

PERFORMANCE SCRUTINY PANEL – 11TH APRIL 2017

Report of the Head of Landlord Services

ITEM 7 REFURBISHMENT OF RIVERSDALE COURT, BIRSTALL

Purpose of Report

1. To consider the budget outturn position for the refurbishment of Riversdale Court Sheltered scheme.

Background

2. The Scrutiny Management Board at its meeting on the 25th January 2017 referred the matter to Performance Scrutiny Panel recommending that they consider the variance between the original budget and outturn position. (Minute 31.3 refers)
3. Discussions had taken place at Scrutiny Management Board on a perceived overspend and uncontrolled expenditure of approximately £700k and for this reason the matter was referred to Performance Scrutiny Panel for an examination of how and why this occurred.

Budget

4. The budget for the scheme was £3,338k. Total spend to date is £3,312k. There is no overspend. There is, in fact, an underspend. At no time was an overspend shown.

History

5. The original budget for the scheme was £2,576k. This was based on an estimate produced by external project managers in 2013. All those involved in the management of the project at that time have left the Council. When it became apparent to the officers who had taken over the project that the costs were likely to exceed this budget, the project was put on hold and the matter referred back to the Cabinet on the 12th June 2014.
6. The Cabinet were given options. One option was to keep to the remaining budget of £2,576k. This would have meant no new build units. Of the original budget, £2,389 remained. Cabinet decided to recommend to Council that an additional Housing Revenue Account budget of £762k be made available to enable the new units to be built.
7. The Cabinet report is attached as an the appendix to this report. The minutes of the Cabinet meeting state that the reason for the decision was to maximise the potential of the site by providing 8 additional units, to refurbish and remodel the scheme removing the bedsits and shared bathrooms, thus providing overall best value for money.
8. Full Council considered the recommendations on the 23rd June 2014 and endorsed the recommendations of the Cabinet.

9. None of the additional funding was committed until the Cabinet and full Council had given approval.
10. It was clear that the external project managers had underestimated the costs. The Council dispensed with their services and the project was managed internally by Council officers.

Background Papers: Council, 23rd June 2014 – agenda item 7.1 and minute 18.1

Appendix: Cabinet, 12th June 2014 – agenda item 10

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CABINET – 12TH JUNE 2014**Report of the Head of Landlord Services
Lead Member: Councillor Jane Hunt****Part A****ITEM HOUSING CAPITAL PROGRAMME - PROPOSED
AMENDMENTS TO THE RIVERSDALE COURT PROJECT**Purpose of Report

To consider a revised scheme for the refurbishment of Riversdale Court sheltered scheme in Birstall.

Recommendations

1. That the scheme outlined in option 2 (paragraphs 10, 14 and 15 in Part B) be approved and that an additional capital budget of £762k be approved.
2. That authority be delegated to the Strategic Director of Housing, Planning and Regeneration and Regulatory Services to complete the necessary procurement exercises and award the contract to deliver the works.

Reasons

1. In order to deliver the recommended option 2 as outlined in paragraphs 10, 14 and 15 in Part B. This option maximises the potential of the site by providing 8 additional units, refurbishes and remodels the scheme removing the bedsits and shared bathrooms, thus providing overall best value for money.
2. To enable the scheme to commence without further delay.

Policy Justification and Previous Decisions

In June 2013, cabinet approved a scheme to refurbish Riversdale Court sheltered scheme in Birstall to provide 33 flats, 12 of which were to be new build units. External project managers were appointed to complete the design of the scheme, to project manage the development and to estimate costs. Their estimate for delivering the scheme was £2,576k and a budget for this amount was approved by Cabinet as an amendment to the Housing Capital Programme. Detailed costings have now been received and they exceed the budget provision which has led to the scheme being re-evaluated.

Implementation Timetable including Future Decisions and Scrutiny

It will be necessary to submit a revised planning application which it is estimated could take up to 13 weeks. The contractor will start on site once this has been obtained. A great deal of preliminary work has been completed

to enable the scheme to proceed once approval is given, including detailed drawings and costings.

The project will continue to be managed by the in-house project team and a Project Board which has both tenant and Member representation.

Report Implications

The following implications have been identified for this report.

Financial Implications

Of the original £2,576k budget approved by Cabinet on 6th June 2013, there is currently £2,389k remaining. The recommended option has a cost of £3,151k leaving a budget shortfall of £762k.

It is proposed that the additional expenditure will be financed through a mixture of one or more of borrowing, the retention of right to buy receipts relating to four additional new build flats within the complex, and the use of an increased revenue contribution to capital. This will ensure that the existing three year HRA Capital Programme approved on 13th March 2014 is unaffected by the budget demand from this scheme.

Additional funding will not be required until 2015/16 and the precise nature of that funding will be considered as part of the 2015/2016 Capital process. If extra borrowing is required, it will be undertaken either internally from the General Fund or externally depending upon market conditions at the time.

The existing scheme consists of 25 units. The recommended option will deliver a scheme of 29 units. Based on the indicative cost for the scheme, additional rental income for the four extra units will be £14k per annum, whilst the additional borrowing interest costs will be in the region of £28k per annum. The estimated retention of right to buy receipt funding is calculated as being approximately £32.6k per property totalling £130k for the scheme. This funding is being explored but cannot be guaranteed.

Risk Management

The risks associated with the decision Cabinet is asked to make and proposed actions to mitigate those risks are set out in the table overleaf.

Risk Identified	Likelihood	Impact	Risk Management Actions Planned
Cost exceeds budget	Possible	Moderate	Robust project management processes in place with project team and project board and evaluation of costs at every stage. A second price has been obtained to reality check and benchmark costs.

Risk Identified	Likelihood	Impact	Risk Management Actions Planned
Scheme takes longer to complete than the 52 weeks identified by the contractor	Possible	Moderate	As above plus continued support for the residents from the dedicated support worker.
Tenants are decanted longer than originally envisaged	Highly Probable	Moderate	In addition to continued disruption for tenants, rent loss will continue to be incurred. Robust project management will monitor the contractor's performance closely and the dedicated support worker will continue to provide communication, personal contact, support and social activities for tenants who are affected.
Damage occurs to empty building	Possible	Moderate	The Council's insurers have been informed and have advised on the measures that need to be taken and these have been put in place.
Decanted tenants not kept updated	Unlikely	Moderate	Dedicated support worker in place who provides personal contact; newsletter in place; social activities being organised.
New build units cannot be let when completed	Unlikely	Moderate	The remodelling removes all hard to let, unpopular bedsit accommodation.
Revised planning consent refused	Unlikely	Moderate	Revised scheme is reduced scale to that originally granted permission.

Key Decision:

Yes

Background Papers:

None

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Part B

Background

1. Riversdale Court sheltered scheme in Birstall consists of a total of 25 units of accommodation, consisting of 8 one bedroom flats, 16 bedsits and 1 two bedroom flat.
2. The Council has been carrying out a programme of refurbishment of its existing schemes and a scheme design was commissioned for Riversdale Court that would provide a total of 33 one bedroom flats, including 12 new build units. This was reduced to 11 new build units at the planning submission stage.
3. External project managers were engaged to commission and manage the scheme development. The capital budget of £2,576k was based on their costs estimate.
4. Costs have been incurred to date for the design and costing of the scheme, and a sum of £2,389k remains.

Costs

5. A contractor to deliver the works was identified in accordance with the Council's procurement rules using the Scape National Intermediate Framework. The contractor submitted a price which gives a scheme build price of £3,552k. This was in excess of the remaining budget and would require additional funding of £1,163k.

Follow up action

6. On receipt of the detailed costings, officers investigated the discrepancies from the original estimates and the reasons for them. Given that there was only a single contractor submitting a price, as allowed by the procurement scheme, officers also sought an alternative proposal in order to ensure that the price submitted could be benchmarked, and to ensure that the Council could achieve value for money. Taking into account the costs of switching to a different contractor, the original price submitted of £3,552k is £90k cheaper.
7. Following an evaluation of this investigation, the services of the external project managers were terminated and project management of the scheme has been brought in-house. A project team has been set up, reporting to a project board chaired by the Strategic Director of Housing, Planning, Regeneration and Regulatory Services. This has tenant representation from the Chair of the Housing Management Advisory Board, and Member representation from Councillor Capleton, thus providing robust project management
8. A robust examination of costs has taken place and options for a way forward have been identified in order to deliver a scheme that will provide improved accommodation for residents and that will also provide much needed, additional self-contained flats rather than bedsits with shared bathrooms.

Options

9. Option 1 would require an additional budget of £1,163k. This is the original scheme approved at the planning stage and would deliver a total of 32 flats, including 11 new build units.
10. Option 2 will require an additional budget of £762k. This would provide a total of 29 one bedroom flats, of which 8 will be new build. The reduced new build involves removing the proposed common room balcony. Consultation with residents has shown that this is not a priority. Residents' priorities are larger, self-contained flats with their own bathroom. It will be necessary to submit a revised planning application to deliver this option. The contractor has advised that the scheme will take 52 weeks to complete.
11. Option 3 can be delivered within the available budget. This option would involve remodelling the existing building and would remove the bedsits. However, there would be only 21 units remaining. No additional units would be provided. Costs do include a lift, but construction could be problematical due to the layout. Total build stage costs for option 3 are £1,940k. The framework contract accessed is for projects in excess of £2m which could result in the need to retender and use a different framework and contractor if this option were chosen. As a result, additional abortive costs of at least £160k would be incurred, bringing the total build stage cost to £2,100k.

	Cost per flat of build stage	Total build stage cost	Total scheme costs (inc. spend to date)	Additional Budget required
Option 1 Original scheme submitted for planning. This will provide: 32 one bedroom flats in total including 11 new builds.	£111k	£3,552k	£3,738k	£1,163k
Option 2 This will provide: 29 one bedroom flats in total including 8 new builds.	£109k	£3,151k	£3,338k	£762k
Option 3 Refurbishment and remodelling. No new build. This will provide: 21 one bedroom flats compared to existing scheme of 25 units (of which 16 are bedsits)	£100k	£2,100k	£2,286k	£0 (289.5k below budget)

Evaluation and preferred option

12. A scheme that maximises the site potential and procures some additional flats for the elderly (option 1 or 2) both require additional funding in order to proceed.
13. Option 1, the original scheme, is not considered overall value for money due to the costs of the 11 new build flats, compared to the costs of 8 new build flats in option 2. The extra costs are incurred due to the substructure costs.
14. Officers have undertaken a detailed evaluation, and recommend that option 2 represents the best value for money in relation to cost per unit, maximising the site potential, procuring a high quality scheme for elderly residents and increasing the amount of sheltered accommodation. This option provides 8 new build units, remodels the existing scheme and removes bedsits and shared bathrooms.
15. In order to deliver option 2, an additional budget of £762k is required to be included in the 2015/2016 budget. As explained in the financial implications paragraphs in Part A, the additional funding can be provided with no impact on the three year HRA Capital Programme approved on the 13th March 2014
16. Option 3 is remodelling only with no new build. The budget identified for the scheme can deliver this. The existing scheme would be refurbished and existing bedsits converted into one bedroom self-contained flats. However, this would be a much reduced scheme from the original proposal and would not maximise the site or increase the rental income for the scheme over the longer term.