

NORTH SOMERSET COUNCIL DECISION

DECISION OF COUNCILLOR CARTMAN, EXECUTIVE MEMBER FOR FINANCE AND PERFORMANCE, IN CONSULTATION WITH CLLR DAVIES, LEADER AND EXECUTIVE MEMBER FOR HOUSING AND THE S151 OFFICER WITH ADVICE FROM PROPERTY & ASSET MANAGEMENT



DECISION NO: 19/20 DE 85

SUBJECT: AWARD OF CONTRACT FOR PROVISION OF UTILITIES AT PARKLANDS VILLAGE AND THE ACCEPTANCE OF GRANT OFFER UNDER LOCAL AUTHORITY ACCELERATED CONSTRUCTION PROGRAMME IN RESPECT OF COUNCIL OWNED LAND AT PARKLANDS, WSM

KEY DECISION: NO

EXECUTIVE SUMMARY

This decision sheet seeks approval for the Council to:

1. Proceed to place contracts for the delivery of strategic utilities into the Council's development land at Parklands, WSM,
2. Enter into an Agreement with St Modwen and Homes England to formalise the delivery of these strategic utilities
3. Accept a grant from Homes England's Local Authority Accelerated Construction (LAAC) Fund to cover a range of costs associated with bringing the Council's development land forward to secure delivery of housing at pace including the above mentioned strategic utilities
4. Make amendments to the Council's capital programme to reflect the inclusion of the above-mentioned works on the basis that their costs will be funded from the LAAC Fund

BACKGROUND:

The Council holds approx. 33ha of land within the SPD boundary for the Parklands Village identified for mixed use development, including 700 dwellings, for which outline planning consent was granted in January 2018, subject to a S106 Agreement to capture 13% affordable housing and financial contributions of circa £12,000 per unit. The affordable housing provision was less than the policy compliant 30% due to viability issues with the development. The development of the land is dependent on completion of the North-South Link Road for access and the installation of strategic utilities, both of which are currently scheduled for completion in October 2020.

As reported to the Executive on the 26 June 2018 to bring forward the Council's land for development and to support the development of adjacent land held by Homes England/St

Modwen it is necessary to deliver drainage and other utilities into the site. The actual provision of the utilities will be delivered by Energetics Design & Build partly under a contract with the Council and partly under a contract with St Modwen with the overall costs to be shared between the parties. The related civils works will be carried out by Balfour Beatty as part of the North-South Link Road contract. This was approved by the Executive on the 26 June 2018 subject to final authority being delegated to the Executive Member for Strategic Planning, Highways, Economic Development and Housing in consultation with the S151 Officer. Final quotes in respect of these works have been agreed as summarised below:

1. Energetics contract for the provision of off-site and on-site electric, water, gas, telecommunications	£1,298,429
2. Building works associated with the contract	£1,077,508
3. Fees/prelims	<u>£625,537</u>
4. Total	£3,001,475

The Energetics sum is still a quote at this stage pending further design work. The cost of these works will be met between the council and St Modwen under the terms of an agreement. The council's share of the costs is estimated to be approximately £1,325,447. If the quotation increases following the detailed design work any increase will be shared with St Modwen under the terms of the utility agreement and will, in the first instance, be funded from a reallocation of the Accelerated Construction grant referred to below

As reported to Council on the 25th September 2018 part of the Council's development land at Parklands, along with 3 other Council owned sites, has been successful in securing an offer of grant funding via Homes England from the Local Authority Accelerated Construction (LAAC) Programme

The LAAC fund is intended to provide tailored financial support to enable a local authority to invest in their sites in exchange for local authority commitment to taking sites to market in a way which seeks to secure delivery of housing at pace; utilise Modern Methods of Construction (MMC) (where site viability allows); and provide opportunities where appropriate to new entrants and small to medium size builders.

The grant offer for part of this site is £9,861,252, subject to the following main conditions:

1. Development of 425 housing units (in keeping with the Outline Planning Consent) by 2025
2. 30% (128) to be affordable, in accordance with planning policy
3. The funds are available to accelerate bringing the site forward through undertaking infrastructure work.
4. Drawdown of the funds shall be completed by 31 March 2021.
5. The homes are to be delivered with Modern Methods of Construction (MMC) using a hybrid of both Panellised and Volumetric approaches.
6. There will be a clawback of this grant if the "clean site value" or residual value of the site should exceed £4,658,980.

The Government and Homes England are promoting the use of MMC to speed up the rate of house building across the country. The two construction methods referred to above are:

“Volumetric”: Volumetric construction involves the production of three-dimensional units in controlled factory conditions prior to transportation to site. Volumetric units can be brought to site in a variety of forms ranging from a basic structure to one with all internal and external finishes and services installed, all ready for assembly. A family sized dwelling might typically be manufactured in four volumetric units plus roof units.

“Panellised”: Flat panel units are produced in a factory and assembled on-site to produce a three-dimensional structure. The most common approach is to use open panels, or frames, which consist of a skeletal structure only, with services, insulation, external cladding and internal finishing occurring on-site. More complex panels - typically referred to as closed panels - involve more factory-based fabrication and may include lining materials and insulation. These may also include services, windows, doors, internal wall finishes and external claddings. This category embraces newer panellised approaches such as Structural Insulated Panels, storey height aircrete panels, crosswall panellised construction and Cross Laminated Timber panels.

The grant monies are anticipated to be allocated against the following cost headings although Homes England have confirmed that there can be flexibility to reallocate across the headings subject to their consent:

• Contribution toward the North-South Link Road	£5,000,000
• Site works i.e. surcharging and Ground Raising	£2,325,190
• Allowance for gas protection	£600,000
• Strategic Utilities	£1,121,062
• Further overhead cable diversion	£585,000
• Additional ecology	£30,000
• Costs to secure a developer partner	<u>£200,000</u>
Total	£9,861,252

The flexibility to reallocate costs across the headings with HE consent will help address any risk of the final utility costs increasing. The contribution toward the North-South Link Road is higher than the previously reported £2,731,000 as contained within the report to Council on the 25th September 2018 which will enable the council to free up some of the alternative funding sources identified within that earlier report. As will be noted the grant includes a sum of £1.121m toward the Council’s share of the utilities contract referred to above of £1.325m leaving a shortfall of £204,385. This will be funded either from an alternative cost heading within the grant, subject to Homes England approval. Acceptance of this grant was approved by the Council on the 25th September 2018 subject to final authority being delegated to the Executive Member for Capital Finance in consultation with the Executive Member for Housing and the S151 Officer

DECISION:

1. Officers be authorised to proceed to place the necessary contracts with Energetics for the delivery of the utilities to Parklands subject to entering into an Agreement with St Modwen and Homes England to formalise the delivery arrangements and the split of overall costs

2. Officers are authorised to proceed with accepting the grant of £9,861,252 from the LAAC Fund based on the principal terms and conditions outlined above.
3. Officers are authorised to change the funding source for the Utilities project , swapping HIF funding of £931k for Accelerated Construction Funding.
4. Officers are authorised to Increase the capital programme in respect of this project from £2.3m to £3.0m. With an increase of £692k being funded by changes to the utilities agreement totalling £398k and an extra £190k from the Accelerated Construction Fund (ACF) - Strategic Utilities. The remaining £104k will remain provisionally approved until confirmation is provided from Homes England regarding the switch in cost headings.
5. In order to comply with the grant funding timescales that officers are authorised to increase the capital programme in respect of a new project to bring forward the Council's development land for development/sale by £300,000 for early design work to be funded from the ACF. A further report will be presented to the Executive for approval to increase the capital programme by circa £3.5m for the cost of this new project to be funded from the balance of the ACF grant referred to above

REASONS:

The commissioning of the utilities contract will facilitate the delivery of key strategic utilities into the Council's development land to help facilitate bringing it forward for development. The Council's share of the cost will be funded from the grant referred to above with the rest being met by St Modwen. The delivery in partnership with St. Modwen ensures the utilities are delivered in a coordinated fashion and helps ensure the housing will be delivered, which assists with the Council's five-year housing supply.

The acceptance of the grant offer will help the Council bring forward the development of this site at a quicker pace than would otherwise be achieved whilst also helping with the funding arrangements for the Link Road. Whilst the conditions attached to the grant introduce some restrictions in terms of methods of construction these are not considered to outweigh the benefits of the funding.

OPTIONS CONSIDERED:

The decision to place a contract with Energetics Design & Build for the delivery of the strategic utilities was made at the Executive meeting of the 26 June 2018. The option of reversing that decision to seek an alternative supplier would set back delivery of the North-South Link Road and the bringing forward of the Council's development land.

The Council could reject the Accelerated Construction grant offer and proceed to take the site to the market as already planned. This would impact significantly on the funding arrangements for the Link Road whilst also adding circa £4.9m costs to be funded as part of the development rather than by way of grant which will adversely impact on the viability of the scheme and the eventual land receipt

FINANCIAL IMPLICATIONS:

The Council will need to forward fund the costs that can be reimbursed on a quarterly basis from the LAAC grant. St Modwen will reimburse the Council its share of the strategic utilities costs on a quarterly basis as well

The anticipated spend of the grant will be spread over two financial years, and are estimated as follows:

2019/20	£5,400,000
2020/21	£4,461,252

There is no repayment obligation other than a clawback if the Council exceeds an agreed land value.

Summary of budget and funding changes for the Utilities Work

	Current Budget £000	Proposed Budget £000	Increase £000
St Modwen's Utilities agreement	1,278	1,676	398
ACF – Strategic Utilities (Previously HIF)	931	1,121	190
ACF – TBC (provisionally approved)		104	104
Headroom	100	100	
Total	2,309	3,001	692

LEGAL POWERS AND IMPLICATIONS

The Council has powers to own and develop its own assets in terms of the Local Government Act, 1972, Part VII

CONSULTATION

The award of the contract for the delivery of the strategic utilities was referenced in the report to the Executive dated 26 June 2018.

The offer of the Accelerated Construction grant was referenced in the paper entitled "Update and contract award for strategic council priority projects; Locking Parklands Primary, FoodWorks, North south Link Road and grant acceptance; including budget setting", considered and agreed by full council on 25th September 2018.

The final decision on award of contract and acceptance of this grant was delegated to the Executive Member for Capital Finance and Executive Member for Strategic Planning, Highways, Economic Development and Housing, in consultation with the Section 151 Officer.

RISK MANAGEMENT

1. Overspend on the strategic utilities contract. As the Energetics figure remains a quote there is a risk of increased costs, but this will be controlled by appropriate project management and governance. It will also be mitigated by the fact that the Council will only be responsible for a share of the cost with the balance payable by St Modwen. If there is an increase in the Council's share of the utilities costs the increase will be met, in the first instance, from the reallocation of the Accelerated Construction grant subject to Homes England consent

2. Claims of cost not being accepted by Homes England: This will be mitigated by ensuring that all anticipated costs are acceptable to Homes England prior to placing purchase orders.
3. Failure to meet outputs: Mitigate by ensuring Homes England participate and prior agreement to the planning proposals.
4. Failure to meet the agreed milestones: Mitigated by ensuring that Homes England are kept advised on progress to meet the milestones and obtaining their agreement to delays.
5. Failure to drawdown the full grant by 31 March 2021: Mitigated by ensuring that the milestones are met, and all claims made by that date.
6. As with any grant received by the Council, should the terms or expenditure be deemed to be in breach of State Aid legislation, there would be a requirement to repay the grant with interest. This is a standard condition and the risk of such a circumstance arising is deemed low.

EQUALITY IMPLICATIONS

Not considered necessary at this juncture.

CORPORATE IMPLICATIONS

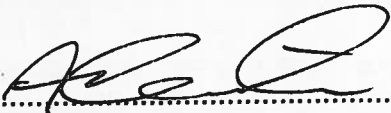
The delivery of these projects provides numerous benefits that contribute towards the council's corporate outcomes of: Prosperity and Opportunity, Health and Wellbeing and Quality Places.

BACKGROUND PAPERS

Report to Executive 26/6/2018
 Report including to Council 25/9/18
 Draft Agreement with St Modwen
 Grant offer from Homes England

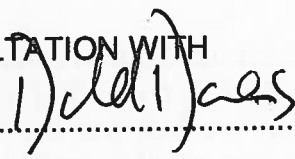
SIGNATORIES:

DECISION MAKER:

Signed:  Cllr A Cartman Executive Member for Finance and Performance

Date: 17.7.19

IN CONSULTATION WITH

Signed:  Cllr D Davies Leader and Executive Member for Housing

Date: 16.7.19

Signed: *mp Jatts* *for* R Penska Interim Section 151 Officer

Date: *15/7/2019*

WITH ADVICE FROM:

M O'Neill Property Estates & Regeneration Manager