

REPORT TO EXECUTIVE

Date of Meeting: 7 July 2020

REPORT TO COUNCIL

Date of Meeting: 21 July 2020

Report of: Bindu Arjoon

Title: Council Development Programme

Is this a Key Decision?

No

Is this an Executive or Council Function?

Council

1. What is the report about?

1.1 This report provides an update on the Council's Social Housing development activity since the approval of the initial phase in October 2019. The report also seeks approval for the establishment of a budget for in-year development opportunities where time constraints do not allow a full Committee and Council reporting process to be followed. Additionally, approval is also sought from Members for the acquisition of 3 - three bedroom houses in Anthony Road, Heavitree, Exeter, as part of the HRA Development Programme.

2. Recommendation

That Executive recommend to Council:

- 2.1 That Members note the Housing Revenue Account Development Programme progress update;
- 2.2 That Members approve additional capital budget provision of £3m to allow urgent market opportunities to be pursued and secured where the Committee reporting timescales do not allow a full reporting process to be followed;
- 2.3 Council delegates authority to the Director in consultation with the Leader of the Council and the Portfolio Holder Council Housing Development and Services to spend the £3 million referred to in paragraph 2.1.2 above where in year opportunities market opportunities are identified; and
- 2.4 Members approve the acquisition of all three, 3 three bedroom houses in Anthony Road, Heavitree, Exeter, as part of the HRA Development Programme at a cost of £900k.

3. Reasons for the Recommendation

3.1 In October 2019, Executive and Council approved the initial phase of the HRA Development Programme. This phase consisted of 100 properties with an associated

budget of £18m. Good progress has been made in delivering the programme and full details for each site are provided in the body of this report below.

- 3.2 Whilst some development opportunities have a significant lead-in time allowing for a full reporting process to be achieved, some market opportunities need a quicker response. As such, budget approval of £3m is sought to allow for such opportunities to be secured. Periodic Development Programme updates to Members will include full details of any such schemes pursued at the next reporting stage.
- 3.3 In addition to the budget approval request as above, approval is also sought for the purchase of 3 properties in Anthony Road, Heavitree, Exeter. Essentially, 3 properties, originally intended for open market sale by Exeter City Living, remain unsold and it serves the Council's objectives to acquire more properties for social and affordable housing to proceed with the acquisition as part of the HRA development programme. These properties are adjacent to the Council's HRA housing estate, North Lawn Court.

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

- 4.1 The current initial phase of HRA development is budgeted at £18 million which is made up of the use of Right to Buy receipts and other capital contributions from the HRA and borrowing. Homes England Grant has not been sought at this stage as it is more advantageous for the Council to contribute Right to Buy receipts. Sites are continually assessed on their viability and the most appropriate source of funding.
- 4.2 Funding for the £3m development fund and for the acquisition of the properties at Anthony Road will be from additional borrowing. At Spring Budget 2020, the Government announced a new, discounted rate of PWLB lending to support social housing, which enables the Council to borrow at 1% below the rate at which the local authority would usually borrow from the PWLB. This takes borrowing rates to historically low levels.
- 4.3 The £3m capital fund and acquisition of Anthony Road would not breach the Council's £230m authorised limit for borrowing, which is the limit resolved by Council for the year in accordance with the Prudential Code.

5. Section 151 Officer comments:

- 5.1 The proposal to provide a fund to enable the HRA to acquire property is sensible and will ensure opportunities are not missed owing to the timings of Council meetings. As an indication the current rate for a 50 year maturity loan for the HRA is 1.23% meaning the interest cost to the HRA would be £36,900 a year. The HRA is not required to make a statutory repayment of debt, rather depreciation is a real cost in their accounts (although the depreciation cost is available to use for ongoing enhancements to the Housing portfolio).
- 5.2 Finance will work with Officers in Housing to ensure that the business case is viable for any properties acquired.

6. What are the legal aspects?

None identified.

7. Monitoring Officers comments:

This report raises no issues for the Monitoring Officer.

8. HRA Development Programme Update

- 8.1 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.
- 8.2 The Housing Revenue Account borrowing cap was lifted in October 2018, allowing Councils to borrow prudentially through their HRA to facilitate new development opportunities. An initial phase of development was agreed by Members for 100 properties at a cost of approximately £18m. A progress update for each site is provided below.
- 8.3 **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 (ECL) and the HRA will acquire the entire site once complete. Unfortunately, due to the implications of the Coronavirus, the contractor has suspended work whilst approximately only 5 weeks from scheme completion.
- 8.4 **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. Good progress is being made on site and work has continued throughout the lockdown period due to effective social distancing and materials management by the contractor. The 10 three bedroom houses under construction will be completed early in 2021.
- 8.5 **Hamlin Gardens.** This is a former under- used parking area on the edge of the estate. Planning consent has been secured for 21 new flats, a mix of 1 and two bedroom homes. The scheme has been tendered for a preferred main contractor and it is anticipated that work will commence in August/September 2020.
- 8.6 **Vaughan Road.** This site is located between, Vaughan Road, Pinhoe Road and Hill Lane and currently includes 12 HRA homes and a former Devon County Council care home (Whipton Barton House) which ECC has now acquired. 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 32 being sold on the open market by Exeter City Living (on land sold to ECL by the HRA). Resident consultation has been completed and Planning Approval secured. The Second Stage tender pricing is due to be completed by the end of July 2020.
- 8.7 In addition to the schemes detailed above, the HRA Development Programme also includes two schemes previously agreed by Members. An Extra Care development – Edwards Court – is under construction and will deliver 53 one and two bedroom flats early in 2021. Additionally, 17 non-traditionally constructed Laings properties have

been demolished and are currently being replaced with traditionally constructed dwellings.

8.8

HRA Development Programme Summary		
Thornpark Rise	9 x 3 Bed Houses	April 2020*
Bovemoors Lane	10 x 3 Bed Houses	January 2021**
Hamlin Gardens	21 x 1 and 2 Bed Flats	Winter 2021**
Vaughan Road	60 x 1 and 2 Bed Flats	Spring 2022**
Total Phase 1	100 Properties	
Edwards Court	53 x 1 and 2 Bed flats	Early 2021**
Laings Renewals	17 x 2 and 3 Bed Houses	Early 2021**
Total Properties under construction	170 Properties	

* Work currently suspended due to Coronavirus restrictions

** All subject to re-evaluation as a consequence of the Coronavirus Pandemic

9. Additional Development Programme Budget

9.1 As progress is made with the next phase of the HRA Development Programme and the delivery of 500 new properties in total within a 10 year period, it is clear that being able to react promptly to market opportunities is key to securing schemes and being competitive within the market.

9.2 Accordingly, the availability of a budget – proposed at £3m – will enable prompt decisions to be made in seeking to secure development opportunities with updates provided to Members subsequent to any initiative proving successful.

9.3 It is intended that a further report will be presented to Members setting out the next phase of the Development Programme and the respective scheme proposals later in 2020.

10. Purchase of 3 Properties – Anthony Road, Heavitree, Exeter

10.1 An immediate opportunity exists to acquire 3 houses in Anthony Road, Heavitree, Exeter. The proposal consists of three, 3 bedroom houses, built to Passivhaus Standard, and located adjacent to the Council’s HRA housing estate, North Lawn Court.

10.2 The following benefits to the Council (HRA) have been identified with this proposal;

- New properties built to a very high specification and to Passivhaus Standard – Energy Rating SAP Band B (86)
- Building Biology health benefits
- The proposed acquisition is financially viable for the HRA on an affordable rent basis
- Build quality of market alternatives known to vary significantly in quality standards and durability
- Aligned with the Council’s Objectives regarding Carbon Reduction

- The properties are adjacent to the Council's North Lawn Court estate so provide logistical efficiencies in terms of visits/maintenance/servicing schedules etc.
- The location in Heavitree provides good benefits for a sustainable tenancy to be achieved – easy links to schools, shops and health facilities – and public transport links for wider travel/commuting
- Potential asset management future benefits relating to higher quality specification of build – reduction of capital investment requirements with prolonged lifespan of components

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

11.1 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.

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

12.1 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.

12.2 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.

12.3 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.

13. Equality Act 2010 (The Act)

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

13.2 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.

13.3 In recommending this proposal potential impact has been identified on people with protected characteristics as determined by the Act and an Equalities Impact Assessment has been included in the background papers for Member's attention.

14. Carbon Footprint (Environmental) Implications:

- 14.1 The recommendations made in the report will help to deliver the Council's carbon reduction target (carbon neutral by 2030).
- 14.2 The HRA Development Programme is focussed on the environmental aspects of construction and delivery of Passivhaus certified properties will continue with the acquisition of the three properties in Anthony Road. As demonstrated above, existing properties are being assessed in terms of their respective energy performance and investment decisions are formulated to deliver the required improvements.

15. Are there any other options?

- 15.1 The alternative option would be to not proceed with the Development Programme, 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.
- 15.2 In terms of the proposed acquisition of the Anthony Road properties, it is considered that this is the best option for the growth of the HRA property portfolio taking account of the benefits listed above. Alternative options could be argued to offer better vfm but the purchase of existing market properties include drawbacks such as;
- New-build market alternatives would likely to be situated on the periphery of the City making links to schools, shops and health facilities more challenging – therefore making such properties more challenging to achieve a sustainable tenancy
 - Acquisition of existing housing stock would require additional capital investment at an earlier point so a lower initial purchase price masks potential capital and revenue expenditure needs

Director Bindu Arjoon

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

Background papers used in compiling this report:-

None

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