

CABINET (HOUSING) COMMITTEE

1 OCTOBER 2014

AUTHORISATION FOR FINAL APPROVAL TO CONSTRUCT HOUSING SCHEME:  
NEW QUEENS HEAD SITE

REPORT OF THE HEAD OF NEW HOMES DELIVERY

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RECENT REFERENCES:

CAB2460 – Stanmore Land Acquisition, 13 February 2013

CAB2580 – Authorisation to Progress Affordable Housing Scheme: New Queens Head, Stanmore, Winchester, 30 April 2014

EXECUTIVE SUMMARY:

This report seeks final approval to enter into a build contract to construct 21 new Council houses on the site of the former New Queens Head public house, Winchester. In accordance with Financial Procedure Rule 6.4, approval is sought for the capital expenditure involved.

RECOMMENDATIONS:

- 1 That the Head of Estates be authorised to enter into a design and build contract with Drew Smith Ltd to construct 21 new council houses on the site of the former New Queens Head public house
- 2 That in accordance with Financial Procedure Rule 6.4, the capital expenditure of £2,548,000 is approved to bring the total sum approved into line with the latest estimated scheme cost of £2,718,000.

## CABINET (HOUSING) COMMITTEE

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### AUTHORISATION OF FINAL APPROVAL TO CONSTRUCT HOUSING SCHEME: NEW QUEENS HEAD SITE, STANMORE, WINCHESTER

#### REPORT OF HEAD OF THE NEW HOMES DELIVERY

##### DETAIL:

##### 1 Introduction

- 1.1 The Council purchased the site of the New Queens Head public house in April 2013 from Enterprise Inns. The pub had been closed for some time due to economic reasons and had been subject to two unsuccessful planning applications for conversion into a mixed housing and retail use.
- 1.2 The principal reason for the purchase of the site originated from the work carried out on the Stanmore Development Framework. In 2012 the Council appointed Broadway Malyan architects to develop a planning framework for Stanmore, the purpose of which was to:
  - a) Determine the work needed in the area to improve life for residents across a range of areas including highways, community facilities, green spaces and housing;
  - b) Provide a vision and set of short, medium and long term actions for the neighbourhood and those working within it to guide its future regeneration and identify opportunities for growth; and
  - c) Form part of the evidence base for the Council's Local Plan Part 2 – Development Management & Allocations document by identifying potential development sites.
- 1.3 The consultants envisaged the development of a number of key sites within the estate with a range of affordable housing and community enhancements. It was considered that ownership of the New Queens Head site would help facilitate the delivery of the objectives emerging from the community planning exercise.

##### 2 Proposal

- 2.1 The development proposal is for 21 affordable homes with a mix of 5 x 3 bedroom/5 person houses, 9 x 2 bedroom/4 person houses, 1 x 1 bedroom, 2 person bungalow and 6 x 1 bedroom 2 person flats.
- 2.2 A planning application was submitted in May 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 Employers 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 medium sized companies were invited to submit fixed price bids for the project. . The four tenders received are summarised below:

Tender	Tender Sum
Tender A	£2,550,826.50
Tender B	£2,808,297.00
Tender C	£2,849,472.82
Tender D	£2,889,600.00

- 3.2 Tenders were returned on the 22 August 2014. An evaluation of the tenders was carried out by Baqus, which concluded that the lowest tender price was provided by Drew Smith Ltd for the sum of £2,550,826.50. Baqus are satisfied that that the tender process has produced competitive prices, the Feasibility Cost Plan Estimate produced in April 2014 having estimated a build cost of £3,200,000.
- 3.3 On the basis that Drew Smith Ltd have produced the lowest tender price, authorisation is sought for the Head of Estates to enter into a Design and Build contract with that company to construct 21 properties at the New Queens Head site for the sum of £2,550,826.50.
- 3.4 If the recommendation set out above is agreed final contracts will be prepared and entered into in October 2014, with the site handed over to the contractor during November. The build contract period is estimated at 45 weeks.

### 4 TACT Comment

- 4.1 TACT are pleased to note progress with this scheme and fully support the proposals in the report. 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 28 November 2013, the indicative cost for the scheme was £2,838,000 (excluding land purchase).
- 6.2 The latest estimated scheme cost is £2,718,000, giving a saving of £120,000 over the current budget provision all of which falls in 2015/16. The estimated phasing of the latest expenditure is £30,000 in 2013/14, £743,000 in 2014/15 and the balance of £1,945,000 in 2015/16. These latest costs will be incorporated into the update of the new build programme which will be presented to this Committee as its meeting on 26 November 2014. 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 80% of market rents, the scheme meets all the viability criteria.
- 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. At the Cabinet (Housing Delivery) Committee meeting on 22 May 2013, approval was given to spend up to £170,000 on initial fees. It is now recommended that the balance of £2,548,000 be approved.

## 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 – New Queens Head**

<b>Heading</b>	<b>Analysis</b>	<b>Criteria</b>
Units	21 units	
Estimated scheme cost for viability assessment	£3,857,000	
Market Value of dwellings	£5,205,000	
Total scheme cost as a % of market value	74.1%	< 100%
Net present value	£22,000	> £0
Loan repayment year	30	30 years or less
Rent as % of open market rent	80%, subject to the rents for the 3 bed houses being limited to the LHA	Max 80%, subject to not exceeding LHA
Rent per week based on 52 week year	1 Bed Flat - £128.31 1 Bed Bungalow - £133.85 2 Bed House - £166.15 3 Bed House - £209.77	

Note – LHA is the “Local Housing Allowance”.