

## Redevelopment of 24 Somerset Road, Birmingham: Request to increase budget provision

<b>Contact Name and Details</b>	Ted Awty, Chair of Network Committee
<b>Status of Paper</b>	Final
<b>Action Required</b>	Decision
<b>Draft Resolutions</b>	45/1. The Council approves the budget of £3.6m +VAT to be met from the Fund for Training
<b>Alternative Options to Consider, if Any</b>	Dramatically scale down redevelopment (incurring further costs). Do not proceed.

### Summary of Content

<b>Subject and Aims</b>	The large residential property at 24 Somerset Road has been purchased to be redeveloped as accommodation for student ministers close to the Queen's Foundation. Final planning consent and building cost increases require an extension of the budget.
<b>Main Points</b>	<ul style="list-style-type: none"> <li>• Planning consent and change of use granted subject to several conservation conditions</li> <li>• Changes to specification and buoyancy of Birmingham building market have pushed up prices</li> <li>• A preferred contractor has been selected subject to the Council's approval of the revised budget</li> </ul>
<b>Background Context and Relevant Documents</b>	MC/15/76 contained details of the redevelopment project.
<b>Consultations</b>	The SRC was notified of the increase in costs at its meeting in February.

### Summary of Impact

<b>Financial</b>	As per the paper. Additional accommodation is being rented for students for the 2016/17 year.
<b>External (e.g. ecumenical)</b>	The development includes a new lecture space. The non-availability of this restricts the ability of Queen's to deliver training in the most effective way.

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### 1. Planning

The planning and listed building consents for the work to 24 Somerset Road were issued on 28 January 2016 following long negotiations with the planning and conservation officers of Birmingham City Council (BCC). There is a schedule of conservation conditions which will require agreement to the building details and finished prior to any particular works. The planning and listed building approvals also confirm the change of use from medical facility to student accommodation.

### 2. Tender Returns

Tenders for the work at Somerset Road were opened on 8 January. Of the six companies invited to tender, one dropped out early and one failed to return a tender. The four returns show costs of between £2.7m and £3.3m plus VAT, with estimated build periods of between 26 and 36 weeks. Spring4 and CS2 are preparing a detailed full costing for the full project including options to make savings by reducing work in some areas. The consultants have also been informed that their proposed fees were not acceptable and the costings need to fix these fees.

Since it was now clear that completing the redevelopment for occupation in September 2016 was no longer possible it was agreed that a further tender exercise would be carried out with the aim of reducing costs further. This resulted in three additional bids which varied between £2.7m and £3.2m plus VAT – although they verified the levels of the original bids, they produced no overall savings.

This delay in completion has been communicated to the Trustee Board of the Queen's Foundation, which has expressed its disappointment at the consequent impact on the learning environment. Arrangements are being made for hired external accommodation for the 2016/17 year.

The project management group met with the professional advisers on 3 March and agreed that negotiations should be taken forward with one preferred supplier, including detailed specification of various heritage items with the BCC conservation officer. The higher level of quotes was attributed to a number of factors. The specification changed in various ways during the course of securing the planning consent including accommodating extra facilities to the rear of the lecture theatre and the requirement for an external plant room for water tanks as water pressure across the site will not support the number of bedrooms required. Furthermore, the huge increase in development activity in the Birmingham and Midlands market (driven largely by HS2 and the relocation of the HSBC retail bank HQ) has affected prices for contractors and their expectations for profit margins; this has combined with an increase in materials prices in the Midlands due to scarcity; and not insignificantly the introduction of the new conservation officer has added to the complexity of the project together with a higher level of heritage requirement.

### 3. Budget

A detailed breakdown of the additional costs is available on request from Jane Bates (batesj@methodistchurch.org.uk), but can be summarised as follows:

- Construction costs due to unexpected tender prices £517k
- Conservation related; quantified and expected (inc. Fees) £213k
- Allowance due to further building deterioration & enabling works £ 95k
- Additional fees for changes to scoping and project duration £ 53k

Total additional costs: £878k

There is an allowance of £100k within the figure that relates to conservation for work where the specification is still under negotiation. This is felt to be realistic given the detailed discussions that have been undertaken. However, in order to prevent any small increase in this figure pushing the total increase above £878k, it is proposed that the Council agrees to an increase in the total redevelopment budget of £978k +VAT.

The budget agreed by the Council in October 2015 was £2.687m +VAT. The Council is now asked to increase this to £3.665m.

All costs will be met from the Fund for Training, in which the property is held as an asset.

### **\*\*\*RESOLUTION**

**45/1. The Council approves the budget of £3.6m +VAT to be met from the Fund for Training for the redevelopment of 24 Somerset Road, Birmingham.**