

CABINET (HOUSING) COMMITTEE

4 FEBRUARY 2015

AUTHORISATION FOR FINAL APPROVAL TO CONSTRUCT HOUSING SCHEME:
WESTMAN ROAD, WEEKE SITE

REPORT OF THE HEAD OF NEW HOMES DELIVERY

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RECENT REFERENCES:

CAB2514(HSG) – Authorisation to Progress Affordable Housing Scheme: Westman Road, Weeke, 18 September 2013.

CAB2631(HSG) – Housing Revenue Account Rent Setting 2015/16 and Budget / Business Plan Options, 26 November 2014.

EXECUTIVE SUMMARY:

This report seeks final approval to enter into a build contract to construct 12 new Council houses on the Westman Road, Weeke site. In accordance with Financial Procedure Rule 6.4, approval is sought for the capital expenditure involved.

RECOMMENDATIONS:

- 1 That the Assistant Director (Chief Housing Officer) be authorised to enter into a design and build contract with FE Chase to construct 12 new council houses on the Westman Road, Weeke site for the sum of £1,568,490.84.
- 2 That in accordance with Financial Procedure Rule 6.4, capital expenditure of up to £1,962,926 be approved. .

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DETAIL:

1 Introduction

- 1.1 The site was originally identified as part of the neighbour planning exercise carried out during 2012. The site consists of 22 garages and an area of informal open space and is accessed between no.4 and 6 Westman Road.
- 1.2 The development was originally scheduled to be completed during 2016/17. However, the Council was granted additional borrowing permission (of £360,000) via a Local Growth Fund bid it made in August 2014. This has allowed the scheme to be brought forward, for completion during 2015/16.

2 Proposal

- 2.1 The development proposal is for 12 affordable homes, consisting of 6 x three bed houses, 3 x two bed houses, 2 x two bed bungalows and 1 four bed house. The smaller homes will be aimed at downsizers from existing family houses in Weeke and have been designed with flexible living arrangements that allow the layout and size of rooms to be adjusted as families needs change.
- 2.2 A planning application was submitted in June 2014 and consent was granted in August 2014 with no significant amendments to the submitted scheme.

3 Evaluation of Tenders

- 3.1 The Council has employed the services of Baqus Construction Consultancy to act as Employer's Agent for the scheme. They have prepared the Contract documents and managed the Tender process on behalf of the Council. Four prospective Contractors from the Council's select list of small build site companies were invited to submit fixed price bids for the project. The Contractors were: PMC Construction, Drew Construction Group, FE Chase and Sons and George H Austin.
- 3.2 The Tenders were returned on 9 January 2015 with the lowest Tender being received from FE Chase and Sons. Following an evaluation of the Tenders by Baqus Construction Consultancy the most competitive price was provided by FE Chase for the sum of £1,568,490.84. Baqus

are satisfied that that the tender process has produced competitive prices: the Feasibility Cost Plan Estimate produced in April 2014 estimated a build cost of £1,960,000. Baqus have recommended that a design development budget of up to £100,000 is included within the overall scheme as there some risks associated with the foul drainage solution where Southern Water may specify an enhanced specification.

- 3.3 On the basis that FE Chase have produced the lowest tender price, authorisation is sought for the Assistant Director (Chief Housing Officer) to enter into a Design and Build contract to construct 12 properties at the Westman Road site for the sum of £1,568,490.84.
- 3.4 If the recommendation set out above is agreed, final contracts will be prepared and entered into in February 2015, with the site handed over to the contractor during April. The build contract period is estimated at 48 weeks.

4 TACT Comment

- 4.1 TACT is pleased to note progress with this scheme and fully support the proposals in the report. TACT also considers that the need for new affordable housing outweighs any objections to the proposed scheme. TACT would like the opportunity to add further comments verbally at the meeting.

OTHER CONSIDERATIONS:

5 COMMUNITY STRATEGY AND PORTFOLIO PLANS (RELEVANCE TO):

- 5.1 Developing new homes is a key priority for the Council as it seeks to promote active communities: 'to support local people in accessing high quality and affordable housing which meet their needs'. It also facilitates the District's economic prosperity.

6 RESOURCE IMPLICATIONS:

- 6.1 When the revised development programme was approved by Cabinet (Housing) Committee on 26 November 2014, the indicative cost for the scheme was £2,055,000.
- 6.2 The latest estimated scheme cost, including £244,435 fees and build costs and up to £50,000 for open space mitigation, is £1,962,926. This gives a saving of £92,000 over the current budget provision, all of which falls in 2015/16. The financial viability of the scheme has been reassessed using the latest cost information and the details are provided in Appendix 1. This includes an indication of expected rent levels. In summary, with rents at 72% of market rents, the scheme meets all the viability criteria. The value of the land, not included in the above figure but included in the financial viability appraisal is £930,000.

- 6.3 In order for tenders to be accepted and the scheme proceed, it is necessary for the expenditure to be approved in accordance with Financial Procedure Rule 6.4.

7 RISK MANAGEMENT ISSUES

- 7.1 The Council wants to develop and deliver an ambitious programme for the building of new council houses. Building homes involves significant risks. This is why market developers and investors demand high returns in reward for that risk. Risks lie in delays arising from inadequate resourcing, abnormal costs, unnecessarily bureaucratic procedures, local opposition, planning objections and a weakening of political commitment. It is important that risk is carefully managed.
- 7.2 At a high level, risk management is carried out by ensuring that proposals have a strategic fit with the Housing Development Strategy, particularly with respect to viability. The Council's corporate project and risk management processes will be used to mitigate detailed risk and ensure that projects are progressed in a logical sequence to ensure that the Council is not overexposed to risk. It is important to note that it is rare for risk to be totally removed.

APPENDICES:

Appendix 1 – Financial Viability Summary

Financial Viability Summary – Westman Road

Heading	Analysis	Criteria
Units	12 units	
Estimated scheme cost for viability assessment	£2,892,926	NB This cost includes the value of land.
Market Value of dwellings	£4,065,000	
Total scheme cost as a % of market value	70.8%	< 100%
Net present value	£174,500	> £0
Loan repayment year	28	30 years or less
Rent as % of open market rent	72% of market rent with the 4 bed house capped at £225,00	Max 80%, subject to not exceeding LHA
Rent per week based on 52 week year	2 Bed Bungalow & House - £147.11 3 Bed House - £170.61 4 Bed House - £225.00	

Note – LHA is the “Local Housing Allowance”.