

BUSINESS SUPPORT OVERVIEW AND SCRUTINY COMMITTEE

19 SEPTEMBER 2013

HOUSING REVENUE ACCOUNT (HRA) DEVELOPMENT PROGRAMME

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Summary

This report seeks the committee's views on a proposal to seek approval for the Housing Revenue Account (HRA) development programme to be included within the Council's Capital Programme and to use the HRA Headroom to fund the programme.

Reports on individual HRA projects or groups of projects will subsequently be submitted to Cabinet for approval to proceed.

The comments of this Committee will be collated for onward despatch to the Cabinet on 1 October 2013

This report will be formally submitted to Council on 17 October 2013.

1. Budget and Policy Framework

- 1.1 In accordance with the constitution, Council approval is required to set the budget and access additional funding, in this case as an addition to the Capital Programme. The Council is required under the Local Government and Housing Act 1989 to ensure that the Housing Revenue Account does not fall into a deficit position.
- 1.2 The "HRA Headroom" must be used to create or improve an asset within the HRA Portfolio. Grant funding of non-HRA projects for development by a housing association would not be permitted.
- 1.3 Individual schemes under this programme will be submitted to Cabinet for approval to proceed.

2. Background

- 2.1 The new “self-financing “ regime for the HRA came into place on 1st April 2012. As part of the self-financing settlement the Council was given a maximum debt cap and the difference between this and our actual debt is known as “headroom”.
- 2.2 The HRA headroom available as at April 2013 is £5.5m and this is estimated to increase by approximately £800,000 pa to £9.397m in year five of the programme (2017-18) once the annual provision for debt repayment has been taken into account and assuming no new borrowing is undertaken.
- 2.3 It is proposed to increase Medway’s existing housing stock by using the available Headroom to finance a house building programme and to consider substantial remodelling or refurbishment of some existing properties where appropriate.
- 2.4 There is also the potential to use the yearly-generated HRA revenue surplus to help fund a house-building programme, currently approximately £1.2million per year. This surplus currently part funds the additional spending requirement on the HRA planned maintenance programme.
- 2.5 Should this proposal be approved the HRA development programme will be incorporated within the interim HRA business plan and a revised business plan will be brought forward in February 2014 as part of the Council’s budget setting exercise for the financial year 2014-15.

3. Options

- 3.1 This report suggests a draft programme for future activity. The programme includes both the regeneration of currently owned assets such as existing garages and sheltered schemes as well as new development on land acquired either directly, or in partnership with local contractor/developers
- 3.2 **Do nothing**
This is not considered appropriate in light of Medway’s housing waiting list and strong demand for affordable housing.
- 3.3 **Develop additional housing on HRA owned garage sites**
This would add to Medway Council’s housing stock enabling more affordable housing to be made available to those on Medway’s housing list.
- 3.4 **Develop housing on surplus General Fund Land**
This would also add to Medway’s Council housing stock, however the land would need to be appropriated and the cost of the land would need to be factored into the viability of the development.
- 3.5 **The acquisition of development sites and or land and build package arrangements with contractors/developers**
This could represent poorer value for money because the land would need to be acquired. However it is likely that these opportunities could be brought forward within a short time frame.

3.6 Remodel homes for independent living

Some of Medway's independent living schemes are outdated and in need of either being remodelled or demolished and a new building created in its place. This would benefit residents and improve the service to customers.

3.7 Remodelling of all or part of an existing Council estate

This is a long-term option where the Council could promote a sense of place through the introduction of new tenures, good design and visual identity. It would have to demonstrate substantial additional amenity value to residents and increased asset value to the stock.

4. Advice and analysis. It is intended to take forward a number of work streams over time:

4.1 Develop additional housing on HRA owned garage sites

4.1.1 This would establish and deliver a development programme in the short term as the land is already HRA owned. Those sites considered having residential development potential have recently been reviewed and a site visit undertaken by officers.

4.1.2 Discussions have taken place with the Housing Management Team on these sites and they are supportive of the proposals. Positive initial discussions have taken place with Development Management who are generally supportive and as a result more detailed work will be carried out on each site.

4.1.3 9 garage sites are being investigated which could have the potential to create 22 affordable homes across Gillingham, Twydall and Rainham.

4.1.4 A schedule of potential sites is attached at Appendix 1

4.1.5 Way Forward: - Architects have been appointed to work up proposals and officers will carry out a full due diligence exercise, with a view to proceeding with development on sites, providing projects represent value for money.

4.2 Develop housing on surplus General Fund Land

4.2.1 One site at Beatty Avenue Gillingham (which is part of the former Gillingham Community College site) has been identified as potentially suitable for approximately 30 affordable homes. A site visit has taken place with Development Management whose initial advice is that the site has development potential.

4.2.2 The adjoining Will Adams Pupil Referral Unit needs to be extended and a small part of the land at Beatty Avenue will be needed to enable this to happen. The exact extent of the land is still to be agreed.

4.2.3 The former Gillingham Community College closed on 31 August 2001, as a result Legal Services has confirmed that the Council is beyond the time limits for the need to obtain Department For Education consent to change the use of the land.

4.2.4 Way Forward: - Architects have been appointed to work up proposals and officers are carrying out a full due diligence exercise with a view of proceeding

with development, providing the project represents value for money. The land would need to be transferred from the general fund at an appropriate figure.

4.3 The acquisition of development sites and or land and build package arrangements with contractors/developers

4.3.1 This area of activity has the potential of bringing new homes forward fairly quickly, albeit the land will have to be purchased and be more expensive than developing on just HRA land. However as the amount of readily developable land that the HRA controls is limited this option must be available if new affordable homes are to be provided.

4.3.2 Way Forward: - Officers will continue to investigate a number of opportunities that have been brought directly to the Council and will carry out due diligence exercise to ascertain if any are suitable to bring forward for development.

4.4 Remodel homes for independent living

4.4.1 Medway HRA owns 8 homes for independent living providing approximately 286 flats.

4.4.2 Following an earlier desktop exercise reviewing demand for and repair cost of the Council's homes for independent living, 4 schemes were identified for further investigation. These are Marlborough House, Longford Court, Brennan House and Esmonde House.

4.4.3 A consultant was instructed to carry out an options appraisal in respect of Marlborough House and has subsequently been instructed to carry out option appraisals for the other 3 schemes identified above.

4.4.4 Way Forward: - Once the consultants have completed the option appraisals and officers carried out a due diligence exercise a recommendation will be initially discussed with the Portfolio Holder before bringing any report forward to Cabinet.

4.5 Proposed Programme

4.5.1 An indicative programme has been set out below in respect of the work streams that will be coming forward in the short term namely the development of housing on HRA and General Fund Land and the purchase of former right to buy property.

- August– October 2013: Gain Council approval to build new HRA properties.
- August 2013: Development related consultants appointed: Architect and Employers Agent.
- August–September 2013: Scheme feasibilities and site surveys carried out.
- September – October 2013: Pre-application meetings
- October – November 2013: Design development.
- October – November 2013: Employers requirements completed.
- October – November 2013: Gateway 1 Invitation to go to tender
- November – December 2013: Planning applications submitted.

- December 2013: Gateway 2 Tender sign off.
- February – March 2014: Gateway 3 Approval to let building contract.
- April –May 2014: Build contract let.
- April –December 2015: Schemes completed

4.6 Governance Arrangements

4.6.1 The process that will need to be followed seeking authority to get both the HRA development programme within the Council's capital programme and to spend the Headroom is as follows:

- Business Support Overview and Scrutiny Committee: 19 September 2013
- Cabinet Approval: 1 October 2013
- Council Approval: 17 October 2013

4.6.2 The Project Manager will report progress to the Directorate Management Team and Officer Project Board for onwards transmission to the Members Project Advisory Group. In addition to which regular reports will be submitted to the HRA Development Board as part of the overall HRA Development Programme.

4.6.3 Individual development proposals will be submitted to Cabinet for approval in due course.

5. Risk management

5.1 The principal risks that have been identified to date are as follows:

Risk	Description	Action to avoid or mitigate risk	Risk rating
Financial	Inclusion in capital programme not agreed.	The flexibility for this spend has been made available by government and the HRA is ring-fenced for housing.	D2
Programme delays	Delays due to inefficient consultant, planning issues, internal procurement process or building contractor.	Attention to detail has been made when appointing the main consultants. Effective Project Management and programme monitoring will take place.	C2

Public Relations	Unfavourable response to The proposals from the surrounding residents and unfavourable press interest	Detailed consultation and resident engagement programme will be put in place.	C3
Quality Control	Poor quality construction not in accordance with the Councils requirements	Detailed requirements to be worked up prior to going out to tender, site inspection function built into consultants services	D2
Additional costs arise	Additional costs arise during the course of the project	Efficient and effective project Management and programme monitoring will take place. The build contract will be let on a design and build fixed priced basis.	D2
Political	Programme currently enjoys political support but Members may not support individual projects	Detailed consultation With Ward Members	D1

6. Consultation

- 6.1 Discussions and consultation will take place in respect of the garage and Beatty Avenue projects with Ward Members, tenants groups and local residents once proposals have been worked up. The HRA Development will provide guidance on the consultation.
- 6.2 Should the HRA Development Board decide to move forward with proposals to remodel homes for independent living, working with tenants and involving them in the design process will be critical to the success of the project.

7. Financial and legal implications

- 7.1 The financial implications are contained within the report.
- 7.2 The Council is under a duty per S123 of the Local Government Act 1972 to obtain best consideration, when disposing of land or appropriating it from the general fund to the HRA

7.3 The Council will be required to borrow up to the maximum headroom available to finance the HRA development programme.

7.4 The Chief Finance Officer will ensure all borrowing will be within the approved limit, and in accordance with the approved treasury policy statement as per Medway Council's Constitution.

8. Recommendations

8.1 The Committee is asked to recommend the Cabinet that it:

- Recommends the Full Council to approve the addition of a £5.5m housing development programme to the Council's Capital Programme funded by utilising the £5.5m borrowing Headroom available to the HRA.

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Background papers

Housing Revenue Account Capital and Revenue Budget 2012/13

HRA Development - Garage site
Schedule

Appendix 1

Address	Area	Ward	Numbers	Type
Westerham Close (inc adj 15)	Twydall	Twydall	3	B
Charing Close	Twydall	Twydall	1	H
Beechings Way	Twydall	Twydall	3	H
Eastcourt Lane	Twydall	Twydall	1	H
Begonia Ave	Twydall	Twydall	3	H
Romany Rd	Twydall	Twydall	4	B/H
Tangmere Close	Gillingham	Gillingham Nth	4	H
Buttermere Close	Gillingham	Gillingham Nth	2	H
Hazlemere Drive	Gillingham	Gillingham Nth	1	H
			22	

Key

B - Bungalow
H - House