provide excellent and modern services...” The Project complements these strategy objectives.

### **Financial and Risk Implications**

13. On the 21 February 2019, the Shadow Full Council (for Somerset West and Taunton) approved a budget of £7.2m for the delivery of Phase A as part of the North Taunton Woolaway Project (NTWP). On the 3 December 2019, Full Council (for Somerset West and Taunton) approved a further budget of £1.5m for Phase A plus a budget of £5.7m for Phases B-E.

14. On the 1 December 2020 Full Council (for Somerset West and Taunton) approved to allocate a total scheme budget and borrowing requirement for Phases B-E and the conclusion of all phases of the regeneration scheme. This report approved a supplementary budget of £60.67m, in addition to the existing budget of £14.4m, bringing the total approved budget for the entire scheme to £75m.
  - To delegate authority to the Section 151 Officer to determine the final funding profile for each future phase once the finalised designs have been received for Phases B-E and any relevant planning approval and contract costs have been received.
  - To delegate authority to the Director of Housing and Communities in consultation with the Portfolio Holder for Housing authority to approve future decanting and demolition for future phases.
  - To set rents for all new build properties (Phase A-D) at affordable rents in line with the 2020 Rent Setting Policy and that rents would be capped at the equivalent social rent if being rehoused in the new NTWP development.
15. The financing of the scheme was originally £7.480m RTB Receipts and £67.590m of borrowing. The low percentage of subsidy represents the high proportion of regeneration and low additionality.
16. The original business case for Phase B & Ci assumed c£15m of capital investment, funded by c£2m of RTB receipts and the remaining c£13m from borrowing. In October 2023, the Council was successfully awarded and allocated additional funding of c£3m by Homes England, reducing the borrowing requirement to c£10m with c£3m from Homes England and c£2m from RTB receipts through the delivery of a split (regeneration versus additionality) scheme. The scheme will still deliver affordable rented units.
17. The current Business Plan, approved by Full Council on 20 February 2024, presents a starting position that is affordable for much of the planning period but becomes financially unsustainable from 2048/49 when balances fall below minimum levels. With regards to Phase B & Ci, the Business Plan considers the original capital investment, the updated capital financing, along with revenue impact assumptions with regards to ongoing repairs and maintenance and rental income at affordable rents.

18. The capital investment expenditure to date has reduced the original capital budget of £15m to £13.192m as of 1 April 2023, with minimal spend incurred this financial year. Officers have now completed the evaluation of the tenders for the construction contract and are now seeking approval to appoint the contractor. The contract proposed to be awarded is in excess to the remaining approved budget and therefore a virement from an alternative NTWP phase will be proposed and submitted for approval as per the Council Financial Regulations. Any virements will be reported to Members through the Council's Budget Monitoring and Outturn Reports. The projected capital investment required for remaining phases of NTWP will be updated and any additional budget required will be requested and assessed as part of the budget setting process and updated business plan for 2025/26.
19. A Value for Money Statement and a comparison to Equans original bid can be found within the Tender Evaluation Report (see Appendix B).
20. There are financial implications if the awarding of the contract is delayed. Delaying the appointment of a main contractor will cause delay to the construction of the new homes, and result in an increase in costs due to inflationary rises in build costs. There would also be a need to re-tender which would result in further costs to obtain updated information such as ecology surveys and property valuations, as these are time limited. Any delay would also impact the Business Plan assumptions with regards to projected rental income based on occupation projections, as well as put at risk our Homes England grant as they require a start on site claim to be submitted in Q1 of 2024/25. We also have tenants in temporary accommodation (decant) who are waiting to move into their new homes.
21. Construction activities carry inherent health and safety risks and these are the most significant risks for this procurement. These risks will be managed through multiple mitigation measures at the ITT stage and prior to and during the works phases as described in the attached risk register (Appendix C). The project is being supported by a Council Health and Safety Business Partner and a qualified and experienced consultant employed as the Principal Designer.
22. There is also a risk to the reputation of the Council as tenants have been decanted to enable the demolition phase of this development and will be seeking to return to their new homes which will be built as part of Phase B & Ci. The Risk Register is attached (Appendix C) setting out the risks arising and the mitigation actions taken.

## **Legal Implications**

23. The tender process requires the lead bidder to enter into a legal construction contract. This is an industry recognised form of contract, the JCT Design and Build contract. Legal Services support has been obtained to approve the particulars and amendments to the contract documents.
24. As the proposed decision relates to the procurement and award of a contract, Head of Procurement, Risk and Insurance, Claire Griffiths in Commercial & Procurement Team has been consulted. As the proposed contract has a total value over £500k, the Legal Services Contract Team have been consulted and provided legal advice.

## **HR Implications**

25. The cost of staff time will be met from existing resources or charged to the capital scheme as appropriate.

## **Other Implications:**

## **Equalities Implications**

26. Due regard has been given to any disproportionate equality implications and none have been identified for this report. The Equalities Impact Assessment is appended to this report as Appendix D.

## **Community Safety Implications**

27. Through the design of the Project, tenants and residents will feel safe in the public realm and feelings of safety and security in the home due to the adoption of crime prevention measures in the new development.
28. Consultation with Police and other statutory authorities has already been undertaken as part of the planning application process. No implications arose thanks to the meticulous design and resident consultation that was undertaken to achieve planning permission.

## **Climate Change and Sustainability Implications**

29. New build homes will be constructed to a minimum of Part L of the Building Regulations which will substantially improve the thermal performance of the

dwellings compared to the existing dwellings. In addition, the contracted specification has increased insulation, air tightness and reduced cold bridging. The units will also have Air Source Heat Pumps, PV, Batteries, and water reduction measures. The properties will have no gas and are zero carbon 2050 ready. The carbon and fuel efficiency are 12 times better than the Woolway homes being demolished. On the first let carbon saving and tenant fuel costs are anticipated to be 70%-80% less than current Woolway homes.

30. The new development has been designed to take advantage of biodiversity opportunities in the neighbourhood such as planting trees and creating a new public open space.
31. The Project has enabled the Council to embrace and design a new garden community to incorporate the Garden Town Principles and safeguard the natural environment, providing areas of planting and open space whilst ensuring residents have access to suitable homes and facilities.
32. Phosphates and housing development within the hydrological catchment of the Somerset Levels and Moors Ramsar Site - This scheme falls within the water catchment area of the Somerset Levels and Moors Ramsar Site. The planning application for Phases B, C and demolition of Phase D did not require a mitigation strategy. However, a mitigation strategy is required to build homes in Phase D and the HRA and Council are exploring options for mitigation. Phase D planning permission is not required until 2025/2026 which allows significant time for a phosphate mitigation strategy to be agreed.

### **Health and Safety Implications**

33. Construction activities carry inherent health and safety risks, and these are the most significant risks for this procurement. These risks will be managed through multiple mitigation measures at the ITT stage and prior to and during the works phases as described in the attached risk register (Appendix C). The project is being supported by a council Health and Safety Business Partner and a qualified and experienced consultant employed as the Principal Designer.
34. There are Health and Safety risks involved with delaying the construction of the new homes mainly in regard to trespass and the possibility of injury and illegal occupation. While maintaining and adapting the security measures put in place reduces these risks, the most certain form of mitigation is the completion of the build.

## **Health and Wellbeing Implications**

35. The Project as a whole has been designed to Nationally Described Space Standards to ensure properties are future-proofed and residents can benefit from some of the principles of lifetime homes and will contribute to the improve health and wellbeing of the residents.
36. The new detailed Planning Permission for Phases B–D illustrates the provision of public open space for community use which has been informed by public consultation.

## **Social Value**

37. The Invitation to Tender included the Social Value template supplied by Procurement. The completed template will form part of the contract documents to ensure these obligations are met.
38. The template incorporated mandatory criteria to ensure the new contractor provided the same social value outcomes which were achieved by Phase A – Equans, if not more.

## **Scrutiny comments / recommendations:**

39. The proposed decision has not been considered by a Scrutiny Committee. The Chair of Scrutiny Committee for Communities has been sent a copy of this Report.

## **Background**

40. In February 2019 the Somerset West and Taunton Shadow Council approved the redevelopment of the NTWP area.
41. The regeneration of the NTWP is an essential part of the Council's (previously Somerset West and Taunton) commitment to offer a choice of good quality homes for our residents, whatever their age and income, in communities where support is available for those in need.
42. The Project will deliver up to two hundred and thirty (230) new Council homes and retrofit twenty-seven (27) Council homes in five (5) phases.



43. This Project is the most substantial regeneration scheme of the Council's stock in many years. Not only is this scheme land led by the Council (rather than a partnering HA), but it is also larger in scale (number of homes, m2 of land) and tackles some of our worst performing stock in one of the most socially deprived areas in our County. It is the flagship housing project of our housing development programme.
44. Phase A, which is now nearing completion, is being built by the appointed main contractor, Equans. The Council had also appointed Equans to carry out pre-construction services to facilitate the development of Phases B, Ci and Di with the intention to then award the construction contract (including demolition) to them subject to terms being agreed. Equans informed the Council in January 2023 that while they would be completing their pre-construction services responsibilities, but they would not be proceeding with the construction of Phases B, Ci and Di due to Equans withdrawing from the South West region. The impact on the project is that the Council needed to carry out a full procurement exercise for a new main contractor and this would result in several months of delay. To reduce this delay and mitigate risks involved with maintaining the empty properties for an extended period, it was agreed to secure demolition separately so this can commence ahead of the main contractor appointment. Following a procurement exercise a demolition contractor has been appointed and is due to start on site imminently.

### **Contractor Procurement**

45. Permission to proceed with the procurement of a main contractor was granted by Nicola Hix, Service Director, Finance and Procurement on 18 October 2023 (via a Non-Key Decision Report).
46. The procurement for the main contractor has been carried out with extensive support from the Council's Procurement Team. Following the Procurement Advisor's recommendation, the Westworks OJEU Compliant DPS framework was used.
47. The Invitation to Tender was published on 30 October 2023. The bids were received and assessed on quality, price and social value. For full details please refer to the tender report, Appendix A.
48. Details of the evaluation of bids and resultant scores are contained in Confidential Appendix B.

## Background Papers

- Shadow Council Report dated 21 February 2019
- Council Report 3 December 2020
- Non-Key Decision Report 18 October 2023
- Key Decision Report 21 December 2023

## Appendices

- **Appendix A Tender Report**
- **CONFIDENTIAL Appendix B – Tender Evaluation Report (NOT FOR PUBLICATION)**
- **CONFIDENTIAL Appendix C – Risk Register (NOT FOR PUBLICATION)**
- **Appendix D – Equalities Impact Assessment**

## Assurance checklist

	Officer Name	Date Completed
Legal & Governance Implications	David Clark	23/2/24
Communications	Peter Elliott	23/2/24
Finance & Procurement	Nicola Hix Kerry Prisco	23/2/24 21/2/24
Workforce	Alyn Jones	23/2/24
Asset Management	Oliver Woodhams	23/2/24
Service Director (Housing)	Chris Brown	21/2/24
Strategy & Performance	Alyn Jones	23/2/24
Executive Lead Member	Councillor Frederica Smith Roberts	21/2/24
<b>Consulted:</b>		
Local Division Members	Councillor Lee Baker, Councillor Tom Deakin	21/2/24
Opposition Spokesperson	Councillor Andy Dingwall	21/2/24
Scrutiny Chair	Councillor Gwil Wren	21/2/24