

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: 21-081

Subject: Council Homes Programme Update Report

Report to: ELT 26 May 2021
Housing and Neighbourhoods Committee 10 June 2021

Report by: Claire Wilkins, Housing Delivery Manager
Nicola Turner, Housing Director

SUBJECT MATTER

This report provides an update of the work that has been carried out to date and the next steps in the provision of the Council Homes Programme. It seeks approval of the drawdown of expenditure to be incurred in the delivery or acquisition of the new Council Home schemes detailed in the report.

RECOMMENDATION

That Committee:

1. Note the report and progress to date
2. Approve the drawdown of the expenditure to be incurred in the development of the Beach Coach Station development as set out in the Confidential Appendix
3. Approve, subject to the Council’s conditional offer set out in the Confidential Appendix being accepted, the drawdown of the expenditure required to acquire the three affordable homes at St Nicholas Drive, Caister via a Section 106 Agreement.
4. Delegate expenditure in relation to recommendations 2 and 3 above to the Housing Director.

1. INTRODUCTION

- 1.1 In October 2020 a report was provided to Housing and Neighbourhoods Committee detailing work that had been carried out to identify an initial tranche of potential sites that may be utilised to bring forward the delivery of Council Housing under the Council Homes Programme. Other opportunities that would form part of the Programme were also highlighted and this report provides an update on the work undertaken over the past seven months. A further report will be provided in November setting out the Council's approach to the delivery of additional Council homes.

2 DELIVERY OF ONE BEDROOM HOMES

- 2.1 Of four potential sites previously identified for provision of much needed one-bedroom homes, three were progressed at Beach Coach Station and Great Northern Close in Great Yarmouth and at Crab Lane, Gorleston. Broadland Housing Association were appointed as development agent and have worked closely with the GYBC 'design team' incorporating input from various departments to produce three individual schemes using a design led approach. Following submission of planning applications on all three sites, planning consent for 18 homes has been granted at Beach Coach Station. The planning applications for the Crab Lane (10 homes) and Great Northern Close (8 homes) have been withdrawn following consideration at Development Committee.
- 2.2 The overall estimated costs of the homes on Beach Coach Station has increased from initial estimates due to the identification of several 'abnormals' costs that have arisen in relation to unforeseen land remediation costs as well as design changes required by the Fire Service and Building Control. In addition, design changes have added to the overall costs of the scheme, these changes, including raising the roof heights to comply with conservation and planning feedback have ensured the provision of a high-quality external appearance and scheme design. The use of quality materials will reduce ongoing repair and maintenance costs. The homes will be required to achieve an EPC of B to ensure the homes are energy efficient and affordable to rent and occupy.
- 2.3 The next step is to procure the delivery of the homes. In procuring the development of the homes, tenderers will be able to tender to develop the 18 homes at Beach Coach Station as traditional construction, modular or another form of Modern Method of Construction (MMC) in order that the Council can test the market of the costs of each option and achieve best value for the costs of developing these homes. In evaluating the cost of tenders, the timescale for delivery of homes will be taken into account reflecting where modular or MMC construction provides a shorter development period, therefore allowing rental income to come on stream earlier to meet development costs.

3 INFILL SITES

- 3.1 The development of infill sites (sites which may have an existing use or which were left vacant following historic development of a larger site) will form an integral part of the delivery of the Council Homes Programme, particularly where such sites sit within the Housing Revenue Account (HRA). HRA sites are more viable to deliver as there is no land cost associated with the development of HRA sites. Infill sites vary in size with some only being able to accommodate a single home – these sites can, however, be useful in meeting particular needs such as the need for wheelchair accessible homes. A further report to Committee in July will consider two specific infill sites which can each deliver one home as well as the wider approach to the delivery of infill sites reflecting the recent withdrawal of planning applications for Crab Lane and Great Northern Close.

4 OTHER OPPORTUNITIES

- 4.1 In addition to acquisitions of open market properties purchased using Right to Buy receipts¹, the Council is open to acquiring affordable homes which are designed and constructed to the Council's requirements through Section 106 Agreements. A number of opportunities have been considered, but a conditional offer has only been made to acquire the homes on one scheme to date at St Nicholas Drive, Caister. This offer is subject to this Committee's approval of the conditional offer and the required expenditure.
- 4.2 An offer has been made to purchase the affordable housing requirement of three properties, two of which are for Affordable Rent and one for Shared Ownership. Two will be built to Part M(4)2 (adaptable and accessible dwellings) with the third being Part M(4)3 fully wheelchair accessible. In total there are 17 bungalows on the site.
- 4.3 The offer was made as the design of the scheme and information on the specification of the homes reflected the Council's requirements for new build homes within the HRA. The Council's offer reflects the fact there should be no public grant used to acquire the homes.
- 4.4 The Council continues to explore other opportunities to deliver more Council Homes and is working to establish a pipeline of schemes.

5 OTHER UPDATES

- 5.1 In March 2020, a paper detailed the establishment of a Task and Finish Group to support the preparation of the Development Standard for Council home delivery was discussed. The establishment of this group has been delayed but it is anticipated that workshops will be held in the coming weeks to inform standard.
- 5.2 The Council's application for Investment Partner status with Homes England has been approved. This allows the Council to bid for grant funding in addition to the borrowing already allocated for the Council Home Programme which will, if bids are successful, allow the Council to increase the number of homes which can be delivered.
- 5.3 Claire Wilkins was appointed in December as the new Housing Delivery Manager and Andrew Copson has joined the Council as Housing Growth Manager. Claire has a background in housing, both from the private sector and more recently as a Housing Officer for the Council. Andrew brings a wealth of experience within the development sector, both from a private and public sector perspective. Both are currently investigating opportunities to increase the supply of quality homes within the Borough through the Council Home Programme, other opportunities and through Equinox Enterprises Ltd.

6 Financial Implications

- 6.1 The Government removed the HRA debt cap in October 2018, which removed the constraint on borrowing within the HRA allowing local authorities to use their rights under Section 9 of the Housing Act 1985 to provide homes through acquisition, conversion or new build based on a prudential approach to borrowing. As agreed at the November 2019 Housing and Neighbourhoods Committee, the reduction of the Repairs & Maintenance spend by £500k for the years 2020/21, 2021/22 and 2022/23 will support the additional borrowing to support the Council Homes Programme. To this date, none of this borrowing consent has been used. In

¹ A separate report on the use of Retained Right to Buy receipts will be presented to members later this year

addition, Full Council approved £5.2m of expenditure to deliver 36 homes on 30th July 2020 - this funding will fund the delivery of the 18 homes set out above at Beach Coach Station.

- 6.2 In bringing forward new sites for the delivery of Council homes, there will be abortive costs incurred. A scheme will not proceed to be delivered for a number of reasons. These abortive costs will be for professional fees such as architects and engineers as well as costs for surveys such as drainage, contamination and ground condition. Where a scheme does not proceed, these costs fall to the HRA revenue budget rather than being met as part of the capital cost of the development of the new homes. It is not possible to quantify the level of abortive costs which will be incurred as it depends on the number of schemes for which abortive costs are incurred and the stage the scheme reaches before becoming an abortive scheme. To mitigate the level of abortive costs incurred, efficient procurement of professional fees and careful control of what and when surveys are instructed will seek to minimize pre planning and predevelopment costs. A specific revenue reserve will be established to cover any future abortive costs which cannot be capitalized as the scheme associated with those costs is not developed.
- 6.3 The Confidential Appendix sets out the expected costs of the developments at Beach Coach Station as well as the value of the Council's proposed conditional offer for the three Section 106 Agreement homes at St Nicholas Drive, Caister. The total expenditure for which this report seeks approval is within the approved budget as detailed at 6.1 above.
- 6.3 Procurement processes will seek to ensure an optimum tender price, maximising quality alongside value for money. Costs will be closely monitored during the procurement and development periods to ensure any cost overruns can be managed appropriately.
- 6.4 During 2021/22, the Council has £1,079,907.30 of Retained Right to Buy Receipts available to support the affordable home programme of which £691,516.80 remains available reflecting an overspend in 2020/21 and existing spend. A further £486,828.90 is available in 2022/23. Changes to the use of Retained Right to Buy Receipts in April 2021 will enable the use of receipts to fund up to 40% of new development costs, an increase from 30% where this supports scheme viability. The use of 40% Retained Right to Buy Receipts has been used to model the costs and viability of the schemes set out in this report, however, the Council will also consider applying for Homes England grant for some/all of the schemes at sections 1 to 3 above. It is noted that the offer for the Section 106 Agreement homes does not include any use of Retained Right to Buy Receipts or Homes England funding as these homes must be delivered with no public subsidy unless there is demonstrable evidence such subsidy provides additionality of provision above the Section 106 Agreement requirements.

7 Risk Implications

- 7.1 The delivery of the Council Homes Programme remains a time and staff intensive process with elements of abortive work and costs. To help minimise this the Council is acquiring a new appraisal tool which will speed up the process of assessing the viability of schemes, the tool will also allow more robust financial assessments to inform decision making on which sites and Section 106 Agreement opportunities to pursue. The production of the Development Standard will provide full clarity on the Council's requirements for both new build homes and acquisitions removing the requirement for this work to be completed for every scheme progressed whilst also allowing for new build schemes to be designed specifically for each site.

- 7.2 The requirement for adequate staffing remains an ongoing risk and the need for additional staff will be closely monitored to ensure there is appropriate staff resources to deliver the Council Home Programme.
- 7.3 The offer to acquire three affordable homes set out above, includes the acquisition of a shared ownership home. Whilst it is possible to hold Shared Ownership homes within the HRA, this is not a tenure that the Council has previously owned. There would need to be procedures and changes made to accommodate this from an IT system, rent collection, management and resource perspective. The model of Shared Ownership is changing and the Council's conditional offer for the Shared Ownership home reflects the new requirements for repairs and maintenance to ensure that its offer is affordable and does not put a burden on the HRA. As the development is yet to start on site, there will be approximately one year to implement any procedures or changes.

8 Legal Implications

- 8.1 The Council is able to provide homes through acquisition, conversion or new build in accordance with Section 9 of the Housing Act 1985.

Conclusion

- 9.1 This report shows that there has been a significant amount of work undertaken to provide the foundations for a noticeable increase in the number of Council Homes, with the first new homes to be delivered during 2022. It seeks approval to drawdown the expenditure required to deliver the Beach Coach Station site and acquire, subject to the Council's conditional offer being accepted, three new homes via a Section 106 Agreement on the St Nicholas Drive site.

10 Background Papers

Council Homes Programme update October 2020.

HRA Borrowing report approved at November 2019 Housing and Neighbourhoods Committee.

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:	Through ELT
Section 151 Officer Consultation:	Through ELT
Existing Council Policies:	N/A
Financial Implications (including VAT and tax):	At section 6 and in the Confidential Appendix
Legal Implications (including human rights):	Included in section 8
Risk Implications:	Included in section 7 and the confidential appendix
Equality Issues/EQIA assessment:	The new homes provided will be designed to meet housing need and address particular shortages in supply which may currently have a negative impact on the

	likelihood of some households with protected characteristics from being able to have their needs met in a timely way. This recognises that households in higher levels of need will have more opportunity to be accommodated in the Council's housing stock (and that of Registered Providers) than those with low needs.
Crime & Disorder:	New housing schemes will be designed and built to minimise properties vulnerability to crime.
Every Child Matters:	The Council's Development Standard for new housing will take into the account the needs of children.