

Council House Building Programme – Wolfs Wood – Budget

Housing Committee Thursday, 23 November 2023

Report of: Chief Finance Officer (S151)

Purpose: For decision

Publication status: Unrestricted

Wards affected: Oxted South

Executive summary:

The Council has recently tendered for the build contract for Wolfs Wood, the next scheme to commence in the Council's house building programme. Members are requested to approve an uplift in the original approved budget which was originally presented to Committee in March 2021. The report sets out the timescales involved in the project, the likely reasons for increased costs and the basis for the increase in budget.

This report supports the Council's priority of: Creating the homes, infrastructure and environment we need

Contact officer Nicola Cresswell, NCresswell@tandridge.gov.uk
Carol Snowden, csnowden@tandridge.gov.uk
Housing Development Specialists

Recommendation to Committee:

That Members approve a revised budget of £4.4m for the redevelopment of Wolfs Wood in Hurst Green

Reason for recommendation:

To allow for the award of a construction contract to the most economically advantageous tenderer and proceed with the development of the approved scheme.

Introduction and background

- 1 At its meeting in March 2021 this Committee gave approval for Officers to prepare detailed proposals for the redevelopment of 106-128 Wolfs Wood in Hurst Green to provide a mix of 13 new homes, including 1,2 and 3-bedroom houses and flats for affordable rent and approved a budget of £3.525m for the project.
- 2 The 12 former residents of the properties were subject to a decant process with the first tenant leaving in June 2021 and the final tenant moving out in September 2023.
- 3 Members will be aware that for a period the development programme was stalled due to a lack of resources within the team which prevented approved schemes from progressing within the original timescales envisioned. Progress was further hampered by a lack of resources in the Planning Department and the liquidation of two existing building contractors on schemes that should have completed in the summer of 2022 and who are still on site.
- 4 Planning approval was granted in June 2023 for the demolition of the flats and garages at Wolfs Wood and the construction of 12 new properties to be let to households on the housing register for affordable rent. The original number of 13 homes was revised to allow for a larger home to be constructed to meet wheelchair accessible standards.
- 5 Unfortunately, the construction sector has suffered a prolonged period of instability and uncertainty, with demand for materials and labour outstripping supply and inflationary pressures pushing construction costs up exponentially.
- 6 The Council has been out to tender for the main construction contract under a JCT Design and Build contract and received 3 tender returns, all above the original approved budget.

Budget

- 7 The original approved budget for the project in March 2021 was £3.525m
- 8 The Council went out to tender and invited five contractors who had previously expressed an interest in participating in a competitive tender for the work. Of those five contractors, only two submitted a price before the deadline, one other provided a price but missed the deadline

for providing answers to the quality questions and two withdrew from the process (one of whom has since entered into administration).

- 9 In September 2023 the most economically advantageous tenderer returned a price for the construction contract for the sum of £3.9m.
- 10 Officers are proposing a revised budget for the project of £4.4m which reflects a build cost of £4,000/sqm in contrast with £2,500/sqm when the project was originally conceived.
- 11 The project still performs with the new budget although the possibility of charging social rents as opposed to affordable rents is unlikely to be an option based on current Homes England grant rates.

Other options considered

- 12 The Council's appointed Employer's Agent has tested the market, which remains unreliable and has advised that there is no guarantee that the Council will benefit from going back out to market and it may place the Council in a worse position.
- 13 The successful tenderer is expected to undertake a value engineering exercise and identify savings through the design process. This should result in a reduction in the submitted tender price. The degree of reduction is unknown at this stage but will be reported to a future Committee meeting.

Consultation

- 14 There are no other changes that warrant further consultation with the public or with ward Members.

Key implications

Comments of the Chief Finance Officer

The original £3.525m is included in the current capital programme. With expected spend this financial year being circa £330k and the majority of the balance in the 2024/25 capital programme, the HRA fund will be able to finance the increase in the project cost to £4.4m.

Capital programme projections and the business plan will be updated to include this increase if it is approved.

In light of this increase, build costs are being reassessed across the programme. However it should be noted that the original budget was set over two years ago and therefore did not reflect the subsequent market conditions. Later estimates have been considered with market volatility in mind.

Comments of the Head of Legal Services

One of the key risks as set out in this report, which is that tender returns have come in well over the original budget. This is due to factors outside the Council's

control including increased building costs. The construction market is in flux and tender values have been affected by rising inflation, the higher costs of supplies and services together with energy costs. For the project to complete, additional funding is required. Should Members agree to the additional funding, the construction of the site will require the Council to enter into a formal JCT Construction Contract with the selected Contractor. Legal Services will support this process, ensuring the interests of the Council are protected.

Equality

No changes to report since original approval.

Climate change

No changes to report since original approval.

Appendices

None

Background papers

None

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