

Summary Sheet

Name of Committee and Date of Committee Meeting

Cabinet – 4 February 2019

Report Title

Delivery of 12 bungalows using modern methods of construction

Is this a Key Decision and has it been included on the Forward Plan?

Yes

Strategic Director Approving Submission of the Report

Anne Marie Lubanski, Strategic Director of Adult Care, Housing and Public Health

Report Author(s)

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Ward(s) Affected

Hoover and Valley

Summary

This report requests the use of Housing Revenue Account (HRA) capital resources to fund the delivery of 12 bungalows for older people and people with support needs, as part of a project to trial modern methods of construction (MMC). Funding contributions will also be made from Homes England's Shared Ownership and Affordable Homes Programme and the Sheffield City Region Housing Fund.

This follows an earlier report to Cabinet and Commissioners in July 2018, that set out the reasons for exploring MMC, primarily that it can provide an efficient alternative to traditional construction methods due to an increased pace of delivery and high standards of quality and energy efficiency.

Another key benefit of the project is that if successful, this could provide an efficient delivery route for building more bungalows on HRA owned small sites, thus contributing to the borough's housing growth target and meeting the demand for more Council housing that is suitable for older people and people with support needs.

This project is aligned with the aims of the Improving Places Select Commission review of modern methods of construction.

Recommendations

1. That approval be given to the use of Housing Revenue Account capital resources up to a maximum of the amount set out in exempt Appendix 2, to deliver 12 bungalows using modern methods of construction on three Council-owned sites in the Hoover and Valley wards.

Background Papers

Cabinet report 9th July 2018: Modern methods of construction pilot to build affordable homes

Appendix 1: Location Plans

Exempt Appendix 2: Exempt financial information

Exempt Appendix 3: The Winning Bid

Background papers: Tender documentation and detailed specification

Consideration by any other Council Committee, Scrutiny or Advisory Panel

The Improving Places Select Commission review of modern methods of construction was reported to Overview and Scrutiny Management Board on 12th December 2018.

Council Approval Required:

No.

Exempt from the Press and Public

While the main report is an open item, exemption for Appendices 2 and 3 is requested under paragraph 3 (Information relating to the financial or business affairs of any particular person (including the authority holding that information)) of Part I of Schedule 12A of the Local Government Act, as it contains sensitive commercial information with regards to the Council's contracts.

Delivery of 12 bungalows using modern methods of construction

1. Background

- 1.1 A report was presented to Cabinet in July that recommended the use of Council-owned sites to deliver 12 bungalows as part of a modern methods of construction (MMC) pilot, with a further Cabinet report to follow the procurement exercise, setting out the detailed funding requirements.
- 1.2 The procurement exercise has now been completed and preferred contractors identified to build 12 bungalows on the following Housing Revenue Account (HRA) sites:
 - Symonds Avenue, Rawmarsh – eight bungalows
 - Hounsfield Crescent, East Herringthorpe – two bungalows
 - Hounsfield Road, East Herringthorpe – two bungalowsLocation plans are included as Appendix 1.
- 1.3 Details of the total scheme costs are set out in Exempt Appendix 2.
- 1.4 The project will be funded primarily through the HRA and delivered on HRA land. A grant contribution from Homes England's Shared Ownership and Affordable Housing Programme and a contribution from the Sheffield City Region's Housing Capital Fund have also been agreed in principle.
- 1.5 The new bungalows will be added to the Council's stock and allocated via Key Choices to people aged over fifty or with an assessed medical need.
- 1.6 As part of the pilot, the Council has also identified potential partners to deliver ten modular homes or pods, and this will be the subject of a separate Cabinet report early in 2019.
- 1.7 The Improving Places Select Commission is conducting a review of modern construction methods and this has helped to shape the pilot and ensure its alignment with the review's aims and objectives.

2. Key Issues

- 2.1 The key advantages of this pilot are as follows:
 - Speed of construction – the construction methods to be used are 50% faster than traditional build. Site works happen simultaneously with the manufacture of the units (which can operate 24 hours a day if necessary) and less time is lost due to inclement weather.
 - Health and safety – risks associated with working at heights are reduced.
 - Reduced labour and construction costs
 - Reduced waste generation – the precise nature of manufacturing means less waste during the process.

- Consistency in construction – due to the precision manufacturing, use of high performance materials and inspection at every stage of the build process to ensure that the highest standards are maintained, the risk of imperfections is significantly reduced.
- Minimal impact and disruption on construction site and the surrounding area – typically 80% of the construction work is off-site, which keeps disruptive noise/activity/dust/ movements and deliveries to site to a minimum.
- More suitable for use on small sites than traditional construction – groundworks are undertaken using light weight machinery and there is no need to store materials on site.
- Cost programme certainty.
- End user quality – the bungalows will adhere to the size standards of the South Yorkshire Residential Design Guide with attractive but modern design.
- Energy efficiency – customers' energy bills will be significantly lower due to thermal efficiency insulation, installation of LED lights, flue gas heat recovery unit to warm the water going into the boiler – overall EPC rating of B.
- Local benefits - local supply chains will be used where possible and apprenticeship opportunities will be offered.

2.2 The piloting of MMC for bungalows will enable the Council to determine whether this is a viable delivery route for additional HRA owned small sites, therefore making a more significant contribution to Rotherham's overall housing growth targets and demand for Council homes that are suitable for older people and people with support needs.

2.3 The MMC project will provide the opportunity for small and medium specialist companies to work in partnership with the Council, which will help to diversify the local construction industry.

3. Options considered and recommended proposal

3.1 Delivering these sites via traditional construction: At the present time manufacturing off-site is not proven to be less expensive than traditional construction, but the requirement to accelerate housing delivery along with the increasing shortage of skills have forced the housebuilding industry to look at change. Product information suggests that as the manufacturing process evolves, MMC products should be cheaper to build than traditional properties in the long term. This is an ideal time to pilot these methods in Rotherham. Traditional construction is therefore not recommended on these sites to allow MMC to be trialled

3.2 Sell the sites for development: The Council could opt to sell these sites on the open market to encourage small builders or self-builders to develop the sites. Selling the sites on the open market would not generate a significant income to the HRA nor would it secure the delivery of much needed bungalows or enable the Council to trial new construction methods. This approach is therefore not recommended.

- 3.3 The recommended approach is to undertake the MMC pilot to allow these methods and the delivery route to be tested, for the longer term strategic benefits this would deliver.

4. Consultation

- 4.1 Ward Members have been briefed on the proposals and will be kept up to date as the projects develop.
- 4.2 These are small sites and public consultation will be carried out via the planning application process, which has nationally prescribed regulations regarding informing local residents and the wider public. The Strategic Housing and Development Service will also work with RotherFed and the neighbourhood teams to ensure local communities are kept well informed.

5. Timetable and Accountability for Implementing this Decision

- 5.1 Subject to Cabinet approval, construction will commence in July 2019 and the homes will be available for allocation in November 2019.
- 5.2 The project will be overseen by the Affordable Housing Co-ordinator who will work closely with Asset Management and other council services.
- 5.3 Overarching progress will be overseen by the Housing and Regeneration Programme Delivery Board and the overall accountable officer will be the Assistant Director of Housing.

6. Financial and Procurement Implications

Financial

- 6.1 The project costs are set out in exempt Appendix 2.
- 6.2 The new HRA Business Plan will be reported to Cabinet in January and will include the revised HRA contribution of £1.08m.
- 6.3 Homes England has indicated that a grant contribution is available from the Shared Ownership and Affordable Homes Programme and this is set out in exempt Appendix 2.
- 6.4 Sheffield City Region colleagues have supported a bid for grant funding to contribute to the costs of this project and the wider pilot, including ten modular homes or 'pods'. This is also set out in exempt Appendix 2.
- 6.5 The properties will generate New Homes Bonus and council tax income which will contribute to the achievement of financial planning assumptions within the Council's Medium Term Financial Strategy.

Procurement

- 6.6 In order to have the greatest scope and attract a maximum number of tender returns the procurement process was run as an open tender via YorTender, with an advertisement placed in Contracts Finder and OJEU (Official Journal of the European Union) to allow all possible contractors to submit tender bids. The procurement was carried out in accordance with Rotherham Council's Contract Procedural Rules and Domestic and European Procurement Law.
- 6.7 The Strategic Housing and Development Service enlisted the support of industry expert Build Offsite to advise on the procurement criteria market the opportunity, which resulted in a successful 'Meet the Buyer' event in August. This attracted approximately 70 businesses to Rotherham and generated extremely positive feedback for the Council's forward-thinking approach to MMC and innovative partnership working.
- 6.8 Colleagues from Planning, Asset Management, Finance and Contracts, Investment and Compliance were involved in evaluating the bids. The scores were split on a ratio of 70% quality / 30% cost. Details of the Winning Bid are set out in Exempt Appendix 3.

7. Legal Implications

- 7.1 All contracts in respect of this project will be managed by the Council's Asset Management Team, and will follow industry standard form. The Council will retain 'step in' rights to complete the works should any contractor fail to finish the project. Further contractors will only be paid in staged payments following the completion of works, therefore the Council will never pay for works that have not been completed.

8. Human Resources Implications

- 8.1 None identified.

9. Implications for Children and Young People and Vulnerable Adults

- 9.1 The main groups to benefit from the new homes will be older people requiring level access accommodation, which will help people to live independently for as long as possible.

10. Equalities and Human Rights Implications

- 10.1 None identified.

11. Implications for Partners and Other Directorates

- 11.1 The programme will be delivered by the Strategic Housing and Development Service, but essential roles will also be played by officers in Asset Management and Planning services within the Regeneration and Environment directorate.

12. Risks and Mitigation

- 12.1 Inspection of the ongoing project will be carried out by the Council's Clerk of Works, who will only authorise payments once he / she is satisfied that all the works have been completed to the correct standards. This system reduces the Council's exposure to financial risk.
- 12.2 All new homes built by the Council that are not exempt from the Right to Buy (RTB), bear the risk that the full build costs incurred by the Council may not be recovered, if the market valuation at the point of RTB application is lower than the amount spent by the Council on building and maintain the property. This is a relatively low risk and has been factored into the viability modelling conducted by Strategic Housing and Development and Finance officers.
- 12.3 The risks associated with the scheme largely relate to the sites and ground conditions. Desktop site investigation works and topographical surveys have been undertaken to ensure that the sites can be built on. However, connection to the existing utility services can be time consuming and expensive which may add costs and possibly delay the completion of the project.
- 12.4 On the two garage sites and Hounsfield Close and Hounsfield Road the Council owned garages have to be demolished. The preferred bidder has included an industry standard cost for this work. However, the Council did not undertake asbestos surveys on the garages, and no information regarding this was made available to the bidders as part of the procurement documents. Therefore there is a risk that asbestos could be present and any additional cost for removal will be the responsibility of the Council as limited information was given at the time of procurement.
- 12.5 Overall the risk of not undertaking this pilot is that the Council will not have a clear understanding of the benefits of MMC and the opportunity to deliver a major housebuilding programme on other key sites, at a faster pace than through traditional methods.
- 12.6 The Government have indicated that they are minded to revise the New Homes Bonus Scheme in future years. Therefore, there is a risk that grant income from the Scheme may not achieve the levels of income to the Council seen in recent years.

13. Accountable Officer(s)

Tom Bell - Assistant Director of Housing.

Jane Davies, Head of Service for Strategic Housing and Development

Approvals obtained on behalf of:-

	Named Officer	Date
Chief Executive	Sharon Kemp	07/01/19
Strategic Director of Finance & Customer Services (S.151 Officer)	Paul Stone	04/12/18
Assistant Director of Legal Services (Monitoring Officer)	Stuart Fletcher	21/12/18
Assistant Director of Human Resources (if appropriate)	N/A	N/A
Head of Procurement (if appropriate)	Karen Middlebrook	06/12/18

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