

# EXETER CITY COUNCIL

EXECUTIVE  
15 SEPTEMBER 2009

## PROPOSED COUNCIL HOUSEBUILDING PROGRAMME 2009-11

### 1 PURPOSE OF REPORT

- 1.1 To inform Members of the recent bids for funding to the Homes and Communities Agency (HCA) to build new Council housing and to consider further bids in October . In particular to consider the:
- Government's aims and how they help the Council meet its statutory responsibilities;
  - Possible sites and the homes that could be developed on them;
  - Principles: the creation of highly sustainable, low-energy social rented homes etc;
  - Financial and other risks of developing the sites, most of which are already in the Council's ownership;
  - Need to plan for further bidding rounds;
  - Practicalities of setting up, managing and procuring the programme;
  - Arrangements for securing stakeholder involvement including tenants; and
  - Recommendations to facilitate bids for the programme including finance, procurement proposals, delivery and monitoring.

### 2 BACKGROUND

#### Housing Need

- 2.1 There is a compelling need to build new Council properties as part of an overall strategy to increase the supply of affordable rented housing in the city. During 2008/09 only 529 social rented properties were let through Exeter Home Choice whereas, currently there are 5,700 households registered on the housing register. Of these around 1,500 households are in the highest level of need (i.e. red and amber bands). This level of need, together with long average waiting times, means that more family housing is urgently required. The Exeter and Torbay Housing Market Assessment Study 2007 (ETHMA) emphasised this unmet need. The study concluded that of the 5,000 new homes required to balance the housing market over the period 2007-2012, 3,000 properties needed to be affordable. Given current build rates across all tenures mean these figures are unlikely to be met.
- 2.2 The Government's Department of Communities and Local Government (CLG) has also set the Council some demanding targets, including a 50% reduction in homelessness acceptances by 2015 and a 50% reduction in the use of temporary accommodation by 2010. In addition, the Council has statutory responsibilities to house certain homeless people with priority needs. It must also give "reasonable preference", in the allocation of accommodation, to households on the register with children, medical needs, those who are overcrowded and who are living in other poor housing conditions.
- 2.3 All these needs are described in the Council's Housing Strategy and underpin the case to build more affordable accommodation, especially for social rent.

## **Completions**

- 2.4 Over the past three years, 232 new affordable homes for social rent have been provided in partnership with housing associations, developers and the voluntary sector. This number has been declining with the current recession and the Council has therefore had to look to other initiatives to provide more homes. Critically, during 2008-09, no affordable homes were completed on sites secured through Section 106 Planning Agreements. To compensate for the anticipated decline, in April 2007, the Council resorted to a “leaving no stone unturned” approach (the ADDLETS plan) that, in 2008-09, produced 88 homes for social rent and sale on small sites and a further 88 through lettings secured in the private rented sector through leasing arrangements - the ExtraLet scheme and the Let Start scheme. Given our strategy for pursuing all options to increase supply, building new Council homes is a natural extension to the ADDLETS approach.

## **The National Affordable Housing Agenda**

- 2.5 In the 2009 Budget, the Chancellor announced that £100m would be made available for local authorities to deliver up to 900 new council homes for social rent. With the need for new affordable housing so great this opportunity is a chance for the Council to not only attract additional Government funding into the city but also a chance to increase our stock of Council housing and demonstrate our ability to be a dynamic and innovative local authority. The available funding will provide Social Housing Grant (SHG) in the same way that this is given to Housing Associations and also allows for the consequential prudential borrowing serviced by rental income from the homes built. The national fund consists of £50m capital grant (SHG) and £50m in prudential borrowing approvals.
- 2.6 The funding is available over two years - £30m in 2009-10 and £70m in 2010-11. The HCA expect that a significant proportion of the homes funded will start on site in 2009-10 and all of the homes funded through this process will be completed by the end of 2010-11. Councils are expected to contribute their land at nil value. Grant would be payable in two tranches: 60% at start on site and 40% on completion.
- 2.7 Subject to providing good value for money, the HCA is also encouraging Councils who bid to create schemes which showcase high levels of environmental performance. Any homes would need to meet a minimum of level 3 of the Code for Sustainable Homes (CSH).

## **Bidding Deadlines**

- 2.8 There are two bidding rounds; the deadline for the first was Friday 31 July 2009. With the successful bids being announced in September 2009, the expectation is that these schemes would start on site by 31 March 2010. The deadline for the second round is Friday 30 October 2009, with the successful bids announced in December 2009. Start on site for these homes will be expected by 30 June 2010.

## **Additional Bidding**

- 2.9 Since the initial bidding announcement, on the 30 June 2009 John Healey, Minister for Housing and Planning, announced that the Government will be looking to local authorities to deliver even more homes. He has set aside at least a further £300m nationally bringing the overall programme to £400m. He expects up to 3,000 of the 20,000 new affordable housing starts over the next two years to be Council houses.

This builds on steps being taken by Government to reduce the barriers to local authorities providing new council homes, including plans announced on 30 June to reform the council housing finance system and move to a system of self-financing. There will also be provisions for Councils to keep all the rents received on new homes rather than paying some to the Government through the housing revenue account subsidy system. The minister announced that this latter provision will apply immediately to any new housing built through this current programme.

- 2.10 An opportunity therefore exists to mount a programme of Council house building for social rent. This is particularly so because the Council has a number of infill sites on its existing Council estates that it could develop, and plans and layouts for them are at a well-advanced stage.

### 3 PROPOSALS

- 3.1 Given the above the Council submitted two bids in the first round (by the 31 July) to build 21 homes on two existing in-fill sites. These are:

3.1.1 The **Merlin Crescent Garage site** is located on a council estate in Beacon Heath and is expected to provide 18 downsizing flats (12x2 beds & 6x1 beds). Architects have started work on the detailed design and planning officers have given detailed comments on the proposed scheme. A planning application will be submitted within the next few months.

3.1.2 The **Sivell Place, Heavitree site** is located just off of Fore Street and the site can accommodate 3 general needs flats (2x1 beds & 1x2 beds). The detailed design work has been carried out and comments sought from planning officers. A planning application will be submitted imminently.

- 3.2 Because of the tight timescales involved, authority for these bids had to be given via the Delegated Powers process and signed off by the Portfolio Holders for Housing and Community Involvement and Resources. It was also signed by the Head of Housing Services and the Head of Treasury Services. A copy of the Delegated Powers request was circulated to all political party leaders and the chairs of each Scrutiny Committee for information.

- 3.3 The Council is now working on a number of other potential council own-build schemes at sites within the city. We are undertaking detailed investigations into these sites and creating a number of draft designs for each. Discussions are on-going with the planning team and a number of other specialist officers from across the Council are feeding information into the scheme design process. The potential sites are located at:

3.3.1 The **Rennes House Car Park site** is in Vaughan Road just off Pinhoe Road in Whipton Barton. It previously had a planning consent for redevelopment as housing in the 1990's which has now lapsed. The current feasibility sketches show 18-20 flats, most of which are 2 bed flats. There have been detailed discussions with planning officers and the detailed design has commenced.

3.3.2 **Whipton Methodist Church, Brookway site** is owned by the Church in Whipton Barton and offers the opportunity to convert an existing church building with some new build elements. Depending on the scheme appraisal the Council will consider bidding to buy this site to secure the affordable housing. The initial feasibility work shows at least 12 x 2 bed flats are possible on this site.

- 3.3.3 **Newport Road site** located at the far end of Countess Weir, behind a garage block. The garage site will be used for access only due to the overhead power lines. The feasibility work is underway and we expect the site to yield 12-16 homes.
- 3.3.4 The **Legion Way site**, is a small green space located in Alphington. The detailed design work is underway and some of the green space will be retained and enhanced as public open space in response to the consultation exercise held at the site. The proposed development is likely to comprise 1 x 3 bed mobility home and 1 x 1 bed flat above.
- 3.3.5 **Chestnut Avenue** – this site contains a number of existing Council flats that are currently experiencing subsidence and will require substantial investment in the medium term. Given the construction of these flats it is unlikely the issue can be resolved without demolishing the existing properties and rebuilding.
- 3.4 The above sites could produce between 55–65 new Council properties depending on the final design. It is therefore intended to continue with the scheme design work and place bids on those sites that are deemed viable and that are achievable within the timescales set by central government.
- 3.5 All bids are being formally evaluated using specialist scheme evaluation software, (a system called PROVAL) before the bids are submitted. This software enables us to fully appraise each scheme taking account of the overall developments costs and the total income to ensure it is viable.

#### **4. Principles of Development**

- 4.1 In accordance with the bidding guidance all the homes built will be for social rent to HCA formula rents and be let on secure tenancies. They will be built to very high sustainability principles and achieve at least Code Level 4 of the Code for Sustainable Homes. They will be designed to meet Lifetime Home standards and most will be targeted towards downsizing over-55 year olds, with the designs including a lift to all floors. This will release family-sized accommodation to be re-let to people on the Exeter Home Choice register.
- 4.2 It is proposed that the chosen contractor building these homes will have an element of local labour within the work force and that they can demonstrate the use of apprenticeships.
- 4.3 This new generation of council housing should be seen as exemplar: a prototype that is sustainable, low-maintenance and which offers tenants a comfortable, low-rent, low outgoings home.
- 4.4 The programme seeks to raise the capacity and quality of affordable housing in Exeter. There are many benefits of building houses in Exeter to good value for money standards including:
- low energy use buildings to minimise carbon emission and pollution to the local and global environment;
  - low running costs so that the dwellings are affordable to run for the tenants ;

- low maintenance costs by selecting materials and components for their robustness, longevity and low maintenance cycle
- the provision of affordable thermal comfort and the elimination of condensation and mould in buildings;
- healthy buildings that provide quality healthy living conditions; and
- buildings that are easy to use for the occupants.

## **5. RESOURCE IMPLICATIONS**

5.1 The development and construction of building new Council homes involves considerable investigation and a thorough analysis of the processes, practicalities, resources and risks involved. These are as follows:

### **Procurement and Practicalities**

5.2 Three methods of procurement and project management were considered as appropriate for the delivery of these homes. These were:

1. Council in-house model with the Council acting as the developer
2. Council partnership with a RSL acting as our development agent
3. Signing a development agreement with a RSL to act as a developer on our behalf

The strengths and weaknesses of each have been considered and it is recommended that the Council adopt the procurement route that enables it to act as the developer (option1). This form of procurement has been selected for the following reasons:

- It is the suggested route given by the HCA;
- It is the most cost effective as it would remove the need for a Development Agent and the associated additional costs;
- It enables the Council to closely control and manage the procurement process utilising as appropriate in-house expertise; and
- It allows the Council to prescribe its contract conditions, select the consultancy team (internal and external) and learn from the process for future Council housing development opportunities.

### **Legislative Requirements**

5.3 To carry out the development, the Council is using its powers under Part II of the Housing Act 1985 (Section 9).

5.4 For the Council to adopt the role of developer, it will be designated as the employer under the recommended form of contract to be used. The employer will be subject to the same relevant legislation as it is currently obligated to for other Council building and maintenance contracts. The Council will be classified as the Client under the CDM Regulations 2007 and its duties will need to be adhered to.

5.5 The new homes will also conform to Planning and Building Control legislation and meet all British Standards, Recommended Codes of Practices, Building Regulations or other Statutory Requirements.

## **Type of Construction**

- 5.6 The Council has adopted a positive policy in respect of constructing sustainable homes. All the developments proposed for will meet Code Level 4 as a minimum standard and many are likely to meet Code Level 5. However, it will depend on the level of investment that the HCA are prepared to put in as to what level we finally adopt. On our calculations there is a difference of £10,000 per unit between building to Code level 4 and building to Code level 5.
- 5.7 The HCA has stipulated that developments which can achieve Level 4 or higher are “strongly encouraged” and will be advantaged as part of the bid assessment, subject to providing good value for money.
- 5.8 The form of construction of these new homes is not traditional for the UK although it has been tried and tested on the Continent. The construction consists of heavyweight blockwork with external wall insulation and a whole house mechanical ventilation system, with heat recovery, there is no traditional heating system.
- 5.9 This specification has been developed during a number of technical workshops with the scheme architect, quantity surveyor, mechanical engineers, Council enabling staff, as well as RSL development and maintenance staff. This followed a resident consultation of 600 questionnaires and 2 focus groups.
- 5.10 One of the principal drivers for selecting the recommended form of construction is the advantages it provides in respect of low running and maintenance costs for tenants. The proposed services to these homes offer considerable savings to prospective tenants; this will assist in addressing the fuel poverty many households suffer.

## **Resources and Management**

- 5.11 The in-house development model proposed above will use the extensive experience and qualifications that exist within the Council and help to reduce overall development costs. This expertise can be used early on in the development process to ensure essential due diligence is undertaken to maximise the development potential and minimise any risk.
- 5.12 Due to the specialist nature of the sustainable housing design, external architects have been appointed. It is the intention to select and retain a team of specialist external consultants who can be transferred from one development to the next to assist in streamlining the development process and minimising costs.

## **Risk Assessment**

- 5.13 Detailed risk assessments are being drawn up for each of the proposed developments that have been designed beyond the initial feasibility study.
- 5.14 The management and control of risk takes priority during all stages of the development process from site due diligence to completion and handover. An active risk register will be maintained and updated frequently for all the proposed developments.
- 5.15 Should bids for any of these sites be unsuccessful the design work and site investigations already undertaken will not be wasted. This information will be used to progress these sites for rented housing through our existing partnership with

Sovereign Housing Association who will submit their own bids through the HCA's National Affordable Housing Programme.

## **6. FINANCIAL IMPLICATIONS**

- 6.1 Appendix 1 to this report sets out the total financial costs for the round one bids as submitted to the HCA. The appendix contains commercially sensitive information and has therefore been placed in part two of the agenda. Similar detailed assessments are also being undertaken for each of the round two sites to determine their viability.
- 6.2 To finance these schemes and demonstrate our commitment to enabling new Council rented homes to be built in the future we have also ring-fenced a total of £1.35 million of capital investment within the existing Housing capital programme. A breakdown of this capital investment is also contained in Appendix 1.

## **7. S151 OFFICER STATEMENT**

- 7.1 The Head of Treasury Services as the S151 officer is reasonably assured that all the financial implications as set out in this report are accurate and that if the bid is successful it can be delivered within all the currently available financial resources.

## **8. RECOMMENDED that the Executive approves:**

- 1) the policy of building new Council properties where Government funding exists to enable such a programme provided the schemes are financially viable and can be delivered within the timescales stated.

## **HEAD OF HOUSING SERVICES**

S:PA/LP/ Committee/909EXEC1  
4.9.09

COMMUNITY & ENVIRONMENT DIRECTORATE

**Local Government (Access to Information) Act 1985 (as amended)**  
**Background papers used in compiling this report:**