

Southend-on-Sea Borough Council

Agenda
Item No.

Report of Deputy Chief Executive (People)

To

Cabinet

On

17th January 2019

Report prepared by: Glyn Halksworth, Head of Housing and
Social Inclusion

Future Phases of Affordable Housing Development Programme Update

Policy and Resources Scrutiny Committee
Cabinet Member: Councillor Tony Cox
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, request agreement to progress with Phases 3 & 4 of the project to fund and construct 56 units of affordable housing and undertake feasibility studies for Phases 5 & 6 of the project.
- 1.2 To provide an update and seek agreement to undertake Modern Methods of Construction (MMC) pilot projects across 2 garage sites and develop a Land Purchase Fund using existing S106 contributions.

2. Recommendations

That Cabinet agrees to:

- a. Bring forward sites within Phases 3 and 4 of the HRA Land Review,
- b. Undertake further feasibility work of a number of sites that will form Phases 5 & 6 of the HRA Project,
- c. Agree the proposed method of funding for the projects and also agree the use of S106 funds for the feasibility works for Phases 5 & 6 (to a maximum of £50,000),
- d. Investigate the options for the delivery of 2 garage sites for Modern Methods of Construction (MMC) pilots to include undertaking a procurement exercise of solutions put forward by the market and also a value for money exercise. Furthermore, to explore subsequent pilot sites to test Modern Methods Construction on a broader scale.

e. To agree the use of S106 contributions received from developers in order to facilitate the provision of affordable housing through the creation of an ongoing fund for the purchase of developable land in the borough.

3. Background

3.1 The need for affordable housing within the borough is greater than ever and the Council's commitment to addressing this housing need for affordable housing is well documented with the Council's Southend 2050 Vision & the Housing, Homelessness and Rough Sleeping Strategy both reflecting this.

3.2 The March 2017 Cabinet report titled *Future Phases of the Housing Revenue Account (HRA) Development Project* agreed to build on the success of the Phase 1 of the HRA Land Review and to bring forward sites in Phase 2 of the project. It also agreed to undertake feasibility work on a number of sites that would form future phases of the HRA Land Review Project.

3.3 Phase 2 of the project is now underway; with Essex based Marfleet Construction appointed as main contractor for the works and completion estimated by summer 2019. Initial feasibility and ground investigation works have also been carried out for Phases 3 & 4 of the project.

HRA Land Phase 3 overview

3.4 Phase 3 of the HRA Land Review Project consists of the redevelopment of 5 underutilised garage sites in the east of the borough, within the Shoeburyness Ward.



- 3.5 The site plan above highlights 7 garage sites around the Eagle Way estate as part of the project however it is proposed to only redevelop 5 for affordable housing with the other 2 earmarked to meet the need for garage hire/relocation (highlighted as R).

Site	Potential Units Nos
Eagle Way (former compound location)	12
Eagle Way 1	3
Eagle Way 3	2
Fraser Close site 3	6
Anson Chase 2	2
Total	25

- 3.6 The majority of the sites earmarked for redevelopment are predominantly void, with the exception of Fraser Close site 3, which only has two voids. There will be 17 garage tenants displaced by the redeveloped sites. The alternative garages will have capacity for another 4 units, leaving 13 units to relocate. There are several nearby garage sites which have been refurbished in recent years, and have capacity (16 available garages) to accommodate the displaced tenants.

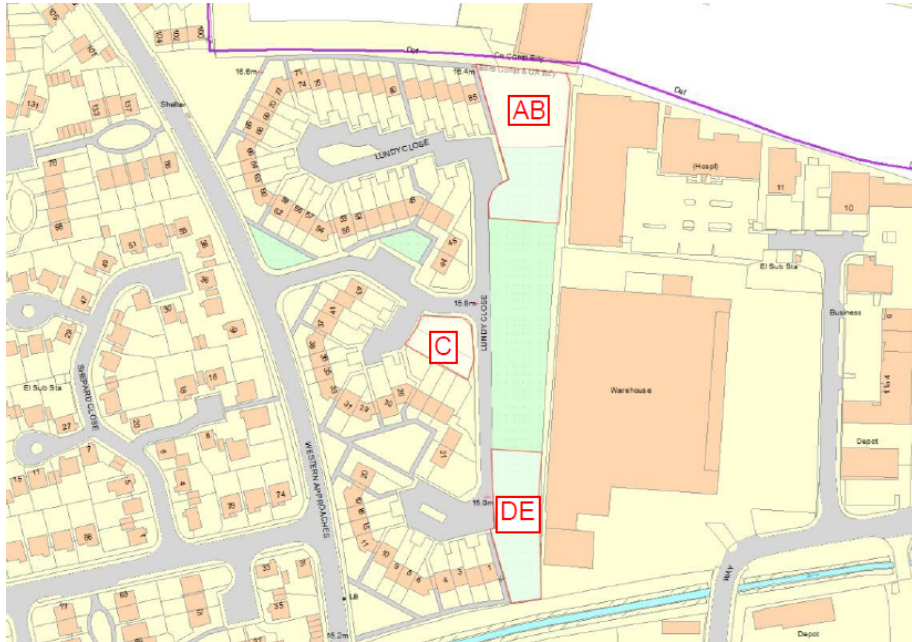
3.7 Finances

In the event the potential unit numbers are achievable, it is anticipated that the total project cost will be £4.9m. The proposal is for the funding to be met by the Housing Revenue Account (HRA) Capital Reserves and the remainder (30%) from Right to Buy (RTB) receipts.

Phase 3: Funding Breakdown	
HRA (70%)	£ 3,432,082.50
RTB (30%)	£ 1,470,892.50
Total	£ 4,902,975.00

HRA Land Review Phase 4 overview

- 3.8 Phase 4 consists of 3 sites within Lundy Close estate within the St Laurence ward, utilising areas of underutilised land to the east of the housing estate bordering the industrial estate.
- 3.9 The sites in this phase are highlighted overleaf along with the potential unit numbers (although these may be subject to change following the planning process).



Site	Potential Units Numbers
Lundy Close Site AB	21
Lundy Close Site C	3
Lundy Close Site DE	7
Total	31

Further site investigation is required to determine site conditions and confirm unit numbers. There are constraints to bear in mind, which include the proximity to some mature trees and a brook to the south.

3.10 Finances

An external feasibility study has indicated the cost of developing Lundy Close will be £6.34m. However, after taking into account the build costs for phases 1 & 2 we anticipate £6.19m will be sufficient. The proposal is for the funding to be met from the Housing Revenue Account (HRA) Capital Reserves with the remainder (30%) from Right to Buy (RTB) receipts.

Phase 4: Funding Breakdown	
HRA (70%)	£ 4,331,250.00
RTB (30%)	£ 1,856,250.00
Total	£ 6,187,500.00

Modern Methods of Construction (MMC)

3.11 Modern Methods of Construction (MMC) is a process that can encompass the use of new and traditional materials often with extensive factory produced sub-assembly sections and components.

This may be in combination with accelerated on-site assembly methods and often to the exclusion of many of the traditional construction industry trades.

3.12 MMC can be known by a number of terms such as prefabrication, modular housing or precision manufacturing. MMC comes in many different forms; however the main systems the Council is focusing on are as follows:

- Volumetric / Modular – Units produced in a factory, fully fitted before transport and stacked onto prepared foundations
- Panellised – Flat panels built in a factory and transported and assembled on site.
- Hybrid – modular units integrated with a panelised system

There are a number of potential benefits to utilising a MMC approach for house construction such as speed of build, reduction in defects, cost reduction (on larger scale schemes), waste reduction and energy savings for tenants.

3.13 In line with the priorities of the Council's Housing, Homelessness and Rough Sleeper Strategy, there is potential for the Council to develop two sites in Saxon Gardens (Shoeburyness) ourselves as a pilot for the use of Modern Methods of Construction (MMC). This would give the Council not only a first experience in utilising innovative building techniques but also comparator data with our current new build housing developments.

3.14 Saxon Gardens MMC Pilots



Saxon Gardens A



Saxon Gardens B

Saxon Gardens A

- 3.15 The site is currently an irregular area of open land to the rear of surrounding gardens. It is partly occupied by garages, whilst the remaining area is hardstanding.
- 3.16 The site lies to the south of Saxon Gardens and is accessed by a narrow vehicular access route. The garages and parking facility are provided for the surrounding houses. The site area is approximately 850m² or 0.085 hectares and is level.

Saxon Gardens B

- 3.17 The site is an irregular portion of open land to the rear of surrounding gardens to the south and west. To the north, the site borders a railway line, whilst to the east, lays an area of allotments. These allotments are accessed over the site via the existing vehicle access route.
- 3.18 The site is located at the end of Saxon Gardens and is a former garage site, the garages have been demolished and the accompanying hard-standing remains. The site is approximately 660 m² or 0.066 hectares
- 3.19 Preliminary feasibility work indicates that each Saxon Gardens site can accommodate 2 x dwellings houses therefore 4 units in total with a likely 8 bed spaces.

Finance

- 3.20 A preliminary feasibility study has indicated both sites can be delivered for a maximum of £1,334,000. It is intended that this will be financed with a combination of HRA Capital Reserves and Right to Buy (RTB) receipts. This cost has been estimated by an Employer's Agent based on the size of the sites and the potential costs of construction thus are subject to change.

MMC (Saxon Gardens): Funding Breakdown	
HRA (70%)	£ 933,800
RTB (30%)	£ 400,200
Total	£ 1,334,000

- 3.21 Due to the small scale, pilot nature of these sites and the innovative nature of the construction method, economies of scale will not be achieved however the purpose of using MMC for these pilots is to better understand the benefits of this approach before using it more widely.
- 3.22 As well as the requisite procurement procedure, this project will include a review mechanism which will comprise of a value for money exercise. This will ensure the costs of the construction represent appropriate value for money for Council.

3.23 Feasibility work for Future Phases & Land Purchase Fund

Future Feasibility

- 3.24 There are a number of potential Council owned sites which will constitute Phases 5 & 6 of the HRA Land Review project.
- 3.25 Preliminary site investigations and architect drawings are required in order to determine the viability of the sites as well as the potential unit numbers.
- 3.26 Due to the number of sites to consider a sum of £25,000 per phase, totalling £50,000 would be appropriate for feasibility works for Phases 5 and 6.
- 3.27 It is recommended S106 funds are utilised to finance these feasibility works.

Land Purchase Fund

- 3.28 The Council currently receives contributions from developers in lieu of providing affordable housing on site whereby there is a justifiable case that this cannot be achieved (in line with the Council's Interim Affordable Housing Statement).
- 3.29 Previously the Council has utilised these contributions to fund a proportion of the affordable house building programme via the HRA Land Review project. However, following an assessment of the available HRA land it has been recommended that these S106 funds (c. £1.4m) be used for strategic land purchase purposes. This could be in the form of assisting with land assembly or land acquisition.
- 3.30 It is intended that full business cases for the utilisation of this fund would be required for each purchase to ensure value for money. This fund would be monitored to ensure best use of funds and in the longer term will be evaluated as part of the Housing Delivery Vehicles action of the Housing, Homelessness & Rough Sleeping Strategy.

4. Other Options

- 4.1 The alternate options open 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 state. This option would not improve community safety or reduce antisocial behaviour. It would also not help the Council to meet its 2050 Vision or contribute to the 2050 road map.
- 4.3 Transfer the land to a Registered Provider – This option would follow a development route use previously to develop the Council garage sites.

This approach however means a loss of a capital assets and potential future revenue income to the HRA.

- 4.4 Sale of sites on the Open Market – This option would allow some 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 There is an established need for affordable housing within the borough as demonstrated by the local Strategic Housing Market Assessment (SHMA), and by our own Housing Register data.
- 5.2 Many of the sites identified have high maintenance costs due to antisocial behaviour (fly-tipping, vandalism etc).
- 5.3 The development of sites within our existing estates presents the opportunity to carry out regeneration works to improve the existing areas.

6. Corporate Implications

6.1 Contribution to the Southend 2050 Road Map

The development of new affordable housing in the borough works towards the Southend 2050 Safe and Well outcome of “We are well on our way to ensuring that everyone has a home that meets their needs”.

6.2 Financial Implications

The proposed capital budget for new build and feasibility will be funded by a combination of retained right to buy receipts (30%) and other HRA funds. The land assembly budget will be financed from existing affordable housing S106 developer agreements.

Overall HRA Costs of the scheme	
Phase 3	£ 4,903,000.00
Phase 4	£ 6,188,000.00
MMC	£ 1,334,000.00
Total	£ 12,425,000.00

Overall S106 Costs of the scheme	
Phase 5 & 6 Feasibility	£ 50,000.00
Land Assembly Fund	£1,400,000.00
Total	£ 1,450,000.00

Total Capital Budget	£ £13,875,000
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Revenue

It has been modelled that all the dwellings would be let at Affordable Rent levels (80% of market rent) capped by Local Housing Allowance however the Council is currently defining “Locally Affordable Rents” and these units will be in line with this prescribed rent level once agreed.

If Saxons Gardens MMC Pilot and both Phases of the HRA Land Review are brought forward, this would result in combined net revenue of £303,646 per year after management and maintenance costs and the cost financing.

	2 Bed Flat	3 Bed House	Total units	Gross Income (after voids)	Management and maintenance allowance *	Net revenue
Phase 3	18	7	25	203,432	80,000	123,432
Phase 4	21	10	31	254,584	99,200	155,384
MMC	0	4	4	37,630	12,800	24,830
	39	21	60	495,646	192,000	303,646

*Management and maintenance allowance represents the average cost over time. There should be scope to reduce the management allowance element through economies of scale under the management agreement.

The dwellings would also generate additional income through Council Tax and the New Homes Bonus.

6.3 Legal Implications

Initial consultation with the Council’s Legal team has been undertaken and the necessary Title & Land Registry checks have taken place.

6.4 People Implications

Local resident consultation will take place once the site investigation works have been completed and initial designs have been produced.

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. The Council is currently defining "Locally Affordable Rents" and these unit will be in line with this prescribed rent level once agreed.

6.6 Consultation

All necessary consultation with Members, local residents and the Planning department will be undertaken as part of the project.

6.7 Equalities and Diversity Implications

No Equality and Diversity Implications have been highlighted at this stage but will be monitored throughout the project.

6.8 Risk Assessment

Initial planning and consultation has been addressed and will continue to be monitored over the course of the project. Necessary risk register and issue logs will be used as part of the management of the project.

6.9 Value for Money

The Council may also 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")

6.10 Community Safety Implications

Previous projects have shown that redeveloping underused garage sites has reduced antisocial behaviour and have had a positive impact on community safety in the local area. Properties will also be designed to comply with Secured by Design standards.

6.11 Environmental Impact

Where possible, the housing developments will look to negate the environmental impact of the design including tree planting in the local area. At least 10% of the energy of the properties will be generated by renewable means.

7. Background Papers

Cabinet Report - July 2014 - Investigation of potential development sites on HRA Land

Cabinet Report – March 2017 – Future Phases of the Housing Revenue Account (HRA) Development Project

Cabinet Report – November 2018 – Housing, Homelessness and Rough Sleeping Strategy

8. Appendices

1. Phase 3/4 – Financial breakdown
2. Revenue breakdown
3. MMC Information
4. Potential development sites

Appendix 1

Estimated Financial Breakdown, Phase 3

Phase 3 (Shoeburyness)		Flats		Houses					
Site	Potential Units Nos	1 bed	2 bed	2 bed	3 bed	Estimated Cost	SBC on costs (5%)	Contingency (7.5%)	Total
Eagle Way (former compound location)	12		12			£ 1,848,000.00	£ 92,400.00	£ 138,600.000	£ 2,079,000.000
Eagle Way 3	2				2	£ 453,200.00	£ 22,660.00	£ 33,990.000	£ 509,850.000
Eagle Way 1	3				3	£ 679,800.00	£ 33,990.00	£ 50,985.000	£ 764,775.000
Fraser Close site 3	6		6			£ 924,000.00	£ 46,200.00	£ 69,300.000	£ 1,039,500.000
Anson Chase 2	2				2	£ 453,200.00	£ 22,660.00	£ 33,990.000	£ 509,850.000
Total	25	0	18	0	7	£ 4,358,200.00	£ 217,910.00	£ 326,865.000	£ 4,902,975.000
Phase 3: Funding Breakdown	HRA (55%)	RTB (30%)	S106 (15%)	Total					
	£ 2,696,636.25	£ 1,470,892.50	£ 735,446.25	£ 4,902,975.000					

Estimated Financial Breakdown, Phase 4

Phase 4 (St Laurence)		Flats		Houses					
Site	Potential Units Nos	1 bed	2 bed	2 bed	3 bed	Estimated Cost	SBC on costs (5%)	Contingency (7.5%)	Total
Lundy Close (North)	21		21			£ 3,234,000.00	£ 161,700.00	£ 242,550.000	£ 3,638,250.000
Lundy Close (South)	7				7	£ 1,586,200.00	£ 79,310.00	£ 118,965.000	£ 1,784,475.000
Lundy Close (Center)	3				3	£ 679,800.00	£ 33,990.00	£ 50,985.000	£ 764,775.000
Total	31		21		10	£ 5,500,000.00	£ 275,000.00	£ 412,500.000	£ 6,187,500.000
Phase 4: Funding Breakdown	HRA (55%)	RTB (30%)	S106 (15%)	Total					
	£ 3,403,125.00	£ 1,856,250.00	£ 928,125.00	£ 6,187,500.000					

Appendix 2 Estimated Revenue Breakdown

	2 Bed Flat	3 Bed House	Total units	Gross Income (after voids)	Management and maintenance allowance *	Net revenue
Phase 3	18	7	25	203,432	80,000	123,432
Phase 4	21	10	31	254,584	99,200	155,384
MMC	0	4	4	37,630	12,800	24830
Total	39	21	60	495,646	192,000	303,646

* Management and maintenance allowance represents the average cost over time. There should be scope to reduce the management allowance element through economies of scale under the management agreement.

Appendix 3 - MMC

Site	Units	Cost	SBC on-costs (10%)	SBC Contingency (5%)	Total
Saxon Gardens A	2 x 3 bedroom house	£580,000	£58,000.0	£29,000.00	£667,000
Saxon Gardens B	2 x 3 bedroom house	£580,000	£58,000.0	£29,000.00	£667,000
Total		£1,160,000	£116,000	£58,000	£1,334,000

Appendix 4 – HRA Sites

Site	Ward		Site	Ward
Bradfordbury (and surrounding land)	Belfairs		Eagle Way site 6	Shoeburyness
Danescroft	Belfairs		Elm Road	Shoeburyness
Eastwood Road North	Belfairs		Fraser Close Site 1	Shoeburyness
Little Fretches	Belfairs		Fraser Close Site 2	Shoeburyness
Shannon Close	Belfairs		Fraser Close Site 4	Shoeburyness
Rothwell Close	Belfairs		Saxon Gardens A	Shoeburyness
Bridgewater Drive	Blenheim Park		Saxon Gardens B	Shoeburyness
West Office	Blenheim Park		Saxon Gardens C	Shoeburyness
Danbury Close	Blenheim Park		Saxon Gardens D	Shoeburyness
Juniper Road 1	Blenheim Park		Saxon Gardens E	Shoeburyness
Juniper Road 2 (open land)	Blenheim Park		Goldmer Close	Shoeburyness
Mendip Crescent	Blenheim Park		Appletree Close	Southchurch
Stonehill Road	Blenheim Park		Archer Avenue A (open land)	Southchurch
Treecot Drive 1	Blenheim Park		Archer Avenue B	Southchurch
Treecot Drive 2	Blenheim Park		Archer Close	Southchurch
Yantlet	Blenheim Park		Newington Av	Southchurch
Riverstone	Chalkwell		Newington Av / Locksley Close	Southchurch
Mansell Close	Eastwood Park		Sherwood Way	Southchurch
Elizabeth Guest house	Milton		Vallance Close	Southchurch
Jones Close 1	Prittlewell		St Edmunds Close	Southchurch
Jones Close 2	Prittlewell		Audleys Close	St Laurence
Jones Close 3	Prittlewell		Hornby Avenue	St Laurence
Anson Chase B	Shoeburyness		Rochford Road	St Laurence
Anson Chase A	Shoeburyness		St Stephen's Church	St Laurence
Ashanti Close B	Shoeburyness		Lundy Close	St Laurence
Ashanti Close E	Shoeburyness		Purley Way	St Laurence
Eagle Way Site 1	Shoeburyness		Sutton Court	St Luke's
Eagle Way site 2	Shoeburyness		Cluny Square (garages/land between)	St Luke's
Eagle Way Site 3	Shoeburyness		Shelley Square (2 x parking areas)	Victoria
Eagle Way site 4	Shoeburyness		Brecon Grampian Garages	Victoria
Eagle Way site 5	Shoeburyness			