

**Title of meeting:** Cabinet Meeting

**Date of meeting:** 26 March 2020

**Subject:** **Leamington House and Horatia House - Update and Next Steps**

**Report by:** Director of Regeneration & Director of Housing,  
Neighbourhood and Building Services

**Wards affected:** St Thomas Ward

**Key decision:** No

**Full Council decision:** No

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**1. Purpose of report**

- 1.1. To provide Cabinet with a progress update on the decisions and actions agreed in October 2019 report.
- 1.2. To report back on the key strands of work associated with the decommissioning and deconstruction (demolition) feasibility of Leamington House and Horatia House.
- 1.3. To report back to Cabinet with a summary of the findings from the deconstruction surveys, as carried out to date and to confirm the preferred way forward, which is now the basis of the tender process being undertaken by officers.
- 1.4. The report contains updates on the tender processes and other critical path work being undertaken in line with previous cabinet decisions taken.

**2. Recommendations**

- 2.1. That the Cabinet:
  - 2.1.1 Notes the proposed method, programme and budget cost of the deconstruction works and associated master planning exercise.
  - 2.1.2 Delegates authority to the Director of Regeneration in consultation with the Director of Housing, Neighbourhood and Building Services to run the

procurement for the appropriate contractors to carry out the deconstruction work.

2.1.3 Notes the further discussions with Homes England.

### **3. Background**

#### **3.1 Cabinet Decision 26<sup>th</sup> February 2019**

3.1.1 Cabinet agreed on the 26<sup>th</sup> February 2019 that it is financially unviable to undertake the works to strengthen, clad and install sprinklers into Leamington House and Horatia House, and as a result agreed that on completion of the permanent rehousing of all households from Leamington House and Horatia House, the two blocks will be removed from charge, decommissioned and secured.

3.1.2 Cabinet further agreed to give delegated approval to the Director of Housing, Neighbourhood and Building Services authority to incur costs to carry out decommissioning works of Leamington House and Horatia House and secure both blocks.

3.1.3 Cabinet agreed that there is an opportunity for the sites to be redeveloped to create affordable/social housing and regeneration in this area of the City and requests the Regeneration Directorate working with the Housing Directorate to provide a report to Cabinet with an options appraisal for the demolition of Leamington House and Horatia House and redevelopment of the sites in consultation with the local and wider Somers town community and stakeholders.

3.1.4 Cabinet noted the loss of social housing units to the Housing Revenue Account and requests that the options appraisal for the development of the Leamington House and Horatia House sites includes the re-provision of a minimum of 272 social housing units to be held in the HRA.

#### **3.2 Cabinet Decision 8<sup>th</sup> October 2019**

3.2.1 Cabinet was appraise of the results of the resident engagement exercise and agreed to use all the engagement feedback results as the basis of the design brief for the master planning work and adopt the seven key principles emerging from the feedback.

### **4. Update on the Key Work Strands of the Project**

#### **Decommissioning and Securing the Blocks**

4.1 On the 9<sup>th</sup> August 2019 the last household was permanently rehoused from tower blocks. Both blocks are now physically secured with metal screening of all windows up to the third floor, secure gates at each entrance door and have had intruder alarms installed.

- 4.2 The external car park and green space / play park will remain open and in use for as long as practical. Management of the blocks remains with HNB.

Deconstruction update

- 4.3 Ridge & Partners LLP were appointed on the 17<sup>th</sup> July 2019 as principal consultant to provide a detailed options appraisal for the demolition of both blocks.

- 4.3.1 The reports were received in draft, in December 2019 and provide the detail on the method of demolition, timescales and estimated costs. In summary the findings support the proposed deconstruction method whilst giving confirmatory and detailed analysis of the two blocks. A high level summary of the report's findings are detailed below:-

- i) Demolition methodology.

This should be by careful panel by panel deconstruction as each is separated from the structure and craned to the ground for disposal.

- ii) Intrusive structural survey results,

Isolated ceilings and screeds have been removed to expose both the original structure and provide an indication of strengthening works that have taken place.

- iii) Mechanical and electrical surveys, Utility services

Identifies and traces the existing M&E installation district heating connections and other associated feeds around the sites.

- iv) Site access and highways investigations.

Considers the access and egress to the site from the exiting highway and confirms the best routes.

- v) Deconstruction budgets (asbestos removal, soft strip and main contract)

Establishes the likely order of cost subject to a limited soft market testing exercise, noting specialist trades like asbestos surveys are still to follow and finding form deconstruction works of a similar nature.

- vi) Programme.

Whilst the availability and phasing of the two blocks will dictate the overall duration individually the blocks will take 8 to 10 months to deconstruct. This will be subject to agreement with the successful contractor(s).

- 4.4 The reports do note the inherent risk associated with demolition and deconstruction works but goes on to focus on the specific risks around the deconstruction of Large Panel Systems (LPS) buildings and highlights the need for specialist deconstruction experts to mitigate this known risk.
- 4.5 The above documents are being used to inform the Employers Requirements for the procurement exercise being carried out to select an appropriate demolition contractor.

#### Design Team Appointment update

- 4.6 The engagement feedback and the seven key themes/principles will form the basis of the master planning and architectural design brief which will cover the options for the Leamington and Horatia House sites and wider area improvements.
- 4.7 The master planning team will be procured using the Homes England Direct Procurement Panel which offers a multi-disciplinary consultant panel.
- 4.8 The strategy remains as previously reported to appoint an appropriate multi-disciplinary team that could carry the design work through to planning or the appointment could be terminated at any appropriate point.
- 4.9 All of the options developed will be subject to further resident consultation. Officers will then produce a business case demonstrating how the preferred option could comply with the mandate from residents and deliver a viable solution, including a preferred route to market.
- 4.10 The delivery methodology will be directed by a careful consideration of the corporate priorities balanced against the potential risks and rewards applicable to the various development plots and the resources (both physical and financial) available.
- 4.11 A separate report to cabinet would come forward at the end of the master-planning options study following further resident consultation, seeking agreement on the development model and funding to support the development stages.

#### Property Update

- 4.12 Melbourne Place Carpark is a two storey semi underground with the potential for 107 spaces. The carpark, is situated between the two tower blocks and there is currently a 125 year lease in place with Portsmouth University (92 years remaining).
- 4.13 The building is in need of significant repair and currently there are approximately 45 spaces are in use at present.
- 4.14 The Council is working with the University to secure the Melbourne Place Carpark to support the regeneration of the site and it is proposed that a land swap (subject to contract) with the Dorothy Dymond carpark will be entered into.

- 4.15 Dorothy Dymond Car Park is situated within the City Centre masterplan area, currently designated as a 58 space carpark, identified as a potential development site for a variety of uses, up to six storeys.
- 4.16 At present the Council and the University of Portsmouth have jointly instructed valuations and Heads of Terms are being shared in draft.

#### Telecoms Update

- 4.17 The Council has commenced discussion with the two commercial interests with telecoms equipment situated on the roof of both blocks.
- 4.18 Under the terms of the existing agreements, the first has been terminated and is due to relocate by September 2020.
- 4.19 The second telecoms operator has a longer term interest and has initially objected to the council's request to vacate and has served a counter notice to protect their interest. They have also commenced preparations to vacate and are actively looking for sites in the area.

### **5. Resident Engagement**

#### H& L Engagement

- 5.1. A commitment has been made to take the master planning options back to a further round of public consultation events in the summer of 2020.
- 5.2. The resident engagement results were covered in depth in the previous report (October 2019) for reference the key principles that will inform the master planning are below.
- 5.3. The Seven key themes where noted as:-
1. Build appropriate homes.
  2. Make better use of green space and space for children.
  3. No more student accommodation.
  4. Consider wider area improvements.
  5. Better parking options.
  6. No tower blocks.
  7. Re-provide the social housing lost when the tower blocks go.
- 5.4 In October 2019 cabinet agreed the communication plan for the publication of the engagement results. All the actions have been completed and have been published on the website.

### **6. Homes England**

- 6.1 Initial meetings with Homes England has suggested that the project could satisfy the funding criteria of the Small Sites Fund. This fund has been set up to address the viability gap on projects preventing them being bought forward, for example investment in infrastructure land remediation and the like. The fund could support the costs of the Horatia and Leamington blocks deconstruction if a future scheme maximises additional housing numbers.
- 6.2 At this stage we have been informed monies granted from the Small Sites Fund have to be spent by March 2022.

## **7. Project Governance**

- 7.1 The project is controlled by a board led by the Regeneration Directorate which includes the Director of HNB and representatives from the key support services.
- 7.2 The projects progress to date was reported through to Governance Audit and Standards Committee and from May 2019 to the cross party Major Projects Board. The reporting to the Major Projects Board will continue.

## **8. Reasons for recommendations**

- 8.1 The gathering of information and various surveys to support the procurement and selection of contracting partners to carry out the deconstruction works packages has been developed to a point where this work can now progress.
- 8.2 Homes England support for the development of the Leamington House and Horatia House sites and the wider area improvements has strengthened and whilst this will be subject to satisfying funding criteria we meet the timescales for the small sites fund (expenditure by March 2022) and provide a credible delivery option for the additional homes they seek.

## **9. Integrated Impact Assessment**

- 9.1 A full integrated impact assessment is appended to this report.

## **10. Legal implications**

- 10.1 The report notes the tenancy terminations and the re-housing of the occupants of the two towers following consultation, is now completed.
- 10.2 The report underscores the level of engagement and consultation relating to the future of the site, which has led to the seven key themes to influence the Council's approach to regeneration. Meaningful regard for consultation will minimalises the potential for legal challenge.

- 10.3 The report addresses the relevant issues around functional risk associated with demolition, acknowledging the appointment of a principal contractor. The report also details measures to secure the towers while they are vacant, and ongoing negotiations to remove telecommunications equipment from its current position on the site.
- 10.4 At this stage the future *works* element is yet to be costed - once this is completed and procedure advice can be provided as to the relevant market approach and compliant procurement route in line with the Public Contract regulations 2015 and internal contract procedure rules.

## **11. Director of Finance's comments**

- 11.1 As mentioned in the main body of the report the Council continue to develop a plan to fulfil the commitments made in the February 2019 Cabinet report.
- 11.2 In order to redevelop the site where the two towers stand the Council needs to demolish the existing structures. Given their proximity to other buildings the Council needs to employ specialist contractors to provide safe options for completing this work.
- 11.3 The cost associated with deconstruction of Horatia and Leamington Houses is likely to be in the region of £6m - £12m based on the advice of the specialist contractors and comparable sites visited at Rugby.
- 11.4 In order for the demolition to commence a source of funding needs to be identified. Officers are working with Homes England to secure funding through their Small Sites fund and while these talks are positive, they are also in the early stages and predicated on the Council having a firm business case on what it hopes to deliver as the level of funding will be linked to the number of units that are being delivered.
- 11.5 Without a viable business case the Council are unable to use unsupported borrowing in compliance with the Prudential Code, as it cannot be demonstrated at this point that the borrowing is affordable, sustainable and prudent, thus the officer's approach to progress with the design and procurement of key packages to firm up the costs is supported.
- 11.6 To support the business case, commercial modelling will need to show that the assumptions still meet the mandate provided by residents during the consultation, to deliver 272 social rented units. Early modelling based on the current assumptions indicates that a viable business case is achievable however it would require significant additional grant funding, or some other delivery model.

- 11.7 The Council are currently procuring a design team to lead on a Masterplan for the area, this work is likely to be concluded later in 2020 and will inform the likely design and extent of development on that area. It is at this point that a Business Case can be written that demonstrates financial viability and that can then unlock the Borrowing and Grant funding needed to develop the scheme, and commence the demolition of the blocks.
- 11.8 In the meantime the Council can start to approach the market and carry out a procurement exercise for a demolition contractor, this process will be funded from the Housing Revenue Account Major Repairs Reserve.

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Signed by:  
Director of Regeneration

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Signed by:  
Director of Housing, Neighbourhood and Building Services

**Appendices:**

Appendix 1 - Integrated Impact Assessment



**Background list of documents: Section 100D of the Local Government Act  
1972**

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

<b>Title of document</b>	<b>Location</b>

The recommendation(s) set out above were approved/ approved as amended/  
deferred/ rejected by

..... on .....

.....

Signed by:  
Leader of the Council