

CABINET (HOUSING DELIVERY) COMMITTEE – 22 MAY 2013

UPDATED COUNCIL HOUSE NEW BUILD PROGRAMME

REPORT OF HEAD OF NEW HOMES DELIVERY

Contact Officer: Andrew Palmer Tel No: 01962 848152

RECENT REFERENCES:

PER 216 – Council House New Build Programme and Additional Staffing Requirements – 11 June 2012

CAB2405 (HD) – Update on Development Programme – 22 October 2012

CAB2445(HSG) – Housing Revenue Account 2013/14 and Business Plan 2013/14 to 2043/44 – 30 January 2013

EXECUTIVE SUMMARY:

This report sets out the progress of the Council House New Build Programme compared against the original approved programme for 2012/13, 2013/14 and 2014/15. Appendix 1 of the report recommends a revised and updated Council House New Build Programme with budget and cost assumptions for the period 2013/14 to 2016/17. It also recommends changes to the allocation of capital resources that are necessary to fund the new programme and identifies the level of additional resources that need to be generated to fully fund the programme.

RECOMMENDATIONS:

- 1 That Cabinet and Council be recommended to:
 - Approve the revised HRA New Housebuilding capital programme set out in Appendix 1 of the report,

- Approve the use of all current and future Affordable Housing developer contributions and capital receipts to fund the HRA New Housebuilding capital programme and
- Delete the following budgets in the 2013/14 General Fund Capital programme;
 - (i) Affordable Housing / Regeneration - £148,000
 - (ii) Affordable Housing Funded by Developer contributions
£1,441,000

2 That the Head of New Homes Delivery be authorised to proceed with commissioning the relevant professional assessments required to progress to a full planning application for the sites in the development programme subject to the requirements of the Council's Contracts and Financial Procedure Rules.

3 That the Head of New Homes Delivery, in consultation with the Portfolio Holder for New Homes Delivery, be authorised to substitute schemes on the development programme with alternative schemes and report back to Cabinet (Housing Delivery) Committee at the earliest opportunity where this has occurred.

4 That, subject to the approval of the revised HRA New Housebuilding Programme by Council, the following capital spending on initial fees in 2013/14 be approved in accordance with Finance Procedure Rule 6.4:

- Westman Road - £80,000
- Victoria House - £314,000
- Milland Road - £161,000
- Charles Close - £160,000
- Hillier Way - £90,000
- Dyson Drive - £80,000
- Somers Close / New Queens Head - £170,000

and that it be noted that further reports will be submitted to the Committee for approval of the remaining budget provisions when tenders have been received for each scheme.

5 That the Head of Estates be authorised to sell surplus small plots of land held within the Housing Revenue Account, to be identified by the Head of New Homes Delivery in consultation with the Portfolio Holder for New Homes Delivery, to generate capital receipts to fund the Council House New Build Programme.

CABINET (HOUSING DELIVERY) COMMITTEE – 22 MAY 2013UPDATED COUNCIL HOUSE NEW BUILD PROGRAMMEREPORT OF HEAD OF NEW HOMES DELIVERYDETAIL:1 Introduction

1.1 As a result of the financial freedoms granted by housing finance reforms, the Council has taken the opportunity of establishing a programme for the provision of new council housing. The 2012/13 HRA Business Plan included a provision for £48M of investment in new housing over the first 10 years of the Plan. The updated HRA Business Plan approved by Cabinet in February 2013 now has provision of £51M in the first 10 years of the Plan and over £200M is now allocated to fund new housebuilding over the life of the Plan. The revised amount reflected updated projections including the unexpected increase in Right to Buy sales, where a proportion of the proceeds have to be used to fund new affordable housing.

1.2 The Council approved the original Council House Development Programme in June 2012. Report PER216 set out the three year programme but noted that other opportunities would come forward and some of the schemes listed may not proceed.

2 Draft Programme 2012/13 to 2014/15

2.1 The initial list of potential sites that made up the programme were taken from the long list of opportunities that Officers had been working on and represented the sites that stood the greatest chance of development. The table below indicates the status of each of the sites in the original programme.

<u>Development Programme 12/13</u>			
Site	Units	Cost	comments
Cromwell Rd conversion	1	£70,000	completed
Compton Stores	2	£90,000	completed
Dever Close, Micheldever	5	TBC	On-site due to be completed January 2014
St Catherines Rd, Highcliffe	1	£187,500	completed
Bath Place, Southern Housing Group repurchase	15	TBC	Did not proceed – properties purchased by Sovereign HA
Springvale, Swanmore	2	£260,000	Not proceeding at the current time – may be looked at by a local Housing Association

Site	Units	Cost	comments
Bourne Close, Otterbourne	3	£390,000	Site clearance commenced, build tender to be agreed in May 13
	31	£997,500	
Development Programme 13/14			
Hillier Way, Abbots Barton	6	£780,000	Wider Abbots Barton development plan approved, revised development proposals will be discussed with local community
Pumping Station, Itchen Abbas	4	£520,000	Site clearance commenced , build tender to be agreed in May 13
Fivefields Rd, Highcliffe	4	£520,000	Not progressing due to high build cost estimates
Donigers Close, Swanmore	4	£520,000	Awaiting full stock condition survey to determine life span/repairs requirements of current properties
Milland Rd, Highcliffe	15	£1,950,000	Regeneration, net gain of 11 new units, project team and Architect appointed
Fox Lane, Stanmore	2	£260,000	Scheme identified in the Stanmore Planning Framework however no progress to date as other local priority sites identified
Westman Rd, Weeke	6	£780,000	Architect appointed, public consultation underway
	41	£5,330,000	
Development Programme 14/15			
Coles Mead, Otterbourne	2	£260,000	Proposed to slip to 15/16 programme
Garages, Shedfield	6	£780,000	Scheme replaced
The Park, Droxford	6	£780,000	Scheme replaced
Hobbs Close, Bishops Sutton	6	£780,000	Scheme replaced
Greens Close, Headbourne Worthy	4	£520,000	Proposed to slip to 15/16 programme
Stewarts Green, Hambledon	3	£390,000	Proposed to slip to 15/16 programme
	27	£3,510,000	

2.2 Further development opportunities have been added to the Programme since the original programme was agreed. Members agreed to add Victoria House as well as sites emerging from the Abbots Barton and Stanmore Planning Frameworks. These schemes have taken the place of previously identified sites at:

- a) Fivefields Road – site is uneconomic to develop due to its small size, abnormal engineering costs and requirement for a gas main diversion
- b) The Park, Droxford – small site with significant access / highway issues
- c) Hobbs Close, Bishops Sutton – if the site was developed it would be as an exception site and therefore be brought forward by Hyde HA.

- d) Garages, Shedfield – site is close to a proposed exception site being developed by Hyde HA, no justification to complete 2 schemes in the same location.
 - e) Donigers Close – properties will be subject to a stock condition survey in 2013, if there are no structural issues then redevelopment of the site will be removed from the programme.
- 2.3 The revised Council House New Build Programme for 2013/14 until 2016/17 is attached as Appendix 1. This Programme is subject to change and as with the initial programme, schemes may well be replaced or delayed due to better opportunities coming forward, site development difficulties or lack of funding to commence development. As previously agreed by Members, having a scheme in the Programme allows the feasibility of schemes to be assessed. This will incur professional fees such as Architects, Quantity Surveyors and topographical site studies. Before such expenditure is incurred, Financial Procedure Rule 6.4 requires that specific spending approval must be sought for each scheme. For all of the schemes, Member approval will be sought before a planning submission is made, and at this stage information on the feasibility, projected project cost and design will be presented. The costs set out in Appendix 1 are, at this stage, estimates, which will be refined as the scheme progresses through planning approval before going out to tender for construction. Final Member approval to proceed with a scheme, including final approvals under Finance Procedure Rules, will be sought once tenders have been received.
- 2.4 A potential significant addition to the programme may be added shortly. As previously agreed by Members, the Council submitted a bid for funding from the Homes and Community Agency to enable an Extra Care scheme to be provided in Winchester. The announcement on successful bidders has not been made at the time this report was being drafted but is due mid May 2013. If the Council is successful in its bid, a report detailing the full scheme financial appraisal will be brought back to Members for consideration before proceeding. At this stage, so that Members can appreciate the potential financial commitment, it is included in the revised programme in Appendix 1 but no approval for spending is being sought at this time.
- 2.5 During 2012/13, work was started on 3 sites (totalling 13 houses) which are expected to be completed during 2013/14. A further 4 properties were purchased or improved during this year with funding provided through the Council House New Build Programme.
- 2.6 Members will note that there is an element of over-programming within the development programme set out in Appendix 1, i.e. the available funding does not cover the full development costs of all of the schemes listed. There are several reasons why this is an appropriate strategy to take. Firstly, due to the adoption of the new Local Plan (where all new housing sites now have to make a contribution towards affordable housing), the Council are receiving more off-site contributions. The money generated can assist in the funding of

the Programme. Additionally, Officers are investigating the sale of small plots of HRA land (for 1 or 2 Properties), where it is not economic for the Council to develop, in order to generate capital receipts for the Programme. There are the appropriate financial control mechanisms in place to prevent schemes progressing to the construction phase (where significant costs are incurred) where there are insufficient funds available.

- 2.7 Members are requested to approve the spending of initial fees to enable a planning submission to be obtained on 7 sites (listed in Recommendation 4). It should be noted that if approval is given, the actual build works are scheduled to commence in 2015/16 for the 3 sites at Abbots Barton and Somers Close / New Queens Head site. It is advantageous to seek a planning consent at the earliest opportunity to take advantage of any additional capital funding that may arise for the reasons set out in paragraph 2.6 above.

OTHER CONSIDERATIONS:

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

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

4 RESOURCE IMPLICATIONS:

- 4.1 The updated HRA New Housebuilding Capital Programme totals £36.2M over the period 2012/13 to 2016/17. This is £16M higher than the comparable programme approved as part of the HRA budget and business planning report submitted to Cabinet (Housing) Committee in January this year.

- 4.2 The detailed changes to the programme have been set out above. The reasons for the increase in the overall programme are:

- a) The capital programme shows the gross scheme costs. Any capital grants etc are shown separately as a source of income. The new capital programme has two schemes where substantial capital grants etc are expected. This accounts for £6.9M of the increase.
- b) It is recommended that all current and future affordable housing developer contributions and capital receipts are allocated to help fund the HRA capital programme. This accounts for a further £1.6M of the increase.
- c) Lastly, as mentioned in paragraph 2.6 there is an element of over-programming in the expenditure budget. In other words, expenditure currently exceeds forecast resources by £7.1M.

- 4.3 Approving a capital programme where expenditure exceeds forecast resources is considered acceptable providing that the level of over-programming is not excessive and there are appropriate controls in place to

ensure that resources have been secured before contractual spending commitments are entered into.

- 4.4 The current programme shows that the over-programming amounts to just under 20% of the total spend, with the majority of the shortfall occurring in 2015/16. It is considered that this represents an acceptable position and gives time to identify means of raising the additional funding.
- 4.5 In terms of financial controls, the current arrangements set out in Finance Procedure Rule 6.4 and paragraph 2.3 above provide controls to avoid unfunded capital commitments being entered into.
- 4.6 In terms of affordable housing contributions and receipts, the proposed new policy for the allocation of resources means that these resources will fund the HRA and not the GF capital programme. The HRA programme at Appendix 1 assumes that this policy is adopted and fully utilises all current resources. It is therefore necessary to delete the corresponding budget provisions in the General Fund.
- 4.7 The impact of the changes to the capital programme on the wider HRA business plan has also been assessed. Clearly changes to the capital programme also have implications for the revenue budget in terms of rental income, repairs spending and cash flow position. By the end of 2016/17, the revenue balances are unchanged at £1.1M. However, instead of being £0.8M below its debt cap at this time the HRA will remain at its debt cap until 2018/19.
- 4.8 In accordance with the arrangements set out in paragraph 2.3, it is now necessary to seek approval for the spending on initial fees for schemes starting 2013/14, with the exception of the potential Extra Care scheme which will be the subject of a separate report. It is therefore recommended that the following capital spending on initial fees is approved in accordance with Finance Procedure Rule 6.4:
- Westman Road - £80,000
 - Victoria House - £314,000
 - Milland Road - £161,000
 - Charles Close - £160,000
 - Hillier Way - £90,000
 - Dyson Drive - £80,000
 - Somers Close / New Queens Head - £170,000

5 RISK MANAGEMENT ISSUES

- 5.1 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.
- 5.2 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.
- 5.3 Adopting an over-programmed approach to the new housebuilding capital programme requires an assessment of available funds before contractual commitments are made. Whilst the current provisions of Finance Procedure Rules provide for this, there is a danger that spending programmes would have to be delayed if additional resources were not available.

BACKGROUND DOCUMENTS:

None.

APPENDICES:

Appendix 1 – Revised Council house build programme 2013/14 – 2016/17

Appendix 1 Revised HRA New Housebuilding Programme 2013/14 - 2016/17							
Scheme Description	Units	2012/13	2013/14	2014/15	2015/16	2016/17	Total
		£000	£000	£000	£000	£000	£000
2012/13							
Cromwell Rd conversion	1	26					26
Compton Stores	2	80					80
St Catherines Road	1	189					189
Dever Close	5		740				740
Bourne Close	3	24	432				456
Pumping Station, Itchen Abbas	5	20	673	3			696
2013/14							
Westman Rd	10		80	1,060			1,140
Victoria House	30		314	4,046			4,360
Milland Rd	15		161	2,229			2,390
Extra Care	50		473	6,432	4,232		11,137
2014/15							
Charles Close (AB)	18		160	0	2,794		2,954
Hillier Way (AB)	12		90	0	1,586		1,676
Dyson Drive (AB)	9		80	0	1,417		1,497
New Queens Head	0		986				986
Somers close - Stanmore	20		170	0	2,753		2,923
2015/16							
Green Close, Headbourne Worthy	4					584	584
Stewarts Green, Hambledon	3					438	438
Springvale	2					316	316
Fox Lane	2					243	243
Knowle Sites	10					1,460	1,460
Colesmead, Otterbourne	2					243	243
Unallocated	11					1,636	1,636
Total	215	339	4,359	13,770	12,782	4,920	36,170
Spending approved in February budget - CAB2445		657	4,294	5,500	4,847	4,920	20,218
Change in annual spending		-318	65	8,270	7,935	0	15,952
Funding							
General HRA capital resources		339	4,055	6,150	4,754	4,920	20,218
RTB receipts for replacement Homes			304				304
Developer Contributions				1,497			1,497
HRA Affordable Housing Contributions				148			148
Scheme specific grants / contributions				4,475	2,428		6,903
Sub-total		339	4,359	12,270	7,182	4,920	29,070
Future additional resources requirements				1,500	5,600		7,100
Total		339	4,359	13,770	12,782	4,920	36,170