

Finance & Resources Committee

10.00, Tuesday, 2 February 2016

21st Century Homes Small Sites Programme Delivery

Item number	7.9
Report number	
Executive/routine	Executive
Wards	All

Executive Summary

The purpose of this report is to seek Committee approval to place a project order with Willmott Dixon Construction Ltd using the Scape Group Ltd (Scape) framework, to enable the development of seven brownfield sites for affordable housing within a project target budget of £29.7m. Committee is also asked to agree to apply for Scottish Government grant funding to support the delivery of around 165 social rented homes on the sites with the remaining homes to be developed for Council mid market rent.

It is anticipated that around 246 energy efficient homes will be delivered across the seven sites within an estimated three year timescale. Development of the sites will deliver regeneration and community benefits as well as much needed affordable homes.

The principle benefit to the Council of using the Scape framework is immediate access to a pre-procured single contractor to deliver a rolling programme across the seven sites with significant time savings on procurement. The contractor is successfully delivering affordable homes and community benefits at the 21st Century Homes Pennywell development.

Links

Coalition pledges	P8, P9, P17
Council priorities	CO16
Single Outcome Agreement	SOA4

21st Century Homes Small Sites Programme Delivery

Recommendations

It is recommended that the Finance and Resources Committee:

- 1.1 Agrees to place a Project Order with Willmott Dixon Construction Ltd for the development of seven sites for affordable housing using the Scape framework.
- 1.2 Agrees a project budget of up to £29.7m for the small sites programme.
- 1.3 Designates the Director of Place to enter into Delivery Agreements for sites through Scape on condition that total costs for the programme do not exceed the project budget.
- 1.4 Agrees to apply for Scottish Government grant funding to support the delivery of around 165 homes for social rent across the sites.
- 1.5 Notes that progress with development of the sites will be reported to Health, Social Care and Housing Committee.

Background

- 2.1 On 13 February 2015, the Economy Committee approved the transfer of five sites, held on the General Fund, to the Housing Revenue Account (HRA) for the purpose of developing affordable housing. A further two sites held on the HRA were also considered to have potential to provide affordable homes.
- 2.2 On 16 June 2015, Health, Social Care and Housing Committee agreed to include the seven sites in the 21st Century Homes Programme and Robertson Construction Ltd (Robertson) was engaged, through the Scape framework, to carry out a feasibility study at no cost to the Council. Scape is a local authority-controlled company that set up a number of frameworks in respect of different works/services.
- 2.3 There are six delivery partners on the OJEU procured Scape National Framework. One of those, Willmott Dixon Construction Limited, is the delivery partner for major works projects over £2m in the UK. They have sub-contracted all of their construction works in Scotland to the Robertson Construction Group. The Council will, therefore have a Delivery Agreement with Willmott Dixon Construction Ltd, but through an assignment arrangement will operate on a day to day basis through the Robertson Construction Group (Robertson).
- 2.4 Robertson is the construction partner of the Urban Union consortium that is currently delivering 719 affordable and private homes in Edinburgh through a Development Agreement with the Council.

Main report

- 3.1 A feasibility study for the development of affordable housing on seven HRA sites has been carried out by Robertson. Appendix 1 shows the location of the sites and the estimated housing development capacity. The key outputs of the feasibility study for each site are: concept development plans, 3-D sketches, accommodation schedules, risk and cost plans. An overarching energy strategy has also been provided as well as a budget and programme for developing the sites. Consultation has taken place with the Council's Planning and Transport services regarding the urban context, development proposals and 'place making' principles for each site.
- 3.2 The total number of homes that Robertson considers to be feasible to deliver across the seven sites is 246. The development programme is based on when sites will be vacant and ready for development. It is estimated the programme will take approximately three years to deliver. The current assumption is that sites at Calder Gardens and West Pilton Grove will form the first phase of the development programme.
- 3.3 The energy strategy for the sites will minimise the energy required (and therefore costs to tenants) to heat the home with a 'fabric first' approach that exceeds the new Building Regulations 2015. The 'fabric first' approach is designed to minimise heat loss and ensures that fabric insulation is incorporated into construction elements that would be difficult and costly to upgrade in future. The specification for the homes includes: high levels of fabric insulation; wider than the traditional 50mm external wall cavities; high levels of air tightness; Photovoltaic PV Solar panels high energy efficient 'Energy Related Product (ERP)' compliant boilers with real time electricity resources display monitors.. The solar PV installation will achieve the required carbon reduction levels and also afford benefit to the tenants via generation and export of electricity to the Grid.
- 3.4 The feasibility of providing communal combined heat and power (CHP) systems was considered for the small sites. However, the capital costs would be approximately twice that of providing individual boilers along with PV solar panels. The preferred option of individual boilers with PV solar panels is expected to deliver similar levels of cost savings to tenants without the requirement for multiple plant facilities on small sites that are dispersed across the city.
- 3.5 It is proposed to deliver the small sites using the Scape framework. Robertson is successfully delivering affordable homes and community benefits at Pennywell. The Pennywell project is on budget and on programme and targets have been exceeded in relation to delivery of community benefits. Delivery of the programme through a framework will enable speedier delivery of sites and cost efficiency in the development and construction process.

- 3.6 Following Committee approval a project order will be placed with Scape to enable detailed designs and cost plans to be developed by Robertson for each site. The Council will only enter into a building contract for the delivery of a site when Planning Consent is in place and the Council's independent cost consultant certifies that the fixed price proposed by Robertson has been market tested and represents value for money for the Council.
- 3.7 It is proposed that the budget for the 21st Century Homes small sites programme will be capped at £29.7m. Progress with delivering the programme will be reported to the Council's 21st Century Homes Programme Board and Health, Social Care and Housing Committee.
- 3.8 Development of housing on the small sites will help accelerate housebuilding in the city, address demand for affordable homes and support the local economy. At Royston and Dumbryden, affordable homes will be developed alongside new Council care homes. This will complete the regeneration of the sites and contribute to the delivery of health and social care outcomes.

Measures of success

- 4.1 Delivery of 246 quality, energy efficient affordable homes on seven brownfield sites across the city.
- 4.2 Development of accessible homes, including 16 fully wheelchair accessible homes to meet a range of housing needs.
- 4.3 Development of affordable homes alongside Council care homes, delivering comprehensive regeneration and supporting the delivery of health and social care outcomes.
- 4.4 Community benefits include the creation of 4 FTE apprentices and sustaining 6 existing FTE apprentices, as well as engaging with local schools, colleges and universities to provide work placements, qualifications and site visits.
- 4.5 Time and cost saving in the housing development process

Financial impact

- 5.1 Robertson has advised that the estimated cost of design and construction of 246 homes on these sites as a package, under the Scape framework is £27.4m. The Council's independent cost consultant, the David Adamson Partnership (DAP), has reviewed the costs against market rates and previous 21st Century Homes tenders. Taking account of inflationary costs and 2015 Building Regulations, DAP has concluded that the average total construction cost, including preliminaries, of £96,482 is competitive and represents value for money for the Council. It is lower than those presented by Robertson for larger sites and lower than the average Registered Social Landlord cost of £98,000.
- 5.2 The total funding requirement for the Council is estimated at £29.7m which includes the sum paid to the contractor, planning contributions and the Council's project management costs. The costs can be contained within the HRA Business Plan.

- 5.3 Development of the small sites will be funded from borrowing on the Housing Revenue Account and available Scottish Government grant funding. It will be delivered as part of the 21st Century Homes housebuilding programme and is projected to make a positive contribution to the HRA over the lifetime of the business plan. .

Risk, policy, compliance and governance impact

- 6.1 Scape System Build Limited (Scape) is a local authority-controlled company that set up a number of frameworks in respect of different works/services. Local authorities may call-off relevant contractors from a particular framework thereby awarding the contract to a particular contractor. Willmott Dixon Construction have been appointed to the framework following an open procurement process. .
- 6.2 A gateway review process is in place for the Scape framework which enables approvals to be sought at key stages from the 21st Century Homes programme board, including approval to enter into Delivery Agreements for sites. The Scape Delivery Agreement incorporates a standard, fixed price building contract. Delivery Agreements will only be entered into if sites can be delivered within the Council's £29.7m budget and represents value for money.
- 6.3 In the event that sites cannot be delivered within budget and a decision was made not to enter into a Delivery Agreement, the Council would only be liable for meeting pre-construction costs; such as design costs and Planning fees.

Equalities impact

- 7.1 Development of 246 affordable homes on seven sites across the city will have a positive impact on equalities. New housing will be accessible and energy efficient with 10% of social rented housing suitable for wheelchair users.

Sustainability impact

- 8.1 Affordable housing will be developed on brownfield sites which have been earmarked for development for some time. The proposed new build homes will be built to high standards in terms of energy efficiency and sustainability and therefore reduce fuel poverty.

Consultation and engagement

- 9.1 Consultation took place in 2015 with community councils, Edinburgh Tenants Federation and ward Councillors regarding the opportunities these small sites offered for affordable housing development. There was a high level of support for the development of the sites.
- 9.2 Consultation will take place with communities and ward councillors on the proposals for each site as detailed designs are developed and prior to submission of planning applications.

Background reading/external references

10.1 <http://www.scapegroup.co.uk/about/>

Paul Lawrence

Executive Director of Place

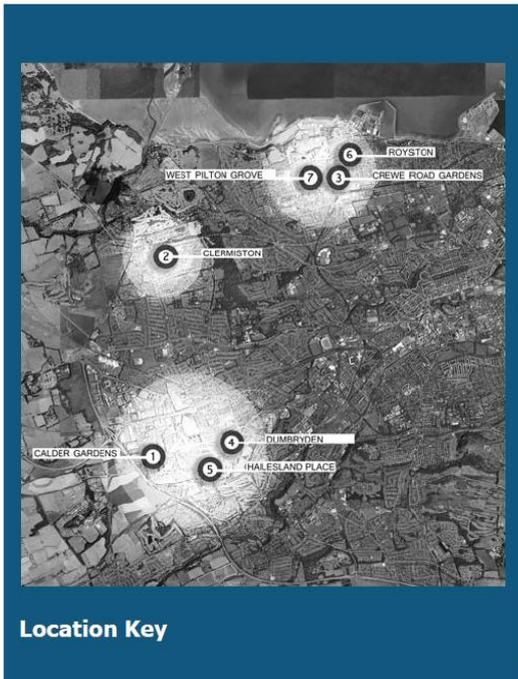
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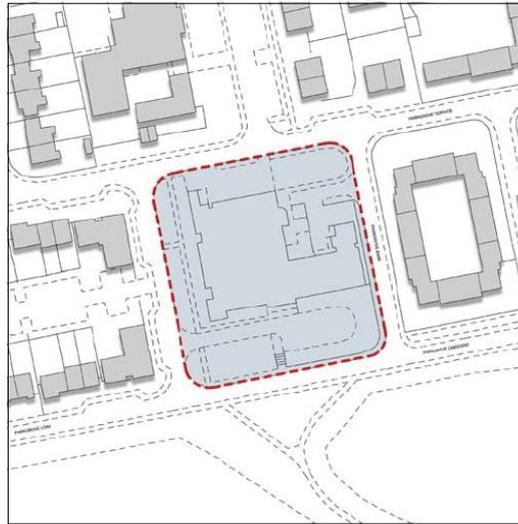
Links

Coalition pledges	<p>P8 – Make sure the city’s people are well-housed, including encouraging developers to build residential communities, starting with brownfield sites.</p> <p>P9 – Work in partnership with Scottish Government to release more funds for Council homes for rent.</p> <p>P17 – Continue efforts to develop the city’s gap sites and encourage regeneration.</p>
Council priorities	<p>CO16 – Well-housed – People live in a good quality home that is affordable and meets their needs in a well managed Neighbourhood.</p>
Single Outcome Agreement	<p>SO4 – Edinburgh’s communities are safer and have improved physical and social fabric</p>
Appendices	<p>Appendix 1 - Locations and Indicative Capacities</p>

Appendix 1 - Locations and Indicative Capacities

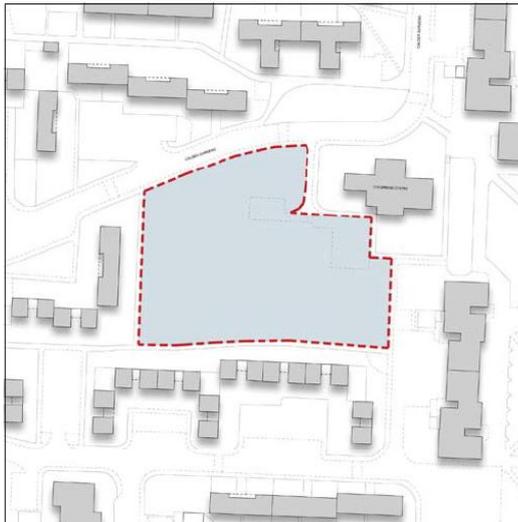


Site 2: Clermiston - 44 Homes



0.48 ha (1.18 acres)

Site 1: Calder Gardens - 37 Homes



0.66 ha (1.63 acres)

Site 3: Crewe Road Gardens - 26 Homes



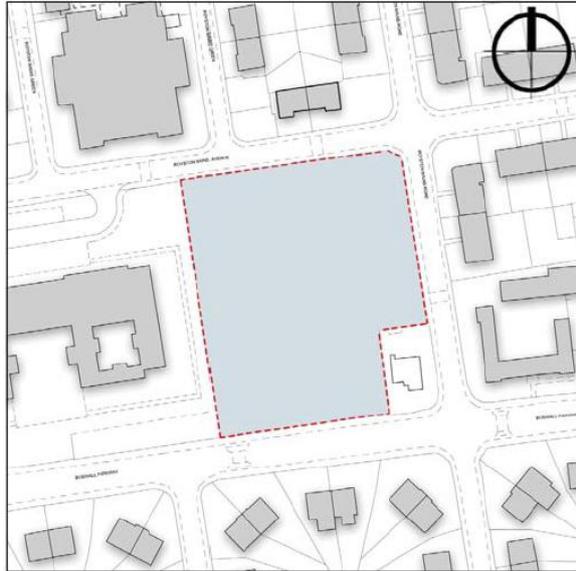
0.39 ha (0.96 acres)

Site 4: Dumbryden Drive - 34 Homes



0.42 ha (1.04 acres)

Site 6: Royston - 46 Homes



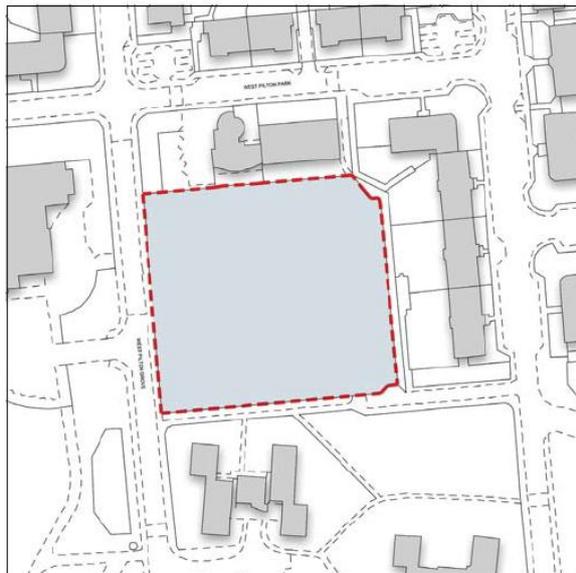
0.58 ha (1.42 acres)

Site 5: Hailesland Place - 30 Homes



0.41 ha (1.02 acres)

Site 7: West Pilton Grove - 29 Homes



0.45 ha (1.12 acres)