

CABINET
3 APRIL 2014

NEW COUNCIL HOUSE BUILDING

1. Summary

- 1.1. This report provides an update on the progress made towards the Council's new build housing project and requests approval to submit planning applications as necessary and undertake competitive tendering exercises for the development of the sites, subject to the satisfactory completion of ongoing technical and topographical surveys of the three sites.

2. RECOMMENDATIONS

- 2.1 That, subject to ongoing technical studies confirming that the development of the sites identified in Appendix A is feasible, authority is delegated to the Managing Director, in consultation with the Portfolio Member for Housing, to seek planning permissions and other consents as necessary and undertake competitive tendering exercises with a view to the award of contracts for the development of each sites.
- 2.2 That further reports are presented to Cabinet seeking approval to award contracts to the successful tenderers for each site, subject to finance being available for each contract.

3. Background and Discussion

- 3.1. On 25 October 2012, Cabinet agreed to enter into an agreement with the Secretary of State under the terms of which a proportion of capital receipts from the sale of Council properties under the Right to Buy (RTB) were to be retained locally to be invested in the provision of affordable housing (the 1-4-1 scheme). Cabinet also agreed that the Managing Director, in consultation with the Chairman of Cabinet and the Portfolio Member for Housing be given delegated authority to approve the building of new dwellings on existing housing land, within the HRA, and to seek all relevant approvals and tenders as necessary (Minute no. 83 refers).
- 3.2. Following this a business case and options appraisal process was undertaken that included an assessment of potential sites and the approximate cost of their development, estimates of potential 1-4-1 receipts (that portion of receipts from RTB sales which can be retained for use in the 1-4-1 scheme), the need for funding support from the HRA, and the effect of this on the HRA business plan. From these assessments an initial project plan was developed. This was followed by a procurement exercise to appoint a managing agent to act on behalf of the Council. Ridge and Partners were appointed to advise on and support the delivery of the Council's new build programme.
- 3.3. Initial feasibility studies are being undertaken on three sites that were considered the most suitable to take forward as they have no obvious constraints. Results from these studies are anticipated in the next few days and it is hoped that they will confirm the feasibility of developing all three sites. The recommendations in this report anticipate that this will be the case.

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3.4. The sites identified for this are:

- Land at Coleridge Road - approx 50 dwellings.
- Land at Shaftsbury Avenue - approx 10 dwellings.
- Land at Temple Hill Square - approx 30 dwellings.
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Appendix A shows a map of each site with the new build site cross hatched.

- 3.5. Based on these initial assumptions, and subject to the conditions detailed above, up to 90 units could be accommodated on the three sites. The aim would be to achieve a mixture of flats and family housing to meet a range of housing needs, including one bedroom units which will assist the Council in meeting the needs of those who need to downsize.
- 3.6. To progress the programme to the next stage, and once the survey stage is satisfactorily completed, it will be necessary to obtain planning approval and procure a contractor to construct the units. There are two options available for this. One is to design the development in detail, obtain planning permission and then select a builder through a competitive tendering exercise who will build the units to the Council's specification. The other is to undertake a competitive tendering exercise to select a developer who will design and build, obtaining planning permission as part of the package of services.
- 3.7. The design and build option has some advantages, as the tendering process provides the Council with more choice in the final form of development, and utilises a broader range of the developer's skills and expertise. However a traditional building contract can be quicker and simpler to organise, and deals with the planning risks earlier in the sequence.
- 3.8. Given that the speed of roll-out of the proposed house building programme needs to be regulated to keep pace with the receipts obtained through Right-To-Buy sales (1-4-1 receipts), it is not expected that all three sites will be developed at the same time. Rather, it is envisaged that a start will be made on one site while the others are being brought to a state of readiness when further receipts are available.
- 3.9. This provides the Council with an opportunity to consider using a combination of both procurement routes, with the traditional building contract being employed on the first scheme, while alternative procurement options can be considered for the next sites in the pipeline. This will give the Council the benefits of both approaches. The recommendations seek delegated authority to select either route. Following each tendering exercise, Cabinet will be asked to approve the award of contracts.
- 3.10. Members will be aware from the previous Cabinet report in October 2012, that retained 1-4-1 receipts may only fund a maximum of 30% of the cost of providing a new home, and therefore need to be augmented with funding from other sources. It is envisaged that funds will be made available from the Housing Revenue Account as and when Right-to-Buy receipts reach a level that can support each development phase.

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- 3.11. The approved HRA Business Plan and Capital Programme allow for this at the anticipated level of 1-4-1 receipts. If 1-4-1 receipts are not spent within three years of receipt, the Council is obliged, under the terms of contract, to return unspent sums to central government, plus interest.
- 3.12. An illustrative programme has been prepared, which shows the amount of house building which would be consistent with these constraints, taking into account receipts already obtained since entering into the 1-4-1 Agreement and those anticipated in the coming year.
- 3.13. However, the actual rate at which properties will be constructed will be controlled as far as practicable so that only receipts already in hand will be utilised. The table below shows the amount of 1-4-1 receipts received to date , the additional funding requirement, the deadline for spend and the level of house building which would be supported by this expenditure. Further 1-4-1 receipts would enable the programme to be scaled up.

1-4-1 Receipt	DBC funding	Total Required Expenditure	Deadline Date	Properties Built*
325,251	758,918	1,084,169	31/12/2015	10
286,754	669,092	955,845	31/03/2016	9
44,181	103,089	147,270	30/06/2016	1
392,244	915,235	1,307,479	30/09/2016	13
141,173	329,404	470,578	31/12/2016	4
1,189,602	2,775,738	3,965,340		37

*This is based on current estimated build costs

- 3.14 The following table details key milestones in terms of delivering the project based on all 3 sites moving forward;

MILESTONES & RTB SPEND	DATE	PROJECT PLAN MILESTONES	DATE	ACTIONS TO BE UNDERTAKEN IN SAME QUARTER	DATE
2014/2015	Q1	Report to Cabinet	03/04/2014		
	Q2	Complete surveys	03/04/2014		
	Q3	Submit planning application(s)	25/07/2014	Site 1. Procurement stage	By 1/12/2014
	Q4	Planning decision	04/09/2014	Site 1. Pre-construction work	by 01/01/15
2015/2016	Q1	Site 1. Start on site	Early 2015	Site 2. Procurement stage	by 1/06/2015
	Q2				
	Q3	Site 1. Completion	30/10/2015	Site 2. Pre-construction work	by 1/1/2016
	Q4				
2016/2017	Q1	Site 2. Start on site	early 2016		
	Q2			Site 3. Procurement stage	by 01/06/16
	Q3				
	Q4	Site 2. Completion	by 31/03/17	Site 3 Pre-construction work	01/01/2017

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2017/2018	Q1	Site 3. Start on site	Early 2017		
	Q2				
	Q3				
	Q4	Site 3. Completion	31.3.2018		

4. Relationship to the Corporate Plan

4.1 This report relates to the Corporate Plan aims of 'meeting the housing needs of the Borough and achieving self-reliant communities'

5. Financial, legal, staffing and other administrative implications and risk assessments

Financial Implications	<p>The 2014/2015 to 2017/2018 Capital programme includes £4m for new build housing. An ongoing programme is factored into the Housing Revenue Account Business Plan.</p> <p>The Council has received £1,189,602 in 1-4-1 receipts to date. Under the terms of the 1-4-1 Scheme £1,084,169 (including the 70% DBC funding requirement) must be spent by 31 December 2015 if the funds are not to be paid to Government.</p> <p>To maximise the match funding capability of the 1-4-1 scheme, the expenditure would need to be incurred in phases relating to when the 1-4-1 income was received, as illustrated in the table at 3.12.</p> <p>Further 1-4-1 receipts would enable the programme to be scaled up, within the constraints of the Capital Budget.</p>
Legal Implications	The procurement process must comply with the EU Public Contracts Regulations & Council's Contract Standing Orders.
Staffing Implications	None as a direct result of the report.
Admin Implications	None as a direct result of the report.
Risk Assessment	There is a risk that the Council is unable to spend sufficient 1-4-1 receipts before the end of the 3 year period. To mitigate this risk, the programme will be carefully planned and kept under review in the light of tendered construction costs and progress towards each construction contract, to minimise the risk of under achievement. The recommendations in this report will maintain the momentum of the programme.

6. Details of Exempt Information Category

Not applicable

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7. Appendices

Appendix A – Site maps

BACKGROUND PAPERS

<u>Documents consulted</u>	<u>Date / File Ref</u>	<u>Report Author</u>	<u>Section and Directorate</u>	<u>Exempt Information Category</u>
		Peter Dosad	Housing, External Services	None