

# Agenda Item 4

**To:** Delegated Decisions of the Board Member, Housing Needs

**Date:** 15<sup>th</sup> February 2012

**Report of:** Head of Corporate Assets

**Title of Report:** **AFFORDABLE HOMES PROGRAMME 2012-2015 (AHP)**

## **Summary and Recommendations**

**Purpose of report:** To update the Member on programme development and seek approval of the proposed AHP following approval of funding in the Housing Revenue Account Business Plan approved by City Executive Board on 8<sup>th</sup> February 2012.

**Key decision:** Yes

**Executive lead member:** Councillor Joe McManners

**Report approved by:** David Edwards - Exec Director, Regeneration & Housing

**Finance:** David Watt - Finance Business Partner

**Legal:** Lindsay Cane - Legal Services Manager

**Policy Framework:** More housing, better housing for all

### **Recommendation(s): The Member is asked to:**

1. Approve the proposed Affordable Homes Programme 2012-15 (AHP) as detailed herein.
2. Authorise the Head of Corporate Assets to negotiate and complete the New Framework Delivery Agreement (FDA) with the Homes and Communities Agency (HCA).
3. Authorise the Head of Housing & Communities to undertake the decant process of Bradlands under Phase 1.
4. Authorise the Head of Corporate Assets in consultation with the Executive Member for Housing Needs to approve the final selection of sites for Phase 2 and Phase 3.

### **Appendices;**

1. Sites Overview
2. Original Sites Information

3. Additional Sites Information
4. Project Team Structure
5. Risk Register
6. Financial Summary - CONFIDENTIAL

### **Executive summary**

1. Early in 2011 the HCA invited Local Authorities to bid for Affordable Homes funding with a challenging 3<sup>rd</sup> May 2011 submission deadline.
2. Oxford City Council (OCC) Members agreed to take sites from the portfolio of small sites owned by the Council and identified for disposal. Sites were input at nil consideration as a pre-condition for the HCA bid.
3. The estimated total value of the sites if sold was £2.65M, which was not allocated within the GF capital programme. These sites would not have yielded additional social housing as they were below the Section 106 threshold, or in the case of Bradlands were re-provision of existing stock. Securing land outside the Council's ownership at a lesser cost to deliver the programme would not be practical.
4. To meet the deadline OCC submitted bids on sites that were available but prior to undertaking full site appraisals and due diligence procedures.
5. Due to the impending HRA Settlement HCA recognised the fact that a council may have to reconsider its position once the exact figure became known and modify the Programme, Business Plan (BP) and Model accordingly.
6. The bid was successful and HCA allocated OCC grants totalling £2,420,208 against a provisional programme of 112 new dwelling units.
7. Further limited appraisal and due diligence work has since been undertaken resulting in a reduced number of units on the original sites and the need to identify alternative land to fulfil the AHP commitment.
8. The inclusion of some of the substitute sites will reduce projected General Fund and Housing Revenue Account receipts anticipated from Open Market Disposals. This may be offset in part by receipts from sites which are taken out the programme, or receipts from additional site disposals from the General Fund. Before allowing for any offset the reduction in the General Fund receipts would be approximately £1.695m.
9. The AHP has been split into Three Phases:  
  
Phase 1 – Bradlands  
  
Phase 2 – Miscellaneous Sites  
  
Phase 3 – Barton
10. The expenditure for the three phases is summarised in confidential **Appendix 6**.

11. The funding required to deliver the AHP has been built into the HRA BP and received approval at CEB on 8<sup>th</sup> February 2012 and should be ratified by Full Council on 20<sup>th</sup> February 2012.
12. Architectural consultants were appointed to undertake the feasibility, planning and design work for Bradlands in 2008 following competitive tender. They are now in a position to refresh the documents and submit a planning application with 4 weeks notice.
13. Tenant consultation was originally undertaken at Bradlands in 2009 with mainly very positive feedback. Further consultation will be undertaken and the decant process will commence once authority to proceed is obtained.

## **Background**

14. The Government has reformed the way social housing is delivered. These reforms include giving greater flexibility to Registered Providers to determine the types of tenancies they grant to new tenants.
15. HCA funding will be for the minimum necessary to make development viable.
16. Affordable Rent homes can be made available to tenants up to a maximum of 80% of market rent and allocated in the same way as social housing is at present. It is expected that Affordable Rent accommodation will be used flexibly as an option to market housing and not to replace Social Rent homes.
17. The OCC bid was for 112 new homes with 40% being for Affordable Rent and 60% for Social Rent. The 46 units at Bradlands will be 100% Social Rent as the majority of existing tenants will only be decanted during development.
18. Providers that enter into a contract with the HCA have the flexibility to convert some socially rented properties to Affordable Rent at re-let. Additional revenue must support delivery of new affordable homes.
19. New development schemes will be for Social/Affordable Rent or a mixture including Shared Ownership that demonstrate value for money and meet identified local needs.
20. An application for AHP grant was submitted by OCC but the timescales did not allow for the usual due diligence and appraisals to be undertaken on the sites submitted.
21. Practical completion of the new build has to be completed by March 2015 to allow drawdown of the grant.
22. Members have identified the development of new affordable homes and this programme as one of the highest priorities in the HRA BP. The AHP will contribute towards easing the housing pressures in Oxford.

## **Current Position**

23. Following further due diligence, appraisal work and consultation the position on a number of sites has shifted. The density of some sites has been reduced and the projected practical completion dates of some schemes now extend beyond the backstop date of 31<sup>st</sup> March 2015.
24. This has resulted in a potential reduction of around 34 units from the original 112 in the bid which could have been reasonably assured to be completed by the backstop date. The original sites are tabulated in **Appendix 1** with a brief description of each in **Appendix 2**.
25. The HCA guidelines acknowledge that bids may need to be reconsidered following the HRA settlement when the borrowing requirement for each Local Authority becomes known. Local Authority contracts are not expected to be confirmed until April 2012 at the earliest as a result.
26. Alternative or additional sites have been identified which may improve the deliverability of 112 new Affordable Homes by 2015. Not all of these sites have indicative schemes yet as they are in the earliest stages of the site appraisal process.
27. The additional sites are tabulated below in **Appendix 1** with a brief description of each in **Appendix 3**.
28. There are also 19 smaller 1 and 2 unit former garage sites that could be included. These are considered less preferable due to economies of scale and the inherent difficulties with including a multitude of single and double development plots in a programme. The majority of these Phase 2 sites are at the very earliest stages of the appraisal process.
29. Further development of the AHP and due diligence is now required to firm up the details and agree which sites are to form the initial Phase 2 entered in the FDA.

## **Legal implications**

30. The Council holds the authority to provide the AHP as specified in the report under powers included in Parts 1 and 2 of the Local Government Act 2000.
31. Under Section 123 of the Local Government Act 1972 the Council is obliged to obtain best consideration when disposing of property. A disposal at less than market value is permitted if it helps secure the promotion or improvement of the economic, social or environmental well-being of a Councils area.
32. All agreements and contracts will be drawn up in full consultation with OCC Legal Services.

## Framework Delivery Agreement (FDA)

33. The FDA establishes a “Programme Offer” which is the agreed high-level three-year programme for a provider which has been assessed, negotiated and agreed by HCA. The Programme Offer forms a baseline against which performance and delivery is measured.
34. The FDA sets out the number, tenure and type of new homes to be built in the areas in which those homes are intended to be delivered. It also sets out forecast timescales for delivery, the quality standards to be achieved together with the development costs, the provider’s own contributions and the funding required from the Agency.
35. The main implications are:
  - i. Under the terms of the grant agreement, funds can only be drawn down upon practical completion of each development.
  - ii. HCA are not bound to pay the grant for projects or units uncompleted by the end of March 2015.
  - iii. HCA are not bound to pay grant In the event that the Council fails to meet any of its key milestones without prior agreement under the HCA Investment Management System (IMS) change procedure.
  - iv. The Council must keep the HCA updated of the progress towards key milestones via the IMS. This process begins when the FDA is completed and will be done via the IMS. Members of the Project Team have received training from the HCA to access and update the system with information that is used to track progress electronically.
  - v. The Council will be required to seek the HCA’s permission to dispose of any of the properties, which is likely to result in a proportionate amount of grant being repaid. This does not affect the tenants Right to Buy but will affect the level of receipt retained by the Council if a proportion is paid back to the HCA. The HCA will claim a proportion of the property value and benefit from any uplift. The Council may elect to exclude new build from Right to Buy pooling if directed to by Finance.
  - vi. The HCA will recover any funding on the basis that is categorised as unlawful state aid. The Council would have to be considered as undertaking economic activity within the meaning of the rules on state aid and it is unlikely that as a local authority that this would occur.
36. The Framework Delivery Agreement (FDA) will be reviewed by the OCC Legal Services before completion.

## **Financial Implications**

37. A Financial Summary is contained in **CONFIDENTIAL Appendix 6**.
38. It should be noted that some of the above sites are General Fund assets. Consequently they have been earmarked for disposal to generate capital receipts to support the Council's General Fund capital programme.
39. The potential capital receipts from most of the sites under consideration have not been allocated for the GF/HRA capital programmes. This is in the context that the opportunity cost to the Council of substituted sites is broadly neutral.
40. All OCC land utilised will be provided at Nil cost.
41. The HRA BP details the funding provision required to deliver the AHP.

## **Environmental implications**

42. Contract Management – the contract(s) will include detailed waste and traffic management plans to reduce the impact of construction traffic through the estates and ensure minimum waste from materials.
43. Design – the new properties will be designed to meet the Code 4 standard for sustainability with the aspiration to achieve Code 5 where possible. The minimisation of energy bills for the intended occupants will be a major consideration for all new build.
44. The Code uses a rating system and introduces minimum standards for energy and water efficiency at each level. A simple points system means the more points achieved the higher the Code level reached. The base standard is that quoted in Part L of the Building Regulations 2006. Each level is a certain percentage better than Part L with Code 4 being 44% better and Code 5 100%.
45. This standard ensures reduced energy consumption through the use of renewable energy sources, quality insulation and construction materials. The design categories for the code are;

Code 1 - Energy and CO<sub>2</sub> Emissions

Code 2 - Water

Code 3 - Materials

Code 4 - Surface Water Run-off

Code 5 - Waste

Code 6 - Pollution

Code7 - Heath and Well-being

Code 8 - Management

Code 9 - Ecology.

46. In respect of Phase 1 a number of sustainable building types were the subject of feasibility and cost studies carried out by the appointed consultants. The recommended build system is using "Ziegel Blocks". This gives the potential to achieve a very efficient U value of 0.15 W/m<sup>2</sup>K, breathable construction for healthy living and several other advantages over traditional building methods.
47. Building for Life standard in terms of sustainability in communities will allow households to remain in their homes and live independently for as long as possible as the properties will be adaptable to meet changing needs.

### **Equalities impact**

48. The new properties will be designed to meet the lifetime homes standard. Wheelchair accessibility "Gold Standard" is the proposed benchmark for good space requirement throughout the home. This ensures that homes can be adapted to meet the changing needs of people throughout their lifetime.
49. Building regulations and Planning policy standards will apply.

### **Project Management**

50. The Project Board structure together with an outline of the overall project delivery structure and roles and responsibilities are shown in **Appendix 4**.
51. The role of Employers Agent is to ensure that the new homes are built to the specification. The HCA have previously agreed that this role could be managed internally by a Councils In-house Team and this is currently the preferred option.
52. Administration of the progress monitoring information through the HCA Information Management System will be undertaken by Project Team Members who have received training on the system.
53. Detailed Project Management, NEC3 Contract monitoring and Clerk of Works for Phase 1 will be provided externally by consultants to be appointed.

### **Level of Risk**

54. The risk register for project delivery is attached as **Appendix 5**.

### **Consultation**

55. This Report has been prepared jointly with Housing and Communities Service.
56. The Bradlands tenants have already been consulted and will be approached again to update their requirements.

57. Consultation will also be undertaken as part of the ongoing appraisal and planning process for Phase 2 sites.

### **Affordable Housing Consultation**

58. The Council intends to investigate the use of Affordable Rent properties as part of the work undertaken on homelessness prevention.
59. Currently, households that are at clear risk of homelessness or are actually roofless when they present to the council are where possible directed into the private rented sector. The council will often assist with the help of a rent deposit or bond.
60. In the absence of suitable private property, such households are usually placed in Temporary Accommodation supplied by the Council.
61. It is not unusual for them to spend many years waiting there for a settled social home.
62. Both of these alternatives present difficulties for the households concerned.
63. Private rented accommodation offers less security than social housing, even for tenants who keep to the terms of their lease. The cost of private rented properties in Oxford is such that it can present a barrier to work for many of the households concerned.
64. Temporary accommodation, though well managed and offering some security for occupants who comply with the landlord's terms and conditions, is also expensive (sometimes more so than private sector properties, due to leasing and management costs). Both options also involve substantial costs for the Council.
65. Affordable Rent properties may offer a limited (in terms of numbers) third option for such households, given that they will be well managed by social landlords, and will have rents set below market levels. Affordable Rent is not intended to replace Social Rent accommodation.
66. The Council will bring forward proposals for the use of such properties as part of the consultation process for the Allocations Review planned for early 2012/13.

### **Conclusion**

67. The bid to the HCA will provide additional capital resources which would support some additional new Council homes being built in the City over the next four years under the AHP
68. Provision has been made in the HRA business plan to support the AHP.
69. Members have advised that the programme is seen as a high priority. There would be potentially significant damage to reputation if OCC withdrew its bid at this stage.
70. The next stage for the AHP is to:



- Phase 1
- a) Submit planning application and obtain consent.
  - b) Complete the decant process.
  - c) Complete the FDA following discussions with HCA.
  - d) Prepare the specification and procure the external consultancy resource.
- Phase 2
- a) Continue with the appraisal, due diligence and planning work on the various sites.
  - b) Formulate a detailed programme outlining the sites selected for final inclusion in this phase.
  - c) Select the most appropriate mechanism for delivery.
- Phase 3
- a) Continue dialogue with Barton LLP and assess deliverability under that schemes phasing.

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Background papers:

HRA Business Plan 2012 – 2042 (CEB 8<sup>th</sup> Feb 2012)

ORIGINAL SITES	ORIGINAL UNITS	REVISED UNITS	ADDITIONAL SITES	REVISED UNITS
Leiden Road	3	3	Bury Knowle Depot	14
South Park Depot	10	4	Cardinal Close	3
Warren Crescent	18	15	East Minchery Farm Allotments	30
David Walter Close	15	5	Eastern House	7
Barton	20	20	Garage Sites Appraised (7)	12
Bradlands	46	46	Garage Sites to be Appraised (12)	0
<b>Totals</b>	<b>112</b>	<b>93</b>	<b>Totals</b>	<b>66</b>

### ORIGINAL SITES

#### **A. Leiden Road**

A former garage block with potential for three 3-bed dwelling units. An application was submitted for outline planning permission on 22/11/11 and validated 23/11/11. The scheme is undergoing minor amendments following discussions with planning colleagues before being determined.

#### **B. South Park Depot**

A site of 1.21 hectares (3.00 acres) subject to restrictive covenants in favour of Oxford Preservation Trust. Following pre-application discussions and pending the outcome of a heritage assessment, there is the possibility that this scheme will be reduced to 4/5 units. Although this is only half the original proposal it is a scheme that the Trust may feel able to support. The need to retain and refurbish existing buildings reduces the options and attractiveness of this development.

#### **C. Warren Crescent**

A site of 0.37 hectares (0.91 acres) with potential for 15 dwelling units. Natural England has voiced concerns in relation to the adjoining SSSI. A specialist hydrology study has been commissioned to determine if mitigation measures will permit an acceptable scheme. The proposed dwellings have been reduced from 18 to 15 due to planning policy.

#### **D. David Walter Close**

This scheme now comprises 2 garage courts with the potential for five dwellings in total. Discussions with planning colleagues regarding suitability are ongoing. The original proposal for 15 units had already been reduced to 5. This was due to the use of the open space sites subsequently being adjudged inappropriate

#### **E. Barton**

Delivery of these units by March 2015 will be challenging. Dialogue is ongoing with the Barton Oxford LLP. The phasing of the Barton scheme means delivery within Barton Phase 1 is the only opportunity the Council will have to complete new build within the HCA timescales. Development in this phase is likely to be predominately apartments.

#### **F. Bradlands**

This is a former sheltered site which requires decanting of existing tenants prior to demolition. A scheme has been designed up to an advanced stage giving the opportunity

for both Code 4 and 5 developments. The new development would be a 46 flat sheltered block, let at social rent, and largely occupied by current tenants of Bradlands and Cumberledge House. Any surplus properties would be let to applicants aged sixty plus, via the Choice Based Lettings Scheme.

### ADDITIONAL SITES

#### **G. Bury Knowle Depot**

A former ad hoc service and storage yard. A draft scheme has been produced and pre-application discussions ongoing.

Basic scheme proposes 15 flats (4 x 1 bed, 5 x 2 bed & 5 x 3 bed) with 24 cycle spaces.

#### **H. Cardinal Close**

Outline Planning Permission 11/03011CT3 granted on 16<sup>th</sup> January 2012 for three 3-bed dwelling houses.

#### **I. East Minchery Farm**

This is a former allotment site extending to 1.3 Ha (3.21 acres). At least 25% of the site must be retained for public open space. Being former allotments, consent from the Secretary of State for the Environment will be required for disposal.

#### **J. Eastern House**

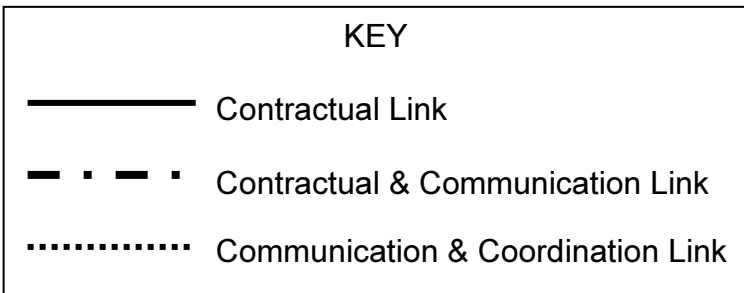
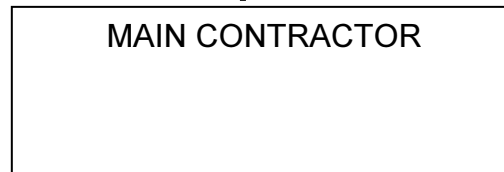
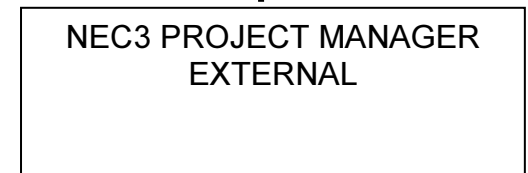
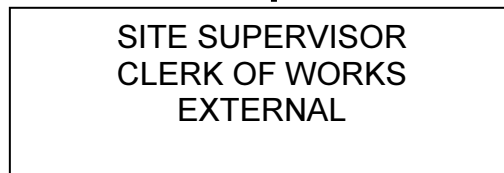
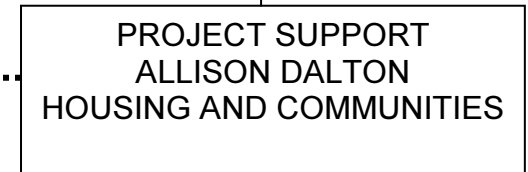
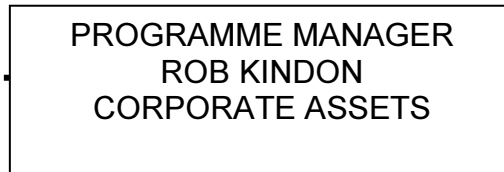
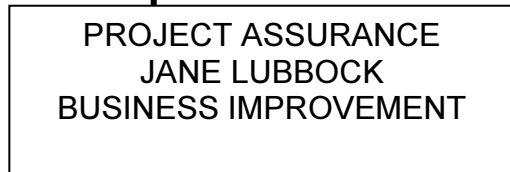
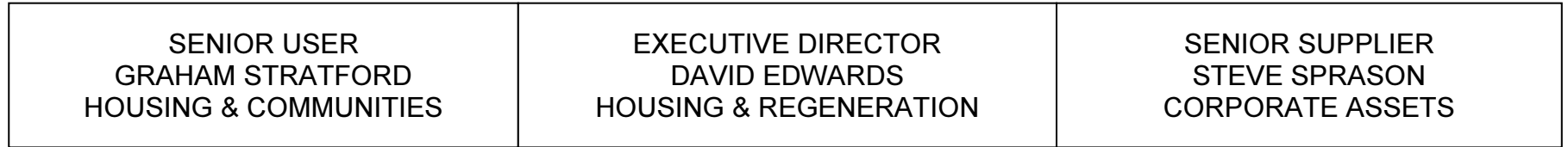
An existing block of 15 flats suitable for 7 dwelling houses. Conversion and refurbishment is considered unsuitable and demolition with new build likely to emerge as the preferred scheme.

#### **K. Garage Sites**

There are also 19 small former garage sites that could also be included. These are generally single or double development plots and are considered less preferable for the AHP due to economies of scale. There are inherent difficulties with including a multitude of single and double development plots in a programme with a proportionally high risk of non-delivery.

Of the 19 possible sites, 7 have already been appraised generating only 12 additional plots. The remaining 12 sites are currently being progressed.

**OXFORD CITY COUNCIL – Affordable Homes Programme 2012-15  
Project Board & Phase 1 Structure**



### Appendix 5 - Risk Register

Category-000-Service Area Code	Risk						Corporate Objective	Gross Risk		Residual Risk		Current Risk		Owner	Date Risk Reviewed
	Risk Title	Opportunity/Threat	Risk Description	Risk Cause	Consequence	Date raised	1 to 5	I	P	I	P	I	P		
CEB-001-CA	Framework Delivery Agreement (FDA)	T/O	FDA is not completed	OCC & HCA fail to agree Offer Programme	Total loss of grant allocation and reputation	31.1.12	1	5	2	1	1	5	2	SS	31.1.12
CEB-002-CA	FDA conditions	T	Failure to meet conditions & milestones	Delays in development process prevent completion by March 2015	Loss of grant applicable to lost d/units	31.1.12	1	4	3	3	3	3	3	SS	31.1.12
CEB-003-CA	Planning Permission	T	Failure to obtain required planning permission	Unforeseen or upheld objections, ecology & ground conditions prevent or delay pp	Tight timescale to find substitute sites to deliver by 2015 deadline	31.1.12	1	4	3	3	3	3	3	SS	31.1.12
CEB-004-CA	Interest Rates	T	Increase in Base rate before OCC borrowing placed	Bank of England Monetary policy	Increased interest payments or longer payback period	31.1.12	1	4	3	1	1	3	3	DW	31.1.12
CEB-005-CA	Build Cost Increase	T	Increase in costs due to inflation	Economic conditions and length of tender process.	Build costs go over budget and additional borrowing required.	31.1.12	1	4	3	2	3	3	3	SS	31.1.12

