

New Social Housing – Progress Report – Phase 2 and Phase 3**Report by Garry Sheret, Head of Property and Facilities, Resources****1 Purpose of Report**

Following the last Update Report to Cabinet on 23 August 2016, this Report describes in more detail the way forward for the Council House Building Programme Phase 2 and outlines new proposals for Phase 3. The aim of the report is to obtain Council approval for the next steps including the proposed sites and procurement strategy.

2 Background**2.1 Phase 2 Housing**

The current status of the Phase 2 project is 267 committed/completed homes with a further 75 targeted for Newbyres replacement housing, totalling 342 homes. The current target based on remaining budget available and proposed sites is forecast at 420 homes, leaving 80 homes still to complete.

To complete the project, various additional sites have been considered, as many of the sites previously approved by Council in 2012 are no longer considered viable as detailed in Table 1 below.

This report therefore proposes a list of sites which can be evaluated for both Phase 2 and Phase 3 as detailed in Table 2 below.

Table 1 - Sites omitted from September 2012 Report.

SITE	ADDRESS	REASON FOR EXCLUSION
20b	Gorton Road, Rosewell	Planning concerns, Core path, expensive ground remediation
26	Buccleuch St, Dalkeith	EWiM development
31	Edgefield Road Bing, Loanhead	Significant ground conditions
52	Blackcot Road, Mayfield	Environmental concerns and significant ground conditions
57	Rosewell Road (old Hopefield PS)	Education use
58	Eskdale Drive	Site sold
101	Edinburgh Road, Penicuik	Now utilised for Temporary housing accommodation
6/24/25	Oak Place	High existing levels of social housing provision in Mayfield

3 Proposal

3.1 Phase 2 Housing

The remaining sites will be constructed utilising the Phase 2 housing framework currently in place. The framework's expires in July 2017 however there is an option to extend this for a further year to July 2018. All remaining Phase 2 sites proposed are able to progress to award before the extended July 2018 expiry.

This report proposes to extend the Phase 2 Design and Build Framework. This will achieve best value from favourable contract rates attached and the use of an established process which avoids additional costs associated with preparing a new procurement vehicle. The new contracts would be allocated using mini competitions for each site – a process already established within the existing framework agreement. Whilst Procurement highlight the potential key risk associated with this Phase 2 Framework, Contractors are unlikely to tender competitively for design and build competitions where there are greater numbers of tenderers and they have lower chance of success.

3.2 Phase 3

Capability remains within the Phase 2 framework to build an estimated further £5m of housing if it can be awarded prior to the expiry of the extended Phase 2 framework.

In view of the success of the Phase 2 framework and the ability to utilise technique this without delay and/or additional procurement, the initial procurement strategy for Phase 3 is to utilise the existing framework to maximise its potential and to ensure remaining sites which cannot be procured via the framework are procured via a further strategy to provide seamless transition. This is likely to be individual or grouped sites as insufficient sites remain to complete to make it worthwhile to create a framework. A further report will be presented to address the finalisation of this strategy.

The sites still remaining to be developed would be packaged for open tender. Sites would be selected based on their early availability and preferred status in line with Housing's requirements.

Table 2 - sites proposed for Phase 2 and 3

PROPOSED SITES			
SITE NUMBER	APPROX NUMBERS	SITE NAME AND TOWN	KNOW AS
19	10	Polton Avenue Road, Bonnyrigg	
20A	18	Gorton Road, Rosewell	Gorton Road
23	10	Woodburn Terrace, Dalkeith	
39	12	Crichton Drive, Pathhead	Garage lock ups
51C	25	Stobhill Road, Gorebridge	Greenhall site
53	50	Morrids Road, Newtongrange	Site adjacent to Newbattle High School
109	50	Conifer Road, Mayfield	Bryans Primary School
110	35	Clerk Street, Loanhead	Former Library Headquarters/Social Work Offices
111	18	Eastfield Farm Road, Penicuik	Former Edinburgh Crystal site/Strathesk Primary School
112	40	High Street, Bonnyrigg	Bonnyrigg Depot
113	0	Polton Street, Bonnyrigg	Dundas Buildings
114	24	Moorfoot Place, Bonnyrigg	St Mary's Primary School
115	6	Castelaw Terrace, Bilston	Castlelaw lock ups
116	35	Newmills Road, Dalkeith	Former Dalkeith High School
47	20	Kirkhill Road, Penicuik	
Affordable housing e.g. Shawfair	47	Danderhall	
TOTAL	400		

The procurement strategy options to complete the remainder of Phase 3 units considered were as follows:

- Establish a further framework similar to Phase 2
- Tender separately (or grouped) sites
- Continue Design AND Build as for Phase 2 or alternatively explore traditional or schedule of rates alternatives

In view of the small number of sites expected to remain to be tendered to complete Phase 3 it is proposed to avoid the implementation of another Framework. The remaining sites could be grouped to reduce start up times and fees. This would mitigate the element of risk associated with low levels of competition and promote best value. The tender grouping could be arranged by size to attract the most suitable contractor and in accordance with the Scottish Government's policy to promote Small to Medium Enterprises. The key elements of the proposal are:

- (a) Complete and extend the Phase 2 Framework within a 25% capped extension and in line with the available budget which will utilise part of the Phase 3 budget.
- (b) Achieve sanction of proposed sites for the remainder of Phase 2, extend Phase 2 Framework and completion of Phase 3. Site Investigations and relevant Surveys relating to those sites likely to proceed within the next two years will be used to inform costs / design / remediation and risks. Further Site Investigations will be procured once later sites are confirmed. This reduces the risk of abortive costs should the legislation change regarding Environmental Health matters.
- (c) Continue the use of existing house types with suitable revisions to achieve required legislative changes since 2012 including Planning and Building Regulations.
- (d) Prepare the detailed procurement documents relating to mini competitions as part of the Phase 2 Framework and award works to a main contractor, dependant upon further analysis of which will best suit the Council requirements to deliver and control development.
- (e) Prepare design and detailed tender information for selected sites as a basis of providing detailed information which will be used for the overall Contractor procurement and also promoting the potential for earlier start on site.

3.2 Anticipated Timescale:

Preparation of preliminary Desktop Studies has already commenced Council approval of sites will trigger the more extensive Site Investigation work. A wide range of consultations have been held and responses are being co-ordinated.

Desktop studies appointment	Commence September 2016
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Site investigations appointment	Commence October 2016
Mini competition within Phase 2 Framework	Commence October 2016
Phase 3 procurement	Commence October 2016
Earliest potential Construction Start on Site	September 2017

4.1 Resource

All the costs of employing the necessary members of staff are included in the budgets for the three phases of the housing project.

4.2 Risk

This Phase 3 project will have a programme-wide risk register prepared and maintained as well as risk registers and issues logs for each of the individual Builds within it.

4.3 Policy

Strategy

The proposed works are in line with the Council's Social Housing Strategy and accord with Midlothian Council's Corporate Priority; Objective 1a.

Consultation

Consultations continue with the relevant parties.

Equalities

This report is not proposing any new services, policies, strategies or plans (or significant changes to or review of them) and therefore has not been assessed for equalities implications.

Sustainability

The new build house programme will comply with all current building regulations and follows best practice in line with the Council's policies on the environment.

5 Summary

This report proposes the continuation and extension of Phase 2 Framework and completion of Phase 3 using separate or grouped open tenders.

6 Recommendations

Midlothian Council is recommended to:

- a) Agree to the extension to the Phase 2 Framework
- b) Agree to the anticipated timeframes as set out in section 3.2.
- c) Approve progress of site investigative works and surveys.
- d) Authorise the Director to review the list of preferred sites should there be any restrictions which impact the effectiveness of any of the initial listed sites for development.
- e) Approve the proposed procurement arrangements as set out in the report.

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