

CABINET (HOUSING) COMMITTEE

1 OCTOBER 2014

VICTORIA HOUSE SCHEME UPDATE

REPORT OF THE HEAD OF NEW HOMES DELIVERY

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RECENT REFERENCES:

CAB2461(HD) - Cabinet (Housing Delivery) Committee – Victoria House – Future Development Options, 27 February 2013

CAB2557 - Authorisation to Progress Affordable Housing Scheme, Victoria Road, 12 February 2014

EXECUTIVE SUMMARY:

This report seeks approval to demolish the former sheltered scheme known as Victoria House, Victoria Road, Winchester in advance of letting a build contract to redevelop the site to provide 18 rented and 9 shared ownership flats together with undercroft car parking.

RECOMMENDATIONS:

- 1 That the demolition of Victoria House, Victoria Road, Winchester be approved and that archaeological investigation enabling works be also completed prior to the tendering of the main works contract
- 2 That Demolition, Archaeological, and Construction Design and Management contractors be appointed to undertake the demolition of Victoria House and the subsequent site investigations in accordance with the provisions of Contract Procedure Rule 9.2

- 3 That authority be given under Financial Procedure Rule 6.4 to incur the capital expenditure for the demolition and enabling works.
- 4 That tenders be sought for the construction of the new housing under either Contracts Procedure Rule 9.2 E or 12 as is appropriate, having regard to the pre-tender estimate.
- 5 That a further report be brought back to Committee after receipt of tenders for the building contract, for approval of the building contract under Financial Procedure Rule 6.4 and selection of the contractor.

CABINET (HOUSING) COMMITTEE1 OCTOBER 2014VICTORIA HOUSE SCHEME UPDATEREPORT OF HEAD OF THE NEW HOMES DELIVERYDETAIL:1 Introduction

1.1 Victoria House, Victoria Road, Winchester has been identified in the Council's New Homes Development Programme as a potential site for Council homes. Cabinet (Housing Delivery) Committee on 27 February 2013 considered options for future use of the site which was formerly an Extra Care housing scheme and confirmed that redevelopment was the preferred option(CAB2461(HD) refers). Following a full scheme appraisal that was reported to Cabinet on 4 February 2014, it was agreed that a planning application be made and tenders sought for the construction of the Scheme (CAB2557refers).

1.2 Planning consent was granted in June 2014 to demolish the Extra Care scheme and build 27 affordable homes on the site, with a mix of 9 shared ownership flats (to be leased to a Registered Provider), and 18 rented flats (initially aimed at downsizers to free up larger Council family homes). Undercroft parking would provide one space per flat, controlled by a barrier and traffic lights.

2 Tender Process

2.1 The scheme was tendered to six Contractors using an OJEU-compliant framework. The Council's appointed agent, Rund Partnership, managed the tender process and five contractors confirmed they would be submitting a bid for the contract. By the deadline, however, only one contractor submitted a bid, which was unfortunately £700,000 over the original budget estimate.

2.2 Rund's subsequently made enquiries with the companies that did not submit bids and found that the common reason was that they had a full order book and that in a rising market it was difficult to gain certainty around sub-contractor availability and rates.

2.3 Negotiations then took place with the one company that had returned a bid, to see what cost savings could be immediately identified. Several options were identified that would immediately save approximately £250,000, although this was still over budget and as a consequence the scheme failed the Council's viability criteria.

2.4 With only one tender having been returned, it is very difficult to determine whether this represents good value for money. It is therefore

proposed that the scheme be re-tendered in order to obtain a cost-effective tender price. In addition, the appointed architects have been instructed to re-look at materials costs and the costs associated with meeting energy code levels, to help improve the overall viability of the scheme.

3 Revised Timetable

- 3.1 The original tender specification required the contractor to carry out the demolition, as well as undertaking the construction work. As noted above, this requirement produced a tender price that rendered the redevelopment unviable.
- 3.2 It is therefore now proposed to split the project into two separate contracts, one for the enabling works (demolition and archaeological works), and another for the construction work for the new building. It is intended that the demolition work be undertaken whilst the main build contract is being re-tendered, thus minimising time delays to the overall project. An additional consideration is that the existing building is attracting some anti-social behaviour with people trying to break in and it has accordingly been necessary to have security screens placed over doors and windows. This procurement process will deal with this issue and allow progress to be maintained, minimising time delays.
- 3.3 It is envisaged that revised tender documents will be prepared by the end of November 2014 which will allow time for the architect to revise drawings and negotiations with planners over materials and code levels to take place. The demolition and archaeology work is expected to be completed by the end of February 2015 by which time the tenders for the construction works will have been returned. A report back to Cabinet (Housing) Committee will be made at that time, following an assessment of the tenders by a cost consultant, and the lowest tender capable of delivering a viable business case for the development, where the tenderer is able to undertake the works within the required timescale will be recommended for acceptance. The report will also cover the necessary approval in accordance with Financial Procedure Rule 6.4, approval of the scheme budget, and the appointment of the build contractor.

4 TACT Comment

- 4.1 TACT has been directly involved in this project and fully supports the proposals. Whilst we want to see progress, this should not be at any cost. TACT would like to have 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 Housing Revenue Account capital programme was approved by Cabinet (Housing) Committee on 4 February 2014, the indicative cost for the scheme was £4,424,000. The latest total estimated scheme capital cost is £4,854,000. This is based on the latest tender estimate prepared by Runds plus an allowance for fees and demolition. The latest estimated costs will be included in the update of the HRA business plan which will be presented to this Committee on 26 November 2014. This will also address the funding of the additional expenditure.

- 6.2 The estimated cost of the demolition is £132,000 (excluding VAT). A provisional sum for archaeology works has been set aside of £30,000, although it is hoped that it will be significantly less than this amount as initial indications from the Council's Officers and advisors are that no significant finds are expected. This expenditure is within the existing approved budget and is also within the spending approved in accordance with FPR 6.4 (Cabinet (Housing Delivery) committee approved spending of £314,000 on initial fees etc. at its meeting on 22 May 2013).

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: None