CABINET MEMBER'S EXECUTIVE DECISION REFERENCE NO. 49/15/HRP
Decision title: Council Housing New Build – Site Due Diligence

Having carefully read and considered the Part A and B reports and the requirements of the Council’s public sector equality duty in relation to the issues detailed in the body of the reports, the Cabinet Member for Homes, Regeneration and Planning in consultation with the Cabinet Member for Finance and Treasury and the Leader of the Council.

RESOLVED:

to approve the award of contract for the Council New Build – Site Due Diligence consultancy services at a contract value of £700,000 plus a 10% contingency to allow a maximum contract sum of £770,000 to Hyder Consulting (UK) Ltd.
PART A - for General Release

<table>
<thead>
<tr>
<th>REPORT TO:</th>
<th>Cabinet Member for Homes, Regeneration &amp; Planning</th>
</tr>
</thead>
<tbody>
<tr>
<td>AGENDA ITEM:</td>
<td></td>
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<tr>
<td>SUBJECT:</td>
<td>Council Housing New Build – Site Due Diligence</td>
</tr>
<tr>
<td>LEAD OFFICER:</td>
<td>Colm Lacey – Director of Development</td>
</tr>
<tr>
<td>CABINET MEMBER:</td>
<td>Councillor Alison Butler - Cabinet Member for Homes, Regeneration &amp; Planning</td>
</tr>
<tr>
<td>WARDS:</td>
<td>All</td>
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CORPORATE PRIORITY/POLICY CONTEXT
The Council New Build Programme addresses the following principles of the Croydon Sustainable Community Strategy:
- A Caring City
- A Sustainable City
- An Enterprising City

The Croydon Promise sets out Croydon’s vision to create a place in which people are proud to live, entrepreneurs are proud to invest and a place that people want to visit. It sets out targets for job growth and new homes, supported by infrastructure and community facilities.

The Croydon Local Plan seeks to provide a mix of quality affordable housing in appropriate locations throughout the borough.

In March 2015 a report went to Cabinet entitled ‘Housing – our 10 priorities’ (ref: A36/15), it listed the the top 10 commitments for the Council with one of them being ‘building more homes for local people’. The paper built upon previous housing related papers which promoted a significant increase in the rate of new housing delivered through the Council Housing New Build Programme and other mechanisms of delivery.

In April 2015 a paper was presented to the Council’s Growth Board which set out the Council’s commitment to increasing the pace of new housing delivery to secure a strong supply of decent accommodation for residents.

AMBITIOUS FOR CROYDON & WHY ARE WE DOING THIS:
The Council is ambitious for the delivery of new, high quality affordable housing in the borough both to buy and to rent. Croydon will seek to invest in mixed communities together with the infrastructure to support them and promote housing led regeneration opportunities.

Croydon’s Local Plan sets out the need to provide a mix of housing types, tenures and sizes over the plan period in order to meet identified housing need. The Local Plan also stresses the need to provide quality new housing with minimum space standards and the need to deliver these new homes in the right locations around the borough.

The opportunities and capacity for new housing already identified will allow Croydon to make a considerable impact on housing delivery numbers in the borough and allow the borough to directly shape the quality of housing delivered.
FINANCIAL IMPACT:
This report recommends commitment to a contract award of up to £770,000 which includes a 10% contingency over the 2015/16 financial period for the Council New Build – Site Due Diligence consultancy services.

KEY DECISION REFERENCE NO.: N/A

The Leader of the Council has delegated to the Cabinet Member for Children, Young People and Learning the power (decision reference no. 50/15/LR) to make the decisions set out in the recommendation below

1. RECOMMENDATIONS

1.1 The Cabinet Member for Homes, Regeneration and Planning, in consultation with the Cabinet Member for Finance and Treasury and the Leader of the Council is recommended to approve the award of contract for the Council New Build – Site Due Diligence consultancy services at a contract value of £700,000 plus a 10% contingency to allow a maximum contract sum of £770,000 to the bidder and upon the terms detailed in the associated Part B report.

1.2 The Cabinet Member for Homes, Regeneration and Planning is asked to note that the name of the successful contractor will be released once the contract award is agreed and implemented.

2. EXECUTIVE SUMMARY

2.1 Croydon is in the midst of unprecedented growth and change, with a population that has grown by 35% between 2001 and 2011 and is expected to increase by a further 6% by 2021. Population growth is resulting in considerable pressure on services locally and in particular on housing. While Croydon is still considered to be one of the most affordable London Boroughs, it has seen considerable increases in house prices, residential rents and demand for deliverable housing sites, particularly within the Central Opportunity Area (COA).

2.2 The Growth Promise, agreed by Cabinet on 29th September 2014 (ref:A79/14), commits the Council to enable at least 9,500 housing starts over the 2014-19 period. A key component of housing deliver in the borough now includes the Council New Build Programme.

2.3 The Site Due Diligence work considered under this proposed contract award report will enable the Council to begin the delivery of, in excess of, 550 new quality mixed tenure homes for Croydon. This work will help de-risk the delivery of housing on the identified sites and allow the planning and design stages of the project to become more streamlined.

2.4 This report sets out the background to this project as well as the proposed procurement approach and evaluation process in selecting the preferred consultancy services.
2.5 In September 2015, a paper went to Cabinet detailing the formation of the Revolving Investment Fund (RIF). Cabinet subsequently resolved to establish the Croydon Revolving Investment Fund and assign delegated authority to the Deputy Leader and Cabinet Member for Homes and Regeneration and the Cabinet Member for Finance and Treasury with the Executive Director of Development and Environment and the Director of Finance and Assets to make investment decisions for the fund in line with the principles as outlined in this report (Ref A79/14). The budget and funding mechanism for this project was discussed at Growth Board in April 2015 and subsequently agreed between the relevant officers in liaison with Cabinet Members.

2.6 The content of this report has been endorsed by the Contracts and Commissioning Board.

<table>
<thead>
<tr>
<th>CCB Approval Date</th>
<th>CCB ref. number</th>
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<tr>
<td>09/07/2015</td>
<td>CCB1026/15-16</td>
</tr>
</tbody>
</table>

3. DETAIL

3.1 The Council is committed to making best use of its own estate including surplus publically owned land. To that end, a comprehensive assets review has been undertaken internally which has produced a list of up to 70 council owned sites which are considered by officers as suitable for residential development and deliverable within the next three years (the sites). It is currently estimated that in the region of 550 residential units could be provided across these sites over this period with a mix of tenures, both market and affordable housing depending on the particular circumstances of each site.

3.2 This revised Council New Build development process has evolved following a comprehensive review of the current process which has identified a number of key barriers to delivery. The key barrier has been identified as the high risk profile of the development opportunity. In many cases, there is limited site information relating to soil condition, location of utilities etc. Similarly, the planning context of many sites is relatively unknown and the small infill nature of the sites does not create an economy of scale attractive to many development partners or contractors.

3.3 The objective of this contract is to ensure that appropriate site due diligence is undertaken for each of the sites identified so that ‘highly deliverable’ sites can be progressed quickly to the detailed planning and design stages. For sites which are concluded to be ‘less easily deliverable’, the Council intends to undertake further work to unlock barriers to housing delivery on these sites.

3.4 The requirement and key deliverable is to produce detailed technical analysis of each of the sites resulting in a site report pack covering the following analysis:

- High Level Planning Constraint review;
- Measured, Boundary and topographical Surveys;
- Utilities infrastructure assessment;
- Geotechnical Survey (borehole and lab test to assess possible contamination);
- Gas Monitoring & Testing;
- Flood risk scoping analysis;
- High level assessment of possible Rights of Light issues;
- Existing building survey where appropriate;
- Historic use assessment and Archaeological survey.
- Ecology survey; and
- Photographic survey.

3.5 Following the completion of this due diligence work across the range of sites identified, the planning and design stages will commence. On sites identified as problematic, further feasibility and enabling works will be carried out where appropriate.

3.6 Approval of award of this contract will enable the commencement of the due diligence phase of works and, in due course, the design and submission of planning applications for each of the identified sites in the programme.

**PROCUREMENT APPROACH**

3.7 In accordance with the approved procurement strategy (ref: CCB1024/15-16), a mini competition was conducted, calling off the Homes and Communities (HCA) Multi-Disciplinary Panel Framework. This is an OJEU compliant framework which has 18 contractors as panel members and complies with the Councils Contracts and Tender Regulations in its provisions.

3.8 The HCA framework requires a sifting brief to be issued to all eighteen (18) contractors inviting them to participate and to respond to the sifting brief criteria. This was issued on 27th May 2015 with a response deadline of 5th June 2015 given. Seven (7) responses were received. They were evaluated in accordance with the published criteria and five (5) contractors were invited to tender with a submission deadline of 30th June 2015.

3.9 Responses to the tender were received from three (3) of the shortlisted contractors invited to participate. Two (2) contractors informed the Council that they did not have enough resources to respond to the tender. The tender responses were evaluated in accordance with the published criteria within the documentation and detailed below.
3.10 The submitted tenders were reviewed and validated by the evaluation panel to ensure compliance with the ITT tender documents and in accordance with the advertised evaluation criteria.

3.11 The Evaluation Panel was formed of council representatives from the following:

- Director of Development
- Head of Estates and Asset Management
- Head of Spatial Planning
- Regeneration Officer – Development Team
- Senior Procurement Officer – Moderation only

3.12 The evaluation scores for each bid received are detailed in the following table and provided in detail by supplier within the Part B report:

<table>
<thead>
<tr>
<th>Evaluation Criteria</th>
<th>Bidder 1</th>
<th>Bidder 2</th>
<th>Bidder 3</th>
</tr>
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<tbody>
<tr>
<td>Understanding</td>
<td>5.5%</td>
<td>9.75%</td>
<td>10.75%</td>
</tr>
<tr>
<td>Proposed Team</td>
<td>10.25%</td>
<td>17.00%</td>
<td>18.50%</td>
</tr>
<tr>
<td>Method Statement</td>
<td>11.00%</td>
<td>18.00%</td>
<td>18.50%</td>
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<tr>
<td>Total Quality</td>
<td>26.75%</td>
<td>44.75%</td>
<td>47.75%</td>
</tr>
<tr>
<td>(Max. 70%)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Price</td>
<td>Non Compliant</td>
<td>28.00%</td>
<td>29.75%</td>
</tr>
<tr>
<td>(Max. 30%)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>72.75%</td>
<td>77.50%</td>
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<tr>
<td>Rank</td>
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<td>2</td>
<td>1</td>
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3.13 It should be noted that Bidder 1 submitted pricing which did not comply with the requirements of the tender; they only submitted pricing for desktop style survey and not the comprehensive due diligence required.

3.14 Following the evaluation scores in the table above, Bidder 3 has submitted the most economic advantageous tender achieving both the highest qualitative and quantitative scores. It is considered that Bidder 3’s response across all sections generally displayed an excellent understanding of the brief, their proposed project team is considered excellent and their method statement, understanding of risk, proposed programme, flexibility and pricing were considered to be most suited to the aspirations of the project. While Bidder 2’s response was also considered very good, Bidder 3 consistently exceeded requirements across all of the response criteria.
4. CONSULTATION

4.1 No consultation with external bodies has taken place at this stage of the project as the proposals have not reached a detailed proposal stage. It is intended that consultation will take place with key stakeholders as part of the planning and design stages of the project as appropriate.

5. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

5.1 Capital consequences of report recommendations

<table>
<thead>
<tr>
<th></th>
<th>Current year</th>
<th>Medium Term Financial Strategy – 3 year forecast</th>
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<tbody>
<tr>
<td></td>
<td>2015/16</td>
<td>2016/17</td>
</tr>
<tr>
<td>Capital Budget</td>
<td>£770,000</td>
<td>£0</td>
</tr>
<tr>
<td>available</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expenditure</td>
<td>£0</td>
<td></td>
</tr>
<tr>
<td>Effect of decision from report</td>
<td>£0</td>
<td></td>
</tr>
<tr>
<td>Expenditure</td>
<td>770,000</td>
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<tr>
<td>Remaining budget</td>
<td>£0</td>
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5.2 This commission will be awarded and completed within the 2015/16 financial year with the project forecast to commence during August 2015 and complete no later than October 2015.

5.3 The effect of the decision

The approval of this recommendation will commit up to £770,000 (including 10% contingency) to complete due diligence work which will in turn enable the Council to commence the design phase of the Council New Build Programme going forward. Expenditure will be subject to contract terms and the funding will be taken from the Council’s earmarked reserves as agreed by the Director of Finance. By requesting the suppliers to provide for up to 70 sites in one batch, the council has achieved a saving of circa 13% per site.

5.4 Risks

The principle risks associated with the commission are:

i) Ensuring the necessary permissions/access are in place to deliver the commission. The council is preparing detailed information packs and a stakeholder and community communication plan in respect of the Council New Build Process. The successful bidder will agree a process of engagement with stakeholders in the project initiation meeting;

ii) Ensuring that all necessary due diligence can be undertaken within the agreed timetable while achieving the necessary outputs and appropriate
quality as well as ensuring future phases of the new build programme can progress on time. An programme will be agreed with the successful bidder and set out within the contract;

5.5 **Future savings/efficiencies**

It is considered that by batching the council owned sites it will create economies of scales and therefore savings will be achieved across the programme. Additionally, by including a list of individual survey prices, we are able to pick a selection, thereby reducing the costs of having to instruct a full suite of surveys on any additional sites.

As the project progresses, savings and efficiencies may be achieved through use of an in house design team as well as use of the Development Company to deliver new housing.

The work of de-risking development sites will also create disposal opportunities to the private sector with possible increased site values achieved as a direct result.

Approved by: Dianne Ellender, Head of Finance and Deputy S151 Officer

6. **COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER**

6.1 The Council Solicitor comments that the procurement process as detailed in this report conforms with the requirements of the Council’s Tenders and Contracts Regulations and its statutory duty to secure best value under the Local Government Act 1999.

Approved by: Gabriel McGregor, Head of Corporate Law

7. **HUMAN RESOURCES IMPACT**

7.1 There are no human resources implications arising from this report.

Approved by: Adrian Prescod, HR Business Partner on behalf of the Director of Human Resources

8. **EQUALITIES IMPACT**

8.1 No equality analysis has been undertaken at this stage of the project as this commission relates to Phase 1 Due Diligence work only. Further analysis of equality impact will be undertaken as the project reaches detailed design and planning stages or as required. It is anticipated that the project will have substantial positive impacts on protected groups in Croydon and the allocation of the affordable housing developed through the programme will be made in accordance with the council’s own equality policy.

9. **ENVIRONMENTAL IMPACT**

9.1 Environmental impact will be assessed through the detailed design and planning stages of the programme. However, this due diligence process will assist in uncovering any currently unknown environmental impacts such as
contaminated land or the presence of previously undetected harmful gas levels etc.

9.2 Any residential units developed through the programme will be subject to the council’s environmental standards (e.g. code for sustainable homes level 4 or any successor standard brought about through the national review currently being undertaken or any additional standard the council may wish to implement).

9.3 The scale, mix and location of potential new homes potentially allow for connection to a centralised energy centre, particularly for sites of scale situated close to the central opportunity area. It is not envisaged that the same opportunity will exist currently for smaller infill opportunity sites due to a lack of economy of scale and the cost of retrofitting existing older estates.

10. CRIME AND DISORDER REDUCTION IMPACT

10.1 There are no direct crime and disorder reduction impacts arising from the recommendations in this report. Future design and planning work will look to ensure ‘secured by design’ principles can be incorporated in new residential development brought forward through the Council New Build Programme.

11. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION

11.1 Following analysis of the commercial and qualitative aspects of the tenders received as detailed in 3.10 – 3.14, it is recommended that the contract be awarded to the bidder detailed within the recommendation contained within the Part B report, as they offered the most economic advantageous tender.

12. OPTIONS CONSIDERED AND REJECTED

12.1 No appropriate alternative delivery options were identified and deemed suitable, therefore no further delivery options were considered.

CONTACT OFFICER:

<table>
<thead>
<tr>
<th>Name:</th>
<th>Damien Lynch</th>
</tr>
</thead>
<tbody>
<tr>
<td>Post title:</td>
<td>Regeneration Officer</td>
</tr>
<tr>
<td>Telephone number:</td>
<td>Extension: 88008</td>
</tr>
</tbody>
</table>

BACKGROUND PAPERS - None