

Southend-on-Sea Borough Council

Agenda
Item No.

8

Report of Deputy Chief Executive (People)

to
Cabinet
On
14 March 2017

Report prepared by: Andrew Fiske, Group Manager: Housing

Future Phases of the Housing Revenue Account (HRA) Development Project

Relevant Scrutiny Committee: Policy and Resources Scrutiny Committee
Executive Councillor: Councillor Mark Flewitt
A Part 1 (Public Agenda Item)

1. Purpose of Report

- 1.1 To provide an overview of the future phases of the HRA Land Review Project which seeks to meet the Council's aim of developing affordable housing in the borough and request agreement to progress with the second phase of the project.

2. Recommendations

- 2.1 That the Cabinet Agrees to:-
- a. Bring forward the following sites within Phase 2 of the HRA Land Review Project for development:-
 - Rochford Road – 15 units
 - Audleys Close – 1 unit
 - b. Undertake resident consultation, finalise plans and submit a detailed planning application
 - c. Agree the proposed method of funding for the project from the 2017/18 capital programme to be met from the HRA Capital Investment Reserve
 - d. Undertake further feasibility work of a number of sites that would form future phases of the HRA Land Review Project.

3 Background

- 3.1 The need for affordable housing within the borough is as great as ever and the Council's commitment to addressing this is well documented. The Council's Corporate Priorities and the aims of the Strategic Housing Strategy 2011-21 both reflect this.
- 3.2 Following an assessment of 124 parcels of Housing Revenue Account (HRA) land, a Cabinet paper in July 2014 entitled *Investigation of potential development sites on HRA Land* further detailed the sites identified within a

feasibility study. These sites were packaged in 3 distinct phases – Phase 1 (Shoeburyness), Phase 2 (St. Laurence), and Phase 3 (Blenheim/Belfairs). The pilot scheme for the first new Council house was completed in Byron Avenue and Phase 1 (18 properties), currently being built in Shoeburyness, will be finished in the next few months.

- 3.3 The architects for Phase 1 of the project, AK Design, have also progressed with the feasibility assessment for the sites within Phase 2. This feasibility work has further developed the opportunities and constraints for each site which has necessitated some changes to sites included within this phase. The sites in Phase 2 are within the St Laurence ward and it is anticipated these sites will yield 16 properties as per below.

Phase 2

Ward	Site	Total Housing Units
St Laurence	Rochford Rd	15
St Laurence	Audleys Close	1
	Total	16

- 3.4 The proposed sites are two underutilised garage sites in the St Laurence ward of the borough. The larger site is on Rochford Road, and the second site is in Audleys Close.



- 3.5 Land within Bishop House had previously been included within Phase 2; however this proved to be an unviable site.

- 3.6 The Rochford Road garage site has the potential for:

- 12 x 2 bedroom flats (4 of which will be ground floor and designed to be adapted/adaptable)

- 3 x 3 bedroom houses

3.7 The Audleys Close garage site is an extremely constrained site, and as a result it only has the potential for 1 x 2 bedroom bungalow, which has been designed for disabled use.

Finances

3.8 Phase 1 of the HRA Land Review project achieved a contract value of just over £2.5m, with on-costs bringing the total project to the value £2.8m. This equated to just under £1600 per m² + on costs.

3.9 Using the HRA Phase 1 tendering process as a point of reference and understanding that the cost of construction is increasing it is anticipated a build cost of around £2100m² could be achieved. The following figures have been calculated on the assumption that the build cost will be £2100m² + 15% SBC on-costs (allowing for new transport works as well).

Upon liaising with the development teams of local Registered Providers, and utilizing our cost plan (prepared by Pellings LLP) from Phase 1 it is recognized the average build cost per square meter is approximately £2000. It is worth noting that the cost of materials post brexit has been estimated to have increased 10-15%.

Southend's on-costs may include (but not limited to) party wall matters, demolition costs, site investigation works, planning fees, utility services consultation, employers agent, clerk of works, capitalization of officer's time, consultation and media event costs.

Site	Build Area m ²	Build Cost	On costs (15%)	Total
Rochford Road	1052.55	£2,210,355.00	£ 331,553.25	£ 2,541,908.25
Audley's Close	88.27	£ 185,367.00	£ 27,805.05	£ 213,172.05
Total	1140.82	£2,395,722.00	£ 359,358.30	£ 2,755,080.30

Funding

3.10 Due to changes in national Housing and planning policies, the Strategic Housing team have secured an increase in Section 106 contributions from developers in lieu of them providing affordable housing on their sites. This funding can be utilised alongside HRA Right-to-Buy (RTB) receipts and the HRA Capital Investment Reserves as demonstrated in the rounded figures below:

Overall project cost	£ 2,755,000
RTB Contribution (30%)	£ 826,500
S106 Contribution (15%)	£ 413,250
HRA Capital Investment Reserves (55%)	£ 1,515,250

Estimated Timescales

3.11 Any programme for the delivery of this project which would be subject to more detailed consultation and procurement decisions but a draft programme is as follows:-

- Cabinet Agreement to progress with Phase 2 of the HRA land Review – March 2017
- Architect Procurement – March 2017
- Planning/Member/Resident Consultation – February/March 2017
- Planning Application – March 2017
- Contractor Tender –Summer 2017
- Start on Site – Autumn 2017
- Completion – Autumn 2018

Review of HRA Land Future Phases

3.12 In addition to the previously outlined Phase 2, further phases have been identified. This includes land within Blenheim Park, Belfairs, Shoeburyness and Southchurch wards. The timing of these schemes will be based on the amount of funding available in future years and details will be brought back to the Cabinet for agreement accordingly. In the meantime it is proposed that Officers progress some further feasibility work to determine which sites can be brought forward.

Phase	Site Location	Est.Unit No's	Indicative Cost
Future Phase	Blenheim Park & Belfairs	18	£3.3m
Future Phase	Shoeburyness	14	£2.7m
Future Phase	Southchurch	22	£4.1m
	Total	45	£10.1m

4. Other Options

4.1 The alternate options available to the Council have been evaluated and are detailed below:

4.2 Do Nothing – This option considered leaving the existing garage areas in their current underused state. This option would not increase community safety and reduce antisocial behaviour and its associated costs. It also would not meet the Council's ambition of developing further affordable housing in the borough. Therefore it does not meet the Council's corporate priorities.

4.3 Transfer Land to a Registered Provider – This option would follow a development route used in previous projects to develop underused garage sites whereby land is transferred to an RP to develop the site in exchange for nominations rights in perpetuity. This approach means a loss of capital assets and potential future revenue income to the HRA.

- 4.4 Sale of Sites on the Open Market – This option would allow some the sites to be sold on the open market with the receipts reinvested in the HRA, potentially to be used for future housing development phases. This approach means a loss of potential future revenue income to the HRA.

5 Reasons for recommendations

- 5.1 Further to the Council’s successful pilot project of house building at 32 Byron Avenue and first housing development programme in Shoeburyness, it is recommended that pursuing a further development phase (Phase 2) is the most appropriate course of action. It is anticipated that this option will have wider community benefits, will ensure a longer term revenue income to the HRA and will meet the Council’s ambition for building further affordable housing.

Corporate Implications

- 6.1 Contribution to Council’s Vision & Corporate Priorities

The development of new affordable housing in the borough meets the Council’s Corporate Priority to *“Enable the planning and development of quality, affordable housing.”*

- 6.2 Financial Implications

An agreement to be made with the Finance department in regards to the funding of this Phase of the HRA Land Review project which has been estimated at £2.75m. The use of Right to buy receipts can equate to a maximum of 30% (£826k). Due to a change in S106/ Commuted sums policy the council are now in a position to fund 15% of the build (£413k) from payments received from developers. This would result in a capital cost to the Council of £1.51m.

Overall project cost	£ 2,755,000
RTB Contribution (30%)	£ 826,500
S106 Contribution (15%)	£ 413,250
HRA Capital Investment Reserves (55%)	£ 1,515,250

A further feasibility study into the redevelopment opportunities of future phases would cost an estimated £15k to be funded through Section 106 contributions.

Revenue Generation

It should also be noted that a number of additional income streams will be available to Council should these development come forward, in particular the rental income and associated Council Tax and New Homes Bonus from the additional properties.

- 6.3 Legal Implications

None at this stage but will be investigated as part of the process if a decision is taken to proceed with further work on the sites.

6.4 People Implications

There are currently no people implications envisaged.

6.5 Property Implications

The development of additional affordable housing units on HRA land would provide much needed housing for those on the Council's Homeseeker's Register. Rents would need to be set at a level which is affordable and in line with statutory guidance.

6.6 Consultation

Initial consultation with the Planning department has been undertaken for Phases 2 of the Review of HRA Land Project however future phases will need to be consulted upon. Further consultation will be necessary on all schemes with South Essex Homes Officers to ensure integration with capital works or refurbishment projects such as the garage refurbishment programme.

Consultations with the Portfolio Holder, Ward Members, local residents and other stakeholders will take place once a decision has been taken as to how the project will proceed.

6.7 Equalities and Diversity Implications

No Equality and Diversity Implications to consider at this stage.

6.8 Risk Assessment

The necessary risk assessment work will be undertaken in regards to development of Council owned land and this risk will be mitigated by working with Legal and Assets teams to establish site constraints and by undertaking full site investigation work.

6.9 Value for Money

The Council may be able to bring additional larger units back into family use by allowing under-occupiers to move into the smaller units, including those tenants affected by the Spare Room Subsidy ("Bedroom Tax")

The Council could potentially reduce revenue funding by moving vulnerable people who do not require residential accommodation into more appropriate housing and reduce the use of rent deposit and temporary accommodation by moving housing register applicants into appropriate housing.

6.10 Community Safety Implications

Previous projects have shown that redeveloping underused garage sites has reduced antisocial behaviour and has had positive impact on community safety in the immediate and surrounding areas.

6.11 Environmental Impact

There is an aspiration that, within the limits of financial viability, any new properties developed would be constructed to a high energy efficient standard however environmental impact of development on each site would need to be considered as part of the consultation and planning process.

7. **Background Papers**

Report to Cabinet on 1st July 2014, *Investigation of potential sites on HRA Land*