

Finance & Resources Committee

10.00am, Tuesday 27 March 2018

21st Century Homes Small Sites Programme – Dumbryden Phase 2

Item number	7.13
Report number	
Executive/routine	Executive
Wards	2 Pentland Hills
Council Commitments	C1 , C4 , C10 , C12 , C18

Executive Summary

The purpose of this report is to seek committee approval to place a Project Order with Robertson Construction Group Ltd, using the Scape Major Works Scotland framework. This order is for the development and delivery of a second phase of affordable homes at Dumbryden Drive, within a project target budget of £6.25 million. Approval is sought to apply for Scottish Government grant funding for the social rented homes included within the development.

49 new homes are currently being constructed on the Dumbryden site as part of the Small Sites Affordable Housing Programme. This proposal would see around a further 49 energy efficient homes delivered as part of a second phase (Dumbryden Phase 2). The estimated timescales are for pre-construction activities to commence in Spring 2018, and for construction to commence on site in Summer 2019 for a period of 18 months. This will bring the total number of homes to be constructed under the Small Sites Affordable Housing Programme to 312. Committee is requested to note that housing construction has commenced on all the small sites, with first completions expected in May 2018.

21st Century Homes Small Sites Programme – Dumbryden Phase 2

1 Recommendations

- 1.1 It is recommended that the Finance and Resources Committee:
 - 1.1.1 Agrees to place a Project Order with Robertson Construction Group Ltd to progress pre-construction activities, using the current Scape Major Works Scotland framework;
 - 1.1.2 Agrees a project budget of up to £6.25 million;
 - 1.1.3 Permits the Executive Director of Place to enter into a Delivery Agreement with Robertson Construction Group Ltd through the Scape Major Works Scotland framework, to construct up to 49 affordable homes on condition that total costs for the project do not exceed the project budget, and planning approval has been received;
 - 1.1.4 Agrees to apply for Scottish Government grant funding to support the delivery of around 35 homes for social rent on the site; and
 - 1.1.5 Note that housing construction has commenced on all the small sites, with first completions expected in May 2018.

2 Background

- 2.1 On [2 February 2016](#), the Finance and Resources Committee considered a report which indicated around 246 energy efficient homes would be designed and built across seven sites using the Scape National Major Works Framework 2013 within an estimated three-year timescale. These sites are located at Calder Gardens, Crewe Road Gardens, Dumbryden Drive, Hailesland Place, Parkgrove Terrace, Royston Mains Avenue and West Pilton Grove.
- 2.2 The Committee agreed to place a Project Order with Willmott Dixon using the Scape Framework, and approved a project budget of £29.7 million. Approval was also given to allow the Executive Director of Place to enter into Delivery Agreements for the sites, and for officers to apply for Scottish Government Grant funding.
- 2.3 On [3 November 2016](#), the Finance and Resources Committee approved the transfer of 0.170 hectares of additional land at the former Dumbryden Primary

School site to the Housing Revenue Account (HRA), providing an opportunity to develop more affordable homes on the Phase 1 site.

- 2.4 On [23 January 2018](#), the Finance and Resources Committee agreed to transfer the balance of the former Dumbryden Primary School site to the HRA, providing an opportunity to deliver a second phase of affordable homes on this site.

3 Main report

- 3.1 A Project Order was raised through the Scape Framework in April 2016 with Robertson Construction Group Ltd, Willmott Dixon's assigned sub-contractor in Scotland, to deliver the Small Sites Affordable Housing Programme. The following progress has been made in developing and constructing 263 affordable homes across the seven sites:
- 3.1.1 Completion of pre-construction design activities for all seven sites;
 - 3.1.2 Sign-off of Delivery Agreements and supporting documentation for all seven sites;
 - 3.1.3 Receipt of £5.09 million of the Scottish Government's approved grant funding of £8.75 million;
 - 3.1.4 Statutory consents, including planning approval and building warrants, for all seven sites; and
 - 3.1.5 Commencement of construction works on all sites, with the first completions expected in May 2018.
- 3.2 In August 2017, Robertson Partnership Homes (the affordable house building arm of Robertson Construction Group Ltd) were commissioned to undertake a feasibility study to develop a second phase of affordable housing on the remainder of the former Dumbryden Primary School site.
- 3.3 There are a number of factors as to why Robertson Partnership Homes were engaged to undertake the feasibility work for Dumbryden Phase 2:
- 3.3.1 In June 2017 Robertson Construction Group Ltd were awarded the Scape National Construction Framework – Major Works Scotland, for projects between £2- 20million;
 - 3.3.2 Under the Scape National Construction Framework the cost of preparing feasibility studies is zero;
 - 3.3.3 Using the same developer as Dumbryden Phase 1 provides continuity of design and quality in the housing and public realm;
 - 3.3.4 Using the same developer could enable a seamless transition between the construction of Phases 1 and 2, without the possibility of conflict of responsibility for any damage to infrastructure (roads, footpaths etc) during the Phase 1 defects liability period;

- 3.3.5 There could be potential benefits and reduced risk by using a 'tried and tested' developer whose construction costs for the Phase 1 affordable homes were known, and which had been market tested and could be used as a benchmark for Phase 2; and
- 3.3.6 Continuity of community benefits across both phases, including apprenticeship places, local community engagement, work placements.
- 3.4 The feasibility study completed in December 2017 indicates that around 49 homes can be constructed on the site.
- 3.5 It is now proposed to deliver the Dumbryden Phase 2 development using the Scape Major Works Scotland framework using Robertson Partnership Homes/Robertson Construction Ltd.
- 3.6 Subject to Committee approval, a Project Order will be placed through the Scape Framework to enable the pre-construction activities (design, community consultation, planning application etc) to commence, and for detailed cost plans to be prepared. The Council will only enter into a construction contract (Delivery Agreement) 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 project budget for the Dumbryden Phase 2, development will be capped at £6.25 million. As with the other small sites, progress will be reported to the Council's 21st Century Homes Programme Board and the Housing and Economy Committee.
- 3.8 Placing the project order for this development with Robertson Construction will ensure that the new housing development is successfully integrated with the Phase 1 development. It will also enable the site to be developed quickly. It will bring the total number of affordable homes developed across the Small Sites Affordable Housing Programme to 312 homes.

4 Measures of success

- 4.1 Delivery of around 49 high quality, energy efficient homes on the Dumbryden Phase 2 site.
- 4.2 Development of 35 social rented homes (Including 3 fully wheelchair accessible homes) and 14 mid-market homes to meet a range of housing needs.
- 4.3 Community benefits including the creation of new apprenticeship places, engagement with local schools, colleges and universities to provide work placements, NVQ qualifications and site visits.

5 Financial impact

- 5.1 On completion of the feasibility study Robertson has advised that the estimated cost of the pre-construction and construction works, under the Scape Major Works Scotland framework would be £5.88 million.
- 5.2 The Council's independent cost consultant, David Adamson & Partners (DAP) has reviewed the revised costs against market rates, costs for Dumbryden Phase 1, and other recent affordable housing tenders received by the Council. DAP have advised that the proposed costs are competitive and represent best value for the Council.
- 5.3 The total project budget requirement for the Council is £6.25 million, which includes the sum paid to the contractor for pre-construction and construction activities, developer contributions and professional fees.
- 5.4 The total project budget is in line with the costs included in the HRA five year capital programme, approved by Council on [21 January 2016](#).
- 5.5 The report outlines total capital expenditure plans of £6.25 million. If this expenditure were to be funded fully by borrowing, the overall loan charges associated with this expenditure over a 30 year period would be a principal amount of £6.25 million plus interest of £6.17 million, resulting in a total cost of £12.42 million based on a loans fund interest rate of 5.05%. The annual loan charges would be £0.409 million.
- 5.6 It should be noted that the Council's Capital Investment Programme is funded through a combination of General Capital Grant from the Scottish Government, developers and third party contributions, capital receipts and borrowing. The borrowing required is carried out in line with the Council's approved Treasury Management Strategy and is provided for on an overall programme basis rather than for individual capital projects. Following instruction from Members, notional loan charge estimates have been provided above, which it should be noted are based on the assumption of borrowing in full for this capital project.
- 5.7 Development of the small sites will be funded from borrowing on the HRA and available Scottish Government grant funding. It will be delivered as part of the 21st Century Homes house building programme.
- 5.8 An allowance has been made for financial contributions to assist in the delivery of wider Council policies, enhance investment in the surrounding areas, and to satisfy planning requirements.

6 Risk, policy, compliance and governance impact

- 6.1 Monthly updates will be submitted to the 21st Century Homes Programme Board.
- 6.2 Within the Scape Major Works Scotland framework a gateway review process is in place, to highlight what has worked well and where improvements are required. A

gateway review will be undertaken prior to the start of the pre-construction activities and another before signing the delivery agreement.

- 6.3 In line with 21st Century Homes development procedures a suitably qualified and experienced construction Project Manager will manage the contract on behalf of the Council. The construction works will be closely monitored by an experienced Clerk of Works and collateral warranties will be provided by the contractor and design team.
- 6.4 A risk log will be maintained by the developer and updated regularly by the client and developer to mitigate against significant risks to this project.

7 Equalities impact

- 7.1 Development of around 49 affordable homes as a second phase at Dumbryden will have a positive impact on equalities. The new housing will be accessible and energy efficient with 10% of social rented housing suitable for wheelchair users.

8 Sustainability impact

- 8.1 The affordable housing will be developed on brownfield land which has been earmarked for redevelopment for some time. The proposed new homes will be built to high standards in terms of energy efficiency and sustainability and therefore reduce fuel poverty.

9 Consultation and engagement

- 9.1 The results of the feasibility study have been conveyed to local Ward Councillors, Wester Hailes Community Council, Edinburgh Tenants Federation and the South West Locality Team.
- 9.2 Following Committee approval, the local community and ward councillors will be invited to a local drop-in event to consider and offer feedback on more detailed designs, prior to submission of a planning application.
- 9.3 As part of the statutory planning process, the scheme will be formally advertised to allow any interested party to comment on, or object to, the proposed development.

10 Background reading/external references

- 10.1 Report to the Finance and Resources Committee on 23 January 2018, 'Accelerating Housing Delivery and Brownfield Regeneration – Update Report'

- 10.2 Report to the Finance and Resources Committee on 3 November 2016, 'Land at Former Dumbryden Primary School, Dumbryden Drive'
- 10.3 Report to the Finance and Resources Committee on 2 February 2016, '21st Century Homes Small Sites Programme Delivery'

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11 Appendices

None.