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**DAVENTRY DISTRICT COUNCIL**

**POTENTIAL DELIVERY OF NEW HOMES - SITE 8 EAST, MIDDLEMORE, DAVENTRY**

**MARKET ENGAGEMENT**

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**Terms of Reference and Instructions for Participants**

## **Instructions**

Please read the document and if you feel that your organisation is able to contribute to this exercise please complete the questionnaire attached to the end of this document and return it via email to [ ] by 14:00 on [ ].

Please note that this is not a call for competition.

The following are pertinent to this engagement exercise:

- An understanding of what Daventry District Council (the “Council”) is aiming to achieve;
- An ability to innovate and add value;
- Whether the market has experience of being involved in and delivering similar projects; and
- The overall value added in helping to scope the project.

For the avoidance of doubt, this document and notice is for the purpose of conducting a market engagement exercise, and will not formally begin the procurement or constitute any commitment by the Council to undertake any procurement exercise.

**THIS IS NOT A PROCUREMENT PROJECT AT THIS STAGE BUT A MARKET ENGAGEMENT EXERCISE (MEE)**

Daventry District Council (DCC) is at an early stage in the development of its proposals to develop a site it owns at Middlemore, Daventry for new homes for sale. Prior to formulating any formal procurement or alternative opportunity, it seeks input from the market as to what might be the most potentially attractive way of packaging and scoping a future procurement or alternative opportunity.

This exercise will also provide an opportunity for the Council to obtain insight into how potential providers might approach the potential development opportunity in question. It also gives useful early insight into the likely level of interest in a proposed project from that market.

Participants and any potential future bidders will not be prejudiced by any response or failure to respond to the MEE. Participants must also note that a response to this MEE does not guarantee an invitation to participate in this or any future procurement that the Council may conduct, nor that the Council will procure any potential developer or accept any proposals offered.

The Council has developed a questionnaire (attached at the end of this document) that they would like those interested to complete. The Participants may then be invited to meet with the project team to discuss in more detail the options on any responses the Council feel need further clarification.

As stated above the outcome of the MEE will inform an options appraisal with recommendations.

Further detailed reports will be prepared as appropriate in accordance with the Council's tendering and approval procedures, and if applicable in accordance with the Public Contracts Regulations 2015.

**Confidentiality and Freedom of Information**

The Council do ask that if Participants in the MEE are giving the Council confidential information they sign our Non- Disclosure Agreement (the "NDA").

The purpose of the NDA is to protect both the Council and your confidential information. This is available on request if required.

Please be aware that we are subject to the disclosure requirements under the Freedom of Information Act (FoIA) and that potentially any information we hold is liable to disclosure under that this Act. For this reason, we would strongly advise that any information you consider to be confidential is labelled as such. In the event that a request is subsequently made for disclosure under the FoIA that request will be dealt with in accordance with the legislation and giving full regard to the NDA.

## **Background**

Daventry District Council (DDC) is looking to carry out a market engagement exercise with potential developers.

The Council is seeking views from developers in relation to further developing an understanding of the how to proceed with the potential design, construction, marketing and sale of 50+ new homes on land owned by DCC, known as Site 8 East at Middlemore, Daventry.

As well as providing a prime residential development site, DDC has a capital budget of approximately £7.5million it can invest into this potential development. This does not preclude a potential development partner from adding its own capital to this budget. DDC is expecting a cash return on its investment as opposed to physical assets. The return DDC receives is intended to represent a fair share of the overall profit arising from developing the site taking into account costs, sales and land value. This MEE is seeking views on how this arrangement, including the financial aspects, may best work.

DDC is expecting there will be a minimum level set as part of the procurement exercise and developers will be asked to confirm in their bids what value they would achieve and the financial return they would give back to DDC. Realisation of the DDC's return on its investment is expected to coincide with the completion and sale of the new homes (either individually or in phases) but in any event no later than the end of the tax year 2019/20, although timescale is one of the matters on which developers will be asked to comment.

DDC is looking for a potential development partner, in order to capitalise on the experience and knowledge of the private house building sector that it could bring to this project. In return DDC will offer an alternative funding source to any other that an established housing building company may currently draw upon. With housing sites becoming harder to secure it is also offering an allocated housing site on a very attractive housing estate on the edge of Daventry.

Feasibility work has been undertaken on this site which has reviewed planning and site information, indicating that there are no major obstacles to its potential development. A capacity study undertaken indicates that it is possible to accommodate on the site a scheme of 50+ units (based on around 35 units per hectare) of mixed sizes and type of units, ranging from 1 bed flats through to 5 bed detached houses.

It will be the responsibility of the developer to propose what is thought to be the most appropriate mix for this site taking into account local housing needs and demands and the requirement to deliver a minimum return on DDC's investment, within a set timescale. However there will be some quality standards too that the developer will be asked to comply with, as set out below.

Of the 50+ units to be built, 25% of the units will be affordable and made available to a registered provider, to be selected by the developer but agreed with DDC. The remaining units will be designed, built, marketed and sold by the developer. DDC's Housing policy states that 2/3 of the affordable allocation will be social rented and 1/3 shared ownership.

## **The current situation at the Council**

A feasibility study has been undertaken by the Council, with an external consultants team led by Pell Frischmann and including Lambert Smith Hampton and Sweets. This was to consider the site, with a view to identifying any site abnormalities that could impact on the cost of the development and to recommend the optimum process that could enable the construction phase of this project to be procured and delivered to meet the objectives set out below within the framework of identified project constraints.

A number of development options were appraised and costed and the conclusion was drawn that whilst these were capable of delivering a profit, the viability of any housing development on this site would be enhanced if the procurement of labour and materials was managed by an organisation

with established supply chains, sales processes and greater buying power than the Council, thus having the potential to maximise on procurement efficiencies.

In addition to the provision of a suitable housing site, the development partner benefits from the fact that the Council has a significant capital budget that can be used to help deliver the scheme, which is potentially easier to access than through a bank or other finance institution or authority, and at less cost.

By combining these two benefits it is anticipated that the maximum efficiencies can be made and the profit gained from the development shared between the two parties.

### **Project Objectives**

1. To achieve a capital return to the Council of not less than £10.411m on its investment of £7.50m cash plus the value of the land (which was £1.64m as of April 2016).
2. To deliver housing that meets market demand, thus ensuring the Council's return on investment is realised as quickly as possible and that the project contributes to achieving the Council's corporate objectives and priorities.
3. To provide affordable housing as part of the overall scheme of development. This should meet the Council's percentage split as set out in the Joint Core Strategy and the Housing SPD, subject to viability considerations as set out in those documents.
4. Subject to achieving objectives 1-3, to provide housing that meets the following quality standards
  - a) Code for Sustainable Homes Level 4, or equivalent
  - b) Lifetime Homes
  - c) Secure by Design Homes 2016 Gold (on individual properties)
  - d) Building for Life 12

### **Project Constraints**

1. Any development will need to obtain planning permission which in this context will include sustainability and good design, requirements for affordable housing, Community Infrastructure Levy and for other planning obligation contributions (likely to principally relate to education). Other statutory permissions will be required including agreements for adoption of highways and sewers.
2. Maximum funding available from Daventry District Council for the construction phase is £7.50 million. Any additional funding required will need to be provided by either the developer or registered provider in the case of the affordable housing.
3. The adopted West Northamptonshire Joint Core Strategy sets out a requirement for Daventry town of 25% affordable housing, of which 70% will be affordable rent and 30% shared ownership.
4. The developer will need to repay the Council its investment plus profit on the completion and sale of each completed unit or phase, to a repayment profile proposed by the developer and underwritten by form of guarantee to be agreed.

**Questionnaire**

The Council would like your organisation to consider the questions below and submit a written response via email to [ ] by 14:00 on [ ]. Your responses should be brief and to the point. There is no maximum word count imposed, please do not use brochures or marketing material as an answer to any question.

1.	Is sourcing funding for new housing developments an issue for your company? If so, please explain how you overcome this?
2.	Is sourcing development land for housing an issue for your company? If so, please explain how you currently obtain sites?
3.	What percentage of your development portfolio over the last three years was self-funded?
4.	What percentage of your development portfolio over the last three years was funded from banking institutions?
5.	What would your view be of using public funding from the Council to enable a housing development? If so, please can you explain your concerns?
6.	Would you expect a more favourable arrangement from the Council in terms of conditions attached to any finance and land it makes available? If yes please explain your reasons?
7.	If the Council carried out a competitive procurement process for the appointment of a development partner would that deter you from bidding? If so, please give your reasons and give alternative suggestions as to the model approaches that could be available?
8.	What ideas do you have on minimising the tax implications that could be attached to the development of this site for housing?
9.	Do you have a view on the type of legal agreement or agreements that may apply to this type of arrangement?
10.	What partnership working arrangement would you consider might be most appropriate for this project and why?
11.	What could your development organisation offer to this type of arrangement to ensure that there was sufficient return on the Council's investment and land value?
12.	If DDC were to use a restricted procurement procedure, in your view does this route present risks and would you bid?
13.	Is there a minimum length of time you would consider necessary for a project of this scale and complexity?
14.	What would be the risks and benefits of using a Competitive Procedure with Negotiation?
15.	If you have experience of using an EU Competitive Procedure with Negotiation (or any competitive alternative), how effective was this process in reaching a workable solution that could be properly costed and agreed by the parties?
16.	How long do you think should be allowed to undertake a Competitive Procedure with Negotiation?

17.	What would be the risks and benefits of using an EU Competitive Dialogue Procedure?
18.	If you have experience of using a Competitive Dialogue Procedure, how effective was this process in reaching a workable solution that could be properly costed and agreed by the parties?
19.	How long do you think should be allowed to undertake a Competitive Dialogue Procedure?
20.	The Council's prime objective for this project is to make a return on its investment that can then be reinvested in other Council capital projects. It does however have an aspiration that the development will be of high quality. What are your views on how both objectives might be achieved?
21.	The Council is interested in encouraging innovative solutions to any of its procurement exercises. How could this project benefit from innovation?
22.	Do you consider off site construction has a place on this type of project? If so, please specify how.
23.	Please explain how important you think good street, open space and landscape design are in adding to the overall value of the development?
24.	How can housing design help to build communities?
25.	Please describe any evidence you may have that housebuyers are interested in new homes being environmentally efficient? Please explain if there is no evidence.
26.	Please describe any evidence you may have that housebuyers are interested in the materials used in new homes being sourced to demonstrate environmental responsibility? Please explain if there is no evidence.
27.	How can the local economy benefit from this development?
28.	How can this housing development be sure to meet local market demand?
29.	If this proposal would not interest your business what other option would you consider as an attractive alternative and why?
30.	If the Council were to follow a more traditional procurement route to deliver the project, how could it minimise the risks associated with designing, constructing and selling new homes under a brand with minimal track record in this sector?
31.	Do you have any other suggestions on how the Council may best maximise its return on the development of this site?

## GENERAL INFORMATION

### Full name, address and website:

Organisation name	Daventry District Council
Address	Lodge Road
Town/city	Daventry
Postcode	NN11 4FP
Country	England
Website	<a href="http://www.daventrydc.gov.uk">www.daventrydc.gov.uk</a>

### Main contact for correspondence about this questionnaire:

Name	Jayne Holland
Position	Development and Regeneration Principal
Telephone number	01327 302455

(Optional)	
Mobile phone number (Optional)	
Fax number	
email address	JHolland@daventrydc.gov.uk