

BOROUGH OF KETTERING

| | | | |
|--------------------------|------------------------------------------------------------------------------------|------------------------------------|--------|
| Committee | EXECUTIVE | Item 11 | Page 1 |
| Report Originator | John Conway (Head of Housing) | <i>Fwd Plan Ref No:</i> A18/022 | |
| Wards Affected | Desborough St Giles, Desborough Loatlands, Avondale, Brambleside and William Knibb | 17 th October 2018 | |
| Title | NEW BUILD COUNCIL HOUSING | | |

Portfolio Holder: Councillor Mark Rowley

1. PURPOSE OF REPORT

- a. To provide Members with an update on pre-contract work for the Albert Street and Scott Road sites.
- b. To present a proposal for taking forwards the Lawrence's site for new build council housing.
- c. To advise Members about further sites with the potential for new council housing.
- d. To seek approval to make amendments to the HRA and General Fund capital programme for new build council housing and site acquisition.
- e. To seek approval to establish a capital budget for pre-contract professional fees so that funding is readily available for site investigations and feasibility studies on new schemes.

2. BACKGROUND INFORMATION

- 2.1 The Council's Housing Strategy for 2015-2020 sets out our approach for increasing the supply of new affordable homes in response to a changing housing market and the realisation that well-established methods are no longer working as well as they once did. Our Housing Strategy placed more emphasis on the Council having a direct role in delivering new homes through acquisitions and development of new council housing as part of a balanced approach to asset management.
- 2.2 Since its adoption, the Council has delivered a small number of new build properties on Laburnum Crescent and is progressing plans for the development of 28 new affordable homes at Scott Road and Albert Street. More recently the Council has adopted its Corporate Plan and within that Members agreed a priority to undertake an ambitious programme of council house building. This report is concerned with developing this programme of council house building and seeking a budget to be able to do this.

BOROUGH OF KETTERING

| | | | |
|------------------|-----------|------------|--------|
| Committee | EXECUTIVE | Item 11 | Page 2 |
|------------------|-----------|------------|--------|

3. SCHEME UPDATES

3.1 Scott Road, Kettering

At its meeting on 6th December 2017, the Executive Committee resolved to approve development proposals for the Scott Road site. So that the project could be progressed, the Committee agreed to make appropriate provision within the capital programme, transfer the site from the General Fund to the Housing Revenue Account and grant delegated authority to officers to agree contractual terms with the house builder, Westleigh.

- 3.2 It was originally proposed to deliver this project through a partnership with Westleigh who would invest Homes England grant funding of £630,000 in the scheme and undertake the detailed design, planning and project management. However, following a takeover of Westleigh by another developer in April, it has become clear that they are no longer in a position to deliver the scheme to the Council's requirements. As a result, Westleigh have withdrawn from the project and the Council has assumed responsibility for its delivery. Accordingly, officers have commissioned site surveys and appointed architects RG+P to progress the scheme to planning application.
- 3.3 The Council needs to find alternative funding for that element of the scheme which was to be funded by Homes England through Westleigh. There are sufficient 1-4-1 receipts to fund up to 30% of the development costs of this scheme and make up the shortfall in funding resulting from the withdrawal of Westleigh. By funding up to 30% of the development costs with 1-4-1 Receipts, the Council's borrowing requirement for this scheme is actually less. The Council was unable to use 1-4-1 receipts previously as these cannot be used alongside HCA funding.
- 3.4 Actual costs for the scheme will be ascertained once tenders for the project have been received. The revised scheme design now includes an additional unit taking the scheme total to 22 homes. This results in additional scheme costs as detailed in table 1. The approval to increase the original budget envelope will need to go to Full Council.

BOROUGH OF KETTERING

| | | | |
|------------------|-----------|------------|--------|
| Committee | EXECUTIVE | Item 11 | Page 3 |
|------------------|-----------|------------|--------|

Table 1
Breakdown of costs and funding for the Scott Road development

| | Original Proposal | Current Proposal |
|--------------------------------------|----------------------|---------------------|
| Number of Units | 21 | 22 |
| S106 Allowance | 42,000 | 44,000 |
| Westleigh (WPL) D&B package price | 2,550,630 | |
| Development Costs | | 2,700,000 |
| Other Costs | 160,000 | 160,000 |
| Total scheme cost | 2,752,630 | 2,904,000 |
| Total unit cost | 132,000 | 132,000 |
| Westleigh – HCA Funding | 630,000 | 0 |
| 1-4-1 Receipts | 0 | 871,000 |
| Borrowing | 2,122,630 | 2,033,000 |
| Total funding | 2,752,630 | 2,904,000 |

- 3.5 At the Executive meeting on the 6th December 2017 the expenditure and funding for the Scott Road Scheme was detailed. Extracts from this report are summarised below for ease of reference.
- 3.6 The land is currently held by the General Fund and will need to be transferred to the HRA; this is a technical adjustment referred to as an appropriation and gives rise to a revenue transfer from the HRA to the General Fund. The appropriation will take place based on a certified valuation of £170,000, this appropriation remains unchanged.
- 3.7 The other costs identified in Table 1 include employer's agent fee and contingency to cover any increase in scheme costs pre-contract are as set out in the December report.
- 3.8 The impact on the General Fund following the appropriation is an annual reduction in borrowing costs of £14,000. The impact on the HRA is an annual cost of £7,000.
- 3.9 In December the potential rental income for this scheme based on affordable rent was approximately £105,000 per annum, following a review of the site and an increase in numbers of units this has now increased to £110,000.
- 3.10 Following a reduction in borrowing for the scheme from £2,122,630 to £2,033,000, the borrowing and appropriation costs have reduced from £58,000 to £56,000 leading to an estimated annual net revenue benefit to the HRA of around £54,000, previously £47,000.

BOROUGH OF KETTERING

| | | | |
|------------------|-----------|------------|--------|
| Committee | EXECUTIVE | Item 11 | Page 4 |
|------------------|-----------|------------|--------|

3.11 The planning application for Scott Road has now been submitted and a public consultation event was held on the 10th October 2018.

3.12 The indicative programme for the project is as follows:

- Planning application submission – September 2018
- Issue of the Invitation to Tender – November 2018
- Planning determination – Dec 2018
- Start on site – April 2019
- Practical completion – May 2020

3.13 In procuring a contractor to deliver the project, officers propose combining this site and Albert Street and tendering both under a design and build contract. This will help to achieve greater economies of scale than if the projects were to be procured separately. Once tenders have been received and assessed, Members will be asked to approve the preferred contractor. In the meantime, the Executive Committee is requested to approve the implementation of the project by an in-house team utilising 1-4-1 capital receipts.

4 **Albert Street, Kettering**

4.1 At its meeting on 6th December 2017, the Executive Committee noted proposals for taking forward a development at the Albert Street garage site. In the December 2017 report, the initial estimate for the scheme was £750,000 and a Design and Build procurement process was identified as the preferred procurement route.

4.2 Following on from the December Executive Meeting, pre-contract works including architectural services for the project and necessary site surveys were commissioned.

4.3 A public consultation event was held on 23rd August which gave local residents the opportunity to view plans and discuss these with council officers and the architect. The scheme proposals were positively received by the residents who attended the event. Following the consultation event, a planning application for the project was submitted earlier this month.

4.4 Initial cost estimates for Albert Street of £750,000 in the December 2017 report were based on historical QS information. The costs set out in Table 2 below are now based on current Design and Build cost information from the Scott Road development. More detailed costs will be sought through a procurement process:

BOROUGH OF KETTERING

| | | | |
|------------------|-----------|------------|--------|
| Committee | EXECUTIVE | Item 11 | Page 5 |
|------------------|-----------|------------|--------|

Table 2
Breakdown of estimated costs and funding for the Albert Street development

| | Albert Street |
|--------------------------|----------------|
| Number of Units | 6 |
| S106 Allowance | 12,000 |
| Development Costs | 815,000 |
| Total scheme cost | 827,000 |
| Total unit cost | 138,000 |
| 1-4-1 Receipts | 248,100 |
| Borrowing | 578,900 |
| Total Funding | 827,000 |

- 4.5 The Albert Street Site would also require an appropriation from General Fund to the Housing Revenue Account, the estimated impact on the General Fund following the appropriation is an annual reduction in borrowing costs of £4,000. The impact on the HRA is an annual cost of £2,000.
- 4.6 The potential rental income for this scheme based on affordable rent is approximately £30,000 per annum, after taking into account borrowing and appropriation costs of £16,000 the estimated annual net revenue benefit to the HRA is around £14,000.
- 4.7 The Council has sufficient 1-4-1 receipts to fund up to 30% of the development costs of this scheme with the remaining costs being funded through HRA borrowing.
- 4.8 The indicative programme for the project is as follows:
- Planning application submission – October 2018
 - Issue of the Invitation to Tender – November 2018
 - Planning determination – Dec 2018
 - Start on site – April 2019
 - Practical completion – May 2020
- 4.9 As mentioned in paragraph 3.13 above, it is proposed to procure a contractor for both this site and Scott Road under a single design and build contract as this will help to achieve economies of scale. The Executive Committee is requested to recommend to Full Council that £827,000 for the Albert Street scheme be included in the HRA capital programme.

BOROUGH OF KETTERING

| | | | |
|------------------|-----------|------------|--------|
| Committee | EXECUTIVE | Item 11 | Page 6 |
|------------------|-----------|------------|--------|

5 LAWRENCES SITE, DESBOROUGH

- 5.1 At its meeting on 11 July, the Executive Committee was presented with an update on the Lawrences site in Desborough and asked to identify its preferred option for the future of the site. The Committee's preference was to redevelop the site for housing either through a private sector scheme delivered through the Homes England Accelerated Construction Fund or as a Housing Revenue Account development.
- 5.2 Since July, officers have been assessing the merits and limitations of the alternative ways forward, which has included exploring the feasibility of preliminary site layouts, investigating the level of contamination affecting the site and investigating funding constraints, as detailed in paragraph 5.3.
- 5.3 The Lawrences site was originally purchased using grant funding from the then East Midlands Development Agency (EMDA), responsibility for which has now novated to Homes England. It was a condition of that funding that, if the Council sold the site on a freehold or leasehold basis, it would be required to repay the grant used to purchase the site. Since the July meeting, Homes England have confirmed that the Accelerated Construction Fund (ACF) grant rules would still require us to repay the original site acquisition grant. As this was significantly greater in value than the ACF, it clearly makes no sense to proceed with the ACF. The ACF also cannot be used to build homes that are retained within the HRA. This severely limits the options available to the Council. Accordingly, it is recommended to the Executive Committee that the preferred option of developing the site for Council Housing be viability tested to meet a pressing and immediate need for affordable rented homes within Desborough and the surrounding area.
- 5.4 Subject to the Committee's agreement to consider redevelopment of this site for council housing, further site investigation works will need to be commissioned to ascertain the need for remediation works. In addition, consultants will be appointed to undertake a detailed viability and feasibility study for the site, the outcome of which will be reported to a future Executive meeting.

6. FURTHER OPPORTUNITIES TO BUILD COUNCIL HOUSES

- 6.1 Two other sites have been identified which are potentially suitable for new build council housing.
- 6.2 At Stamford Road, Kettering, terms have been agreed to purchase a small site and completion of the purchase is expected imminently. This site could accommodate six to eight family size dwellings. The Executive are asked to recommend a Capital budget of £210,000 to Council for Approval.

BOROUGH OF KETTERING

| | | | |
|------------------|-----------|------------|--------|
| Committee | EXECUTIVE | Item 11 | Page 7 |
|------------------|-----------|------------|--------|

- 6.3 An initial assessment of the Willow Close garage site in Desborough to look at site constraints will be undertaken to ascertain the site's suitability for a small development of bungalows, the outcome of which will be reported to a future Executive meeting.

7. NEXT STEPS

- 7.1 In order to progress the new build developments, the Council will need to appoint architects and cost consultants, and commission detailed site surveys to identify the constraints affecting each site. There is currently no capital budget within the Housing capital programme to carry out this pre-contract work and as such a budget will need to be established.
- 7.2 An initial capital budget of £200,000 for 2018/19 will allow a multi-disciplinary design team to be commissioned to carry out the necessary work to refine scheme options and costs, prepare schemes for further consultation and planning submissions and conduct a detailed ground investigation of Lawrences to fully understand contamination and proposed remediation of the site.

8. FINANCIAL RESOURCE IMPLICATIONS

- 8.1 All General Fund sites (Willow Close, Albert Street and Lawrences) will need to be appropriated to the HRA in order to deliver council housing. The cost to the HRA will need to be factored into any financial modelling that is undertaken as more detailed costs through the feasibility work become known.
- 8.2 Detailed financial modelling will be undertaken as the scheme options are refined in order to fully understand the long term costs and benefits to the Housing Revenue Account.
- 8.3 It is recognised that for affordable housing schemes to stack up financially, subsidy will be required. With 1-4-1 receipts already earmarked for schemes at Albert Street and Scott Road, the Council will need to pursue options for Homes England funding through the Shared Ownership and Affordable Homes Programme (2016-2021) or any alternative funding streams that may become available such as the Growth Deal.

9. HR IMPLICATIONS

- 9.1 None at this stage

10. LEGAL IMPLICATIONS

- 10.1 None at this stage

BOROUGH OF KETTERING

| | | | |
|------------------|-----------|------------|--------|
| Committee | EXECUTIVE | Item 11 | Page 8 |
|------------------|-----------|------------|--------|

11. RECOMMENDATIONS

That the Executive Committee;

- a) Notes the position with regards to the new build schemes at Albert Street and Scott Road.
- b) Notes a change in the funding of the Scott Road development utilising 1-4-1 Receipts
- c) Recommends to Full Council an increase to the HRA capital budget for Scott Road from £2,752,630 to £2,904,000 to account for provision of an additional property on the scheme.
- d) Recommend to Full Council a budget of £827,000 within the HRA capital programme for the scheme at the Albert Street site.
- e) Identifies the preferred option for the Development of the Lawrences site is Council Housing.
- f) Recommend to Full Council to approve a Capital budget of £200,000 for pre-contract professional fees to progress work on the Willow Close, Stamford Road and Lawrences sites and authorises the officers to procure a multi-disciplinary design team for all three sites.
- g) Recommend to Full Council to approve a Capital budget of £210,000 for the Stamford Road land acquisition.

Background Papers:

Date: N/A

Previous Reports/Minutes:

Executive Committee: Housing Finance – Use of ‘one for one’ capital receipts

Date: 11th November 2011.

Executive Committee: Scott Rd and Albert St Garage sites – New Build Council Housing

Date: 20th September 2017

BOROUGH OF KETTERING

| | | | |
|------------------|-----------|------------|--------|
| Committee | EXECUTIVE | Item 11 | Page 9 |
|------------------|-----------|------------|--------|

Executive Committee: New
Build Council Housing Updates
Date: 6th December 2017

Executive Committee:
Lawrences Update
Date: 11th July 2018

Contact Officer: John Conway