

Policy and Resources Committee	
Meeting Date	10 th September 2025
Report Title	Procurement of Build Contract for Cockleshell Walk Housing Scheme
EMT Lead	Emma Wiggins, Director of Regeneration and Neighbourhoods
Head of Service	Charlotte Hudson, Head of Housing and Communities
Lead Officer	Charlotte Hudson, Head of Housing and Communities
Classification	Open with restricted appendices
Recommendations	<ol style="list-style-type: none"> 1. That the Committee approves the appointment of Company A as supplier for Cockleshell Walk Build Contract subject to appropriate levels of grant secured from Homes England. 2. That the committee allow delegated authority to the Head of Service to award to the next suitable alternative tenderer in the event that a contract cannot be executed with the highest scoring tenderer. 3. The total cost of the project is currently estimated at £13.763m when including professional fees and contingency allowances, it is proposed that this committee approve the total spend and allow delegated authority to the Director of Resources to determine the most appropriate balance of funding sources for a viable scheme.

1 Purpose of Report and Executive Summary

- 1.1 This report provides a background to the Cockleshell Walk funding model and summarises the procurement process undertaken for the Build Contract of the 51-unit scheme at Cockleshell Walk, Sittingbourne.
- 1.2 The Southeast Consortium Framework was utilised to carry out a one stage tender process based on the most advantageous tender (MAT) which was evaluated on 60% price and 40% quality. The Contract is to provide the construction of the 51-unit scheme at Cockleshell Walk.
- 1.3 This report seeks Committee approval of the recommended contractor and seeks delegated authority to finalise the scheme funding.

2 Background

- 2.1 On 28th October 2020 Cabinet agreed to progress with the establishment of a Local Housing Company (LHC), loan the LHC up to £23m to fund the Capital development and provide three sites owned by the Council for development purposes. Consultants Counties and Capital Ltd were appointed to work on these proposals and develop the schemes. Early in the work external economic factors driven by COVID19, BREXIT and Ukraine war impacted interest rates and development costs significantly. It became apparent that the original ambition and modelling work were no longer viable. It was agreed however, to pursue one site and change the approach to secure additional grant funding to bridge the viability gap.
- 2.2 Detailed design work was commissioned to secure planning consent for the site at Cockleshell Walk. Planning permission was granted by Planning Committee on 23rd May 2024. Work to finalise the Memorandum of Understanding (s.106 equivalent) was finalised on 18th March 2025.
- 2.3 A revised model was developed by the Director of Resources (s.151 Officer) taking into consideration modelled build costs, current interest rates and the intended operating models. Different tenures and therefore rent levels were also considered as part of the modelling. This identified the shortfall in funding for the scheme and levels of external funding that needed to be secured. The model is shown in Appendix 1.
- 2.4 A grant of £943k was secured from the Brownfields Land Release Fund (BLRF) and dialogue was entered into with Homes England regarding securing grant funding from the Affordable Homes Programme (AHP). To secure grant funding from Homes England, it was agreed by the Swale Rainbow Homes Shareholder Panel that the Council would be best placed to secure the funding and become an Investment Partner. Therefore, the build contract and grant would need to be entered into by the Council and not Swale Rainbow Homes Ltd.
- 2.5 Homes England have reviewed the scheme and the modelled costs ahead of a formal application and raised concerns regarding the modelled costs being too high in their experience. They requested tendered costs to form part of the application process, therefore the tender process and grant application have had to take place concurrently. They also expect developers (including Councils) to maximise any borrowing and other contributions to the scheme prior to them funding the viability gaps.
- 2.6 As part of the modelling a range of funding sources from the Council have been identified. These include commuted sum s.106 funds which there are currently £1m available. Capital receipts received from the disposal of Fountain Street, Homes England grant funding and the balance of costs to be funded from borrowing. The model proposes the use of balance of Housing & Commercial

Growth Business Rates Fund Reserve funding already set aside for this project to fund the cost of borrowing for the first 15 years of the project.

- 2.7 The model has also been updated to assume rental income at social rent levels.

Procurement of Build Contract

- 2.8 Consultants Airey Miller were appointed to develop the detailed Tender Specification and Employer Requirements of the scheme following planning permission being granted and the scheme design being frozen.
- 2.9 The tender process took place utilising the Southeast Consortium Dynamic Purchasing System (DPS) which culminated in 3 compliant tenders being received. The opportunity was advertised in accordance with current contract standing orders and the Procurement Act 2023, with interested parties asked to complete an Invitation to Tender. Scores were allocated according to the criteria explained in the tender document.
- 2.10 Tenders were received on the 3rd of June followed by a period of clarification leading to the Tender Report being issued by our Employers Agent Airey Miller on the 30th of June. Following a detailed review of the costs, size of tenderer, suitability of contractor's proposals and ensuring completeness by checking for omissions the tender submissions were independently scored by staff from Airey Miller, Swale Borough Council and Counties & Capital Consulting.
- 2.11 Tenders were scored on 60% Price and 40% Quality. The weighted scores of all three tenders are shown in the Table 1 below:

Company	Price Score	Quality Score	Total
A	58.64	26.60	85.24
B	43.57	26.20	69.77
C	60.00	24.80	84.80

- 2.12 Airey Miller recommend SBC consider entering into contract with Company A with a fixed price of **£11,477,992.50** exclusive of VAT and inclusive of **£330,000** of agreed provisional sums (to be firmed up during contract negotiation) and with the proposed Contract period of 90 weeks. These prices are currently held until mid-October and could be subject to an inflationary uplift if we do not have resolution of the Homes England Grant at this time.

Funding model

- 2.13 Although the original funding model detailed in the Cabinet report from October 20 allowed for Capital funding of up to £23m this was based on the rental income within the model funding the borrowing costs. Therefore, a revised model was

developed that took into consideration a range of variables including interest rates and different tenure types. Extensive conversations have taken place with Homes England to review the model costs and seeking firm market costs through the procurement process. Now the actual costs are known a grant application has been submitted to Homes England. As this is a continuous market engagement process, we are unsure of the level of grant that we can achieve and when the outcome will be determined.

- 2.14 The model shown in Confidential Appendix I has made a range of assumptions and shows some modelled scenarios based on different level of grant received.

Proposals

- 3.1 That the Committee approves the appointment of Company A as supplier for Cockleshell Walk Build subject to appropriate levels of grant secured from Homes England.
- 3.2 That the committee allow delegated authority to the Head of Service to award to the next suitable alternative tenderer in the event that a contract cannot be executed with the highest scoring tenderer.
- 3.3 The total cost of the project is currently estimated at £13.763m when including professional fees and contingency allowances, it is proposed that this committee approve the total spend and allow delegated authority to the Director of Resources to determine the most appropriate balance of funding sources for a viable scheme.

4 Alternative Options Considered and Rejected

- 4.1 That the contract is not awarded, and the development of Cockleshell Walk is not progressed. This is not recommended as external funding is available to make the scheme viable and Swale has a high need for affordable and social rented homes. This scheme supports the Affordable Housing Emergency declared by the Council in April 2024.

5 Consultation Undertaken or Proposed

- 5.1 Consultation has taken place with Homes England in relation to the model and grant income available.

6 Implications

Issue	Implications
-------	--------------

Corporate Plan	This project supports the Health & Housing priority within the corporate plan. To aspire to be a borough where everyone has access to a decent home and improved health and wellbeing and will directly provide 51 affordable homes.
Financial, Resource and Property	The total cost of the project is currently estimated at £13.763m when including professional fees and contingency allowances. The detailed finance modelling is shown in exempt Appendix 1.
Legal, Statutory and Procurement	The Tender is compliant with Contract Standing Orders and Procurement Act 2023. A JCT contract will be entered into with the approved contractor.
Crime and Disorder	None identified at this time.
Environment and Climate/Ecological Emergency	Environmental Standards were agreed through the planning process, and this have been transferred into the tender specification.
Health and Wellbeing	Increasing the supply of affordable housing has a direct benefit on resident's health and wellbeing.
Safeguarding of Children, Young People and Vulnerable Adults	None identified at this time.
Risk Management and Health and Safety	The overall project has a risk management plan and CDM requirements have also been fully considered.
Equality and Diversity	None identified at this stage.
Privacy and Data Protection	None identified at this stage.

7 Appendices

- 7.1 The following documents are to be published with this report and form part of the report:

Appendix I: Finance Model – Restricted
Appendix II: Cashflow - Restricted

8 Background Documents

[Cabinet Report LHC 1020.pdf](#)