

Cheltenham Borough Council
Cabinet - 9th July 2019

Housing Revenue Account - New Build - Monkscroft Villas Site

Accountable member	Councillor Peter Jeffries, Cabinet Member Housing
Accountable officer	Martin Stacy, Lead Commissioner – Housing Services
Ward(s) affected	Hesters Way
Key Decision	Yes
Executive summary	<p>In January 2019 Cabinet resolved that the Authority seek bids from contractors to build new homes on the redevelopment of the Monkscroft Villas site, Princess Elizabeth Way, Cheltenham. Following a recent procurement exercise, this report seeks approval from Cabinet to enter into a JCT Design and Build Contract with E G Carter and Co Ltd with Total Scheme Costs not to exceed £4,235,000. The scheme to provide 27 new homes was unanimously approved at Planning Committee in May 2019.</p> <p>The site is of key strategic importance given its positioning on Princess Elizabeth Way, a key arterial route into Cheltenham. The intention is that the scheme will provide not only high quality living accommodation for the new residents, but also serve to act as a catalyst for further improvements in the area, creating a key gateway into the Town.</p> <p>The overall budget for the scheme was approved in the HRA Budget report approved by Cabinet on 12th February 2019 and Council on 18th February 2019.</p>
Recommendations	<p>Cabinet is recommended to:-</p> <ol style="list-style-type: none">1. Accept the tender received from E G Carter and Co Ltd and enter into a JCT Design and Build Contract for the construction of 27 new dwellings with Total Scheme Costs not to exceed £4,235,000.2. Delegate authority to the Executive Director of Finance & Assets, in consultation with the Borough Solicitor to:<ol style="list-style-type: none">2.1 Conclude the JCT Design and Build contract with E G Carter and Co Ltd.2.2 Take all necessary steps and undertake all necessary procedures, including entering into any legal arrangements or other documentation as may be required to implement or facilitate the development, including entering into a Grant Agreement with Homes England for the affordable housing dwellings.2.3 Agree, in consultation with Cabinet Member - Housing the

precise tenure of the affordable housing dwellings once the position about Homes England grant funding is confirmed, including shared ownership.

2.4 Approve the disposal on a shared ownership basis of any dwellings designated as such under recommendation 2.3 and to agree the terms of such disposals.

3. Authorise the authority to charge Affordable Rents on the rented dwellings at 80% of market rents and allocate any remaining properties for shared ownership to be available at a minimum initial equity share of 40%.

<p>Financial implications</p>	<p>As outlined in the report and exempt appendices 3 and 4.</p> <p>The development of an HRA new build programme will require an ongoing review of resource availability to ensure the most effective and timely use of each funding stream. The choice of funding streams is delegated to the Section 151 Officer.</p> <p>Contact officer: Paul Jones, Executive Director – Finance & Assets</p> <p>Paul.jones@cheltenham.gov.uk</p> <p>01242 265154</p>
<p>Legal implications</p>	<p>The Authority has the power under Section 9 of the Housing Act 1985 to build new housing accommodation on land it owns for that purpose. Land in the area which was comprised of public open space was approved for appropriation to housing purposes by Cabinet on 10th July 2018. The formal appropriation will need to have occurred before works commence on site.</p> <p>As the Authority owns the land on which the dwellings are to be constructed, it will be the Authority entering into the contracts. CBH will monitor the contract and the progress of the build on the Authority's behalf with assistance from Employer's Agents engaged by the Authority.</p> <p>The Authority is considering disposing of dwellings in the new development by way of shared ownership leases. Under Section 32 of the Housing Act 1985 the Authority may only dispose of land held for housing purposes with the consent of the Secretary of State. The Secretary of State has issued general consents and under consent A3.3.1, the Authority is permitted to dispose of dwellings by way of shared ownership leases to a person who intends to use it as their only or principal home.</p> <p>Contact officer: Donna Ruck, Solicitor</p> <p>Donna.ruck@teWKesbury.gov.uk</p> <p>01684 272696</p>

HR implications (including learning and organisational development)	<p>There are no direct HR implications arising from this report.</p>
Key risks	<p>Please see risk assessment at Appendix 1 of this report.</p>
Corporate and community plan Implications	<p>By increasing the provision of new affordable housing we will be supporting our key strategic priority, which is to increase the supply of housing and to invest in building resilient communities. This also supports our place vision, which is for Cheltenham to be a place where people and communities thrive.</p>
Environmental and climate change implications	<p>The redevelopment of the site will improve the area as it currently consists of 3 vacant properties and a former CBC grounds maintenance storage compound.</p> <p>A full environmental survey and impact assessment has been undertaken and as a result environmental considerations have been incorporated into the new schemes design.</p> <p>The quality of the proposed housing will have an impact on climate change. The intention is that Solar Photovoltaic panels will be installed to the roof area of the flats to serve the landlords supply with a battery back up to be employed to store additional energy generated for future use.</p>
Property/Asset Implications	<p>The redevelopment of the site will bring back into use current underutilised land, maximising the Council's assets and add to the affordable housing stock.</p> <p>The potential party wall awards have been built into the Total Scheme Costs.</p> <p>Contact officer: Paul Jones, Executive Director – Finance & Assets</p> <p>Paul.jones@cheltenham.gov.uk</p> <p>01242 265154</p>

1. Background

- 1.1** In January 2019, Cabinet was provided with an update on the pipeline development programme for new build housing which included the proposal to redevelop the site at 1-3 Monkscroft Villas.
- 1.2** The redevelopment of the site at Monkscroft Villas resulted from working with the council officers via the joint CBC/CBH Operational Working Group (OWG) to undertake a comprehensive survey of all CBC owned assets which considered their current use in relation to redevelopment potential.
- 1.3** CBH continues to progress a number of other sites on behalf of CBC which includes the redevelopment of six further garage sites and the construction of 8 x 2 bedroom houses on a site acquired on Pennine Road (Holy Name Hall). Work is also underway to bring about the potential acquisition of a number of other sites, which will help bring about a step change in housing delivery over the coming years.

2. Scheme Details

- 2.1** As noted in the Cabinet report dated 22nd January 2019, the site comprises three redundant houses that were suffering from subsidence. The tenants have now been adequately rehoused and the site pursued as a redevelopment opportunity.
- 2.2** The objectives of the project are to make best use of Council assets, deliver much needed affordable housing and promote sustainable, mixed communities. In addition, due to its key strategic positioning on Princess Elizabeth Way, the intention is for this to be a flagship scheme that will provide not only a fantastic living environment for the new residents, but one that also strives to be the catalyst for further improvements in the area including the proposed urban extension to the West of the Town.
- 2.3** Planning consent was unanimously secured from Planning Committee on 28th May 2019 for the provision of 27 new homes comprising 25 x flats and 2 x houses, with associated landscaping improvements and parking.
- 2.4** Initial discussions have been held with Homes England to secure grant funding to support the delivery of the scheme. Now that the scheme has secured planning consent, and subject to final approval being secured from Cabinet to proceed, a formal bid for grant funding will be made to Homes England. In the event that any shared ownership properties proposed for the scheme (we are currently proposing 2 houses and 3 flats) do not sell within a 6 months period post completion, the intention would be for these to revert to being available for rent.

3. Reasons for recommendations

- 3.1** Cabinet are asked that following a compliant competitive tendering process they confirm their support for the proposed development and approve the decision to enter into a Design and Build contract with E G Carter and Co Ltd with Total Scheme Costs not to exceed £4,235,000.
- 3.1** One of the 3 key priorities in CBC's approved 30 year HRA business plan is to build new affordable homes in the Cheltenham area. Increasing the supply of housing is also a key priority within the council's corporate strategy, and this is also reflected in CBC's Housing & Homelessness Strategy. This development proposal is therefore important in meeting these priorities.
- 3.2** The benefits of proceeding with this development include:
 - it will help to support current housing need;
 - it ensures the redevelopment of underutilised land within the HRA;
 - it provides 27 new high quality homes; and
 - it will further strengthen the HRA through a return on investment over 40 years. (It should be noted that the present value contribution may change depending on the final

funding structure.)

4. Alternative options considered

- 4.1** The scheme, as proposed, maximises the amount of affordable housing the site could accommodate given planning restrictions and provides a good mix of accommodation and of tenure types leading to a sustainable community.
- 4.2** A scheme with reduced density would reduce the number of new homes that could be provided as well as reducing the potential for longer term income generation.

5. Consultation and feedback

- 5.1** These proposals have been developed through consultation with key stakeholders including CBH and CBC officers, local residents, Ward Councillors and formal pre-application planning advice prior to full planning consultation and subsequent approval.
- 5.2** The scheme was presented to Cheltenham Civic Society prior to the submission of the planning application, with a representative noting the scheme “really captured everyone’s imagination not just architecturally but with its flexible and future proofing layouts, mixed tenure, environmental provisions and pragmatic approaches, such as boundary treatments”.
- 5.3** Prior to the commencement of construction works, all affected residents will be written to and a further drop in information session will be arranged, to include meeting the contractor to give local residents and stakeholders the chance to meet the project team and ask any questions they may have.

6. Performance management –monitoring and review

- 6.1** A new governance arrangement has recently been established to oversee and monitor new build schemes. This comprises a joint CBC/ CBH Strategic Housing Delivery Group (SHDG), OWG and Cabinet Member Working Group (CMWG). These forums will oversee the delivery of the project, alongside the other development opportunities that materialise as part of the current pipeline of work.
- 6.2** The performance of the contractor will be monitored informally each week at regular site visits and formally each month at the monthly site meetings to ensure compliance with the contractual obligations of the JCT Design and Build contract.
- 6.3** Close financial monitoring of the scheme will continue with costs monitored on a monthly basis to ensure budgets are not exceeded. Should any issues be encountered these will be discussed to ensure appropriate action and mitigation measures are agreed.

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Appendices	<ol style="list-style-type: none">1. Risk Assessment2. Site Location Plan3. Report on Tender from Baily Garner (confidential)4. Financial Assessment (confidential)
Background information	<ol style="list-style-type: none">1. HRA New build – approved by Cabinet 22nd January 2019.

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
1	If subsidence is replicated on the new development that occurred on existing properties, then the new properties could become uninhabitable	Martin Stacy	Aug 2018	5	1	5	Accept	Robust detailed Site investigation has been undertaken and adequate sub-structure works (foundations) to be constructed.	May 2019	Alison Salter (CBH)	
2	If the scheme is subject to a Judicial Review or challenge (either planning or procurement) this may threaten the deliverability of the scheme.	Martin Stacy	May 2019	5	1	5	Accept	Work with procurement colleagues to ensure timely notices are issued to tendering contractors with feedback. Wait until the statutory timescales have lapsed.	May 2019	Alison Salter (CBH)	
3	If Homes England funding is not secured to support the delivery of the 27 x homes, then alternative funding sources will need to be built into the budget.	Paul Jones	May 2019	3	1	3	Reduce	Continue dialogue with Homes England to have certainty that funding will be secured. Submit a bid for grant funding once Cabinet approval has been granted.	August 2019	Alison Salter (CBH) Martin Stacy (CBC)	
4	If the contractor and/or its sub-contractors become insolvent or otherwise cease to trade, then this will adversely impact on the delivery of the programme	Martin Stacy	July 2018	3	3	9	Reduce	Effective contract management; inclusion of retention monies in contract; include Liquidated and Ascertained damages within the contract in the case of delays to the programme; ongoing dialogue with the contractor to	Ongoing	Alison Salter (CBH)	

								monitor labour and resources.			
5	If the logistics of the site (restricted access into the site and limited capacity on site) are not adequately dealt with, then this will pose issues for construction traffic and have an adverse impact on construction and adjoining residents.	Martin Stacy	July 2018	3	4	12	Transfer to 3 rd party	Contractor was issued with site details at tender stage and visited the site. The Contractor is to issue a pre-construction health and safety plan prior to commencing works which will address their approach to the site access constraints.	From August 2019	Alison Salter (CBH)	
6	If the cost of services connections is in excess of the provisional sums allowed, then this may exceed provisional contingencies.	Martin Stacy	July 2018	3	3	9	Transfer to 3 rd party	Include a contingency to account for additional costs associated with services connections.	From August 2019	Alison Salter (CBH)	
7	If issues with the timing as to when the services are connected are encountered, then this could lead to a delay to the programme.	Martin Stacy	July 2018	3	3	9	Transfer to 3 rd party	Engage with the contractor following approval to enter into contract to enable critical pre construction work to commence and services applications.	From August 2019	Alison Salter (CBH)	
8	If the grant funded dwellings aren't complete by the longstop date of March 2021, the Homes England funding will not be secured with financial implications and reputational damage which may affect CBH's ability to secure future HE grant.	Martin Stacy	May 2019	3	1	3	Reduce	Work with the appointed contractor to manage the construction programme. Ensure ongoing dialogue with Homes England to provide updates on the programme.	Ongoing	Alison Salter (CBH)	

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