

REPORT TO	ON
CABINET	18 March 2020



TITLE	PORTFOLIO	REPORT OF
Council Housing Delivery Programme	Planning, Regeneration and City Deal	Director of Planning and Property

Is this report a <b>KEY DECISION</b> (i.e. more than £100,000 or impacting on more than 2 Borough wards?)	Yes
Is this report on the <b>Statutory Cabinet Forward Plan</b> ?	Yes
Is the request outside the policy and budgetary framework and therefore subject to confirmation at full Council?	No
Is this report confidential?	No

## PURPOSE OF THE REPORT

1. To provide Cabinet with an update on the options available to deliver good quality housing through using the Council's own resources.

## PORTFOLIO RECOMMENDATIONS

2. That Cabinet approve the strategic decision to develop and/or acquire up to 199 council owned dwellings as part of the first phase of its plans to provide good quality housing for local people.
3. That Cabinet note the decision for the Council to become a Registered Provider with the Regulator for Social Housing and to support the application for funding from Homes England on any new social housing developments to be provided by the Council.
4. That the Council direct its interventions to provide affordable housing and specialist housing bespoke to meet the needs of local people and where possible to do so commit to charging social rent and intermediate tenure products for new affordable housing schemes.
5. That the Council gives priority to the utilisation of any surplus land assets if identified in the forthcoming asset review to support its new home building ambitions.

## REASONS FOR THE DECISION

6. The Corporate Plan has stated the Council's commitment to deliver different models to provide quality homes that people can afford to live in whether they choose home ownership or rental accommodation.
7. It is important that the Council use its limited resources in a way that provides for an optimal return and it is therefore recommended that the Council focus its interventions on the provision of affordable housing which the market is presently failing to provide for in the numbers that are required.
8. It is important that the Council develops a rigorous and robust approach to managing its assets and prioritises its available land resource in order to support new housing development.
9. Registration with the Regulator for Social Housing will enable the Council to apply for grant funding from Homes England to fund new developments.
10. The Department for Housing, Communities and Local Government (DHCLG) encourages local authorities to utilise their resources to develop new housing. A threshold of 200 properties has been established to which Local Authorities can build, own and manage stock which can be accounted for with the General Fund. Should Councils wish to develop more than 199 dwellings then they would be required to open up a Housing Revenue Account (HRA). Preparation and plans to open up a Housing Revenue Account shall be considered and developed whilst the Council is undertaking the first phase of its development programme.

## CORPORATE OUTCOMES

11. The report relates to the following corporate priorities:

Excellence, Investment and Financial Sustainability	√
Health, Wellbeing and Safety	√
Place, Homes and Environment	√

- Projects relating to People in the Corporate Plan:

Our People and Communities	√
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## BACKGROUND TO THE REPORT

12. The Cabinet have previously approved the development of a 15 dwelling Passivhaus type scheme at the McKenzie Arms site in Bamber Bridge and approved the potential development of an Extra Care scheme which the Council shall seek to build own and manage.
13. South Ribble sits within the Central Lancashire Housing Market Area along with Chorley and Preston Councils. The three Councils are currently in the process of

reviewing the strategic planning policies for Central Lancashire with a view to delivering a single Central Lancashire Local Plan.

- 14.** The new Local Plan will help to drive forward housing delivery in the right location with the right infrastructure in place. South Ribble is also part of the Preston, South Ribble and Lancashire City Deal which offers opportunities to unlock economic and housing opportunities creating growth and welcoming new employers, residents and facilities providing key infrastructure for the borough.
- 15.** The below table shows the number of housing completions over the last 5 years which demonstrates an average of 21% new affordable homes delivered over the period:

Year	New Homes	New Affordable Homes
April 2014 – March 2015	486	84
April 2015 – March 2016	371	150
April 2016 – March 2017	189	25
April 2017 – March 2018	318	40
April 2018 – March 2019	491	97
<i>Average</i>	<i>371</i>	<i>79</i>

- 16.** There is an established need for new affordable housing in South Ribble and a need for a balanced housing market including family homes, executive homes, bungalows, homes for private rent and older and vulnerable people’s housing.
- 17.** As part of the recently completed South Ribble Local Housing Needs and Demand Study (January 2020), housing register data has been modelled to establish the scale of affordable housing need. The 2019 Central Lancashire Housing Study evidenced a need for 208 affordable dwellings. However, the 2020 study indicates that the scale of need for affordable housing has increased to 296 dwelling each year which takes into account:
- need arising from existing households who require alternative accommodation and cannot afford market prices;
  - need arising from households falling into need and newly-forming households;
  - new-build and relets/sales of affordable dwellings.
- 18.** It is important for the Council to sweat its assets and to gain an optimal return on its investment. Using land assets to develop new housing will effectively capture the value of the land and lock in the uplift in value over the longer term.
- 19.** The Council is already committed to taking forward the McKenzie Arms development in Bamber Bridge which shall provide 15 homes up to the Passivhaus Standard and in January 2020 the Cabinet made a strategic decision to identify a site to build and manage an extra care scheme which could comprise at least 65 apartments.

- 20.** Should both these schemes proceed as intended this would leave the Council with a development programme of 119 properties which is a manageable programme of work and is not dissimilar to that being undertaken by Chorley Council.
- 21.** In addition to direct development the Council should retain the flexibility to acquire housing from the open market and this could include acquiring new homes directly from developers or purchasing existing homes with the intention to bring the property up to a good standard and let it at an affordable rent. On occasions there are specific funding initiatives from Homes England to acquire existing stock that the Council may wish to take advantage of as and when they arise.
- 22.** As outlined within the housing needs and demand study it is important that the Council encourages the development of level access accommodation (including bungalows and flats with lift access) and it shall be important for the Council to incorporate such measures wherever possible in relation to new developments delivered by the Council.

**PROPOSALS (e.g. RATIONALE, DETAIL, FINANCIAL, PROCUREMENT)**

- 23.** The procurement of a contractor and lead advisor for the development programme is of critical importance to success of the programme.
- 24.** There are 3 principal options for the procurement of the main contractor to undertake the development of new homes on behalf of the Council. The options are:

**2 Stage Traditional Tender Contract:**

Advantages	Disadvantages
<p>Cost certainty at the outset as all works are fully designed and priced</p> <p>Greater control of the quality of the finished Product</p> <p>Cost certainty at the outset as all works fully designed and priced</p>	<p>SRBC assumes risk for design</p> <p>Contractor has no design responsibility</p> <p>Reliance on contract documents to be being very accurate</p> <p>Design and Build are 2 distinct phases so works will take longer than a Design and Build Contract.</p>

2 Stage Design and Build Contract:

Advantages	Disadvantages
Less administration for client	Loss of design control once on site
Cost of design team bore by the contractor	Changes during construction can be costly.
SRBC to appoint employer's agent to administer client's duties once tendered	Can be difficult to compare tenders
Gives cost and time certainty	Costs can be elevated as contractor is taking more risk

Framework Agreement Contract:

Advantages	Disadvantages
Can provide benefits in time and quality at the expense of cost	More suitable for larger capital projects.
Early stage engagement with contractor can provide cost certainty	Can result in inflated costs using framework prices.
Short tendering process (can have Advantages in securing funding at short notice and year end).	No guarantee that the right sized contractor is pricing the works.

- 25.** All three types of contract have merit and there are advantages, disadvantages and trade- offs associated with each option. It is worth noting however that the Council is due to embark upon a number of large and complex capital projects which shall require significant levels of expertise, highly effective project and programme management and the capacity to deliver projects to time, cost and quality requirements.
- 26.** It is unlikely that the Council shall retain all the necessary skills, expertise and capacity in-house and it is therefore likely that the Council will need to consider partnering with Contractors and Advisor's through a Framework Agreement to support delivery of its capital programme.
- 27.** The Assistant Director for Projects and Development is currently assessing options for a framework agreement partner to help deliver the capital programme and it is likely that the New Build Housing Programme would form part of this wider capital programme.
- 28.** A further report outlining the approach to be taken in relation to delivering capital projects shall be submitted for consideration by Cabinet in the spring of 2020.
- 29.** Each potential development is different, and it is therefore important that a bespoke and robust outline business case is undertaken and considered by Cabinet prior to any development being progressed through to full business planning stage. As part of this process Cabinet can consider funding options, scheme mix and any constraints and procurement options to be considered prior to making a decision on whether or not to proceed with the scheme.

## **CONSULTATION CARRIED OUT AND OUTCOME OF CONSULTATION**

30. Any schemes to be developed by the council shall be subject to a full planning application which shall involve consultation with local elected members and residents as part of the planning process.

## **ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

31. The Council could choose not to develop new housing. However, as can be witnessed through the Housing Needs and Demand study there is a shortage of affordable housing which needs to be addressed and the Council is uniquely well placed to utilise its assets to deliver much needed affordable housing.

## **FINANCIAL IMPLICATIONS**

32. There are no financial implications at this stage.

## **LEGAL IMPLICATIONS**

33. Please see Monitoring Officer comments below

## **AIR QUALITY IMPLICATIONS**

34. There are no air quality implications associated with this report. Any potential plans for development shall be subject to a full air quality assessment.

## **HUMAN RESOURCES AND ORGANISATIONAL DEVELOPMENT IMPLICATIONS**

35. There are no human resource implications relating to the report.

## **ICT/TECHNOLOGY IMPLICATIONS**

36. There are no ICT/Technology implications associated with this report.

## **PROPERTY AND ASSET MANAGEMENT IMPLICATIONS**

37. It is essential that the Council utilises its asset base in an effective manner and optimises the return on its property portfolio. The utilisation of the Councils land assets to support housing development shall capture and retain the land value and bring forward much needed affordable housing for local people.
38. The current review of the Councils asset portfolio shall identify surplus land assets which could be utilised to develop new housing.

## **RISK MANAGEMENT**

39. The risks associated with development shall be mitigated through the production of an outline business case for each new development and the fact that the Council shall wherever possible develop on its own land.
40. Site investigations shall be undertaken as part of each development and a fully funded business- plan shall be provided to ensure that the development is financially viable.
41. The Council is developing its capacity and expertise to take on the management of tenanted properties and shall ensure that robust management arrangements are in place prior to the completion of new developments.

## **EQUALITY AND DIVERSITY IMPACT**

42. Any social housing lettings shall be subject to compliance with equality and diversity regulations and shall be subject to audit by the Regulator for Social Housing.

## **RELEVANT DIRECTORS RECOMMENDATIONS**

43. It is recommended that Cabinet support the approach being outlined in this report.

## **COMMENTS OF THE STATUTORY FINANCE OFFICER**

44. The Corporate Plan includes a Council commitment to provide quality affordable homes in the borough. The Council can provide housing of up to 199 properties without being required to set up of a separate Housing Revenue Account. A Housing Revenue Account (HRA) has significant restrictions regarding what can be accounted for and would involve additional resources to manage the HRA account.
45. The Capital programme approved by Council in February includes the provision of housing at the Former McKenzie Arms site and an Extra Care scheme.
46. As set out in the body of the report, if the strategy is approved, any schemes being proposed will require a robust business model to be provided for Cabinet to consider and decide whether to take it forward or not. This will include the full financial implications including all funding options available to the Council and the affordability and sustainability of the scheme proposed.

## **COMMENTS OF THE MONITORING OFFICER**

47. At this stage high level in principle approval is being sought to develop and acquire up to 199 council owned dwellings. Such housing would be either affordable or specialist housing. Clearly there are wide ranging legislative provisions which can be relied upon to justify such an approach. Also, the council has considerable Section 106 receipts which can be utilised towards such a programme.

- 48.** Clearly when it comes to developing specific schemes there will considerable work for the Legal Services team to ensuring that all accompanying contractual documentation is robust and fully protects the council's interests.
- 49.** If any council owned land is identified that could be suitable for such purposes, then title documentation will need to be checked to ensure that there are no covenants or other prohibitions which would hinder development.

**There are no background papers to this report**

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