



Homes &  
Communities  
Agency

# **BUILDERS FINANCE FUND**

**HCA-I TRANSACTIONS &  
PORTFOLIO MANAGEMENT TEAM**

**NEYTH PORTFOLIO OF  
INVESTMENT TRANSACTIONS**

**MONITORING SURVEYOR  
SERVICES BATCH 1**

**SEPTEMBER 2015**

*Invitation to Participate in a Mini Competition*

**Panel Name:** Property Panel

**Project Name:** HCA-I, Builders Finance Fund – 6 Individual Loan Transactions across the North East Yorkshire & Humber (NEYTH)

**Date:** Friday 11<sup>th</sup> September 2015

**Reference Number:** NEYTH/HCAI/MS/BATCH1/SEPTEMBER2015

**To:** (Neil Mandle/ GVA Grimley)

**From:**

**Homes & Communities Agency  
HCA-Investments  
Floor 1, Lateral House  
8 City Walk  
Leeds  
West Yorkshire  
LS11 9AT**

## **1. Objectives**

The Homes and Communities Agency ('HCA') is seeking to appoint a Monitoring Surveying (MS) Firm from its national Property Panel. The appointed Surveyor's role will include providing initial due diligence and ongoing monitoring of the development works in respect of the identified 6 loan investments under the Builders Finance Fund (BFF) programme. All work will be instructed under the standard terms of the HCA's Property Panel dated November 2014.

## **2. Background**

The Builders Finance Fund is a £525m HCA-I investment programme created to restart and speed up housing developments between 5 and 250 units that have slowed down or stalled. Its main objective is to address difficulties in accessing development finance faced by some housebuilders, particularly in the SME sector, and to help bring forward stalled but viable sites. The fund is 100% recoverable with loan investments made on commercial terms to developers.

Further details of the BFF programme can be found at, <https://www.gov.uk/government/collections/builders-finance-fund>.

The HCA-I NEYTH Transaction and Portfolio Management teams require the services of an Independent MS Firm to provide project cost and monitoring services to support the successful delivery of 6 Recoverable Investment Transactions. The scope of reporting requirements includes;

- 1) An initial report for each scheme pre-commencement of development
- 2) Thereafter monthly monitoring reports until satisfactory scheme completion, or loan repayment whichever is sooner.

The initial report will be instructed by the allocated HCA-I Transaction Manager, with the results of this report used to confirm that project proposals are acceptable as a condition precedent to funding. Once the facility agreement is executed and construction commences MS services will be retained to provide monthly monitoring reports in line with

the attached 'Scope of Services'. Relations between the MS Firm and HCA-I post the initial report will be managed by HCA-I Portfolio Management who are responsible for housing output delivery and receipt recovery.

Each Investment Transaction will have a unique deal structure, however the same scope of MS services will be required on each. We therefore believe a competitive fixed fee based on the recommended reporting format is achievable. The 6 individual transactions are geographically distributed across the NEYTH and will therefore require appropriate resource and coverage to meet the requirements of this appointment. Appropriate evidence on how you will manage this commission should be evidenced as part of your tender return. All projects relate to residential housing development, to include a mixture of new build housing and apartments only.

The list of transactions which form part of this tender are at various stages of HCA-I Credit Approval and Legal Documentation. Therefore the workload to the successful MS Firm will be phased as formal Credit Approvals and Legal Documentation are achieved. On some occasions we may instruct the MS Firm to commence the initial report prior to concluding legal documentation. We anticipate all identified transactions having full Credit Approval by November 2015.

There is a risk that some of the identified transactions could fall away/ withdraw as a result of Credit Rejection, and or Borrower Withdrawal. Where this occurs we will look to replace withdrawals with a new investment transaction to ensure the overall procurement package does not fall below 6 projects. However HCA will reserve the right to review its position at any time during the appointment.

### 3. Details of Individual Transactions

Below is a table of the identified investment transactions which will form this commission. These have been split between those with HCA-I Credit Approval in place and proceeding through Legal Documentation, and those where Credit Approval is outstanding. Appointments will be phased in line with Credit Approvals and conclusion of Legal Documentation.

#### Transactions with Credit Approval (as at w/c 7 September 2015)

No.	Item	Value/ Details
1	Site Location:	Gateshead, Newcastle upon Tyne
	No. of Units:	15 Market Rent
	Development Type:	Residential Houses
	Total GDV:	£1.570m
	Total Scheme Costs:	£1.318m
	HCA Debt Funding (Inc leverage):	£0.646m
	Construction Period:	24 months (24 months build + 12 month stabilisation period prior to refinancing & repayment)
	Main Build Contractor:	New Forrest Developments (Westbrook) Limited
	Procurement:	Expected Fixed Price JCT Design & Build

No.	Item	Value/ Details
2	Site Location:	Nunthorpe, Middlesbrough
	No. of Units:	15 Open Market

Development Type:	Residential Houses
Total GDV:	£4.895m
Total Scheme Costs:	£3.981m
HCA Debt Funding (Inc leverage):	£0.847m (27 % LTC / 17 % LTGDV)
Construction Period	25 months to build completion (13 months to HCA repayment plus 3 months repayment longstop)
Building Contractor:	N/A – direct development by Thoroughbred Homes Ltd
Procurement:	N/A – direct development

### Transactions Pending Credit Approval (as at w/c 7 September 2015)

No.	Item	Value/ Details
1	Site Location:	Friendly, Sowerby Bridge
	No. of Units:	6 Open Market
	Development Type:	Residential Houses
	Total GDV:	£1.110m
	Total Scheme Costs:	£0.879m
	HCA Debt Funding (Inc leverage):	£0.233m (27% TSC/ 21% LTGDV)
	Construction Period:	28 months (20 months to repayment + 4 months longstop)
	Building Contractor:	Contracting Entity
	Procurement:	TBC

No.	Item	Value/ Details
2	Site Location:	Whitley Bay, North Tyneside
	No. of Units:	14 Open Market
	Development Type:	Residential Houses
	Total GDV:	£3.710m
	Total Scheme Costs:	£3.174m
	HCA Debt Funding (Inc leverage):	£1.350m (43 % LTC / 36% LTGDV)
	Construction Period:	12 months to build completion (14 months to HCA repayment plus 3 months repayment longstop)
	Building Contractor:	S V Rutter Ltd
	Procurement:	Expected Fixed Price JCT Design & Build

No.	Item	Value/ Details
3	Site Location:	Pity Me, Country Durham
	No. of Units:	6 Open Market (planning awaited to increase from 5)
	Development Type:	Residential Houses
	Total GDV:	£0.900m
	Total Scheme Costs:	£0.749m
	HCA Debt Funding (Inc leverage):	£0.364m
	Construction Period:	27 months (24 months to repayment + 3 months longstop)
	Building Contractor:	Contracting Entity

Procurement:	N/A – Direct Development
--------------	--------------------------

No.	Item	Value/ Details
4	Site Location:	Slingsby, Ryedale
	No. of Units:	5 Open Market
	Development Type:	Residential Houses
	Total GDV:	£2.050m
	Total Scheme Costs:	£1.573m
	HCA Debt Funding (Inc leverage):	£0.513m
	Construction Period:	18 months (12 months to repayment build + 3 month buffer)
	Main Build Contractor:	TBC
	Procurement:	Expected Fixed Price JCT Design & Build

#### 4. Scope of Services

Please see attached to this tender the 'Scope of Services' for the MS Tender, which includes details of the Initial Report and on-going Monitoring requirements. The Scope also includes a recommended reporting format.

#### 5. Project Management and structure of commission

##### Key deliverables

The main objective of the commission is for the Monitoring Surveyor to provide regular reports on progress of the scheme to ensure delivery of the site and repayment of the HCA loan. The Surveyor will work with both the Borrower and HCA-I and will need to attend site progress meetings for each scheme and quarterly meetings with HCA-I (or as otherwise deemed appropriate). Individual Transaction Managers will be identified on successful appointment that will be the initial point of contact against each Investment Transaction. Post completion of the initial report the key HCA-I relationship will be handed over to an identified HCA-I Portfolio Manager.

##### Conflicts of Interest

Prior to instruction the successful MS Firm will be asked to confirm whether there are any potential conflicts of interest. Failure to comply with such requests could lead to an immediate withdrawal of your appointment.

#### 6. Tender Submission and Assessment Criteria:

Tender submissions should include the following information:

1. Confirmation that the Scope of Services is understood and accepted;
2. Details of the firms experience which is most relevant to this commission;
3. CVs for the key personnel who will deliver this commission;
4. Conflicts of interest acknowledgements;
5. Fixed fee proposals for completing,
  - A) each Initial Report

– B) each Monthly Report

We anticipate the batching of these 6 transactions should deliver material economies of scale for the successful firm. We would therefore expect this to be reflected in the fee proposals submitted. Please provide a fixed fee price schedule against the individual project value of works;

### Initial Reports

Total Scheme Costs/ Value of Works	£ (exc VAT)
<£2m	
>£2m to <£10m	
>£10m+	

### Monthly Monitoring

Total Scheme Costs/ Value of Works	£ (exc VAT)
<£2m	
>£2m to <£10m	
>£10m+	

The HCA reserves the right not to award this contract to any tenderer and not to award to the lowest priced tenderer. All eligible bids will be assessed using a 70:30 Price:Quality evaluation framework.

For further details on the 'Quality' evaluation framework please see Appendix 1

## 7. Procurement Programme Timetable

In relation to this mini competition exercise the following programme is envisaged;

- HCA Issue of Brief – Friday 11<sup>th</sup> September 2015
- Responses issued to the HCA – **12 Noon, Friday 18<sup>th</sup> September 2015**
- Assessment of Responses – Wednesday 23<sup>rd</sup> September 2015
- Selection of Consultant – Friday 25<sup>th</sup> September 2015

**8. Submission Requirements**

Tenderers must return their proposals to the instructing officer:  
[REDACTED] in electronic format and 1 x hard copy to the address below  
by no later than **12 Noon Friday 18<sup>th</sup> September 2015**

[REDACTED]  
Senior Transaction Manager  
HCA-Investments  
Homes and Communities Agency  
Floor 1, Lateral House  
8 City Walk  
Leeds  
LS11 9AT

**PLEASE NOTE: SUBMISSIONS MAY ONLY USE THE HCA STANDARD TENDER LABEL, AS SUPPLIED. NO IDENTIFYING ELEMENTS OF YOUR COMPANY MAY BE VISIBLE, INCLUDING LOGOS AND POSTMARKS. FAILURE TO COMPLY WITH THIS MAY MAKE YOUR SUBMISSION INELIGIBLE.**

Following completion of the competition the HCA will provide debriefs or feedback to every tenderer, both successful and unsuccessful. It should be made clear that this debriefing will not change the award decision.

**9. Date of response required: 12 Noon Friday 18th September 2015**

**10. Queries**

General or technical queries regarding this invitation should be directed to HCA by telephone or email. If you would like to discuss the invitation further, please contact any of the following:

Name: [REDACTED]  
Email/ Phone: [REDACTED]

Name: [REDACTED]  
Email/ Phone: [REDACTED]

## Appendix 1 'Quality' Evaluation Criteria Guide

<b>Evaluation Criteria</b>	<b>Mark</b>	<b>Total</b>
Conflict of Interest Acknowledgement	5	30
Quality of Staff & Experience against the commission	7	
Understanding of the brief, commission & HCA-Investments	7	
Geographic coverage	6	
Added value beyond the scope of commission	5	