
Report of Director, Environment & Neighbourhoods

To: Executive Board

Date: 9th December 2009

Subject: Little London and Beeston Hill & Holbeck PFI Project – Demolition of empty properties prior to start of PFI contract.

Capital Scheme Number: 15729/000/000

<p>Electoral Wards Affected: Hyde Park & Woodhouse Beeston & Holbeck</p>	<p>Specific Implications For:</p> <p>Equality and Diversity <input type="checkbox"/></p> <p>Community Cohesion <input type="checkbox"/></p> <p>Narrowing the Gap <input checked="" type="checkbox"/></p>
<p>Eligible for Call In <input checked="" type="checkbox"/></p>	<p>Not Eligible for Call In (Details contained in the report) <input type="checkbox"/></p>

Executive Summary

The purpose of this report is to seek authority to spend, and an injection into the Capital Programme of £1.7 m to demolish residential properties in Little London and Beeston Hill & Holbeck which are due to be demolished at a later date as part of the Housing PFI project. The demolition date can be brought forward substantially because vacant possession has been achieved earlier than anticipated. The vacant and derelict properties are now proving an eye-sore and community safety nuisance issue for local residents.

1.0 Purpose of this Report

- 1.1 To seek authority to spend, and an injection into the Capital Programme of £1.7m in order to demolish a number of tower blocks and maisonette properties which have been emptied in readiness for the Little London and Beeston Hill & Holbeck PFI project, in advance of the start of the PFI contract.

2.0 Background Information

- 2.1 Executive Board has previously received reports on the Little London and Beeston Hill & Holbeck Housing PFI project, most recently being 4th March 2009 when Executive Board approved some changes to the scope of the project.

- 2.2 The project will include the following improvements:-

- Little London - demolition of 150 unsustainable properties, refurbishment of 852 council properties, provision of 125 new council homes and environmental improvements throughout the estate.
- Beeston Hill & Holbeck – demolition of 575 unsustainable properties, refurbishment of 378 council homes, provision of 275 new council homes and associated environmental improvements.

3.0 Main Issues

- 3.1 The re-housing programmes for those tenants affected by demolition were set to ensure that vacant possession would be assured by agreed dates for the PFI contract. In practice this means that vacant possession had to be secured prior to the agreed dates to reduce the risk of delays to the PFI contract and potential contract cost implications. Vacant possession in Little London was secured by the end of June 2009. Vacant possession of the properties to be demolished in Holbeck (phase one of the re-housing in Beeston Hill & Holbeck) was completed mid-July 2009. The current estimate for a start on site for the PFI contract is autumn 2010.

- 3.2 The proposal has been approved by the Chief Housing Services Officer under delegated authority for the early demolition of empty properties in advance of the PFI scheme. The properties which have been identified for early demolition are:-

- Carlton Towers Multi Storey blocks 1 & 2 No's 1 - 103
- Carlton Carr Maisonettes No's 1-25
- Carlton Gate Maisonettes No's 27-41
- Carlton Gate Maisonettes No's 26-64

- Holbeck Towers Multi Storey blocks 1, 2 & 3 No's 1 - 181
- Gaitskell Court Multi Storey Block No's 1 - 61
- Gaitskell Grange Multi Storey Block No's 1 - 61

- 3.3 The rationale for early demolition of these properties is summarised below:

- despite measures such as security fencing and additional security patrols, all properties have been subject to vandalism, the most severe has impacted on the Holbeck site where emergency rehousing had to be undertaken on health and safety grounds as a result of vandalism of the fire safety arrangements to the blocks;

- the security measures have not prevented access being gained to the properties, resulting in the theft of salvageable material such as copper wiring. The damage incurred has not only required repeated re-sealing of the forced entry points but compromised safety in relation to the blocks;
- maintaining safety and security at the empty properties until the commencement of the PFI contract will require further revenue investment, with the potential of third party risk continuing until the properties are demolished;
- impact on the local community of living alongside empty and deteriorating properties;
- ward member representations have been received to consider the option for early demolition of the vacant blocks to remove the potential for blight and inconvenience to the surrounding residents.

4.0 Consultations

- 4.1 The Chief Officers of the ALMOs affected (WNWH and AVHL), the Chief Regeneration Officer, the Chief Housing Officer and the Area Management Teams for the two areas have been consulted about and are supportive of, these proposals.
- 4.2 Local Ward Members are supportive and have made deputations to the ALMOs requesting the early demolition of the properties.

5.0 Community Safety

- 5.1 It is considered that the proposals contained in this report for the demolition of these properties have implications under Section 17 of the Crime and Disorder Act 1998. The presence of empty and deteriorating properties within a community creates Community safety issues such as break-ins, theft, vandalism, anti-social behaviour and arson attack. The early demolition of these properties will remove or reduce these issues.

6.0 Equality & Diversity

- 6.1 The PFI project will provide improvements to the area which will benefit the whole community and also provide new council housing to meet a range of needs, including larger family housing and improvements to sheltered accommodation for older people. This decision, whilst not having specific implications for equality and diversity in itself, contributes to the successful delivery of the project.

7.0 Community Cohesion

- 7.1 The presence of empty properties within neighbourhoods creates negative perceptions about the area and the people that live there. Demolishing these properties early reduces the impact of negative perceptions which can damage community cohesion.

8.0 Narrowing the Gap

- 8.1 The PFI project contributes to the Narrowing the Gap agenda by targeting resources and investment in the most deprived areas in the city. The early demolition of these properties will send a positive message that improvements are underway in these areas.

9.0 Legal and Resource Implications

Capital Cost

- 9.1 The total cost of demolition and associated costs has been estimated by council officers at a maximum £1.7m. This is based on £2.4k per unit for the demolition of 442 dwelling units, including 52 garages, plus necessary asbestos removal at approximately £0.3m. Additionally, there will be costs incurred for pre-works surveys, the disconnection of services (including removal of redundant sub-stations), site leveling and fencing, as well as contract management fees. The cleared sites will then be partially redeveloped by the selected contractor as part of the PFI contract with the remainder developed separately at a later date.
- 9.2 Early demolition will mitigate security risk in the interim period, by reducing the time the buildings are stood empty.
- 9.3 Capital expenditure is anticipated to be as follows:

Expenditure required on this scheme	TOTAL £000's	TO MARCH 2009 £000's	FORECAST				
			2009/10 £000's	2010/11 £000's	2011/12 £000's	2012/13 £000's	2013 ON £000's
LAND (1)	0.0						
CONSTRUCTION (3)	1504.0		240.0	1264.0			
FURN & EQPT (5)	0.0						
DESIGN FEES (6)	100.0		50.0	50.0			
OTHER COSTS (7)	96.0		96.0	0.0			
TOTALS	1700.0	0.0	386.0	1314.0	0.0	0.0	0.0

Total overall Funding Available	TOTAL £000's	TO MARCH 2009 £000's	FORECAST				
			2009/10 £000's	2010/11 £000's	2011/12 £000's	2012/13 £000's	2013 ON £000's
LCC Funding	1700.0		386.0	1314.0			
Total Funding	1700.0	0.0	386.0	1314.0	0.0	0.0	0.0
Unsupported Borrowing	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Revenue Implications

- 9.4 Prudential borrowing has been calculated on the basis of a 20 year period to permit ready comparison to the undertaking of works through the PFI scheme. Demolition will commence in 2009/10 at an annual revenue cost of £31k, and works will continue in 2010/11 at an additional cost of £105k per annum thereafter. The total cost will therefore be £136k per annum until 2028/29, with one final payment of £105k in 2029/20.
- 9.5 There are additional cost benefits to undertaking demolition early in terms of avoiding the costs incurred by AVHL and WNWH in maintaining safety and security of empty properties until they are handed over to the contractor. These costs are estimated at £87k on security, made up of £40k on fencing, and £47k on security patrols.

Procurement Implications.

9.6 The PFI project for Little London and Beeston Hill and Holbeck is currently in procurement under Competitive Dialogue. There are two bidding consortia remaining. Final tenders are expected to be invited in November 2009, with the preferred bidder due to be announced by February 2010. The Project Team has consulted both bidding consortia on its proposals to seek the demolition of these properties in advance of the PFI contract, and specifically requested bidders response on the following:-

- any adverse impact on the bidders' ability to submit a final tender within the agreed timescales;
- bidders' requirements for treatment of these demolition sites to enable them to undertake the require development of the sites;
- any impact on their design proposals by the removal of demolition material that may have been proposed for example recycling waste materials into the scheme designs;
- any additional surveys they would require once the buildings are demolished prior to financial close of the contract;
- financial saving resulting from omitting these demolition works from the project;
- any implications on the legal contract documents proposed for the project.

9.7 The bidders have confirmed that:-

- Amending the scope of the contract to remove part of the demolition proposals to allow for early demolition would not adversely impact on their ability to submit a final tender.
- Both bidders would prefer the Council to adapt its demolition proposals to match in with the bidders' development programme proposals. This would entail a differing scope of works on the sites following demolition dependent upon which bidder was selected as the preferred bidder.
- Neither bidder is reliant on demolition materials for recycling into their scheme designs.
- Currently the Council will be held responsible for all abnormal ground conditions below the existing properties, as this 'dark ground' cannot be surveyed until the buildings are demolished. Early demolition would allow the bidders to survey this ground in advance of the contract being let. Both bidders would wish to oversee the demolition and subsequent site works to ensure that they were aware of the condition of the sites they are required to develop following the demolition.
- Both bidders have provided details of the cost of the demolition works and an indication of the savings in the annual unitary charge if the Council were to undertake the demolition works in advance of the contract.
- Both bidders have indicated that no specific changes would be required to the legal documents, but have indicated their requirements on works scope, specification and conditions to be met for vacant possession, including the disconnection of services to the sites.

10.0 Programme

10.1 The following programme is proposed for the works:

- Tenders out : December 2009 (4 weeks)
- Timetable of work – February 2010 to July 2010 (24 weeks)
- Completion – July 2010

10.2 Procurement risks – The telecommunications mast on Gaitskell Court has not yet been relocated, with the work due to be completed by January 2010. Further, there is an infestation of Japanese Knotweed impacting on Holbeck Towers 2. A treatment programme is being undertaken on this infestation, however confirmation that treatment has been successful can only be confirmed once the plant growing season starts in the spring. Expert advice has clarified that should this be required, there is a method that can be used which will enable safe demolition of the block to take place without creating a spread of the infestation.

11.0 Conclusions

11.1 The properties which have been identified and agreed by the Director of Environment and Neighbourhoods for early demolition in advance of the PFI contract, present a significant blight to the areas in terms of crime, anti-social behaviour and health and safety risk.

11.2 The two remaining bidders for the project have confirmed to the project team that the removal of the demolition of these properties will have no adverse implications for their bid submissions.

11.3 Should the authority to spend be granted by Executive Board, the project team will undertake an appropriate tendering process, in line with corporate procurement procedure, to select a contractor to deliver the works.

12.0 Recommendations

12.0 Executive Board is requested to

- 12.1 Approve the demolition of the identified empty properties in Little London and Holbeck
- 12.2 Approve the injection of £1.7m into the Capital Programme, from the use of Unsupported Borrowing and
- 12.3 Authorise scheme expenditure of £1.7m.

13.0 Background papers

- Executive Board report – 17th May 2006; Little London Housing Private Finance Initiative – Outline Business Case
- Executive Board report – 14th November 2007; Beeston Hill & Holbeck Housing PFI Scheme's Outline Business Case
- Executive Board report - 8th February 2008; Little London and Beeston Hill & Holbeck PFI Projects – Land assembly issues and update on the Lovell's Multi-storey Flats
- Executive Board report - 4th March 2009; Little London and Beeston Hill & Holbeck Round 5 PFI Housing Project -Impact of Wider Economic Changes on Project Scope