

CONFIDENTIALITY

The contents of the appendix to this report qualifies as exempt information under section 100(A)(4) and paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 as it is “*information relating to the financial or business affairs of any particular person* (including the authority holding that information)”

and

2) In relation to the “exempt” information, it has been determined that the public interest in maintaining the exemption outweighs the public interest in disclosing the information because disclosure would adversely affect the authority’s ability to manage its commercial financial and business affairs. Accordingly, it is proposed that the appendix shall remain exempt.



URN: 20-105

Subject: Acquisition of Council Homes

Report to: ELT

16 September 2020

Housing and Neighbourhoods Committee

1 October 2020

Report by: Nicola Turner, Housing Director

SUBJECT MATTER/RECOMMENDATIONS

The current Covid-19 pandemic has highlighted the need to increase the number of one-bedroom homes within the Council’s housing stock to meet the need from single people and childless couples. This report seeks approval to procure the delivery of 36 new one-bedroom homes to meet some of this increased demand.

Recommendations:

It is recommended that Housing and Neighbourhood Committee:

1. Approve the use of an appropriate framework or frameworks to procure, on a turnkey basis, 36 one-bedroom modular homes
2. Delegate decisions in relation to the procurement of the 36 homes to the Housing Director and Section 151 Officer reflecting the prior approval by Full Council on 30 July 2020 of £5.2m capital expenditure and HRA borrowing
3. Request a progress report on the delivery of the new homes, following the completion of the procurement process.

1. Introduction

- 1.1 The current Covid-19 pandemic has highlighted the need to increase the supply of one-bedroom homes in the Council’s housing stock to meet the needs of single people and childless couples as the current supply is not sufficient to meet the housing need

for such homes. This report seeks approval to deliver 36 new one-bedroom homes to be held within the HRA to help to meet some of the increased housing need.

- 1.2 It is important that this need is met as quickly as possible. On this basis, the Council has selected to use the Modern Method of Construction option of modular homes for the 36 homes as it will deliver a significantly shorter timescale for the construction and occupation of the new homes than by using traditional construction methods.

2. Proposal

- 2.1 Modern Methods of Construction (MMC) is a term which encompasses a range of building types and processes which have been developed to address issues around traditional construction – namely timescale for construction, quality control and current and future skill shortages. It includes onsite, off site and a combination of onsite and offsite construction methods. MMC is however, not a new concept, as some MMC approaches have been used for some homes since the post-World War Two prefabricated programmes.

- 2.2 In considering the need to increase the supply of one-bedroom homes, the Council has identified that modular homes will meet the Council's requirements of:

- High quality construction and design (internal layout and external appearance)
- Speed
- Energy efficiency
- Lifespan and mortgageability

Modular homes are constructed off site in a factory and are delivered to site either as a completed home in one module or in a number of modules which are joined together on site to form a home. The benefit of modular construction is that only the ground works and installation process are weather dependent. Overall, the completion timescale from start of works (to site and on construction of the homes) to handover of the completed homes is significantly shorter than traditional construction timescales.

- 2.3 A review was undertaken of modular providers to identify companies who had/were able to construct a one bedroom 2 person flat built to or exceeding the National Space Standard requirement of an internal floor area of 50m². This size is larger than most one-bedroom homes provided by modular companies or indeed private developers. However, as the homes will be held in the Housing Revenue Account (HRA) for at least sixty years, it is important that the homes will meet current and future needs. In addition, the current Covid-19 pandemic has highlighted the need for spacious homes reflecting the need for many people to work from home. Homes of this size will also meet the changing needs of the occupiers over time.
- 2.3 From this initial review a shortlist of six suppliers was identified, this was reduced to two following assessment of each of the companies against the criteria set out at 2.2.

Both companies met the criteria in full with differences in indicative pricing and the footprint dimensions of the modular homes.

3. Modular Home Programme

3.1 Following a tender process, Broadland Housing Association were appointed as the Council's Development Agent recognising the Council currently has a lack of capacity and skills to deliver the ambitious delivery of 36 new homes within this financial year. Broadland Housing Association is an established Registered Provider with an office within the borough who develop high quality affordable housing.

3.2 Broadland Housing Association will undertake the project management of the modular home programme, including pre-planning, planning, groundworks and installation stages. A fee has been agreed for the delivery of this service.

3.3 Five sites were originally identified as potential sites for the Modular Home Programme, two in private ownership, two within the Housing Revenue Account and one within the General Fund. One private site has been sold. The Council is in negotiations to purchase the remaining privately-owned site, on a subject to planning basis. Informal planning advice was sought as to the suitability of all five sites, as a result one site within the Housing Revenue is being reviewed as to its suitability and the option of replacing this site with three smaller sites (garage sites) within the immediate area is being considered. Reflecting the sizes of the sites, the majority of homes would be delivered within Great Yarmouth, with a smaller number provided in Gorleston recognising the areas of highest need for new affordable homes.

3.4 The key stages of the Modular Home Programme are:

- Procurement of modular home – using a Framework Agreement
 - Procurement of ground works contractor – using a Framework Agreement
 - Submission of planning applications, including pre-submission public consultation
- Subject to planning being granted:
- Purchase of private owned site
 - Commencement of ground works
 - Completion of ground works (including foundations, parking, landscaping etc)
 - Delivery and installation of homes
 - Occupation of homes

The modular homes will, once installed be fully ready for occupation. As the timescale for completion of the homes will be known, the properties will be able to be pre-let reducing the timescale between receiving the keys of the completed homes from the modular company and the new tenants moving in.

3.5 Following the completion of the procurement process, an update to committee will be provided on the progress of the Modular Homes Programme and in relation to the Policy and Resources decision re the transfer of the land held within the General Fund.

4. Financial Implications

- 4.1 Through the adoption of the Rough Sleeping Strategy and Action Plan 2020 and subsequent approval of the 2020/21 Capital Programme, £5.2m of borrowing within the HRA was approved to support the provision of new homes within the HRA. This reflected the requirement to increase the supply of one-bedroom homes to meet the increased demand for such properties as a result of Covid-19 which led to an increase in homelessness for single people and childless couples. The borrowing approval assumed all costs would be funded from borrowing including land, professional fees, the development agency fee and cost of the modular homes.
- 4.2 The Confidential Appendix provides full information on the expected costs for the modular homes, including land, ground works, the development agency fee and other costs. These costs will be finalised following completion of the procurement process. The 36 new homes will provide an annual gross income to the HRA of £172k based on charging Affordable Rents (capped at the current Local Housing Allowance rate for a one-bedroom property). When allowances for voids, supervision and management and responsive repairs and pre-planned maintenance are taken into account, this reduces to £101k. This income, is however, insufficient to repay the full interest cost associated with the borrowing required to fund the homes and therefore Right to Buy Retained Receipts will be used to reduce the level of borrowing required to deliver the new homes.
- 4.3 The land held within the General Fund will need to be transferred to the HRA should the planning application on the site be successful. This site is currently vacant and has been marketed for use via a lease since the early part of this year. There are no opportunity costs associated with the use of this site as no income has been allowed for in this year's budget and no income has been received. However, transfer to the HRA does represent a loss of a potential capital receipt to the General Fund and on this basis, the HRA will pay for the site. A valuation of the site has been carried out which valued the site in relation to its existing use with a separate valuation including the special assumption of residential planning consent. Policy and Resources Committee approval will be required for the transfer of the land from the General Fund to the HRA. The "purchase price" will reduce the General Fund's Minimum Reserve Provision requirements, this will have the same beneficial impact as if the site had been sold on the open market. There is no land cost associated with the use of the HRA sites. There is, however, a potential cost to the HRA if garage sites are redeveloped reflecting loss of income from garage rentals.
- 4.4 In procuring the modular homes, the Council will undertake due diligence on the financial capacity of the modular home provider to undertake a contract of the value of the new homes.

5. Risk Implications

- 5.1 The Council has chosen the MMC option of modular homes to speed up the delivery of the 36 homes and aims that these homes will be completed by 31 March 2021,

allowing occupation at the start of April 2021. This programme is ambitious and requires a twin track of the planning and procurement processes. The Council is not however, predetermining the planning process and the decisions requested of Housing and Neighbourhoods Committee through this report are separate to any decision of the Development Committee in relation to their consideration of planning applications for the sites. To help mitigate the risk associated with this twin track process, the Council will review with Broadland Housing Association the capacity of each site to see whether it will be possible to seek planning consent for more homes than the 36 which the Modular Homes Programme is intended to deliver. If all the planning applications are successful, the additional homes/sites can be provided as part of the Council Home Programme.

- 5.2 The Council has not used a modular option to deliver homes within the HRA before. However, the modular homes selected are Bopas (Buildoffsite Property Assurance Scheme) compliant, this means they are mortgageable and have at least a sixty-year life. Broadland Housing Association will appoint an Employers Agent who will undertake quality checks during the construction of the modular homes. In addition, Broadland Housing Association will provide a “passport for each home” giving information on the components with the homes, to support the ongoing repair and maintenance of the new homes.

6. Legal Implications

- 6.1 The Council is able to provide homes by building, converting or acquiring properties, the Council is also able to acquire land for the provision of accommodation. As the homes would be provided under Part II of the Housing Act 1985, the homes would be held in HRA as affordable housing.

7. Conclusions

- 7.1 The Council has identified a requirement to increase the number of one-bedroom homes within the HRA to meet the needs of single people and childless couples, this reflects the Council’s prevention focus and increases in homelessness for this group as a result of the Covid-19 pandemic. Modular homes provide the Council with the opportunity to provide homes which meet the Council’s requirements for quality within a much shorter timescale than would be the case should a traditional method of construction be used. The ability to use frameworks to deliver the homes also reduces the timescale for delivery of completed homes.
- 7.2 The procurement of Broadland Housing Association will provide the relevant development skills and capacity to ensure the timely delivery of the new homes and the quality of the homes and overall scheme in terms of construction and design. A modular company has been identified which can meet the Council’s requirements for the homes.

7.3 This report therefore seeks authority to procure the delivery of 36 new modular homes to be held within the HRA.

8. Background Papers

Rough Sleeping Strategy and Action Plan 2020 – Policy and Resources Committee 28 July 2020

Areas of consideration: e.g. does this report raise any of the following issues and if so how have these been considered/mitigated against?

Area for consideration	Comment
Monitoring Officer Consultation:	Via ELT
Section 151 Officer Consultation:	Via ELT
Existing Council Policies:	Corporate Plan
Financial Implications (including VAT and tax):	Discussed in report
Legal Implications (including human rights):	Discussed in report
Risk Implications:	Discussed in report
Equality Issues/EQIA assessment:	In increasing the supply of one-bedroom homes, the needs of single people and childless couples will be increased, some of whom may have protected characteristics of age or disability. The homes will provide a positive impact on the health and wellbeing of the tenants, with ground floor homes designed to be accessible to a wheelchair user.
Crime & Disorder:	The layout of the sites will be designed to reduce out crime.
Every Child Matters:	None