

## **CHALLENGE FUND**

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### **1.0 EXECUTIVE SUMMARY**

- 1.1 The purpose of this report is to seek Members approval to utilise the established procurement route of Liverpool Housing Trust (LHT) as an alternative to the procurement method set out in the Council's Contract Procedure Rules, to ensure that new housing units, which are to be funded by the Homes and Communities Agency (HCA) through their Challenge Fund Initiative are delivered within Central Government's rigid timescale.
- 1.2 Failure to meet the requirements of the Homes and Communities Agency would mean the delivery of 23 social housing units for Wirral would be lost. The recommendation to use the existing framework contract of the Riverside Partnership Development Consortium will ensure that a robust process to select more contractors capable of delivering these houses within the timescales set can be achieved.

### **2.0 BACKGROUND**

- 2.1 The HCA Challenge Fund initiative was announced in the Budget 2009 as part of a £1 billion package for additional investment in housing to ensure that delivering more and better homes, one of the Governments highest priorities, is achieved
- 2.1 Members will recall at Cabinet on 3<sup>rd</sup> September 2009, they approved the submission of a funding bid by Wirral Council to the Homes and Communities Agency (HCA) under the Governments Challenge Fund initiative.
- 2.2 As part of this process Wirral Council engaged with Wirral Partnership Homes (WPH) as its preferred RSL to support the Council in the bid process and to deliver and manage the properties on the Councils behalf on their completion. This was a requirement of the scheme
- 2.3 The bid submitted was to secure 50% funding towards a total scheme cost of £2.8m to develop a scheme of 23 new affordable social rented housing units on Council owned land in Seacombe, Bebington and Prenton. The remaining 50% funding for the scheme will be financed through prudential borrowing with the rental income from the properties servicing the loan.
- 2.4 In January 2010 the HCA confirmed that 73 local councils in England successfully secured access to over £230m of funding under round 2 of its Local Authority New Build programme (Challenge Fund). Wirral Council was one of those successful councils and secured £1.43m as part of this initiative. It is the only Local Authority in Merseyside and is one of five Local Authorities in the North West who will be developing affordable housing through this initiative.

### **3.0 PROCUREMENT**

- 3.1 WPH has been appointed as the Councils delivery and managing agent for this scheme. As WPH is a relatively new Registered Social Landlord (RSL) they are developing their

team to take forward new affordable housing developments. In the mean time it is a requirement of their regulator, the Tenant Services Authority (TSA) that they partner with another RSL (Liverpool Housing Trust (LHT)) who act as their developing agent for all new build affordable housing schemes. LHT will be responsible for developing the 23 Challenge fund units. LHT have previously taken on this role for WPH and successfully delivered two new build affordable housing schemes already in Wirral.

- 3.2 Work is well under way in terms of planning and developing the programme for delivery for these latest affordable housing units and the Council has already been successful in securing planning permission on two of the three sites. A decision regarding planning permission on the third site at Woodchurch Lane was deferred at Planning Committee on 11th March 2010, to allow a site visit to take place to consider the application further. This will be considered at the next Planning Committee which is scheduled for 31<sup>st</sup> March 2010, following the site visit. Members should be aware that if planning approval for this third site is not successful, the funding secured via the HCA for all three sites will have to be returned and the overall scheme for 23 units of affordable housing will not be developed. This is because the successful bid secured was for funding to develop a total of 23 affordable housing units across three sites. The successful bid was based on the financial economies of scale which could be achieved by developing all three sites.
- 3.3 The next stage in this process is for LHT as WPH's developing agent, to procure a Building Contractor to undertake the main building works under a JCT form of contract and ensure that start on site for this development is achieved at the very latest on 26<sup>th</sup> July 2010 with full completion of all units by 31<sup>st</sup> March 2011. These dates must be achieved as they are a condition of the funding secured and any delay could result in the HCA withdrawing this allocation.
- 3.4 Timescales are extremely short in terms of taking forward this work. LHT have proposed that their established procurement procedure is used which will ensure that they are able to meet the necessary deadlines. This involves the procurement of the services of a building contractor through an existing framework contract of the Riverside Partnership Development Consortium of which they are part.
- 3.5 The consortium is made up of eight Registered Social Landlords who have come together to ensure that the latest best practice, value for money and high quality development standards are included in their developments. The consortium, has already tendered through the Official Journal of the European Union (OJEU) for five contractors to build properties for the consortium. A thorough interview process incorporating technical expertise, ability to deliver on time and on cost as well as value for money and quality was undertaken. Benchmarking reviews, continuous and service improvement groups have taken place and the consortium has been recognised by the Homes and Communities Agency as delivering good practice and meeting all their strict requirements. This means that an extremely robust process has already taken place to select five suitable contractors that would be capable of developing the Council's 23 new build properties secured through the Challenge Fund.
- 3.6 Consequently I recommend that the Council utilises the established procurement procedure used by LHT. LHT would procure this scheme via a closed tender calling for bids from the five contractors within the Riverside Partnership Framework. This process will assess tenders based on HCA standards which have already been incorporated into the Riverside partnership framework.
- 3.7 As this project is valued at below the threshold sum determined by the European Union (OJEU) and the Riverside Partnership list of contractors has been subjected to a thorough and robust procurement process to determine suitability and capability, the

Council can adopt this list of contractors for this project to ensure that both rigid Government timescales are met and the Council's Contract Procedure Rules, after Member approval, are followed.

3.8 The five contractors within the Riverside Partnership Framework are listed below:

Seddon Group, Flint  
Lovell, Birkenhead  
ROK, Chester  
Keepmoat, Liverpool  
Bardsley, Manchester

All five companies are Construction line registered

3.9 A further report will be presented to Cabinet in April, with details of agents and consultants appointed to the scheme in line with the exceptions provided for in the Council's procurement rules. Furthermore it will be recommended that the scheme is added to the Council's Capital Programme.

3.10 Corporate Procurement will be involved within the process to ensure that LHT act throughout the process in accordance with the Council's Contract Procedure Rules.

#### **4.0 FINANCIAL IMPLICATIONS**

4.1 The contract value for this scheme is £2.4m and is below the threshold sum determined by the European Community (OJEU), therefore LHT's procurement route is considered to provide an appropriate alternative to the Council's Contract Procedure Rules.

4.2 The units when completed will remain in the ownership of Wirral Council, with WPH managing the properties on the Council's behalf therefore there will be no capital receipt secured through this initiative.

#### **5.0 STAFFING IMPLICATIONS**

5.1 There are no staffing implications arising from this report as the future management of the schemes when completed will be managed by Wirral Partnership Homes for an agreed overall management fee.

#### **6.0 EQUAL OPPORTUNITIES IMPLICATIONS / EQUALITY IMPACT**

6.1 The redevelopment of these sites will help to promote greater choice and increase housing for local people. These issues have been recognised within the Equality Impact Assessments carried out for both the Housing Strategy and the Enabling Role, under which this initiative is placed and which identified potential positive impacts

#### **7.0 COMMUNITY SAFETY IMPLICATIONS**

7.1 The properties will be 'Secured by Design' reducing any potential risk of generating crime.

#### **8.0 LOCAL AGENDA 21 IMPLICATIONS**

8.1 The redevelopment of these sites will help to reduce the occurrence of fly-tipping, dog-fouling and litter which often causes local residents concern.

- 8.2 The new housing developed will meet the Code for Sustainable Homes Level 4 thereby reducing energy, water and waste consumptions compared to non Code compliant developments.

## 9.0 PLANNING IMPLICATIONS

- 9.1 The Council has secured planning permission for 4 x 2 bed bungalows at Cherry Bank, Seacombe and approval for 5 x 2 bed bungalows at Kennet Close, Bebington. A decision regarding planning permission on the third site at Woodchurch Lane, Prenton was deferred at Planning Committee on 11th March 2010, to allow a site visit to take place to consider the application further. This will be considered at the next Planning Committee which is scheduled for 31<sup>st</sup> March 2010. Members should be aware that if planning approval for this third site is not successful, the funding secured via the HCA for all three sites will have to be returned and the overall scheme for 23 units of affordable housing will not be developed.

## 10.0 RISK ASSESSMENT

- 10.1 There are a number of opportunities and risks associated with this initiative which have been covered in detail in this report primarily in Section 3, however the following areas should be noted:

### Opportunities

- The 23 units developed utilising the Challenge Fund initiative will have a positive impact on NI155 (Number of Affordable Homes Delivered (Gross)) which is a Priority Area for Improvement in Wirral's Local Area Agreement (LAA).
- The scheme will provide affordable housing units to meet the local housing needs of the borough.
- The scheme when completed will positively impact on crime, fly tipping, dog fouling and litter which cause local residents concern.
- LHT is committed to promoting positive action by the contractors they employ to maximise employment and training opportunities for local people. In relation to the Challenge Fund scheme, LHT will endeavour to ensure that the contractor appointed will recruit at least two local apprentices.

### Risks

- There may be a potential challenge from developers who are not included in the Riverside Partnership Development Consortium and who, in consequence, will not have the opportunity to compete for the building contract. The risk associated with this is mitigated by the measures set out in section 3 of this report.
- If planning approval is not secured for the third site at Woodchurch Lane, the scheme will not proceed and the 23 units of affordable housing, which would impact positively on NI155 in Wirral's LAA, will not be achieved as highlighted in 3.2 and 10.1 of this report.

## 11.0 ANTI-POVERTY IMPLICATIONS

- 11.1 The schemes aim to reduce poverty, isolation and exclusion by meeting local needs, improving quality of life and offering housing choice.

## 12.0 SOCIAL INCLUSION IMPLICATIONS

- 12.1 The housing schemes highlighted in this report aim to promote social inclusion.

### 13.0 **LOCAL MEMBER SUPPORT IMPLICATIONS**

13.1 This report will be of particular interest to Members representing the Prenton, Seacombe and Bebington wards.

### 14.0 **BACKGROUND PAPERS**

14.1 Building Britain's Future - Challenge Fund – Cabinet 3<sup>rd</sup> September 2009.

### 15.0 **RECOMMENDATIONS**

15.1 That Members approve

i) the use of the established procurement procedures of Liverpool Housing Trust (LHT) and

ii) approve the adoption of the list of five contractors set out in paragraph 3.8, as a means of ensuring development and completion of the 23 affordable housing units secured through the HCA Challenge Fund Initiative.

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