

PERSONNEL COMMITTEE – 11 JUNE 2012

CABINET – 13 JUNE 2012

COUNCIL HOUSE NEW BUILD PROGRAMME AND ADDITIONAL STAFFING REQUIREMENTS

REPORT OF HEAD OF NEW HOMES DELIVERY

Contact Officer: Andrew Palmer Tel No: 01962 848152

RECENT REFERENCES:

PER208 – Proposed New Homes Delivery Team

CL 76 – Strategic Approach to Council House Building – 18 April 2012

CAB2337 – Council House Building Programme: Purchase of Properties – Dever Close – 17 May 2012.

EXECUTIVE SUMMARY:

This report sets out the proposed Council House new build programme for 2012/13, 2013/14 and 2014/15. In addition, it indicates the staffing required to deliver the programme over these years.

RECOMMENDATIONS:

To CABINET:

- 1 That the 3 year programme set out as Appendix 1 to the report be agreed.
- 2 The Head of New Homes Delivery be authorised to commission the relevant professional services required to bring forward the sites in the 3 year

programme subject to the requirements of the Council's Contract Procedure Rules.

- 3 That a £100,000 budget is approved, funded from the Housing Revenue Account (HRA) capital budget for delivering new council homes, to support the commissioning of relevant professional assessments required to progress immediate priorities in the proposed development programme.
- 4 That a further report on the decision-making process to be follow for new homes sites within the 3 year programme and Terms of Reference for the Cabinet (Housing Delivery) Committee be brought to Cabinet.
- 5 That the Council agrees to participate in the Government's Right to Buy reinvestment offer for Local Authorities and that authority be given to the Head of Finance to sign this agreement.
- 6 That approval is given to a supplementary estimate in the General Fund of £95,715 in 2012/13 (£147,958 in a full year) noting that recharges to the HRA will increase by £227,616 in 2012/13 (£266,102 in a full year).

To PERSONNEL COMMITTEE:

1. That the following additional posts required to deliver the development programme, as set out in Appendix 2, are approved and added to the establishment:
 - Housing Solicitor (0.5 FTE),
 - Admin/Trainee Project Manager (1 FTE),
 - Building Surveyor (1 FTE),
 - Senior Valuer (1 FTE),
 - Senior Planner (0.5 FTE),
 - Housing Finance Accountant (0.25 FTE).
2. That the existing posts listed as set out in Exempt Appendix 3 are moved into the New Homes Delivery Team:- Head of Strategic Housing (Post 286), Strategy and Enabling Officer (1026), HARAH Housing Officer (1030), Community Planning Manager (134), Community Officer (135), Strategy Enabling Officer (326).

PERSONNEL COMMITTEE – 11 JUNE 2012CABINET – 13 JUNE 2012COUNCIL HOUSE NEW BUILD PROGRAMME AND ADDITIONAL STAFFING REQUIREMENTSDETAIL:1 Introduction

- 1.1 As a result of the financial freedoms granted by housing finance reforms and effect these have on the Housing Revenue Account (HRA) Business Plan, the Council has decided to establish a programme for the provision of new council housing. Cabinet has agreed that resources, which are not required to maintain existing stock should be used to support that programme. The HRA Business Plan includes a provision for £48M of investment in new housing over the next 10 years.
- 1.2 This report seeks approval to a 3 year programme, and authority to begin work on bringing the sites identified forward so that they can be considered for development. It also seeks agreement to staff resources necessary to undertake what will be a substantial programme of work.

2 Draft Development Programme – 2012-2015

- 2.1 Council report CL76, Strategic Approach to Council House Building – 18 April 2012, sets out a series of development Principles that the Council would use to guide the delivery of new Council housing including:
- that the Council's approach to the delivery of new homes be guided by the Winchester District Housing Strategy
 - the viability of all new build council houses will be measured against the assumptions in the HRA Business Plan
 - that the priority afforded to different development options as follows.
 - new-build on Council owned land
 - acquiring existing Council properties where that facilitates a wider re-development opportunity
 - open market purchases to facilitate a wider re-development opportunity
 - purchase of land for development
 - procure delivery of affordable homes in partnership with a market housebuilder or Registered Provider (RP).

- a development programme, identifying a three-year rolling programme of development opportunities to be investigated and brought forward be agreed annually
 - that a Development Protocol be prepared outlining the approach to be taken to bringing forward sites for decision, including key stages of the process to be followed and stages at which formal authority is required. That protocol should be approved by Cabinet.
- 2.2 In a District like Winchester with high demand for housing and low availability of land, there will be significant issues in finding suitable development sites. The first choice of land to develop is and should be land which is already in the Council's ownership. The Council has worked with RP's over the last 15 years to deliver housing on many of the straightforward sites in the Council's ownership. There remains, however, a long list of potential sites that staff in the New Homes Delivery Team are working through to assess their potential for development. None of the sites will be straightforward, not least because the process of development has become more complex and necessitates rigorous public scrutiny of any proposals.
- 2.3 From the long list of opportunities that officers have been investigating it is proposed that the first 3 year programme of work be in relation to the sites set out in Appendix 1. These are sites which are believed to have reasonable potential for development in some shape or form. It is proposed that they form the core development programme. This means that it will be on these sites that officers seek professional advice, engage with local people and ward members and generally do all that will be necessary to create the reasonable prospect of planning consent being granted for new Council houses. It does not mean that these sites will definitely be developed although the Council's position as landowner and potential developer will be to try to do so. The approval of this programme does not preclude consideration of other opportunities that may come forward during this period and which may add to, or substitute for an existing scheme on the programme.
- 2.4 The proposed development programme is set out in Appendix1. The table shows the schemes that might start on site in each year, but work to achieve that will be undertaken as soon as it is expedient. So expenditure may need to be incurred in the current year on a site which may be expected to start (and require the bulk of funding) in one or two years time. The HRA business plan includes a capital budget for new build that amounts to £8.9M (at outturn prices) over this 3 year period with a further £3.2M available in 2015/16. The costings for the schemes (which do not allow for inflation) will be revised as scheme design proceeds and it will then be possible to assess the level of capital expenditure for each financial year. It will clearly be essential to ensure that spending does not exceed the available budget as the HRA is not able to undertake any additional borrowing because of the debt cap.
- 2.5 If other major development opportunities which could substitute or complement the development programme as set out arise then a report on

these opportunities will be brought back to the Cabinet (Housing Delivery) Committee at the appropriate time for authorisation to proceed.

- 2.6 A steady programme of development will not be maintained if the development team must bring regular update reports on every site through a lengthy decision-making process even before making a planning application or acquiring land or property. When a probable site is identified, the Council will also have to provide and commission a series of studies and reports, ranging from topographical surveys to tree surveys or archaeological assessments. The costs of these studies and reports may be substantial, and whilst there will be a return if a site is developed, some work may still be commissioned on sites which do not subsequently progress. Abortive costs are an inevitable part of the development process and although they can be minimised they cannot be avoided.
- 2.7 Officers will require appropriate delegated authority to incur such costs, and there should be recognition that the inherent risks in the development process means that on occasion such costs may not be recovered. Member approval is sought to proceed with work on the development programme as set out in Appendix 1 and to commission the necessary studies and reports which would be required to proceed to a full planning application. Approval is sought for the establishment of a budget of £100,000 within the HRA for this purpose. This will be funded from the capital budget for delivering new council homes.
- 2.8 A more detailed proposed protocol for decision-making on sites will be brought to Cabinet at its next meeting to set out the decision making stages, in particular those that will involve a specific decision by Members. Cabinet (Housing Delivery) Committee will scrutinise detailed costs of each scheme.

3 Governance

- 3.1 Cabinet is considering the establishment of a Cabinet (Housing Delivery) Committee to oversee the affordable housing development programme (Report CAB2347 elsewhere on this agenda refers). Further reports relating to housing development will be brought to this committee, one of the first matters that will require Member approval is the Council's development strategy. This will agree key issues around what type and tenure of housing to build and whether to move to affordable rent levels for new housing (thus increasing the overall numbers that can be built). Further reports will need to be considered by this Committee such as approvals to proceed with development and the appropriate delegated authority to be granted to Officers to enable development opportunities to be progressed.
- 3.2 Terms of reference for the Cabinet (Housing Delivery) Committee will be brought to the next meeting of Cabinet for approval.

4 Right to Buy Changes

- 4.1 As part of the introduction of the new RTB arrangements the Government has offered councils the opportunity to keep any extra capital receipts provided

they enter into an agreement with DCLG. Signing the agreement is optional but if it is not signed, all extra receipts must be paid over the DCLG who will distribute the extra resources nationally via the HCA.

The key features of the agreement are:

- the receipts must be used within 3 years on the provision of affordable rented housing.
- the RTB receipts cannot meet more than 30% of the total spend on “replacement stock”
- the spending on “replacement stock” includes newly build council homes, the acquisition of existing homes on the open market and grant aiding housing associations to provide new homes. However, spending on the acquisition of existing social housing is excluded (so the receipts could not be used to help fund the acquisition from Southern Housing Group).
- the Council is free to determine what rent levels it charges for the new dwellings.
- the Council can exit the agreement at any point in the future.

The risk in signing the agreement would be that the Council did not utilise the extra receipts within the 3 year time period. If that happens, the Council will be required to pay the unused receipts to DCLG who will add compound interest at 4% above base rate. This will be charged from the date the capital receipt is received until it is paid to DCLG ie potentially 3 years. Such a high rate of interest is designed to discourage local authorities from retaining receipts and not spending them. DCLG have been asked to clarify where such an interest cost is to be charged. The council also has the option each quarter to voluntarily pay receipts to DCLG if it did not think it would be able to spend them in the time available. This would minimise interest costs.

Subject to the detailed examination of the draft agreement not revealing any unexpected issues it is proposed that the Council enter into the agreement with DCLG to keep the extra RTB receipts and that authority be given to the Head of Finance (CFO) to enter into this agreement. It is too early to assess at this time what the value of the extra receipts will be but it is envisaged that the preferred approach will be that any receipts be used to supplement the provision of new rented council dwellings. Actual use of the receipts will be considered as part of the review of the Capital Programme to ensure that they are used within the timeframe allowed by the agreement with DCLG.

Bath Place

- 4.2 Bath Place is not a new build scheme but the opportunity may arise to purchase existing properties from a Housing Association which is rationalising their stock holdings. There are existing tenants in the properties that will remain, however the existing landlord wishes to find another social landlord to take over ownership and management. The value to the Council is that it is an additional rental stream would be provided which may be sufficient to

provide a business case for the acquisition of the properties. Although the Council would not be creating additional housing opportunity through this purchase it could represent a prudent transaction. Cabinet it therefore requested to include it within the approved programme on this basis. A further report will be submitted on the details of any proposed transaction.

5 Staffing Requirements

- 5.1 Further to report PER 208 which was considered by Personnel Committee on the 28 March 2012, proposals are set below (with more detail in Exempt Appendix 3) for the additional staff (and associated costs) required to deliver the new homes programme. Appendix 4 shows the proposed structure chart for the team. Existing staff who are affected and the Trade Union have been fully consulted on these changes.
- 5.2 As set out in paragraph 1.1 of this report the Council has an ambitious new build programme of £48M over the next 10 years. The existing New Homes Delivery Team is made up of members of the former Strategic Housing Division who continue to have responsibility for working with Registered Provider's, rural exception housing, the Housing Strategy and Community Planning (all General Fund activities). Some existing Officer time has been made available to deliver the Council new build sites, however this needs to be increased to deliver and manage the programme.
- 5.3 If the new team is to be able to progress matters quickly it will need ready access to a range of dedicated expertise, including financial, legal and development/surveying skills. They may be located within that Team or be drawn on from other Council Teams, provided that the necessary advice can be accessed without delay. The same need for ready access to advice is shared by the Head of Estates, who is managing an ambitious programme of maintenance and development of the Council's estate. Where possible, we will be looking to the relevant resource being shared.
- 5.4 The additional staff required to deliver the development programme are set out in Appendix 2. It is proposed that six posts be created, 4.25 FTE and added to the Staff Establishment. Of these, the role of Building Surveyor and Senior Valuer would also be available to the Estates Team for General Fund work: currently it has been assumed their time would be split equally between New Homes Delivery and Estates projects, and so it is proposed funding for these posts be divided equally between the HRA and General Fund. All other posts will be funded through the HRA.
- 5.5 The total estimated cost of the additional posts is estimated at £95,715 in 2012/13, increasing to £147,958 in a full year. This cost will initially be charged to the General Fund. An assessment has also been made of the amount of time that the proposed "New Homes Delivery Team" will spend on HRA activity. The charges to the HRA have been assessed at £227,616 in 2012/13, increasing to £266,102 in a full year. This gives a net saving to the General Fund of £131,900 in 2012/13 and £118,144 in a full year. These

savings will help the General Fund achieve its Organisational Development Savings target that was agreed as part of the budget. The costs to the HRA can be met from the provision included in the HRA business plan for developing new homes

6 TACT Comment

- 6.1 “Due to the confidential nature of the report, this matter has not been considered by the full TACT group. However, the chair and vice chair, Judith Steventon Baker and John Bond, have reviewed the proposals. It is clear that if the Council is to build new homes and invest more in repairs and estate services, Housing teams need the right resources to do this well. TACT has long been calling on the Council to demonstrate its commitment to Council housing by building new homes. It has also regularly challenged the Head of Housing Services and other housing officers to do more to improve the quality of our homes and our estates. We are pleased to see the additional investment in housing and recognise that some additional staff will be required to deliver this”

7 Union Comment

- 7.1 Unison has been consulted and the appropriate staff consultation has been undertaken in relation to the changes to the existing posts and for the new posts set out in the report. They are content with the proposals.

OTHER CONSIDERATIONS:

8 SUSTAINABLE COMMUNITY STRATEGY AND CORPORATE BUSINESS PLAN (RELEVANCE TO):

- 8.1 Developing new homes is a key priority for the Council as it seeks to promote active communities. It also facilitates the Districts economic prosperity.

9 RESOURCE IMPLICATIONS:

- 9.1 The cost of new homes delivery, including staffing costs, will ultimately be met from the Housing Revenue Account (HRA), which has already made provision for these costs as part of arrangements for changes to the housing finance regime. The financial arrangements need to be compliant with the statutory ring-fence which maintains HRA funding separate from the General Fund.
- 9.2 The initial costs will be the employee costs of staff working on the new homes delivery programme, and the charge to the HRA will need to reflect time spent on this work. Some functions undertaken within the Team - for example non-HRA housing enabling, work on the Council’s Housing Strategy or aspects of community development - will continue to be supported by the General Fund.

9.3 The total capital expenditure proposed in this report is provisionally estimated at £9.9M (plus the costs of the schemes at Dever Close and Bath Place). This is fully chargeable to the HRA which has provision of £12.1M over the period in which the spending is likely to take place. It will however be essential that spending is carefully controlled so that annual spending does not exceed the budgets available. The revenue costs associated with the additional dwellings have been allowed for in the approved HRA business plan.

10 RISK MANAGEMENT ISSUES

10.1 The Council wants to develop and deliver an ambitious programme for the building of new council houses. The risks lie in delays arising from inadequate resourcing, unnecessarily bureaucratic procedures and a weakening of political commitment. The arrangements for establishing a dedicated team and ensuring our processes and procedures support delivery which this report addresses are designed to manage the first two of those risks.

10.2 More specifically in development terms all new build projects are subject to risk, particularly with respect to abortive costs at site appraisal stage, however most of the risks can be reduced through carrying out the surveys and financial appraisals prior to a formal contractual relationship being established with a builder. An approach to managing risk will need to be developed as part of the Development Strategy.

10.3 Although the proposed development programme in Appendix 1 shows the schemes that would start in each year, it may be necessary to adjust the programme as further work is undertaken, to take account of issues that arise and any other further potential opportunities.

BACKGROUND DOCUMENTS:

HRA Business Plan

APPENDICES:

Appendix 1 - Proposed Development Programme

Appendix 2 - Additional Posts Required.

Exempt Appendix 3 – Detailed Salary and Costs of New Homes Delivery Team

Appendix 4 - Structure Chart of New Homes Delivery Team

Appendix 1

Proposed Development Programme 12/13

Site	Units	Cost	comments
Cromwell Rd conversion	1	£70,000	on site
Compton Stores	2	£90,000	on site
Dever Close, Micheldever	7	TBC	Off the shelf purchase from registered HA, approved by Cabinet May 12. Build contract Drew Smith, archaeology works to commence June 12.
St Catherines Rd, Highcliffe	1	£187,500	Cabinet agreed April 12
Bath Place, Southern Housing Group repurchase	15	TBC	Initial discussions with SHG, maybe by tender, exchange Dec 12. Locked in HCA grant issues which require advice, tenanted rental stream valuation
Springvale, Swanmore	2	£260,000	Garden development, positive pre-app advice, look at tree issue
Bourne Close, Otterbourne	3	£390,000	Garage redevelopment, positive pre-app advice
	<u>31</u>	<u>£997,500</u>	Plus the TBC costs listed above

Proposed Development Programme 13/14

Hillier Way, Abbots Barton	6	£780,000	positive pre app for initial proposal, looking at increasing scheme size to 12 units, ecology & landscape considerations
Pumping Station, Itchen Abbas	4	£520,000	pre app completed, addressing design and capacity issues
Fivefields Rd, Highcliffe	4	£520,000	Garage site, pre app completed, addressing design issues
Donigers Close, Swanmore	4	£520,000	Redevelopment of 2 Airey houses, awaiting urban design advice
Milland Rd, Highcliffe	15	£1,950,000	Regeneration, net gain of 11 new units
Fox Lane, Stanmore	2	£260,000	garage site with potential for larger imaginative scheme possible for elderly move on
Westman Rd, Weeke	6	£780,000	Poorly used recreation space, identified by community planning process, loss of open space needs to be addressed
	<u>41</u>	<u>£5,330,000</u>	The figures above are estimates based on available information

Proposed Development Programme 14/15

Coles Mead, Otterbourne	2	£260,000	in fill site overlooking green
Garages, Shedfield	6	£780,000	partial garage exception site
The Park, Droxford	6	£780,000	garages and garden infill site
Hobbs Close, Bishops Sutton	6	£780,000	partial garage exception site
Greens Close, Headbourne Worthy	4	£520,000	infill site
Stewarts Green, Hambledon	3	£390,000	infill site
	<u>27</u>	<u>£3,510,000</u>	The figures above are estimates based on available information

Appendix 2

Post title	FTE	Funded	Grade	Purpose
Housing Solicitor	0.5	HRA	6	Negotiate legal agreements, investigate Title including covenants and easements
HRA Finance Accountant	0.25	HRA	6	Manage development finance cash flows, preparation of budgets
Planner	0.5	HRA	5	Additional time for planning section to respond to pre application requests and new planning applications.
Administrator / Trainee Project Manager	1	HRA	4	Administration work for section, checking invoices, entering payments, organising meetings. Basic Project Management of development programme including attending meetings on behalf of Enabling and Development Officer.
Building Surveyor	1	50% HRA 50% GF	7	Council's site representative, checking drawings, preparing and assessing Tenders and construction procurement. Overseeing contractors work on site.
Senior Valuer	1	50% HRA 50% GF	6	Land negotiations, making offers, carrying out valuation work of land and property, identifying drainage and access easements. Negotiating covenants and settling compensation claims and undertaking financial appraisals to determine the viability of schemes.

New Homes Delivery Team

