

## **CABINET**

**29 OCTOBER 2013**

### **HOUSING REVENUE ACCOUNT DEVELOPMENT PROGRAMME**

Portfolio Holder: Councillor Howard Doe, Housing and Community Services

Report from: Robin Cooper, Director of Regeneration, Community and Culture

Author: Ian Hagger, HRA Development Manager

#### **Summary**

This report seeks approval to proceed with the first two individual work streams within the Housing Revenue Account (HRA) Development Programme and seeks approval for officers to appropriate land at Beatty Avenue, Gillingham, from the General Fund to the Housing Revenue Account.

#### **1. Budget and Policy Framework**

- 1.1 At the meeting of the Council on 17 October, approval was given to include the HRA development programme within the Council's Capital Programme and to use borrowing "headroom" available to the HRA to fund the HRA Development Programme. The HRA headroom available as at April 2013 is £5.5m and this is estimated to increase by approximately £800,000 per annum.
- 1.2 The HRA Development Programme will aim to address the areas of most need as identified in the Council's Housing Strategy and to assist existing tenants who wish to downsize to a smaller home.
- 1.3 In accordance with the Constitution, Cabinet authority is required to appropriate land.

#### **2. Background**

- 2.1 It has been agreed to increase Medway's existing housing stock by using the available headroom to finance a house-building programme.
- 2.2 Proposed work streams for inclusion within the HRA Development Programme have been identified as follows:

- 2.3 Develop additional housing on HRA owned 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. The opportunity cost of developing the HRA land will need to be factored in when considering whether the project offers value for money.
- 2.4 Develop housing on surplus General Fund Land: This would also add to Medway Council's housing stock; however the appropriation cost of the land would need to be factored in when considering whether the project offers value for money.
- 2.5 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.
- 2.6 Remodel homes for independent living: Some of Medway's independent living schemes (formerly sheltered) are outdated and in need of improvement. Options could include either remodelling or demolition and a new building created in its place. This would benefit residents and improve the service to customers.
- 2.7 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.
- 2.8 From the five work streams identified above and considered by Full Council on 17 October 2013, this report requests approval to proceed with the first two work streams:
- The development of some HRA garage sites
  - Land at Beatty Avenue, which is unused General Fund Land.

### **3. Options**

#### **3.1 Develop additional housing on HRA owned sites**

At the meeting of Council on the 17 October 2013, Members were advised of the HRA sites currently under consideration. These are garage sites that are generally underused for car parking and are, in many instances, in a poor condition. All garage sites within the HRA have been considered for development and those suitable selected for further consideration.

#### **3.2 Develop housing on surplus General Fund Land**

At the meeting of Council on the 17 October 2013, Members were advised that the site at Beatty Avenue (which is part of the former Gillingham Community College site) has been identified as potentially suitable for affordable homes.

#### **3.3 Do Nothing**

This is not considered appropriate in light of Medway's housing waiting list and strong demand for affordable housing.

## **4. Advice and Analysis**

### **4.1 Develop additional housing on HRA owned sites**

- 4.1.1 Architects have worked up initial proposals for the sites, which have been subject to positive discussions with officers in Development Management and Integrated Transport Services.
- 4.1.2 A full due diligence process is currently taking place. The Council's legal team has provided full Reports on Title for each of the sites for which new homes are proposed, this has indicated that there are rights of way that would prevent the Council developing four of the sites for housing. Should these issues not be resolved, this will reduce the numbers of new homes proposed by seven. The Council's Asset and Property Services Team have been instructed to commence discussions with owners of adjoining houses who have the benefits of the rights of way with a view to the rights of way being varied or removed.
- 4.1.3 A schedule is attached at (Appendix A) indicating the number of garages for each of the sites, the current occupancy level, rental income, whether they are let out to Council tenants or others and how far away from the garage block that the licence holder resides.
- 4.1.4 The current policy is that garages are let on a weekly licence at a rent of £6.25 for Council tenants and £8.33+ vat for non-Council tenants. Either party can terminate the licence on a week's notice. Notices will be issued to terminate the licences in good time to allow vacant possession of the garage sites for the contractor to proceed with the proposals in accordance with the programme outlined in paragraph 5.1 below.
- 4.1.5 The Council intends to offer, on termination of the existing licence, an alternative garage to the licence holders within another block in close proximity to that which they currently use, subject to availability.
- 4.1.6 Should officers be able to resolve the issues currently identified and complete the full due diligence process this would result in nine sites that would be suitable for the provision of new housing; these sites could produce 23 new homes. The range of accommodation proposed is a combination of 1 bed bungalows for the elderly, 2, 3 and 4 bedroom homes for general family housing, including one or two houses specially adapted to full wheelchair requirements. All the homes would be made available to rent at formular levels. The sites and the proposed schedule of accommodation set out in (Appendix B).
- 4.1.7 Further sites are being investigated and will be added to the programme if they are suitable and fulfil the value for money criteria.
- 4.1.8 It is proposed that all the houses are constructed to the Homes and Communities Agencies Design and Quality Standards to a minimum Level 3 of the Code for Sustainable Homes.
- 4.1.9 The approximate estimated financial implications for this work steam, which excludes the opportunity costs of not selling the garage sites of £575,000 is as follows:

- **Expenditure**

Construction Costs	£ 2,877,000
Project Fees	£ 179,000
Total Expenditure	£ 3,056,000

- **Funding**

HRA Headroom Borrowing	£3,056,000
Total Funding	£3,056,000
This equates to £132,869 per dwelling.	

4.1.10 The consultants that have been appointed by the Council for this work stream have provided the indicative cost estimate for the proposed construction works.

4.1.11 It is considered that the Council would not be able to purchase similar sized and quality of housing on the open market therefore this proposal represents value for money.

## **4.2 Develop housing on surplus General Fund Land**

4.2.1 The former Gillingham Community College, Woodlands Road, closed on 31 August 2001; the Council's legal team has confirmed that the Council has passed the time limits for the need to obtain Department For Education consent to change the use of the land. The majority of the land is currently zoned in the Medway Local Plan as protected open space, should the planning application for residential development be approved at Planning Committee, this will have to be referred to the Department for Communities and Local Government as a departure from the approved local plan.

4.2.2 Consideration is being given to an extension of the adjoining Will Adams Pupil Referral Unit site and a part of the land at Beatty Avenue would need to be given over to enable this to happen. The exact extent of the land is still to be agreed.

4.2.3 Architects have worked up initial proposals for the sites, which have been subject to positive discussions with both Development Management and Integrated Transport.

4.2.4 A full due diligence process is currently taking place, at the present time the proposal is to develop the land to provide 43 affordable homes to rent at target rent levels comprising the following accommodation:

- 5 x 1 bed flats
- 11 x 1 bed bungalows
- 4 x 2 bed flats
- 2 x 2 bed bungalows
- 2 x 2 bed houses
- 9 x 3 bed houses

4.2.5 It is proposed that all the houses are constructed to the Homes and Communities Agencies Design and Quality Standards to a minimum Level 3 of the Code for Sustainable Homes.

4.2.6 The approximate estimated financial implications for this work stream is as follows:

- **Expenditure**

Land Cost (Estimated Appropriation)	£ 440,000
Construction Costs	£4,674,636
Project Fees	£ 389,591
Total Expenditure	£5,504,227

- **Funding**

HRA Headroom Borrowing	£5, 504,227
Total Funding	£5, 504,227
This equates to £128,005 per dwelling	

4.2.7 The consultants that have been appointed by the Council for this work stream have provided the indicative cost estimate for the proposed construction works.

4.2.8 The land would need to be transferred (appropriated) from the general fund at market value and this figure will be agreed at the time of the transfer, once details of the amount of development permitted on the site and any planning conditions/S106 requirements are known as a result the figure used above is at present an estimated figure.

4.2.9 It is considered the Council would not be able to purchase similar sized and quality housing in the location on the open market and therefore this proposal represents value for money.

## 5. Proposed Programme

5.1 An indicative programme has been set out below in respect of the two work streams for which the Council will procure this project through a phased design and build contract.

- October 2013: Pre-application meetings
- October – November 2013: Design development.
- October – November 2013: Employer's 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.
- May –September 2014: Build contract let.
- April 2015 –June 2016: Schemes completed

## 6. Risk management

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

<b>Risk</b>	<b>Description</b>	<b>Action to avoid or mitigate risk</b>	<b>Risk rating</b>
Financial	HRA capital costs are being used to work up the proposals for the Beatty Avenue site which is currently in the General Fund	Early discussions have taken place with Development Management in order to avoid abortive costs.	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	Communication will be managed in conjunction with the Councils Communications Team to ensure unfavourable publicity is minimised	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 Support	Programme currently enjoys political support but Members may not support individual projects	Detailed consultation With Ward Members	D1
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## 7. Consultation

- 7.1 Initial discussions and consultation have taken place with Ward Members together with the Portfolio Holder for Housing and Community Services. Medway residents and existing tenants will be able to view proposals at a number of communication events organised in advance of the detailed planning applications and will be encouraged to submit any comments via the formal planning consultation process to ensure their views are properly taken into account. The Portfolio Holder and Ward Members will continue to be consulted should these proposals be agreed.

## 8. Financial and legal implications

- 8.1 The financial implications are contained within the report.
- 8.2 The approximate estimated cost of this capital scheme is £8,560,227 and it is proposed to fund this scheme from borrowing created with the introduction of HRA self financing.
- 8.3 The Council is under a duty in respect of 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.
- 8.4 As a consequence of financing these schemes the Council will be required to borrow close to the maximum headroom available to finance the HRA development programme.

## 9. Recommendations

Cabinet is recommended to:

- 9.1 Agree to proceed with the option to develop additional housing on Housing Revenue Account (HRA) sites, as set out in paragraph 4.1 of the report and the option to develop additional housing on one General Fund site at Beatty Avenue, Gillingham, as set out in paragraph 4.2 of the report.
- 9.2 Delegate authority to the Assistant Director of Legal and Corporate services in consultation with the Portfolio Holder for Finance and Deputy Leader to appropriate the land at Beatty Avenue from the General Fund to the HRA.
- 9.3 Delegate authority to the Director of Regeneration Community and Culture in consultation with the Portfolio Holder for Housing and Community Services to add further sites to the HRA site programme as they become available, as set out in paragraph 4.1.7 of the report.

## **10. Suggested reasons for decision(s)**

- 10.1 This proposed development programme would both improve and add to the HRA's existing housing stock, which will benefit existing tenants and Medway residents that qualify for affordable housing

### **Lead officer contact**

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### **Background papers**

Housing Revenue Account Capital and Revenue Budget 2012/13  
<http://democracy.medway.gov.uk/mglssueHistoryHome.aspx?lId=9730>



**Existing Garage Sites at September 2013**

**Appendix A**

<b>Address</b>	<b>No. Garages</b>	<b>No. Void</b>	<b>No Rented</b>	<b>% Void</b>	<b>Existing Tenants</b>	<b>Private Tenants</b>	<b>% Private Tenants</b>	<b>Inside 200m radius</b>	<b>Outside 200 m but inside Medway</b>	<b>Outside Medway</b>	<b>Rent Received PW</b>
Westerham Close	19	6	13	32	6	7	54	7	6	0	107.43
Charing Close	15	4	11	27	5	6	55	6	5	0	91.19
Eastcourt Lane	14	4	10	29	2	8	80	4	4	2	85.99
Begonia Ave	27	6	21	22	7	15	71	7	14	0	193.60
Romany Rd	55	15	40	27	7	33	83	23	17	0	327.82
Tangmere Close	14	8	6	57	3	3	50	5	0	1	48.72
Buttermere Close	24	17	7	71	2	3	43	3	1	1	42.77
Hazlemere Drive	16	8	8	50	2	6	75	3	5	0	72.44
<b>Totals</b>	<b>184</b>	<b>68</b>	<b>116</b>	<b>37</b>	<b>34</b>	<b>81</b>	<b>70</b>	<b>58</b>	<b>52</b>	<b>4</b>	<b>969.96</b>

NB 2 garages in Buttermere Close are used by caretakers for storage



**HRA Development - Garage site  
Schedule**

**Appendix B**

<b>Address</b>	<b>Area</b>	<b>Ward</b>	<b>Numbers</b>	<b>Accommodation</b>
Westerham Close (inc adj 15)	Twydall	Twydall	3	1B 2PB
Charing Close	Twydall	Twydall	2	2B 4PH
Beechings Way	Twydall	Twydall	3	3B 5PH
Eastcourt Lane	Twydall	Twydall	1	4B 6PH
Begonia Ave	Twydall	Twydall	3	3B 5PH
Romany Rd	Twydall	Twydall	4	1B 2PB
Tangmere Close	Gillingham	Gillingham Nth	4	2B 4PH
Buttermere Close	Gillingham	Gillingham Nth	2	2B 4PH
Hazlemere Drive	Gillingham	Gillingham Nth	1	5B 7PH
			23	

Key

B - Bungalow

H - House