

Cheltenham Borough Council
Cabinet – 17 March 2015
Housing Revenue Account New Build

Accountable member	Councillor Peter Jeffries, Cabinet Member Housing
Accountable officer	Martin Stacy, Lead Commissioner – Housing Services
Ward(s) affected	Hesters Way, St Marks, Warden Hill, Up Hatherley, Springbank, St Pauls
Key Decision	Yes
Executive summary	The report seeks approval to proceed to tender two HRA new build schemes that will provide 38 units of affordable housing. These schemes propose development on nine HRA garage sites and a former HRA commercial site in Swindon Road. The new homes will represent the first Council owned stock built since the late 1980's. No commitment to contract will be made before tendered costs and adjusted viabilities have received Cabinet approval later in 2015.
Recommendations	<p>Cabinet is recommended to :-</p> <ol style="list-style-type: none"> 1. Authorise the Authority to seek bids from potential contractors to build new housing for the Authority as set out in section 2 of this report. 2. Delegate authority to the Head of Property Services in consultation with Lead Member Housing to substitute the sites to be considered for development, if required <p>Note that a further report will be brought back to Cabinet to seek approval to the Authority undertaking developments and to approve the award of the contract(s) to the successful contractor(s)</p>
Financial implications	<p>As outlined in the report and exempt appendix.</p> <p>At its meeting on 13th February 2015, Council approved the transfer of £2m to a new build reserve to finance development within the HRA.</p> <p>The report proposes the use of this reserve to fund preliminary costs on these schemes up to tender stage at an estimate of £150,000 (as detailed in the exempt Appendix to this report). Under the financial rule B11.4, The Section 151 Officer has delegated powers to approve this.</p> <p>Contact officer: Mark Sheldon mark.sheldon@cheltenham.gov.uk 01242 264123</p>

<p>Legal implications</p>	<p>The Council has the power under Section 9 of the Housing Act 1985 to build new housing accommodation on land it owns for that purpose. All of these sites are held for housing purposes.</p> <p>There are a number of properties which have the benefit of rights over the sites. These rights will either need to be accommodated in the new schemes or the persons with the benefit of those rights will need to agree to vary or to give up those rights. In addition, when the Council sold dwellings in these areas under the right to buy, by virtue of the Housing Acts the purchasers acquired various rights of support, use of services and access for maintenance etc. The burden of these rights in general terms is noted on the Council's title registered at HM Land Registry. Where specific rights are known, these need to be accommodated or varied otherwise obtaining insurance is advisable in case the development interferes with any third party rights of which the Council is not aware.</p> <p>The Council's contract procedure rules and the Public Contracts Regulations 2015 will need to be complied with when looking to appoint a contractor and the professional team to design and build the new housing. There are various options that can be used to appoint the contractors and consultants such as the use of frameworks or splitting the sites into 'lots'. Advice from One Legal and GOSS procurement team must be sought to assist when deciding the appropriate procurement options.</p> <p>Appropriate legal documentation prepared or approved by One Legal must be entered into with the contractors and consultants before they start work.</p> <p>Contact officer: Donna Ruck, Solicitor, donna.ruck@teWKesbury.gov.uk 01684 272696</p>
<p>HR implications (including learning and organisational development)</p>	<p>There are no direct HR implications arising from this report.</p>
<p>Key risks</p>	<p>Please see risk assessment at Appendix 1 of this report</p>
<p>Corporate and community plan Implications</p>	<p>By increasing the provision of new affordable housing we will be supporting our key strategic objective of strengthening our communities</p>
<p>Environmental and climate change implications</p>	<p>The redevelopment of the sites will improve the area as they currently consist predominantly of empty and poorly maintained garages and a commercial site with dilapidated buildings.</p> <p>The quality of the proposed housing will have an impact on climate change. All of the dwellings will achieve a minimum of Code for Sustainable Homes level 3 adopting a 'fabric first' approach to energy efficiency. The intention is that Solar Photovoltaic panels will be installed to the houses to contribute towards the electricity generation in the dwellings.</p> <p>Contact Officer: Gill Morris, Climate Change and Sustainability Officer gill.morris@cheltenham.gov.uk, 01242 264229</p>

Property/Asset Implications	<p>Garage Sites:- The development of some of the sites will be dependent on the satisfactory negotiation/resolution concerning the rights of access issues.</p> <p>Swindon Road site: - The lease on this commercial site has expired and the Council now has vacant possession.</p> <p>Contact officer: David Roberts, Head of Property Services david.roberts@cheltenham.gov.uk, 01242 264151</p>
------------------------------------	--

1. Background

The introduction of self-financing to the Housing Revenue Account in April 2012 has given the Council new investment opportunities. The current HRA Business Plan identifies three separate streams for future investment, namely the improvement of tenant services, enhancement of the existing stock and the development of a new build programme.

In 2012 the Government also brought forward amendments to Right to Buy (RTB) policy with the intention of re-invigorating interest in the scheme. The additional receipts arising from this policy were earmarked for investment in new stock on a one for one replacement basis. In June 2012 the Council entered into a retention receipts agreement with the Government which allows the local authority to keep these additional receipts for up to 3 years, provided that within that time they are used to fund the provision of new affordable housing. Any unused receipts after that period have to be paid over to Government. It is for this reason that the proposed new affordable homes will be Council, rather than Cheltenham Borough Homes owned homes.

The Council's managing agent, Cheltenham Borough Homes (CBH), has been working with Council officers in the Joint Programme Group (JPG) to identify suitable sites for new build within the HRA. Option appraisal and design has been completed for two schemes as detailed below and the majority have been submitted for planning permission.

CBH has produced a draft Regeneration and Development Strategy and is currently exploring the potential for further pipeline regeneration and new build opportunities. This will be complemented by a review of all funding options and sources in order to identify longer term capacity and constraints.

The schemes take into account current housing needs, whilst having regard also to the specific nature of the individual sites. The range and design of new homes has been agreed with JPG members and approved by the Lead Commissioner – Housing Services.

The proposals contained in this report will provide the opportunity for a timely route to the commitment of those RTB retention receipts accrued to date that would otherwise fall due for payment to Government in the period up to 31st March 2017.

2. Scheme Details

Garage Sites Phase 2

The redevelopment programme for redundant or underutilised garage sites was developed as the result of a comprehensive survey of all 80+ sites which considered garage condition and utilisation together with site redevelopment potential.

CBH successfully completed the development of four garage sites in April 2014 providing 14 new homes. This second phase package of nine garage sites is currently intended to include the following:-

Part used garage site at Coniston Road
Part used garage site at Haweswater Road
Cleared garage site at Hesters Way Road
Cleared garage site at Kingsmead Avenue
Cleared site adjacent to garages at Newton Road
Predominantly derelict garage site at Parkbury Close
Cleared garage site at Redgrove Road
Part used garage site at Rowanfield Exchange
Cleared garage site at Ullswater Road

The planned development is to provide 28 homes which comprise of:-

6 x 1Bed Flats, 2 x 2 Bed Flats, 3 x 2 Bed Houses, 10 x 3 Bed Houses, 5 x 2 Bed Bungalows and 2 x 4 Bed Houses.

The sites are all in CBC ownership and there are no acquisition costs.

Four of these sites have issues in respect of specific and general rights granted by the Council under previous RTB disposals and to commercial tenants. CBH is continuing to work with the Head of Property Services to resolve third party rights of access in respect of these sites to enable development to proceed. It is intended that in the event that any site/scheme becomes undeliverable due to such rights, then a substitution would be made of an alternative viable site in consultation with the Lead Member for Housing.

Once planning permission has been secured the intention is to proceed to tender the initial tranche of sites. The Council is exploring whether it will be possible to include further sites within the same contract so that they can be delivered once planning permission has been secured and third party rights have been resolved.

Swindon Road/Brunswick Street

This site has historically been used as commercial premises; however it abuts residential uses on surrounding land and is regarded as appropriate for regeneration through social housing development.

The intention is to provide 10 homes which comprises of:-

5 x 1Bed Flats, 3 x 2 Bed Flats and 2 x 2 Bed Houses

The site is in CBC ownership and there are no acquisition costs.

The site has undergone both asbestos and demolition surveys and materials containing asbestos have been found. A contract will be procured to remove the asbestos and demolish the buildings leaving a clear site for redevelopment.

3. Performance monitoring and review

JPG will continue to oversee the delivery of the forward programme of housing development. An Operational Group has been created consisting of key Officers to deliver day-to-day management and to provide JPG with performance monitoring and reporting data.

4. Consultation and feedback

These proposals have been developed through consultation with key stakeholders including Ward Councillors.

Local residents surrounding the various sites have been written to confirming the intention to redevelop to provide new affordable housing. Prior to the formal submission of the planning applications a number of information sessions were arranged at local facilities to give residents and local stakeholders the opportunity to review the proposals.

Formal pre-application planning advice has been sought for each site and the schemes have been amended to incorporate comments from the Planning Department. The proposals submitted to the Planning Department reflect the feedback received from the information sessions, CBC Planning department and CBC and CBH colleagues.

CBC Councillors have been consulted on the proposals via the Asset Management Working Group.

5. Recommendations

Cabinet are asked to confirm their continuing support for the proposed developments and approve the decision to proceed to tender, delegating authority to the Head of Property Services in consultation with the Lead Member Housing to substitute the sites to be considered for development, if required.

Report author	Contact officer: Paul Stephenson, Chief Executive CBH <i>paul.stephenson@cheltborohomes.org</i> 01242 775319
Appendices	1. Risk Assessment 2. Financial Assessment (confidential)
Background information	None

Risk Assessment

Appendix 1

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	Impact 1-5	Likelihood 1-6	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
	If the Third party rights cannot be accommodated or removed on the sites where they exist then this may adversely affect the ability to develop the site.	Pat Pratley	11 June 2014	3	2	6	Accept	Discuss and reach a suitable negotiated agreement/settlement. Submit planning applications once sites are unencumbered.		David Roberts	
	If the rights of access cannot be resolved then there will be abortive costs and time if schemes prove not to be viable.	Pat Pratley	11 June 2014	3	2	6	Accept	Mitigate by undertaking only necessary works.		David Roberts	
	If the capital receipts held from RTB sales under the retention agreement with DCLG are not used within 3 years of receipt they are repayable with interest to the Government	Pat Pratley	December 2013	3	3	9	Reduce	Officers from CBC and CBH are currently evaluating sites for new build development to ensure procurement and delivery timescales will allow use of these funds before expiry	Dec 2015	Martin Stacy	
	If market conditions lead to less labour being available to deliver required works, then tenders may exceed current estimates	Pat Pratley	December 2014	4	3	12	Reduce	Discuss the tender in advance with suitable contractors. Give sufficient time to contractors to return the tenders (minimum 5 weeks), and discuss supply chains with potential contractors as part of the tendering exercise		Martin Stacy	

Explanatory notes

Impact – an assessment of the impact if the risk occurs on a scale of 1-5 (1 being least impact and 5 being major or critical)

Likelihood – how likely is it that the risk will occur on a scale of 1-6

(1 being almost impossible, 2 is very low, 3 is low, 4 significant, 5 high and 6 a very high probability)

Control - Either: Reduce / Accept / Transfer to 3rd party / Close