

# STROUD DISTRICT COUNCIL

## HOUSING COMMITTEE

TUESDAY, 5 APRIL 2022

<b>Report Title</b>	<b>New Homes and Regeneration Programme Update</b>			
<b>Purpose of Report</b>	To provide an overview of the New Homes & Regeneration Programme included in the Capital Programme within the MTFP and an update on the Extension of Time Claims received on three schemes where additional costs have been incurred.			
<b>Decision(s)</b>	<b>The Committee RESOLVES to:</b> <b>a) Note the outcome of the delivery of the current New Homes Programme in particular the position with regard to the schemes at Summersfield Road, Broadfield Road &amp; Ringfield Close.</b> <b>b) Note the update provided on the programme of new council homes, with budget already approved in the MTFP, for delivery during 2022 to 2025.</b>			
<b>Consultation and Feedback</b>	Consultation with stakeholders is undertaken at the relevant stages of a project. Consultation has taken place with Ward Councillors and Town/Parish Councils on schemes included within the current Capital Programme. Consultation with the majority of Ward Councillors and Town/Parish Councils has been undertaken on new schemes which are currently being explored as part of the future programme. Those Ward Councillors who have been consulted are supportive of the programme and the response from Town/Parish Councils is mainly positive. Updates have been provided to the Chair/Vice Chair of Housing Committee.			
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<b>Options</b>	To not borrow further funding in the HRA to deliver new homes and to stop the programme or specific schemes within the programme.			
<b>Background Papers</b>	None			
<b>Appendices</b>	Appendix A - Summary of New Homes & Regeneration Programme sites including number and mix of tenure.			
<b>Implications (further details at the end of the report)</b>	Financial	Legal	Equality	Environmental
	Yes	No	No	Yes

## 1. INTRODUCTION

- 1.1 Stroud District Council has a strong and successful track record of delivering good quality affordable housing within the district, having delivered 244 new affordable homes across the original programme. A further 7 new homes have been delivered within our current New Homes & Regeneration Programme and a further 94 new homes are planned and budgeted for delivery by 2025.

This report provides an update on the delivery of new homes through the current programme and touches on the location of sites which may be included within the future programme beyond 2025.

The past two years have seen challenging circumstances within all sectors, however the pandemic has had a profound impact on the construction industry and subsequently the delivery of the programme, due to a combination of labour and material shortage. The successful delivery of new housing during these challenging times is a reflection of the determination of the Council to achieve its targets and support delivery of affordable housing across the district to help address the acute housing need which is compounded by increasing property prices.

- 1.2 The report sets out background to the Extension of Time claims received from the contractor at Ringfield Close, Nailsworth, Summersfield Road, Minchinhampton and Broadfield Road, Eastington. The factors which resulted in the claims as well as the mitigation considerations and resolution to address the additional costs are set out in further detail within the section 3.0 of the report.

## 2. OVERVIEW - NEW HOMES AND REGENERATION PROGRAMME 2019 - 2025

- 2.1 The current New Homes and Regeneration Programme has funding secured for the delivery of 101 affordable homes across the district. The details of these schemes including the tenure and mix can be found within **Appendix A**. In order to achieve efficiencies and increase speed of delivery across the programme, SDC opted to procure a contractor through a Dynamic Purchasing System (DPS Framework). The successful contractor was E.W. Beard who are based in Swindon. To mitigate risk, the programme was divided into tranches with the first tranche awarded to E.W. Beard with the contract being managed robustly through the use of monthly KPI's under an umbrella FAC-1 Contract. The framework enables the award of subsequent tranches of schemes subject to satisfactory performance.

The tranches have been divided as follows:

Tranche 1	Delivery by Year				
	2021/22	2022/23	2023/24	2024/25	Scheme Total
Ringfield Close, Nailsworth	5	15			20
Summersfield Road, Minchinhampton	7				7
Broadfield Road, Eastington		9			9
Tranche 2					
Orchard Road, Ebley			5		5
Gloucester Street/Bradley Street, W-U-E			8		8
Cambridge House, Dursley			13		13
Glebelands, Cam				23	23
Tranche 3					
Site at Canalside adjacent to A419, Stonehouse				9	9
Queens Drive, Cashes Green				7	7
<b>TOTALS</b>	<b>12</b>	<b>24</b>	<b>26</b>	<b>39</b>	<b>101</b>

### 3. TRANCHE 1 SCHEME UPDATES AND EXTENSION OF TIME CLAIMS

- 3.1 SDC entered into a JCT Design & Build Contract with E.W. Beard for the delivery of Summersfield Road, Broadfield Road and Ringfield Close. The total contract sum for these works is £5,354,702.10.

During March this year, SDC accepted handover of 7 of these new affordable homes at Summersfield Road, Minchinhampton. A detailed scheme by scheme update is set out for Tranche 1 below with a dedicated section detailing the key information in relation to the Extension of Time claims.

- 3.1.2 Summersfield Road in Minchinhampton is a former Multi Use Games Area (MUGA) and the development opportunity was identified during the garage asset review. Start on site was achieved on 1<sup>st</sup> March 2021 and completion of the seven new homes (all affordable rent) took place on 15<sup>th</sup> March 2022. This was 27 weeks after the contract completion date. This new development has provided 4 x 1 bedroom 2 person flats, 2 x 2 bedroom 4 person houses and 1 x 3 bedroom 5 person house housing up to 21 people in total. The energy efficiency of all of the new homes

exceeded our own ambition of achieving a minimum SAP rating of 86 with the homes scoring 101-105 respectively which resulted in an EPC A rating.

3.1.3 Broadfield Road in Eastington is an existing Independent Living scheme which has recently been rebranded as part of the Independent Living Modernisation Programme. The development opportunity was identified following the review of SDC's sheltered housing assets undertaken by Ark in 2016. The communal building which was underused was demolished and the nine new bungalows have been designed in and around the communal areas of the site. Start on site was achieved on 29<sup>th</sup> March 2021 and completion of the nine new bungalows (all affordable rent) are due to take place on 7<sup>th</sup> April 2022. This will be 25 weeks after the contract completion date. This new development has provided 7 x 1 bedroom 2 person bungalows and 2 x 2 bedroom 3 person bungalows housing up to 20 people in total.

3.1.4 Ringfield Close in Nailsworth is a former sheltered housing scheme which was categorised as 'red' in the Ark Report. The site was due to be sold however SDC were able to retain and develop the site when the Government lifted the borrowing cap. Start on site was achieved on 25<sup>th</sup> January 2021. The three shared ownership and two older persons shared ownership homes are due to handover on 31<sup>st</sup> March 2022 which will enable SDC to claim the Homes England funding by the deadline of the 2016 – 2021 Affordable Housing Programme. Currently there is a small chance that this deadline may slip by a week, however SDC are in close contact with Homes England to ensure this does not impact our funding. The remaining fifteen affordable rented homes are due to complete at the end of May which will be 23 weeks after the contract completion date. The new development will provide 4 x 1 bedroom 2 person flats, 2 x 2 bedroom 3 person bungalows, 8 x 2 bedroom 4 person houses and 6 x 3 bedroom 5 person houses. In total this will provide additional housing for up to 76 people.

3.2 As highlighted in section 1.2 of this report, the three developments detailed above were significantly impacted by COVID-19 and Brexit. The impact of these two significant events has been felt across the construction sector with multiple examples of contracts exceeding the original budget, in some cases by as much as £1 million or above. The following points highlight the key issues which directly affected the programme of these three sites.

3.2.1 Cost of labour and materials with construction costs increasing above market predictions.

3.2.2 Material supply and lead in times - as a specific example, the inability to procure bricks due to manufacturers being unable to obtain the supply of raw materials. This was not an isolated event and our contractor also struggled to obtain other construction materials, such as roof tiles where orders had already been placed but the manufacturers were unable to provide the supply required within the agreed timescales.

- 3.2.3 Labour was hard to secure with sub-contractors able to pick and choose where they worked due to high demand across the sector.
- 3.2.4 COVID-19 regulations resulted in limits being placed on the number of labourers who were able to work in enclosed spaces at any one time.
- 3.2.5 Sickness absence was high due to COVID-19 and this was further impacted by the requirement of some staff to self-isolate.
- 3.3 In addition to the impact of COVID-19 and Brexit, additional delays were incurred across all three projects which were attributed to party wall and statutory matters, both of which fall under the responsibility of the employer (SDC).
- 3.4 Due to the impacts on the programme set out in 3.2 and 3.3, which resulted in the contractor being unable to complete the homes by the contract completion date, the contractor under the terms of the contract is entitled to make an Extension of Time (EoT) claim which also includes the ability to claim loss and expense costs. The contractor issued an EoT claim to SDC in October 2021.
- 3.5 SDC's contract with E.W. Beard is administered and monitored by Kendall Kingscott who are the appointed Employer's Agent for the New Homes and Regeneration Programme. As part of this role, Kendall Kingscott are required to administer the contract, undertake monthly valuations of work on site and provide monthly cost reports against the contract sum. They are therefore required to review and evaluate any EoT claims submitted during the contract and form their own assessment of the validity of the claim.
- 3.6 Kendall Kingscott reviewed the claims and set out two options for SDC's consideration.
  - 3.6.1 Option 1 was to take a contractual approach which would involve the exchanging of letters/information requesting detail to evidence each and every element of the claim, leading to the back and forth between parties as the information is challenged/questioned. Whilst this would essentially achieve a 'true' outcome, the cons to this scenario result in a protracted process, potentially litigious which will likely fracture the relationship with the contractor and potentially attract additional costs in legal fees.
  - 3.6.2 Option 2 was to reach a commercial agreement where both parties seek to agree a sum to settle upon in a collaborative manner. The benefits are a quicker agreed position, unlikely to be litigious, less dispute driven and relationships are likely to be maintained. The cons are that it is less focussed on extensive detailed evidence and based more on professional judgement.

It was agreed with the Strategic Director of Resources and senior officers that we would proceed with option 2 and reach a commercial settlement; on the basis that option 1 would be progressed if a satisfactory agreement could not be achieved.

- 3.7 Kendall Kingscott reached a settlement below the cost originally sought by the contractor and the impact of these additional costs will be reported in a future budget monitoring report.

3.8 On final completion of the contract an outturn report will be presented to the Strategic Director of Resources and will be reported into Committee at budget monitoring. The New Homes & Regeneration team will also be undertaking a review of outcomes from the project to help strengthen contract management protocols and mitigation measures for delivery of future projects.

#### **4.0 TRANCHE 2 & 3 SCHEME UPDATES**

4.1 As detailed in section 2.1 tranches 2 and 3 will see the delivery of 65 new affordable homes. The performance of E.W. Beard has been monitored through the use of KPI's throughout the delivery of the tranche 1 sites. SDC are currently satisfied with the performance of the contractor and the intention is to deliver the tranche 2 sites through the existing DPS framework with E.W. Beard.

4.2 In order to realise the benefits of the framework, the detailed design stage will be progressed through a Pre-Contract Services Agreement (PCSA) in partnership with our appointed contractor. One of the many benefits of this preferred route is that the contractor will be addressing risks throughout the design stage and therefore exposure to costs associated with unknown risks will be reduced. It will also encourage a collaborative approach strengthening the partnership, encouraging innovation and building on lessons learnt in tranche 1.

4.3 As stated within section 2.3.1 of this report, the construction sector has seen a significant increase in build costs over the past year. In order to reduce risk to SDC, Kendall Kingscott undertook a review of the pre-tender estimates that were undertaken approximately 6+ months ago and were asked to apply the latest BCIS inflation percentages to see what impact this had on the viability of schemes. Across the four sites within tranche 2 it is likely that the cost of building the new homes will have increased by approximately £500k or more. It should be noted that these cost increases will not be exclusive to these four sites, but will likely be replicated across the entirety of the programme. There do appear to be signs of the market stabilising in the interim, though there may be additional impacts which are yet to be seen as a result of the conflict in Ukraine.

4.4 The following points will provide an update on the Tranche 2 and 3 sites.

4.4.1 Gloucester Street/Bradley Street, Wotton-Under-Edge - SDC secured planning permission for the construction of eight affordable homes for rent. The site includes four empty properties, two located on Gloucester Street and two on Bradley Street. The homes would have required significant investment to improve the standard of accommodation and during the exploration of options for the homes; an opportunity arose to provide additional new affordable housing on the site. SDC will be progressing this scheme with E.W. Beard through a PCSA and aim to start on site in late summer this year with completion anticipated in early Summer of 2023.

4.4.2 Orchard Road, Ebley - is a former garage site owned by SDC and planning permission has been secured to construct five new affordable homes for rent. The garages have been demolished; however, the site has not been fenced off due to rights of access to surrounding properties which need to be retained. SDC will be progressing this scheme with E.W. Beard through a PCSA alongside the Gloucester

Street/Bradley Street project and aim to start on site in late summer this year with a completion anticipated in Spring 2023.

- 4.4.3 Cambridge House, Dursley – is an existing sheltered housing scheme which is now empty. SDC have secured planning permission for thirteen new affordable homes for rent and plan to progress this site through a PCSA alongside the Glebelands scheme. It is hoped that a start on site can be achieved in late 2022 with a completion in Autumn 2023.
- 4.4.4 Glebelands, Cam - is an existing sheltered housing scheme which is now empty. SDC have submitted a planning application for twenty-three new affordable homes, to provide a mix of affordable rent and shared ownership. Subject to securing full planning consent, the intention is for this scheme to be progressed through a PCSA. SDC's appointed contractor will provide a programme setting out the key milestones, but it is hoped that a start on site can be achieved in early 2023 with a completion in Spring 2024.
- 4.4.5 Queens Drive, Cashes Green - is a former garage site owned by SDC. The site is fenced off ready for development. There are some access issues which need to be resolved before the scheme can be progressed further. Ward Councillors are aware of the proposals and will be consulted further as the plans progress.
- 4.4.6 Land adjacent to the A419 Canalside (previously known as the former Ship Inn Site) - Members will be aware that this site remains in the new build programme and that it was hoped that a further report on the future proposals for the site and wider area, which could include community facilities, would be brought back to the committee in the Spring. This was dependent on the co-operation of a private landowner, who is currently unwilling to discuss their site, so this is not possible.

Officers are continuing to review the options for the site and senior officers have contacted the Town Council to request a meeting to establish whether there are any alternative sites within Stonehouse which could be developed for affordable homes.

## **5.0 FUTURE PROGRAMME**

- 5.1 SDC is keen to actively progress a number of pipeline projects to increase the delivery of more new council homes beyond the existing schemes outlined in sections 3 & 4. The Council has limited land opportunities remaining and so the Council has committed £3 million towards the acquisition of new development land to assist with future delivery including some of the sites identified in 5.3. SDC's Development Surveyors continue to review our existing estates including through the garage disposal programme and actively explore opportunities to acquire land for development which includes a regular review of the Brownfield Land Register.
- 5.2 The team work closely with the Housing Strategy team to identify opportunities for the delivery of new homes across the district. SDC have also joined the Gloucestershire Rural Housing Partnership (GRHP) to identify any rural housing opportunities through exception

site policy. A few schemes have already been identified through the group and are being explored further by the team.

- 5.3 The key areas where future development opportunities are currently being considered are Dursley, Stinchcombe, Stone, Stonehouse, Uley & Whiteshill. This is not an exclusive list; new opportunities continue to arise and their suitability assessed for potential development.
- 5.4 The New Homes team will consult with Ward Councillors, Parish/Town Councils as opportunities arise to ensure they are aware of any new sites under consideration. Sites which are viable will be progressed through the feasibility stage and budget will need to be secured within the MTFP for the delivery of these sites. Housing Committee approvals will be sought at the relevant stage.

## **6.0 SUBSIDY AND FUNDING**

- 6.1 Due to the very nature of developing affordable housing and rental income which is significantly below market levels, subsidy is required to support the delivery of new affordable housing.
- 6.2 SDC have developed a partnership with Homes England's Growth team to explore any opportunities for securing funding from the latest Affordable Homes Programme which would be secured through the Continuous Market Engagement (CME) route. Any opportunities for funding need to be considered alongside the need to use Right to Buy receipts and therefore discussions are undertaken alongside SDC's Accountancy Manager.
- 6.3 SDC were also successful in securing additional funding from the Brownfield Land Release Fund (BLRF) to support the infrastructure costs associated with developing brownfield land. Funding was secured for the four sites in tranche 2 to the value of £421k.

## **7.0 KEY RISKS TO DELIVERY OF THE PROGRAMME**

- 7.1 New build sites generally have a large number of associated risks which can differ from site to site. The key risks to delivering the programme within the timescales are:
  - 7.1.1 Failure to obtain planning permission – delays are currently being experienced due to the slow response from statutory bodies.
  - 7.1.2 Increasing build costs in addition to supply of labour and materials.
  - 7.1.3 Unknown ground conditions which affect the drainage strategy/costs to deliver the site.
  - 7.1.4 Legal agreements and statutory authorities such as utility suppliers.
  - 7.1.5 Ecology (including surveys which are time specific, and any associated licences which may be required from Natural England).



7.2 The team are aware of these risks and seek to actively manage them throughout the duration of the project, though sometimes they can be beyond the Council's control.

## **8.0 CONCLUSION**

8.1 Committee are requested to note the update on the New Homes Programme which includes an update on the Extension of Time Claims received at Ringfield Close, Nailsworth, Summersfield Road, Minchinhampton and Broadfield Road, Eastington. Committee are also requested to note the update on the Tranche 2 and 3 schemes and future programme.

## **9. IMPLICATIONS**

### **9.1 Financial Implications**

Costs associated with the building of new homes will continue to be monitored against the budget approved in the MTFP and reported within the Housing Committee report.

Additional funding will be sought through the Homes England's Growth team via the latest Affordable Homes Programme and the Brownfield Land Release Fund (BLRF).

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### **9.2 Legal Implications**

There are no significant implications within this category.

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### **9.3 Equality Implications**

There are not any specific changes to service delivery proposed within this decision.

### **9.4 Environmental Implications**

The following sets out details of significant implications identified by officers:

The specification for SDC's new homes aims to achieve a minimum SAP rating of 86 resulting in an EPC B rating. As set out in 3.1.2 SDC achieved a much higher SAP rating at the new homes at Summersfield Road and it is hoped that this will be replicated across the programme. This is a significant step towards meeting the targets set in SDC's Carbon Neutral 2030 Strategy and we will continue to work with contractors to develop ways of meeting our 2030 Stretch goals. The specification of our new homes is above Building Regulations standard and complies with Local Plan policy.

Some of the features which have been included within the specification to support the environmental aspects are: the inclusion of air source heat pumps; recyclable kitchens; and ecological enhancements, including bird/bat boxes, bug hotels and hedgehog holes in all fencing.