
**UPDATE ON THE PROCUREMENT OF A DEVELOPER PARTNER FOR THE
CHANNEL VIEW REGENERATION PROJECT**

Appendices 2, 3, 4 are not for publication as they contain exempt information of the description contained in paragraphs 16 & 21 of Schedule 12A of the Local Government Act 1972.

Purpose of the Cover Report

1. To provide Members with background information to enable their pre-decision scrutiny of the report to Cabinet regarding the procurement of a Developer Partner for the Channel View regeneration project, including:
 - Insight into the procurement process
 - The outcome of the tender evaluation exercise including the preferred bidder and the next steps.
 - For the Cabinet Member for Housing & Communities, Corporate Director – People & Communities and Section 151 officer to appoint the preferred bidder and complete the required processes (as detailed in **point 3** of **Appendix A**)
2. The draft Cabinet Report, attached at **Appendix A** (*and its subsequent Appendices*) are due to be considered by Cabinet at its meeting on 21 September 2023.
3. Members should note that **Appendices 2, 3 and 4** of the draft Cabinet Report are exempt from publication. Members are therefore, requested to keep this information confidential, in line with their responsibilities as set out in the Members Code of Conduct and the Cardiff Undertaking for Councillors.

Structure of the meeting

4. As **Appendices 2, 3 and 4** are confidential and exempt from publication, this agenda item will be considered in two parts. The first part will be an 'open session', where Members will receive a presentation providing an overview of the Channel View scheme in its entirety, and a summary of the proposals contained in the Cabinet Report. Members will then be invited to ask questions on the issues and papers that are in the public domain (this **Cover Report, Appendix A & Appendix 1 & Appendix 5**). This part of the meeting will be made available to the public and webcasting will occur.

5. Should Members have any questions on the confidential Appendices, (**2, 3, & 4**) a closed session will ensue, where members of the public will be excluded, and the webcast will be paused.

6. Councillor Lynda Thorne (Cabinet Member – Housing & Communities), Sarah McGill (Corporate Director – People & Communities) and Dave Jaques (Operational Manager – Development & Regeneration) will be at the meeting to answer Members questions.

Structure of the Papers

7. To facilitate the scrutiny, the following appendices are attached to this Cover Report:

Appendix A – draft Cabinet Report, September 2023

The following appendices are then attached to Appendix A:

Appendix 1 – Cabinet Report, March 2022

Appendix 2a – Blake Morgan Tender Report on costs (**confidential**).

Appendix 2b – Summary of Costs and Available budget (**confidential**)

Appendix 3 - Tender evaluation Scoring matrix (**confidential**).

Appendix 4 – External Legal Advice (**confidential**)

Appendix 5 – Single Impact Assessment

Scope of Scrutiny

8. During this scrutiny, Members have the opportunity to review the draft Cabinet Report and explore:
 - I. Key factors shaping the re-development scheme, including any identified issues and proposed solutions.
 - II. Seek insight and assurance into the procurement process.
 - III. Financial implications
 - IV. Risks to the Council
 - V. Next Steps and timelines.
 - VI. Assess the achievability and deliverability for the proposed development pipeline.
 - VII. Investigate any financial implications arising from the proposals.

9. Following their consideration, Committee Members will decide what comments, observations or recommendations they wish to pass on to the Cabinet.

Background – Housing Demand & Cardiff Council’s ‘Housing Development Programme’

10. Cardiff Council’s Local Development Plan, Preferred Strategy, advises, Cardiff is the second least affordable local authority for houses in Wales, just behind the Vale of Glamorgan and well above the Wales average. Further, it states there are over 7,600 households on the combined housing waiting list and homelessness is continuing to rise. The draft Cardiff Local Housing Market Assessment¹, estimates an average annual additional net affordable housing need of 1,098 per annum².

11. The Council’s, ‘Housing Development Programme’ is the largest council led development programme in Wales and currently aims to deliver 4,000 new homes to the city. With 2,800 of those being new council homes, and 1,200 being homes for sale.

¹ Pending the Welsh Government approval process.

² [Appendix 1.pdf \(moderngov.co.uk\)](#) Accessed 8th September, 2023: page 10.

12. To achieve the targets mentioned in **point 11** of this Cover Report, the Housing Development Programme has the following delivery routes:
- ❖ A partnership programme with the external developer Wates Residential, this partnership is most commonly called 'Cardiff Living'. Further in November, 2022 Cabinet approved the implementation of a second Housing Partnership.
 - ❖ Open Market Buybacks.
 - ❖ Developer Package Deals (whereby the Council purchases property from developers).
 - ❖ Converting buildings to Council Homes.
 - ❖ Meanwhile Use of Land
13. In terms of finance, the council's Housing Development Programme benefits from a significant allocation of the Housing Revenue Account capital and also attracts external funding in the form of Grants, Planning Gain and income from the sale of land or low-cost homes through the Assisted Home Ownership scheme. In 2020 it was reported, just under £31 million has been achieved through these routes.
14. Previously, the Social Housing Grant (SHG) had only been available to Housing Associations. However the Welsh Government confirmed that from April 2021 council's with a Housing Revenue Account will be able to apply for the Grant; helping to provide Capital subsidy for their developments.
15. Schemes approved for SHG funding will be required to meet the standards and viability parameters set by Welsh Government. Committee Members are advised the Social Housing Grant is limited and not every council scheme will benefit from it. As mentioned in **point 21** of **Appendix A**, SHG funding has been received for the Channel View regeneration project.

Background - Channel View Redevelopment Scheme

16. The Channel View redevelopment scheme proposes the redevelopment of around 180 existing properties on Channel View Road including a council owned 13 storey tower block; replacing these properties with the construction of around 360 new mixed tenure homes for the existing community.
17. Objectives within the scheme include low-carbon development, delivering highly energy efficient homes, better connectivity for the estate and for the wider community, improvements to the public open space at the Marl and the creation of well-managed, attractive public realm using green infrastructure and SUDS (*sustainable urban drainage systems*).
18. It is proposed that the 360 new homes will be of mixed tenure (60% council houses and 40% market sale), which represents the current split of ownership on the estate. The scheme will also provide a mix of houses and flats and the replacement for the existing tower block will be a new 'Community Living' scheme providing 78, 1 and 2 bedroom flats for older people across 2 blocks along with a range of communal facilities for older people living with the blocks and within the wider community. There is also the opportunity to provide a café and shop for the wider community.
19. To assist with delivery of the scheme, each part of the development has been broken down into 'phases'. Delivering redevelopment of the site through phases is also intended to assist existing residents to remain living on the estate transferring from their existing home into a new property once built.
20. Phase 1 of the re-development scheme pertains to the replacement of the tower block, and production of a range of communal facilities and a café; providing services and support to the wider older person population within the local community.
21. Committee Members are advised, matters relating to Channel View Redevelopment have been to Cabinet and the Community & Adult Services Scrutiny Committee twice before (pre 2022 election), and are referenced in the attached draft Cabinet Report (**Appendix A**).

22. To assist Committee Members, a summary of the previous Cabinet Reports is as follows:

- In November 2020 a Cabinet Report was agreed seeking approval for initial progression of the Channel View regeneration project; including the submission of a planning application for the Masterplan and Phase 1 of the scheme. The Cabinet Report also sought agreement of a general 'Procurement Plan' which proposed the scheme be managed into phases, with contractors assigned to each phase.
- In March 2022 a further report was agreed by Cabinet; this report sought Cabinet agreement to commence procurement for one Developer Partner to deliver the entire project including the design development, consultation and planning of future phases. Thereby reverting from the initial intention laid out in the November 2020 Cabinet Report of appointing contractors to each 'phase' of the project.

Committee Members will note the March 2022 Cabinet Report is attached at

Appendix 1.

The November 2020 Cabinet Report can be accessed here.

Costings

23. In 2020, prior to a detailed cost analysis being completed for the project, it was estimated the costs of delivering the entire Channel View project would be in the region of £60 million, with Phase 1 estimated to be in the region of £16 million.

24. The 2020 Cabinet Report advised income to support the project will be received from the council's Housing Revenue Account and from income received in the form of property sold on the open market and through the Council's Assisted Home Ownership Scheme. Further, it confirmed continued affordability, prudence and sustainability of additional borrowing within the HRA will be considered in annual updates to the HRA 30-year business plan with re-profiling of the HRA Capital Programme.

25. The March 2022 Cabinet Report advised the cost of the scheme had risen (*since the November 2020 Cabinet Report*) to an estimation of £85million for the entire scheme, with Phase 1 estimation remaining in the same region of £16million.
26. The March 2022 Cabinet Report, reaffirmed the costings provided were estimated and a detailed cost analysis for the site was currently underway and a robust viability assessment for Phase 1 and the remaining phases will be undertaken prior to a procurement process commencing.
27. As detailed in **point 9 of Appendix A**, Blake Morgan have been appointed to undertake the viability assessment for the project. Evaluating the pricing element of the submitted tenders and advising on the post tender due diligence. Their report is provided in **confidential Appendix 2a**. Members are advised the service areas scoring matrix on the bid received is contained in **confidential Appendix 3**.
28. **Point 11 of Appendix A** confirms the costings for this project will be met through the HRA Capital Programme, Section 106 contributions, and Social Housing Grant. The cost for the project (in its entirety) and the costing for Phase 1 (e.g., the tender price received) is provided in confidential **Appendix 2a & 2b**. **Point 21 of Appendix A** advises that **confidential Appendix 2a and 2b** advises the tender price received for Phase 1 is financially viable for the council.
29. **Point 10 of Appendix A** confirmed external legal advice has also been provided on the progression of this project (including the procurement plan, agreements and contracts) with the full legal advice provided in **confidential Appendix 4**.

Channel View Procurement Plan

30. Committee Members are advised procurement means every activity involved in obtaining the goods and services a company needs to support its operations, including sourcing, negotiating terms, purchasing items, receiving and inspecting goods as necessary and keeping records of all the steps in the process.

31. Tendering is an essential step in a procurement and is the process of inviting and evaluating bids from suppliers to provide the goods, works or services.

32. **Points 12 to 20 of Appendix A**, and **confidential Appendix 2**, provide insight into the tendering process to appoint the preferred 'Developing Partner' for Channel View. In summary, it advises:

- At the opening of the Channel View 'tender pack', contractors were directly informed it was going 'live' and invited to online presentations setting out this opportunity.
- When making bids, contractors were requested to provide their approach to adding value, opportunities for innovation, their views on design, improvements to safety, speed of delivery, meeting low-carbon requirements.
- 1 bid from a contractor was received.
- The 1 bid received identified design changes are required due to changes in fire legislation and building regulations. The draft Cabinet Report (**Appendix A**) also confirms the bid proposed opportunities to deliver innovation and added value to the site which the project team would like to explore.
- The bid received was scored against pricing (and bench marked against other similar schemes), quality and social value which has also been evaluated by the council's housing development team and in-house procurement team (**confidential Appendices 2a, 2b & 3**)

33. Committee Members are advised **point 23 of Appendix A** provides an overview of the 'Umbrella Agreement'. The Umbrella Agreement is a contract, setting an agreement between the council and the preferred bidder (who would become the Developer Partner) to deliver the whole project on a phase-by-phase basis.

Previous Scrutiny

34. In November 2020, the Community & Adult Services Scrutiny Committee undertook scrutiny of the initial progression of the Channel View project. During their scrutiny, Committee Members' comments included:

- ❖ The Channel View scheme has the possibility to be an exciting, ambitious project which carries the ability to transform the area.
- ❖ Due to the scope of the project Members concurred it undoubtedly carries risks.
- ❖ Members heard the design of the site will be led by architects, however reiterated the importance of the council driving the vision and design of the site and to continue relaying the sites desired outcomes and objectives as the designs' progress.
- ❖ Members urged for schemes such as Goldsmith Street to be utilised as precedent images within the architectural design's considerations.
- ❖ Concerns were raised regarding the cost of the proposed foot and cycle bridge between the Marl and Hamadryad Park Members were informed, secure funding for the bridge is not yet known³, discussions are ongoing to ensure the proposal is feasible which should in turn increase the likelihood of securing grant funding.
- ❖ A key concern highlighted by Members was the implications for current residents of the site impacted by proposals, including property rights for existing owners and the Council's obligation for rehousing residents. Members were advised that works on the site are to be carried out in phases to allow current residents to remain living in their property transferring from their existing home into a new property once built. However, in order for the scheme to progress an initial phase must commence where tenants would be required to move subsequent to alternative accommodation being built and it was confirmed that Phase 1 will be the only part of the scheme which will require current residents moving prior to alternative accommodation being built. Members heard that the Council does have a requirements and duty to rehouse council tenants impacted and with regard to private residents who wish to sell their property to the Council, costing would work on the basis of an independent market value in addition to a home-loss compensation payment of no more than 10% of the agreed market value. It was further confirmed that within such instances where current residents wished to move, the Council would also cover legal costs and reasonable removal fees.

³ In this Cabinet Report (November 2020) it was proposed the project would include a pedestrian and cycle bridge between the Marl and Hamadryad Park.

- ❖ Members were informed it is the council's intention to work with the existing community, accommodating requests where possible and avoiding compulsory purchase routes unless necessary. With regard to existing tenants of the site who may be resistant to moving from their current property, Members were informed it is hoped that the roll out of this scheme in phases, which provides current residents with the ability to physically see future properties should assist in addressing any apprehension they may hold.
- ❖ Members were informed of the intention to make a Social Housing Grant bid to the Welsh Government to assist with delivering the project.

Should Committee Members wish to read the CASSC letter of November 2020, and the subsequent Cabinet response, they can do so [here](#).

24. In their scrutiny of the March 2022 Cabinet Report Committee Members comments included:

- Why the council was changing the approach from different contractors providing different phases of the project, to one overall Developer Partner for the project in its entirety. Members were informed given the complexity of the project, having one partner should smoothen the process, potentially lessen costs, shorten the process and be less resource intensive for the Council.
- Significant concerns regarding the substantial change in cost trajectory (*with costing for the full project estimated at £60 million in November 2020 and estimated at £85 million in March 2022*).
- Given the scale of the project, and the length of time it will take to complete, Members sought clarity and assurance on what would happen if the cost continued to rise, particularly when considering the escalating inflation. As a result, Members recommended the Council, within its planning for this project, prepare for significant, unprecedented cost increases and worst-case scenarios, ensuring this project and its projected costings is reviewed frequently and Cabinet sets a figure, whereby if the projected costings exceed this figure, an in-depth cost analysis is undertaken to determine the project's viability.

- In response to the recommendation, Members were informed by the Cabinet Member:

'a further Cabinet report will need to be submitted to conclude the procurement process and appoint a partner [for delivering the Channel View redevelopment]. This report will include a robust financial appraisal for phase 1 and the entire project based on tendered rates and will include a detailed viability assessment to ensure the project remains viable. Risk associated with on-going cost increases will also be built into the viability assessment.'

Committee Members are advised the Cabinet Report referenced in the above response, and the financial appraisals / viability assessment are the papers

Appended A - 5.

Should Committee Members wish to read the CASSC letter of March 2022, and the subsequent Cabinet response, they can do so [here](#).

Legal Implications

The Scrutiny Committee is empowered to enquire, consider, review and Recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct legal implications. However, legal implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any legal implications arising from those recommendations. All decisions taken by or on behalf of the Council must (a) be within the legal powers of the Council; (b) comply with any procedural requirement imposed by law; (c) be within the powers of the body or person exercising powers on behalf of the Council; (d) be undertaken in accordance with the procedural requirements imposed by the Council e.g. Scrutiny Procedure Rules; (e) be fully and properly informed; (f) be properly motivated; (g) be taken having regard to the Council's fiduciary duty to its taxpayers; and (h) be reasonable and proper in all the circumstances.

Financial Implications

The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct financial implications at this stage in relation to any of the work programme. However, financial implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any financial implications arising from those recommendations.

RECOMMENDATIONS

The Committee is recommended to:

- i. Consider the information provided in this report, its appendices and information received at the meeting;
- ii. Decide whether it wishes to relay any comments or observations to the Cabinet.

DAVINA FIORE

Director of Governance and Legal Services

12 Sep 2023