

PAPER NO. 12

REPORT TO THE EXECUTIVE MEETING OF 15 JUNE 2015

Meeting: Executive

Date: 15 June 2015

Subject: Redevelopment of Garage Sites

Report of: Mark Perris

Portfolio Holder: Councillor Phillip King; Financial and Commercialisation

Status: For Decision

Relevant Ward(s): Lubenham
Glen
Market Harborough - Welland

1 Purpose of the Report

- 1.1 To consider the options in respect of the garage sites following a Council decision to review the options for the remaining garage sites including the potential for housing development.

2 Recommendations:

- 2.1 To agree that the Council explores the option to act as developer for the sites, utilising the allocated resources in the approved Capital Programme.
- 2.2 To approve the procurement of a construction contract, in accordance with the SCAPE/empa ii national framework contract, to allow the production of a full business case which will be presented to the Executive for approval.
- 2.3 To delegate authority to the Corporate Director - Resources in consultation with the Head of Legal and Democratic Services to obtain vacant possession of the Garage Sites as necessary, including the termination of the vehicle access licences at St Cuthbert's Avenue, Great Glen.
- 2.4 To delegate authority to the Corporate Director - Resources in consultation with the Portfolio Holder, s. 151 officer and Head of Legal and Democratic Service to submit an application to register the proposed Lubenham and Great Glen developments with the Homes & Community Agency's Help to Buy scheme

- 2.5 To delegate authority to the Corporate Director - Resources in consultation with the Portfolio Holder and Head of Legal and Democratic Service to appoint a residential adviser to inform the development of a Full Business Case.
- 2.6 To delegate authority to the Corporate Director – Resources to submit the necessary planning applications in respect of the schemes to inform the development of the Full Business Case.
- 2.7 To note the interim position of the projects outlined in Appendix C3 (Naseby Close/Newcombe Street)

3 Summary of Reasons for the Recommendations

- 3.1 To satisfy Corporate Delivery Plan 2013/14 Objective CA9 “Ensure financial and other assets are maximised and managed efficiently” and to further good asset/property management of the Councils assets.
- 3.2 To realise the maximum benefits from the Council’s assets.
- 3.3 To commission the development of a Full Business Case for these three sites to be presented to a future meeting of the Executive.

4 Key Facts

- 4.1 The background to the report and a summary of the previous reports is attached as Appendix A.
- 4.2 The options available to the Council are outlined in Appendix F. Whilst there are several options available to ensure that the Council achieves best value, the optimal options would be for the Council to develop the sites, either alone or in partnership, as such the following sections focus on the Council taking an active part in the development of the three garage sites.

Delivery of Corporate Objectives

- 4.3 Development of the garage sites for residential purposes will contribute towards the following corporate objectives;

PRIORITY : Working with communities to develop places in which to live and be happy.	
CO 1	People live in a sustainable environment.
PRIORITY : Provide public services which are effective and deliver value for money.	
CO 6	The Council makes the best use of its assets and resources.
PRIORITY : Support the vulnerable in the communities where they live.	
CO 12	People live in safe and appropriate housing.

- 4.4 If the Council were in control of the development of the garage sites, this would assist with ensuring these objectives are met by contributing, for example, new starter homes, whilst also delivering a return from the development.

Development Options

- 4.5 The three sites all afford reasonable potential for residential redevelopment.
- 4.6 Outline schemes have been prepared for the three sites. Appendix H Table 1 indicates the house numbers that could be developed on these sites.
- 4.7 In order to achieve development, the Council could either;
- Seek a development partner to develop the sites and provide financial input and share risk ; or
 - Directly develop the sites.
- 4.8 As the development proposals are relatively small scale, the financial benefits from a potential partners' perspective would not be very attractive, and could result in proportionally high management cost for the Council to ensure best value is obtained. In addition, the level of risk with the current vibrant residential market within the District reduces the risk for direct development by the Council.
- 4.9 The necessary financial resources have been made available within the Capital Programme, and by undertaking the scheme direct, this provides

opportunities to ensure other priorities are met, e.g. housing that is affordable for first time buyers.

Construction

- 4.10 In order to establish the full costs of the scheme and in order to provide a full business case to the Executive, it will be necessary to have certainty over the extent of each development to finalise building costs and sale prices. Therefore, it would be necessary to obtain planning consent to enable this to be provided. As such, the Council should progress this at the earliest opportunity.
- 4.11 There are a number of construction contract procurement options available, including;
- Traditional - The design process is separate from the construction. Full documentation (i.e. drawings, work schedules, bills of quantities) must be supplied by the client before the contractor can be invited to tender for carrying out the work. This tends to be a slow process.
 - Design & Build - This procurement works on the basis that the main contractor is responsible for undertaking both the design and construction work on a project.
 - Management procurement is a method where construction work is completed using a series of separate works or trade contracts which the main contractor is responsible for managing. The contractor does not actually do the physical work, but is paid a sum for managing the project through the various works packages. In reality, to an extent this is how many of the two previous options are managed.
- 4.12 In addition, there is the option to utilise the Scape/empa ii (East Midlands Property Alliance) framework, as with the office redevelopment project. The framework has been developed in conjunction with the public sector having regard to their needs. For this Council, this framework approach would have the following benefits;
- One of the quickest routes to site commencement;
 - ensuring any capital finance costs are reduced
 - capital receipts are achieved at the earliest opportunity
 - based on current market conditions, benefit from the current residential property market
 - Cheaper and time efficient procurement route.
 - Having regard to the Council's current in-house resources would avoid the need to appoint numerous consultants to support the project.
 - Open book approach to cost, ensuring the Council is able to demonstrate value for money. East Midlands Property Alliance (empa) has developed sophisticated models to help Councils with this aspect, which could be demonstrated if required.

- Utilise the contractors expertise to develop a cost effective design solution, e.g. there are currently a long lead-in time on bricks and labour costs have risen sharply. Therefore, by using knowledge such as this, most time and cost effective solutions can be identified at an early stage and avoid lengthy delays and thus cost increases.
- Form a partnership approach to find solutions to issues as they arise.
- Excellent Health & Safety record, important to avoid negative publicity and effect on Council's reputation.
- Framework ensures provision of apprenticeships to local young people, upskilling of current workforce and employment opportunities to local people, which with other Council priorities.
- Strong commitment to the Sustainability Agenda in reducing CO₂ emissions and waste through greater efficiency and recycling.
- KPIs on use of local contractors.

4.13 Jeakins Weir (the company that undertook the market refurbishment) are a contractor on the relevant section for this type and size of project. It is suggested that Jeakins Wear are approached to work with the Council under the Scape framework.

4.14 At this stage, delivery of the Lubenham and Great Glen schemes appear to provide the opportunity for efficiencies through concurrently utilising the same construction site management team and suppliers. In addition it is suggested that the Market Harborough scheme should commence after the other two schemes to ensure that any learning has been captured before the development of the larger site.

4.15 Table 2 below sets out the anticipated construction phases;

Table 2 – Anticipated Construction Phases

Garage Site	Weeks	Comments
Paget Road, Lubenham	24	Developed concurrently
St Cuthbert's Avenue, Great Glen	24	
Naseby Close/Newcombe Street, Market Harborough	36	Subject to scope of works

Marketing

4.16 It would be beneficial to appoint a residential property agent to market the completed development on behalf of the Council at the earliest opportunity. In this way the agent is able to work with the Council and design team to ensure that the proposed development meets current market demands and consequently optimum sales prices are achieved.

- 4.17 It would also be beneficial to register the proposed Lubenham and Great Glen developments with the Homes & Community Agency's Help to Buy scheme, to alleviate a major issue in the housing sector both nationally, regionally and more importantly locally. Based on the likely programme and the current end of the national scheme it is unlikely that the scheme at Market Harborough would be completed in time to benefit from this funding.
- 4.18 The Help to Buy schemes are aimed at supporting first time buyers with the purchase of new homes. Utilising these schemes will help support first time buyers in purchasing new homes, and aid marketing of the scheme and potentially achieve sales within a shorter timescale.

5 Legal Issues

- 5.1 All existing garage licences will need to be terminated to allow options to be pursued.
- 5.2 All vehicular access licences will need to be terminated to allow options to be pursued.
- 5.3 A construction contract would be required in due course.

6 Resource Issues

- 6.1 There is provision within the Capital Programme as follows in Table 3 for Garage Site Redevelopment;

Table 3 – Available Capital Programme Funds for Garage Site Redevelopment

	2015/16	20 16/17	2017/18	2018/19	Total
	£000s	£000s	£000s	£000s	£000s
Expenditure	750	1,250	500		2,500
Income/Receipts		900	1,500	600	3,000

- 6.2 Based on the proposed construction phasing, it may be necessary to re-phase expenditure, however, initial indications are that the current cost envelope is adequate for the proposals.
- 6.3 A summary of the cost versus income is included in Appendix G, which demonstrates that the proceeding with the development of a Full Business Case in conjunction with the contractor is worthwhile. The current analysis is based on conservative sales prices and sales timescale. Construction costs could be reduced by a partnership approach between client, architect and construction company and are based on an initial assessment only based on limited information.

7 Equality Analysis Implications/Outcomes

- 7.1 No specific issues in respect of this report.

8. Risk Management Implications

8.1 Risk and opportunity management issues are included in Appendix E.

9 Consultation

9.1 Consultation has been undertaken with the Portfolio Holder for Financial & Commercialisation.

10. Options

10.1 A summary of the options available is attached as Appendix F.

11 Background Papers

11.1 None

Previous report(s): Council; Corporate Property Strategy & Asset Register – 29 July 2013

Executive; Garage Sites – 1 December 2014

Council; Garage Sites – 15 December 2014

Information Issued Under Sensitive Issue Procedure: Y

Ward Members Notified: Y

Appendices:

A. Background to Report

B. Summary of Recommendations from Executive Garage Sites Report of 1 December 2014 (exempt)

C. Site Overviews (exempt)

- 1. Paget Road, Lubenham**
- 2. St Cuthbert's Avenue, Great Glen**
- 3. Naseby Close/Newcombe Street, Market Harborough**

including;

- site overview, description, issues and opportunities**
- plans**
- Andrew Granger & Co. initial value advice**

D. Homes & Community Agency Help to Buy for House Builder and Developer Participation Guidance

E. Risk Log (exempt)

F. Summary of Options (exempt)

G. Summary Development Appraisal (exempt)

H. Table 1 Housing Numbers