**PROJECT BRIEF**

**Background**

In recent years the housebuilding market in England has seen considerable concentration and most of England’s new homes are now built by a small number of large firms. Savills research suggest that in 1988, 39% of new homes were built by SMEs by 2020 this had reduced to 10%.

There is increasing interest from Government in providing support to SME Homebuilders and within Homes England we are very keen to find creative ways to ensure that we dispose of more of our development sites to SME homebuilders.

SME Homebuilders are important because they often provide a greater diversity of housing stock offering home buyers more a choice and creating more variety within residential development. Due to their need to provide a diversified product in order to compete with volume housebuilders, they also often build to higher design, material and EPS standards. We are also aware they are able to tailor their homes to specific tricky sites and make use of local labour.

Compared to large housebuilders, SMEs face significant competitive disadvantages related to lower cash reserves and more limited access to finance, smaller land banks, lack of the economies of scale for purchase of materials and disproportionately high planning costs related to smaller sites.

Homes England undertakes a range of interventions through our Investment programmes in particular our Levelling Up Home Building Fund (LUHBF), but within our Land programmes we have tended to focus in recent years on acquisition, preparation and disposal of very large sites because this has been the most efficient way to maximise housing delivery.

We have also recently focused on disposal of sites through Procurement processes because this provides us with the ability to control development through our Building Lease, however we are aware from discussions with SME housebuilders that public sector procurement processes and our building lease are far too complex for SME housebuilders who do not have dedicated bid teams.

We have been looking creatively at ways in which we can work with more SME housebuilders through our land programmes. We have focussed on 2 key areas:-

* **Simplifying our disposals processes for SMEs.** We are currently trailing a process of closed competition freehold disposal where only SMEs will be able to bid for specific smaller sites(generally 30-100 homes)
* **Creating a pipeline of smaller sites.** We are already doing this in a number of ways:
  1. Identifying smaller stand-alone sites and disposing of these via our new closed competition freehold disposal route.
  2. Subdividing an existing site to create a large volume housebuilder parcel and a smaller SME parcel. We have done this by
     1. installing infrastructure ourselves and marketing the two parcels separately,
     2. by requiring a volume housebuilder to bid jointly with an SME housebuilder
     3. and by requiring a volume housebuilder to create a serviced SME parcel or parcels that they transfer back to us to market to an SME or
     4. by requiring a volume housebuilder to create a serviced SME parcel or parcels that they market themselves to SMEs.

We have trailed numerous variations of these approaches and it is often difficult to create successful means for volume and SME housebuilders to work alongside one another.

* 1. **We also wish to consider Subdivision of a larger site to create a large number of SME parcels, for example 5 or 6 SME parcels on one large site. This option is the subject of this commission and we wish to explore further the pros and cons of undertaking this on a specific site and consider practically how it could be managed.**

**SME definition**

We are defining an SME housebuilder with reference to the HMT definitions of a Medium sized enterprise. These would be housebuilders with a max T/O of Euro 50 million (£43m) Using an average house sale price these organisation might be expected to complete around 160 – 170 homes per year.

**Site size**

We are planning to create SME sites that accommodate 30 and 100 homes. Housebuilders with T/O of Euro 50 million will be capable and interested in delivering these. We may vary these limits slightly dependent on regional requirements and the sites we have available.

**Closed competition freehold disposal approach**

We propose to market sites to SME housebuilders by Closed Competition Freehold Disposal. This approach will require some trade-offs to be made. Freehold disposal would mean Homes England has less control in setting the expected pace of delivery on these sites; and less control in mandating specific policy outcomes on these sites – compared to the building lease approach we currently use, but we understand that in order to engage effectively with the SME market we need to offer a simple disposal route and the Freehold route aids their ability to gain finance.

A route that excludes larger housebuilders will also provide them with the assurance that they are bidding against organisations like themselves and so have a fair chance of winning.

**How we will use this work**

This commission will be used to inform our strategy for engaging with SME Housebuilders.

We will use the outcome of this commission to help decide whether we adopt a strategy of subdivision of some of our larger sites to create parcels we can market to SMEs. In order to make that decision we will need clear information on the costs and benefits of the strategy and we will need to undertake detailed analysis on a site by site basis. We are commissioning this piece of work as an early stage feasibility study to understand the implications of this approach. We need to understand cost and timing implications but also potential benefits around placemaking, market diversification and potentially faster build out.

It is important that this commission sets out a clear high level roadmap to show ‘**How**’ we can achieve this.

We are aware that there will be trade-offs and will need to fully understand the implications of subdividing a site prior to marketing as opposed to marketing the site as one entity for build out by a single volume housebuilder.

**The services and deliverables**

We are currently considering the subdivision of one or more of our large sites into multiple smaller plots suitable for SME Housebuilders. We are considering this because it will enable us to increase our pipeline of smaller sites offering more opportunities to SME housebuilders. In order to inform decision making and enable us to consider options we would like to undertake a feasibility study on a typical site to better understand costs and benefits of this approach.

The study should be based on our site at Upton Lodge, parcel R10, R12 Further information on this site is available (sent separately) There are a number of other parcels on the site which are smaller and already lend themselves to SMEs. We have chosen R10/R12 because it is a larger block and does provide more of a challenge in terms of subdivision but the recommendations and findings of this study will be transferrable and applicable to our other larger sites.

The study should consider the following but we would also welcome other information and ideas that we may not have previously considered.

**The site specific study should consider:-**

* Development of a **phasing strategy** for installation of infrastructure to create serviced plots, marketing of those plots, build out of plots, this exercise should build on the existing masterplan. It does not need to start from scratch.
* A high level **development appraisal** to consider how we fund and manage provision of infrastructure to create serviced land parcels. This should include broad **cashflow** predictions.
* The opportunities this offers us to create a diversified range of housing products. We would like to understand how **market absorption (sales) rates** could be increased by offering a range of housing products at a single location.
* Design of a suitable **planning approach** including specific information relating to the relevant Local Authority. In particular how we maintain the appropriate levels of control over a number of housebuilders delivering a range of products. We would need to ensure that the planning process is manageable for individual SMEs as planning costs are currently a key barrier for SMEs. We would also need an approach that is not overly resource intensive for the Local Authority.
* **Infrastructure and site preparation.** Building on the existing masterplans this should consider timing, logistics and broad costs. Adoption of Roads
* We would like to understand appropriate **contractual structures** to support this approach. We are keen that when SMEs bid for individual development sites, the process for them is as simple as possible. We plan to offer specific sites to SMEs through our closed competition freehold disposal approach. We are keen to further understand options for management and maintenance of the overall site during and after construction.
* We would like to build a broad understanding of the **local** **SME market**. Are there sufficient SME housebuilders in the area to deliver a number of development parcels consecutively? We are currently undertaking a separate piece of research to look at the SME market and specific challenges faced by different segments of that market. We can facilitate sharing of initial findings of that research. Our market engagement team are also working to obtain intelligence on the location of SME housebuilders.
* **Site Management** of multiple SME housebuilders on site at any one time. Consideration of access, deliveries, working arrangements once residents have moved in, phasing, handover of development parcels, management of roads, health and safety etc.
* **Sales and marketing**. We hope that the creation of a site with multiple SMEs offering a range of homes will create an environment where the sum is greater than the individual parts. We hope this approach has the opportunity to generate real excitement in the housing market through the provision of a range of different types of homes. Marketing and promotion of the site nationally and internationally will be key to supporting high sales rates. We wish to create environment where multiple SMEs are selling homes at the same time. We would like to understand more about how this can be achieved. Reference to a an example of where this has previously been done successfully would be helpful.
* **Programme**, creation of a high level programme to cover site preparation, construction, home building and marketing. This should link to high level appraisal and cashflow.
* Provision of **Affordable Housing**, whether this is provided by each SME.

Input will be required from the following broad service areas

* Project and Cost Management Services
* Property Advice Services
* Contract Advice and Procurement Services
* Town and Country Planning Services
* Masterplanning Services
* We will procure any legal advice separately where required.

**Proposed programme of work**

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| --- | --- | --- |
| **Stage** | **Activity** | **Timing** |
| **1** | Return proposal | 8th Mach |
| **2** | Start-up meeting | 13th March |
| **3** | Review of information relating to the specific site |  |
| **4** | Analysis of the site and preparation of draft report / ideas to show how the specific site could be subdivided, Report to cover areas identified above.  Submission of draft report |  |
| 5 | Meeting to discuss, agree any amendments / changes to draft report | 1st May |
| **6** | Payment Point – 50% of Fee |  |
| **7** | Preparation and submission of final report to incorporate comments and feedback and Meeting held at step 6 above | 13th May |
| **8** | Payment point – remaining 50% of Fee |  |

**Other consultants being used/procured**

If additional legal advice is required we will procure that directly.

We can make available further site information if required.

Our market engagement team have undertaken research on the SME market – we can share this if required.

If you feel additional input is required please let us know as soon as possible.

**Meeting and reporting requirements**

The Head of Development Transformation will be responsible for managing the commission.

Key meetings are identified in the table above.

A brief weekly phone catch up meeting is also offered to address any issues as they arise.

Further Information

1. Homes England’s decision on whether or not a tender response is acceptable will be final.
2. By submitting a Tender, each Supplier undertakes that, in the event of its Tender being accepted by Homes England, it will deliver the services in accordance with the Framework Agreement Terms and Conditions without variation. The Framework Agreement Terms and Conditions shall not be amended in any way and any document submitted as part of the Tender which purports to do so shall have no effect and shall be disqualified. Homes England shall not engage in any negotiations over the terms of the contract either before or after Tender close nor in relation to each individual instruction. By submitting a Tender, a supplier is accepting the terms of the Framework Agreement without variation other than to put into effect details relating to the supplier and Tender specific information and in respect of each individual instruction made under the Framework Agreement. Suppliers shall be aware that persistent failure to accept the Framework Terms and Conditions in respect of individual instruction may cause the supplier to be suspended or removed from the Framework.
3. Under no circumstances shall Homes England incur any liability in respect of this Further Competition or any supporting documentation. Homes England will not reimburse the costs incurred by Suppliers in connection with the preparation and submission of their tender response to this commission
4. Homes England reserves the right to cancel this process at any time.
5. Conflict of Interest
   1. Homes England will exclude the Supplier if there is a conflict of interest which cannot be effectively remedied. The concept of a conflict of interest includes any situation where relevant staff members have, directly or indirectly, a financial, economic or other personal interest which might be perceived to compromise their impartiality and independence in the context of the commission.
   2. Where there is any indication that a conflict of interest exists or may arise then it is the responsibility of the Supplier to inform Homes England, detailing the conflict in a separate Appendix.
6. Confidentiality
   1. This Further Competition ITT and associated information is confidential and shall not be disclosed to any third party without the prior written consent of Homes England. Copyright in this brief is vested in Homes England and may not be reproduced, copied or stored on any medium without Homes England's prior written consent.
   2. Suppliers shall not undertake, cause or permit to be undertaken at any time any publicity in respect of this commission in any media without the prior written consent of Homes England.
   3. Suppliers must provide information on proposed staff in the Response Form and Resource and Pricing Schedule provided in Part 3. If the Supplier is a consortium or intends to sub-contract the Services, in whole or in part, then it should specify precisely in the Resource and Pricing Schedule which economic operator shall perform the Services (or parts thereof).
7. Pricing
   1. A Resource and Pricing schedule has been provided with this Further Competition ITT which must be completed and returned as part of the tender response.
   2. The pricing approach for this Further Competition is lump sum fixed fee to be paid in 2 tranches of 50% each
8. Day rates

In addition to your tendered fee please also submit day rates in relation to this commission. Your Framework Rates should be the maximum for each grade. The day rates will be used as a basis to instruct any additional work required in addition to the initial commission.

1. *Poor Performance Meeting*

These meetings will hopefully not be required. However, if poor performance is repeated following escalation to the Supplier’s Key Personnel to resolve the issue, as required in the Framework Management Schedule of the Framework Contract, the Framework Manager must be notified and Homes England may call for a Poor Performance Meeting. Beforehand, Homes England will present areas of concern so that the Supplier and Homes England can discuss what happened and why, what will be done to prevent it happening again and how matters will improve. The Supplier subject to such a meeting would be expected to outline in writing in a Rectification Plan afterwards what improvements/modifications they will be putting in place. There will be a maximum of two Poor Performance Meetings before termination of the commission.

1. Termination

Should performance during the period of this appointment prove unsatisfactory following the Poor Performance meeting provisions set out in the Management section above, Homes England will exercise its right under the Termination and Suspension of the Contract clause in the Framework Contract to give notice to terminate the arrangement with immediate effect.

1. If the services are no longer required, for whatever reason, then Homes England reserves the right to terminate the appointment and pay for services completed at that point.