

# Finance and Resources Committee

10.00am, Thursday, 3 March 2022

## Award of Contract for Construction of New Homes at Western Villages, Granton Waterfront

|   |                        |
|---|------------------------|
| Executive/routine<br>Wards<br>Council Commitments | Executive<br>Forth - 4 |
|---|------------------------|

### 1. Recommendations

---

- 1.1 It is recommended that Finance and Resources Committee:
  - 1.1.1 Delegates Authority to the Executive Director of Place, in line with the Scheme of Delegation, to award a contract to CCG (Scotland) Ltd under Lot 2 of the City of Edinburgh Council's New Build Housing Framework Agreement. This contract will provide Stage Two main works services at Western Villages, Granton Waterfront. The authority is to allow the contract to be awarded by the Executive Director of Place, subject to the final tender price being within the overall affordability envelope of the expected £71,000,000 contract value;
  - 1.1.2 Notes the expected value of the main works contract is £71,000,000 to build 388 new affordable rented homes; and
  - 1.1.3 Notes the site will also deliver 56 homes for sale through a development agreement with the contractor, with ownership of the homes passing to the individual purchasers on completion.

**Paul Lawrence**

Executive Director of Place

Contact: Sat Patel, Programme Director - Edinburgh Waterfront

E-mail: [Satyam.patel@edinburgh.gov.uk](mailto:Satyam.patel@edinburgh.gov.uk) | Tel: 07599 102056



## Award of Contract for Construction of New Homes at Western Villages, Granton Waterfront

### 2. Executive Summary

---

- 2.1 This report seeks approval to appoint CCG (Scotland) Ltd (CCG) under Lot 2 of the New Building Housing Framework Agreement, approved at Finance and Resources Committee on [10 October 2019](#), to build 388 homes for affordable rent at Western Villages in Granton, with an expected construction value of £71,000,000. Works are due to commence in May 2022.
- 2.2 The development will deliver a total of 444 homes, 195 for social rent by the Council and 193 mid-market rent homes for the Council's housing partnership, Edinburgh Living and 56 homes for sale will be delivered through a Development Agreement with CCG.
- 2.3 The scope of services under Lot 2 of the New Building Housing Framework is split into two key stages:
  - 2.3.1 Stage One: Full design team services including all associated studies, site investigations, submission and approval of the planning application and the preparation of a tender proposal for the building works.
  - 2.3.2 Stage Two: Construction of the approved design to an agreed specification and cost.
- 2.4 This contract award is for Stage Two. Stage One services were approved by Policy and Sustainability Committee on [28 May 2020](#).

### 3. Background

---

- 3.1 On 10 October 2019, the Finance and Resources Committee approved the award of Lot 2 of the New Build Housing Contractor Framework Agreement to six Contractors with delegated authority to the Executive Director of Place in line with the Scheme of Delegation for the awarding of contracts which are undertaken using the Framework Agreement. This Agreement is a ranked arrangement and CCG are the top ranked contractor on this Lot.

- 3.2 Following the approval of the Granton Waterfront Development Framework by Planning Committee on [26 February 2020](#), Western Villages was identified as an early action project to accelerate the delivery of affordable homes within the development area.
- 3.3 The appointment of CCG to undertake Stage One design services of Western Villages and submit a tender for the works was approved by Policy and Sustainability Committee on 28 May 2020.

## 4. Main report

---

- 4.1 A single contractor is required to deliver 444 new high-quality homes for rent and sale, with associated high-quality public realm and green space at Western Villages in Granton. The site will provide mixed tenure, net zero carbon homes with all heat and hot water coming from a communal system using renewable sources generated locally on the site.
- 4.2 The tenure breakdown is: 195 social rent homes, 193 mid-market rent homes and 56 homes for sale.
  - 4.2.1 The social rent homes will be retained by the Council and the mid-market rent homes will be acquired by the Council's housing partnership, Edinburgh Living MMR LLP.
  - 4.2.2 The homes for sale will be delivered through a Development Agreement with CCG.
- 4.3 Lot 2 of the New Build Housing Framework Agreement provides contractor led Design and Build services (where the contractor provides the design team). The services provided by contractors are split into two stages:
  - 4.3.1 Stage One: Full design team services including all associated studies, site investigations, submission and approval of the planning application and the preparation of a tender proposal for the building works.
  - 4.3.2 Stage Two: Construction of the approved design to an agreed specification and cost.
- 4.4 CCG are the top ranked Contractor on the Framework Agreement and have provided Stage One services in line with the principles of the Granton Waterfront development framework planning guidance. CCG will submit a tender proposal on 11 March 2022 for Stage Two, in line with the framework rates, which requires scrutiny and a clarification period. As such, the value of this stage is presented as an expected value of £71,000,000. Following this clarification period, and subject to the final tender price being within the overall affordability envelope of the expected £71,000,000 contract value, the contract will be awarded to CCG under Lot 2 of the City of Edinburgh Council's New Build Housing Framework Agreement to provide Stage Two main works services at Western Villages.

- 4.5 Enabling works to accelerate delivery commenced in October 2021 through the Scottish Government's Vacant and Derelict Land Investment Programme (VDLIP) funding. These works will conclude in May 2022 to allow for continuity of progress on site into the main works contract.
- 4.6 Due to current market forces the market is reporting unprecedented difficulties with availability and affordability of materials, plant and labour. This has resulted in The Building Cost Information Service (BCIS) projecting steep increases in inflation.
- 4.7 Many sub-contractors are shortening the validity period of their tenders and are unwilling to provide fixed cost prices. CCG will seek fixed price tenders from all subcontractors and suppliers for the duration of the build. However, as it is unlikely that all subcontractors and suppliers will fix their price, a fixed price lump sum to cover inflation has been agreed with CCG to carry the risk of non-fixed sub-contractor pricing and market volatility. This approach provides the council with the maximum cost certainty and significantly reduces the future risk exposure and has been independently verified by the council's cost consultant.
- 4.8 Any delay to awarding the main works contract will likely result in a cost increase due to this volatility in the market. It will also mean that the contractor will need to demobilise and remobilise at the end of the enabling works contract rather than achieving continuity of progress on site.

## **5. Next Steps**

---

- 5.1 Following approval by the Finance and Resource Committee and subject to the final tender price being within the overall affordability envelope of the expected £71,000,000 contract value, the contract will be awarded by the Executive Director of Place.
- 5.2 It is anticipated that Stage Two works shall commence in May 2022 for a duration of around 42 months.

## **6. Financial impact**

---

- 6.1 The value of the works to build the 388 affordable rented homes is an expected value of £71,000,000. The works cost has been prepared and market tested by CCG in collaboration with the Council's independent cost consultant to ensure best value and critical scrutiny.
- 6.2 This will be funded from (i) capital receipts from Edinburgh Living of £29,614,000 and Homes for sale of £613,000 (ii) capital grants from the Affordable Housing Supply Programme (AHSP) of £14,910,000, and £4,100,000 from the Scottish Government's Low Carbon Infrastructure Transition Programme (LCITP) to fund the net zero carbon elements of the scheme and (iii) £4,296,000 from HRA reserves. The balance of £17,467,000 will be met from loans fund advances.

- 6.3 The loans charges associated with this Housing Revenue Account (HRA) borrowing over a 30-year period would be a principal amount of £17,467,000 and interest of £12,452,000, resulting in a total cost of £29,919,000 based on an assumed loans fund interest rate of 4.4%. This represents an annual cost of £997,000 to be met from the HRA loans charge budget. Borrowing will be carried out in accordance with the Council's Treasury Management Strategy.
- 6.4 The homes for mid-market rent will also be delivered through the HRA capital investment programme. Completed homes will then be acquired by Edinburgh Living and funded through a combination of capital borrowing of £29,665,000 and grant funding of £9,646,000. These homes have passed the financial viability tests based on current assumptions.
- 6.5 The loans charges associated with this general fund on-lending over a 30-year period would be a principal amount of £29,665,000 and interest of £21,147,000, resulting in a total cost of £50,812,000 based on an assumed loans fund interest rate of 4.4%. This represents an annual cost of £1,694,000 to be recharged to Edinburgh Living LLP. Borrowing will be carried out in accordance with the Council's Treasury Management Strategy.

### **Homes for Sale**

- 6.6 The council will receive a capital sum of £612,506 for the 56 homes for sale which represents a pro-rata share of costs incurred to date, including land acquisition, developer contributions, pre-development design fees, Planning and Building Standards fees and an element of developer profit. As this recoups expenditure already undertaken by the Council it is considered best value to the Council. CCG will build the private homes by way of a licence and the title will transfer from the Council to the individual purchasers of the homes on completion.

## **7. Stakeholder/Community Impact**

---

### **Consultation**

- 7.1 Significant consultation was undertaken with partners and the local community during the development of the Granton Waterfront Development Framework.
- 7.2 Statutory public consultation was carried out in Autumn 2020 as part of the Planning process for the detailed design of Western Villages. The Council used online consultation tools in line with the Scottish Government and local planning guidelines for public consultation during the coronavirus pandemic.
- 7.3 The Council's Consultation Hub was used to engage stakeholders, share information and collect comments and feedback as well as a live digital presentation where respondents had the opportunity to comment, ask questions and receive responses directly from the project team.
- 7.4 The consultation was advertised in the local press, on the Council's various social media platforms as well as email notification

- 7.5 The Granton Waterfront Regeneration mailing list and the Granton Waterfront stakeholder database were notified of the consultation, including details of how they could contribute.
- 7.6 Following this consultation, feedback was collated and incorporated into the design and planning was submitted in January 2021 and subsequently minded to grant in June 2021.

### **Sustainability and Placemaking**

- 7.7 In order to realise the ambitious vision for Granton Waterfront, the Council has stipulated a high specification for the development including; underground bins, net zero carbon homes, generous and high-quality green space, active travel infrastructure, electric vehicle charging, low car ownership and high-quality materials.
- 7.8 The site will provide mixed tenure net zero carbon homes with all heat and hot water coming from renewable sources generated locally on the site. The homes will benefit from increased energy efficiency through building fabric and electricity from Solar Photo Voltaic panels.
- 7.9 The site has been designed to champion the Councils [Vision for Water Management](#) and features Sustainable urban drainage including swales, rain gardens and permeable paving to create a climate resilient community.

### **Community Benefits**

- 7.10 The Contractor appointed is required to support the Council's economic and social regeneration strategic goals and to deliver community benefits that are shaped by local context and the needs of the local community.
- 7.11 A public consultation exercise will be undertaken to establish the needs of the local community and determine a weighting for community benefits delivered as part of the Granton Waterfront regeneration. Respondents will be asked to rank potential benefits by local priority which will inform the contractual requirement for the benefits delivered by the contractor. Potential benefits will include:
- 7.12 Employability and Skills – facilitating training, work experience, jobs and apprenticeship opportunities which create employment, promote local economic growth and skills development, such as:
- 7.12.1 Creating apprenticeships to help increase levels of youth employment;
  - 7.12.2 Creating jobs for unemployed people and priority groups;
  - 7.12.3 Providing work placements and training opportunities to unemployed people, to help them gain work experience to aid their job search; and
  - 7.12.4 Providing work experience to students and pupils to help them make career choices.

- 7.13 Community Engagement and Improvement – supporting resident and community projects and improvement schemes across a range of themes. This could include donations of materials, equipment, facilities, goods, staff time, volunteering or expertise:
  - 7.13.1 Support for local recreational, environmental, health, wellbeing, arts, heritage or sports activity – such as community enhancement (i.e. community landscaping projects), improvements to local physical infrastructure (i.e. repair works to community spaces), contributing to public art projects or city dressing/streetscape enhancements; and
  - 7.13.2 Contributions to agreed projects supporting local capacity building and services which address challenges associated with inequalities.
- 7.14 Education and outreach – developing business partnerships with schools and colleges which contribute to their curriculum and help promote an integrated and inclusive society such as:
  - 7.14.1 Construction curriculum support programmes in schools and colleges;
  - 7.14.2 Workplace visits for schools or college students, careers events, awareness days or workshops; and
  - 7.14.3 Mentoring sessions with local schools, or job shadow opportunities.
- 7.15 Supply chain and business collaboration – supporting the principles of community wealth building through supporting local supply chains:
  - 7.15.1 Offer sub-contract opportunities to local SMEs, social enterprises and third sector suppliers; and
  - 7.15.2 Provision of contractor time, skills or mentoring/training support which help build supply chain, supported business or third sector capacity (i.e. accounting, Human Resources and Health & Safety advice).

## **8. Background reading/external references**

---

- 8.1 [New Build Housing Framework Agreement Lot 2](#) - Finance and Resources, 10 October 2019.
- 8.2 [Granton Waterfront Development Framework](#) – Planning Committee, 26 February 2020.
- 8.3 [Award of Contract – Pre Contract Design Services for Western Villages](#), Granton – Policy and Sustainability, 28 May 2020.

## **9. Appendices**

---

- 9.1 None.