

REPORT TO Executive Committee
Date of Meeting: 8 October 2019
Report of: Director, Bindu Arjoon
Title: Council House Building Programme

Is this a Key Decision?

Yes

Is this an Executive or Council Function?

Council

1. What is the report about?

1.1 The lifting of the Housing Revenue Account (HRA) borrowing cap has given ECC a great opportunity and both Officers and elected Members are keen to maximise the development within the HRA. This report outlines the Council's programme to increase the number of properties held within the Housing Revenue Account to meet housing need in the City. The programme includes acquisition of properties in a Scheme being developed by Exeter City Living, together with three schemes to be brought on line which together will deliver 100 new homes for the Housing Revenue Account by summer 2022.

2. Recommendations:

2.1 Members are asked to note the sites referred to in this report together with the timescales for delivery and the costs to complete each of the schemes.

2.2 Members are asked to approve a budget totalling £18m to deliver the sites detailed in this Report, which will deliver 100 new homes into the Housing Revenue Account (HRA).

2.3 Members are asked to note that that approval of future years' development activity will be via an Annual Council House Building Development Plan and the annual capital programme budget report.

3. Reasons for the recommendation:

3.1 These sites identified in section eight of this report had been identified to be delivered by the Council for use as Council Housing. However, following the rent reduction alongside the borrowing cap on the Housing Revenue Account (HRA), there was insufficient scope within the HRA to develop the sites. The sites were subsequently included in the Exeter City Living (ECL) year one business plan but with the lifting of the HRA borrowing cap, it is proposed that these schemes revert to be developed for Council Housing, funded through borrowing within the HRA.

4. What are the resource implications including non-financial resources.

4.1 The overall cost to the HRA for the acquisition of the Thornpark Rise site; and for the construction and fees for the other three sites (Bovemoors Lane, Hamlin Gardens and Vaughan Road) will be approximately £18m. The £18 million will be made up of the use of Right to Buy receipts, Homes England Grant, other capital contributions from

the HRA and borrowing. Each site will be assessed on its viability and the most appropriate source of funding.

- 4.2 The HRA will seek to limit the amount of borrowing required by using retained Right to Buy receipts, grant from Homes England or other HRA capital contributions. The HRA will model each of the schemes individually and, with input from Financial Services in order to ascertain the best combination of funding for each of the sites.
- 4.3 For these initial four sites, the HRA will commission Project Management and Cost Consultancy skills within Exeter City Living.
- 4.4 Additional resources will be brought into the Housing Assets Team to support the development as proposed in a previous report to Executive and Council.

5. Section 151 Officer comments:

- 5.1 The section 151 Officer notes the content and budget request. If approved the Finance team will support Housing to deliver the most financially beneficial mix of funding for each site to ensure that they deliver sufficient income to maintain the new properties and do not impact on the funds available for the existing stock. This is a welcome opportunity to expand social housing within the City.
- 5.2 The section 151 Officer has delegated authority to enter into long term borrowing arrangements on behalf of the City Council and will do so as appropriate. As Members are aware, interest rates are currently attractive and will support the development, although as noted in the report, each site will be determined on its own merits.

6. What are the legal aspects?

- 6.1 The Council's housing assets services have to perform within national standards set for property compliance and maintenance including regulations for procurement, environment, planning, building and energy efficiency targets. Additionally, there are also compliance regulations for the Right to Repair and Decent Homes Standard.

7. Monitoring Officer's comments:

This report raises no issues for the Monitoring Officer.

8. Report details:

8.1 Background

- 8.1.1 The Council holds a stock of almost 5,000 residential properties within the Housing Revenue Account. This number reduces by about 40 per year, as stock is sold through the Right to Buy.
- 8.1.2 The Council has had a modest new build programme over the last 10 years with 67 completed new homes and a further 53 in development in the Exeter Extra care Scheme.
- 8.1.3 In 2018, the Government announced a bidding round that allowed Councils to bid for additional borrowing to fund the building of Council Housing, within the HRA. Demonstrating Members' ambitions, Exeter City Council submitted an ambitious bid for

£100m. This was subsequently identified as the largest bid for development of Council Housing outside of London.

8.1.4 The Housing Revenue Account borrowing cap was lifted in October 2018, allowing Councils to borrow prudentially through their HRA to facilitate new development opportunities.

8.1.5 Following the lifting of the cap, a decision was made to take a step back, in order to look at the opportunities in a holistic and strategic way, including;

- Commissioning a housing needs survey that can feed into development planning
 - Carrying out further stock condition / stock viability work to gain a better understanding of the viability of stock and which areas / property types need to be targeted for upgrading or redevelopment
 - Produce a full set of Employers Requirements (ER's) to feed into client brief for all housing types
 - Undertake a larger review of Council landholdings than we currently have, focusing in on;
 - Regeneration opportunities
 - Retrofit opportunities
 - Extensions and adding floors to existing stock
 - Development sites
 - Produce updated client brief
- The end product of the above processes is to develop a long term deliverable programme of development for the HRA – this programme is not necessarily just about new build, it will also look towards low energy retrofits and adding to current stock
 - Funding of the development plan will be a cocktail based on the viability and needs of each scheme. The funding will include a combination of;
 - HRA borrowing
 - Homes England grant
 - Retained right to buy receipts
 - RTB and HE grant cannot be used together on a scheme
 - The HRA development plan will also investigate the purchasing of S106 affordable units from volume house builders sites – although ECC are mindful that whilst this increases the stock in the HRA, it doesn't necessarily increase the overall stock of affordable homes in the city as these will have been purchased by a local RP.
 - The HRA are currently losing over 40 properties per year to Right to Buy, so the final development programme will need to be close to 50 units per year, just to keep pace with the units that are currently being lost.
 - Subject to Council approval, the HRA programme has 40 units immediately identified and in the development process – 9 units will be delivered by March 2020
 - A further 60 properties for the HRA delivery programme are being assessed as part of mixed tenure development with an anticipated on site date during 2020.

8.2 Sites and Opportunities

Site	Expected Expenditure
------	----------------------

Thornpark Rise	£2.6m
Bovemores Lane	£2.2m
Hamlin Gardens	£4.0m
Vaughan Road	£9.2m
Total	£18m

8.2.1 Thornpark Rise. This is a former garage site that is under construction and will deliver 9 new 3- bedroom family houses, very similar in design to the homes delivered at Silverberry Close, Barberry Close and Reed Walk. This site is being delivered by Exeter City Living and the HRA will acquire the entire site once complete. Corporate Property have been instructed to value and negotiate the acquisition on The HRA's behalf. The scheme will be completed and ready for handover early in 2020, and the purchase cost to the HRA will not exceed £2.6m, including any on costs and fees.

8.2.2 Bovemoors Lane. This is a former garage site and also the site of 4 non-traditional flats. The site was demolished and cleared in anticipation of development by ECL but is now being developed for Council Housing. There is planning consent for 10 three-bedroom family houses, very similar to those currently under construction at Thornpark Rise. Through a Tender process, a preferred contractor has been identified. The overall scheme cost is not expected to exceed £2.2m.

8.2.3 Hamlin Gardens. This is a former under- used parking area on the edge of the estate. There is planning consent for 21 new flats, a mix of 1 and two bedroom homes. The scheme has been tendered for a preferred main contractor, this tender process has shown an overall project cost of £4m.

8.2.4 Vaughan Road. This site is located between, Vaughan Road, Pinhoe Road and Hill Lane and currently includes 12 HRA homes and a DCC owned former care home, Whipton Barton House. The Council are in the process of obtaining the former care home from DCC and will then own the entire site. This site is proposed as a collaboration with Exeter City Living with 60 of the 92 homes proposed on the site being held within the HRA and the other 30 being sold on the open market by Exeter City Living (on land sold to ECL by the HRA). Design work is well progressed, the resident consultation is underway and a planning application is expected to be submitted in October 2019, to allow for a start on site in March/April 2020. The overall cost to the HRA for this scheme is expected to be in the region of £9.2m – this sum will not be fixed until the scheme design has been completed, Planning consent obtained and the scheme tendered for construction.

8.3 Future Sites

8.3.1 In addition to the sites detailed above, a more extensive list of potential development sites is being assessed and prioritised to ensure the continuity of the HRA development programme. This assessment will take account of the viability of the Council's housing stock, targeting the housing stock that is more expensive to maintain or of non-traditional construction. This work is ongoing and will be continually re-assessed to ensure a consistent development programme going forward.

8.3.2 Supplementing this active asset management approach, Section 106 acquisitions will also be evaluated where they provide a cost effective and strategically located solution.

8.4 Resident Engagement

- 8.4.1 The Council has already engaged with residents on Thornpark Rise, Bovemoors Lane and Hamlin Gardens. Further, limited engagement is planned on the Bovemoors Lane and Hamlin Gardens sites. Members may wish to note that previous consultation was undertaken by ECL at a time when the plans for those sites was to develop housing for open market sale.
- 8.4.2 The council is reviewing its approach in relation to resident involvement and community development and how we work across its neighbourhoods. We will work with residents to make sure we build and develop long lasting sustainable neighbourhoods that meet the council's aspirations around building neighbourhoods, reducing carbon emissions, encourage active travel and are desirable places to live.
- 8.4.3 A specialist consultant has been employed to undertake the resident engagement on the Vaughan Road scheme, this work began in late August and will be completed ahead of the planning application being submitted in October 2019.
- 8.4.4 Resident engagement will be undertaken by the Council resident involvement and community development team for the Clifford Close scheme, based on our experience of the Vaughan Road consultation and referencing the Better Homes for Local People document.

8.5 Build Quality

- 8.5.1 All of these proposed schemes will be built to the leading industry standards that meeting the Council's ambitions around low energy, climate ready and healthy. These build standards will result in a high quality finished product with components that will result in a lower ongoing maintenance costs.
- 8.5.2 The existing sites detailed in this report will be built to Passivhaus standards. As the future development programme is scoped, officers will model different models of construction to ensure value for money as part of the site feasibility work.
- 8.5.3 All of the schemes have been, and will be, competitively tendered to obtain the best value for each development.

9. How does the decision contribute to the Council's Corporate Plan?

- 9.1 The proposals in this report are consistent with the corporate objective of delivering high quality, value for money services. The corporate priorities also support building great neighbourhoods and that residents have a home that is secure, healthy and affordable. It also contributes to the council being well run with good management of our assets

10. What risks are there and how can they be reduced?

- 10.1 There is the potential for cost and time overruns with construction contracts, but we seek to mitigate these by having a more detailed design at tender stage and competitively tendering for a fixed price tender. The contract administration will be closely controlled to allow for the mitigation of risks and any potential design changes.

10.2 Delaying the start on site of these projects would likely lead to an increase in the build cost due to tender price inflation. The risk of this will be mitigated by ensuring the design work is well developed prior to tendering and that all the required due diligence is carried out before, during and after tendering.

10.3 It has been indicated that currently Homes England are allocating grants aimed at mixed tenure schemes and in particular at social rented properties. However, we are also being advised that there is a risk of this priority of grant for social rented altering to potentially other tenures under the new leadership in central government. More will be known following the autumn spending review but the risk is that any delay might lead to a loss of potential grant funding.

11. What is the impact of the decision on equality and diversity; health and wellbeing; safeguarding children, young people and vulnerable adults, community safety and the environment?

11.1 On 2 of the sites referred to in this report it will be necessary to move, decant or relocate some vulnerable tenants, this process will be carefully managed to keep the disruption to a minimum.

11.2 A focus on the quality of our properties and service delivery is likely to have a beneficial impact on Council tenants, a number of whom have protected characteristics or are vulnerable in the long term.

12. Are there any other options?

12.1 The alternative option would be to not develop these sites, which would mean not taking advantage of the lifting of the HRA borrowing cap and not growing the Council's housing stock within the HRA.

Bindu Arjoon
Assistant Director

Local Government (Access to Information) Act 1972 (as amended)

Background papers used in compiling this report:-

None

Contact for enquires:
Democratic Services (Committees)
Room 2.3
01392 265275