

## **EXECUTIVE COMMITTEE**

**23<sup>rd</sup> October 2018**

### **COUNCIL HOUSING GROWTH - PROPOSED DEVELOPMENT SITES**

Relevant Portfolio Holder	Councillor Matt Dormer
Portfolio Holder Consulted	Yes
Relevant Head of Service	Judith Willis / Amanda Singleton
Wards Affected	All
Ward Councillor Consulted	No
Key Decision	
This report contains exempt information as defined in Paragraph 3 of Part I of Schedule 12A to the Local Government Act 1972, as amended	

#### **1. SUMMARY OF PROPOSALS**

- 1.1 Council agreed the Council Housing Growth Programme and funding of £12.5m on the 30 January 2017. A number of options to increase the Councils housing stock were agreed including commissioning the construction of new Council houses.
- 1.2 This report identifies a number of Council owned sites that officers, following the completion of a desk top exercise, are proposing the Council add the sites to Phase 1 of the HRA (Housing Revenue Account) new build programme.
- 1.3 The sites identified are considered HRA assets with the exception of the site Hawthorn Road Community Centre (Former Redditch Play Council site) which is a General Fund (GF) asset and the proposal is to transfer this to the HRA.
- 1.4 The Council is able through its HRA new build programme to charge social rent or affordable rent to any properties delivered through it. Officers are proposing that all properties delivered through the programme are let at affordable rent levels, following the Governments Affordable Rent framework, where permitted.
- 1.5 Officers have assessed the possible numbers and type of properties that could be delivered on the suggested sites. It is anticipated that the sites could provide a total of 67 new council homes, subject to planning.

#### **2. RECOMMENDATIONS**

**The Committee is asked to RESOLVE that**

- 2.1 **The sites in Appendix 1 be included in Phase 1 of the HRA (Housing Revenue Account) new build programme and proposals**

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to progress the development of HRA new build council housing on them be approved;

- 2.2 Properties delivered through the Council Housing Growth Programme be let at Affordable Rent, where permitted.**

**The Committee is asked to RECOMMEND that**

- 2.3 The appropriation of the Hawthorn Road site from the General Fund into the Housing Revenue Account (HRA) in order that it can be developed for new council housing.**

**3. KEY ISSUES**

**Financial Implications**

- 3.1** The Council approved a £12.5m budget using Right to Buy 1-4-1 receipts and Capital reserves. As part of the Council Housing Growth Programme £3.285m has been spent on purchasing from the open market, 'off plan' and s.106 properties. The remaining budget is £9.215m.
- 3.2** The table below shows the current maintained receipts and the date these must be used by or returned to central government to include interest payments. These receipts must be used to replace the sales with either new build, buy back of properties or purchase on the open market (new stock). There is a large spending requirement in 2019/20 which increases the risk that the Council may have to return some receipts.

<b>Total Spend Required</b>	<b>Date by</b>	<b>Cumulative Spend</b>
£921,803	31/03/2019	
£1,300,901	30/06/2019	£2,222,704
£1,418,760	30/09/2019	£3,641,464
£1,184,526	31/12/2019	£4,825,990
£715,636	31/03/2020	£5,541,626
£635,133	30/06/2020	£6,176,759
£716,104	30/09/2020	£6,892,863
£602,536	31/12/2020	£7,495,399
£1,240,779	31/03/2021	£8,736,178
£498,060	30/06/2021	£9,234,238

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- 3.3 Officers have estimated the number of properties each site will possibly achieve subject to planning permission. The estimated cost of developing these sites is £8.173m
- 3.4 There are currently sufficient resources in the budget available without impacting upon other housing investment priorities to fund this programme.
- 3.5 The appointment of all professional services and the construction works will follow the Council's Contract Procedure Rules 2018. Officers will explore framework agreements that organisations such as Homes England and the Central Housing Investment Consortium have in place that are EU compliant to ensure value for money and the developments are delivered without delays.
- 3.6 The cost of building new stock for the HRA will be protected by the cost floor rule if a tenant submits a Right to Buy application for the property. This rule means that the discount is limited so the amount of discount does not reduce the sale price below the cost of the property. This will be in force for a 15 year period from the date the Council obtains the property. The cost of the property will not include land value as there was no acquisition of land.
- 3.7 Transferring the Hawthorn Road site to the HRA will increase the HRA's capital financing requirement. The HRA is currently at the borrowing cap, the cost of the site will be paid down from the HRA reserve to generate sufficient head room for this accounting adjustment. This will have the opposite effect by reducing the General Fund capital financing requirement.

**Legal Implications**

- 3.8 The Housing Act 1985 Part II section 9 permits a local authority to build/acquire new housing.
- 3.9 The Hawthorn Road site will be required to be appropriated under relevant legislation.

**Service / Operational Implications**

- 3.10 Officers from the Land, Asset & Building Group have undertaken an initial assessment of a number of sites considered as having potential for residential development of new HRA stock. Following this assessment the sites at Appendix 1 have been brought forward for approval for inclusion in Phase 1 and for officers to progress the development of new HRA houses.

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- 3.11 Officers have estimated the cost of building out these sites and the expected rental income on Affordable Rents (Confidential Appendix 2). Officers consider that the sites will be delivered through packages to help reduce the risk of using one building contractor and assist in reducing delivery times. Officers estimate that planning, procurement and build will be up to 18 months per site.
- 3.12 The tables below identify the possible property types for each development subject to detail investigations and planning permission.

<b>1. Loxley Close</b>	<b>2. Clifton Close</b>	<b>3. Auxerre Avenue</b>
4 X 2 Bed Bungalow	5 X 2 Bed Bungalow	5 X 2 Bed Bungalow
2 X 2 Bed House		
2 X 3 Bed House		
2 X 4 Bed House		

<b>4. Fladbury Close</b>	<b>5. Edgeworth Close</b>	<b>6. Ibstock Close</b>
2 X 2 Bed Bungalow	2 X 4 Bed House	8 X 2 Bed Bungalow
	8 X 3 Bed House	
	6 X 2 Bed House	
	4 X 2 Bed Bungalow	

<b>7. Heronfield Close</b>	<b>8. Hawthorn Road Comm Centre</b>	<b>9. Sandygate Close</b>
3 X 2 Bed House	2 X 2 Bed House	5 X 2 Bed Bungalow

<b>10. Cherry Tree Walk / Fox Cres</b>
7 X 2 Bed Bungalow

<b>Total Estimated Provision</b>	
2 Bed House	13
2 Bed Bungalow	40
3 Bed House	10
4 Bed House	4
<b>Total</b>	<b>67</b>

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- 3.13 Having considered the housing needs of the Borough, Officers are proposing to develop an increased number of two bedroom bungalows to encourage current social housing tenant's under-occupying family accommodation to move to more suitable accommodation.
- 3.14 Developers do not consider bungalows an efficient use of land due to its larger footprint size. To maximise the sites developable area it is proposed that these bungalows will be dormer bungalows with a bedroom and en-suite in the roof space.

**Hawthorn Road site**

- 3.15 The Council accounts for its General Fund and HRA separately. Assets can be moved from the GF to the HRA with the intention that the asset will be developed for social rented or affordable housing and transfers will be accounted for at market value. As an internal accounting transaction, there are no actual financial costs such as Stamp Duty Land Tax; however accounting adjustments will be recorded to provide an audit trail for the transfer.
- 3.16 The Hawthorn Road site was previously used by Redditch Play Council. The property is in a pretty bad state of repair and assessment has indicated a refurbishment cost of over £180k to bring it up to the required standard to lease out to any interested party. The estimated maximum rental income would be in the region of £10,000 per annum and therefore officers consider utilising the site for build new HRA stock as the most effective use of the site.
- 3.17 The view of an independent valuer has been sought, and the current 'as is' sale value will be accounted for as an adjustment in the respective capital financing requirements of the HRA and GF, as such no money will change hands. To generate sufficient head room in the HRA, HRA reserves will be used to reduce the HRA capital financing requirement.

**Next Steps**

- 3.18 The Council has not built new homes since the early 1990's and no longer has the in house skills to develop new homes. The Housing Strategy Manager is currently undertaking a process to appoint a development agent to assist in delivery and provide support to Council officers. Subject to approval, it is proposed that the sites will undergo detailed discussions, in terms of design and layout, and be submitted for planning permission to achieve a rapid start on site.
- 3.19 The project will progress through the following process towards delivery.

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- Detailed design and viability modelling
- Consultation with stakeholders
- Planning approval
- Procurement of the construction contract
- Delivery of new homes

- 3.20 Every effort will be made to exploit all opportunities to identify the most cost effective solutions and the potential to utilise modern methods of construction will also be further explored.
- 3.21 Procurement options for both the design and construction stages of the project will be fully explored with the aim of achieving the most cost effective and beneficial procurement method. Delivery via a Framework agreement may be preferable particularly if the programme is to be delivered over a series of small sites.
- 3.22 In addition opportunities to maximise the number of employment and training opportunities for local people will be sought via the procurement process. Any training placements will need to be co-ordinated across a number of dispersed sites to ensure they are of sufficient length to be meaningful.
- 3.23 Individual site appraisals will be undertaken to assess build costs in relation to income generated to ensure that value for money considerations are fully considered and approved by the Executive Committee.

### **Customer / Equalities and Diversity Implications**

- 3.24 Increasing the Council's housing stock will assist in the provision of affordable housing in the Borough to meet housing need.
- 3.25 In commissioning the construction of new HRA stock the Council will be able to provide housing that can meet specific needs for adapted properties.

## **4. RISK MANAGEMENT**

- 4.1 There are a number of risks to implementing the Council Housing Growth Programme which are in the table below:

Risks	Mitigation
Failure to achieve planning permission	<ul style="list-style-type: none"><li>• A dedicated planning officer will work with the development team to advise specifically on</li></ul>

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	<p>planning issues and recommend solutions</p> <ul style="list-style-type: none"><li>• Appointment of experienced development agents</li></ul>
Local resident objections to building on sites	<ul style="list-style-type: none"><li>• Local residents will be consulted and kept informed of proposals to ensure that officers are aware of any potential objections and may work to ameliorate concerns</li></ul>
Risks associated with using consultants	<ul style="list-style-type: none"><li>• Ensure that the appointment of both the Development Agent (and its consultants) and, subsequently, contractors are robust, and include an appropriate element of assessment of the parties' ability to undertake the roles and their quality.</li><li>• Ensure that the Council's risks are minimised through the legal agreements.</li><li>• Ensure Evaluation Criteria at PQQ and Tender Stage are comprehensive, with key factors weighted appropriately</li><li>• Ensure that the Development Agent and consultants have sufficient Professional Indemnity Insurance.</li></ul>
Overspend for House Building Programme	<ul style="list-style-type: none"><li>• Include sufficient provision for contingencies</li><li>• Ensure effective project management arrangements, to include identification of potential overspends early</li><li>• Report to Portfolio Holder for Housing quarterly on progress (works and costs)</li></ul>
Abnormal build costs associated with the sites may be discovered	<ul style="list-style-type: none"><li>• Individual site appraisals including site investigations will be undertaken to ensure that risks are understood and mitigated prior to progressing any site.</li></ul>
Failure to spend 1-4-1 receipts by required deadline	<ul style="list-style-type: none"><li>• The Council approved a number of options to increase the housing stock and officers will pursue these other options in tandem with this development programme.</li></ul>

**5. APPENDICES**

Appendix 1 – Site plans (Red line Boundary and some indicative layouts)

Appendix 2 – Estimated build costs and rental income (confidential)

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**6. BACKGROUND PAPERS**

Executive Committee Report 12 January 2016 - Housing Revenue Account, rent and capital 2016-17

Executive Committee Report 17 January 2017 - Council Housing Growth Programme

**7. KEY**

HRA – Housing Revenue Account

GF – General fund

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