

URGENT BUSINESS AND SUPPLEMENTARY INFORMATION

Council

29 May 2014

Agenda Item Number	Page	Title	Officer Responsible	Reason Not Included with Original Agenda
4.	(Pages 1 - 8)	Build! Housing Development Programme	Head of Regeneration and Housing	Information for report being confirmed and finalised at time of agenda dispatch
5.		Exclusion of the Public and Press		
6.	(Pages 9 - 34)	Build! Housing Development Programme - Exempt Appendices		Information for report being confirmed and finalised at time of agenda dispatch

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Cherwell District Council

Special Council

29 May 2014

Build! Housing Development Programme

Report of Head of Regeneration and Housing

This report is public

The appendices to this report are exempt from publication by virtue of paragraph 3 of Schedule 12A of Local Government Act 1972

Purpose of report

To seek Full Council's support and approval to the delivery of the Build! Programme as identified within this report at an additional capital cost to the Council of £9.5m.

To inform Full Council that the Build! Programme must be completed to the relevant qualifying standard for each property subject to grant by no later than 31 March 2015 to ensure the allocated Homes and Communities Agency (HCA) grant is paid. The grant element under particular scrutiny is identified in appendix 2 within the summary Build! Programme chart under the affordable Housing Programme.

To inform Full Council that one element of grant relating to specialist housing totalling £880K can be claimed up to 31 March 2016. This grant funding comes from a different HCA grant source given the specialist nature of the housing to be provided.

1.0 Recommendations

The meeting is recommended:

- 1.1 To note the financial due diligence report at exempt Appendix 1.
- 1.2 To support the full delivery of the Build! Programme as identified under the Build! Housing Summary Chart in exempt Appendix 2.
- 1.3 To approve the necessary capital resources of £9.5m to be funded from the Council's own capital reserves to enable the delivery of the schemes identified.
- 1.4 To require officers to submit a further report to the Council at the completion of the development programme to further identify and conclude the financial position.

2.0 Introduction

- 2.1 The original Build! Programme was conceived some time ago and identified an initial capital contribution of £7m from the Council to complete the delivery of some 250 affordable homes. From the onset, it was recognised that the total investment required to achieve this objective would be in excess of £16m. At the time, Members anticipated that the balance of this additional investment cost would be met primarily through partnership arrangements with appropriate registered providers.
- 2.2 Officers have been engaged in assembling a number of sites to enable the delivery of affordable homes to take place and, in doing so, in addition to reviewing the opportunities on the sites assembled, came to the view that the programme as a whole could only work if some of the higher value sites were used to help support those more challenging lower-value sites.
- 2.3 It was also recognised in November 2013 for reasons outside of the Council's control, that delivery via the Council itself might be a preferred option rather than relying on partnership arrangements with registered providers. The financial conditions for registered providers have changed substantially in the last few years, and the amount of grant provided has reduced accordingly. Many of the traditional providers that the Council would work with are now bidding for affordable housing programme grant based on their national housing stock and investment needs. This means local benefits from working with registered providers is potentially reduced, and the benefits of acting as a direct developer through the local authority are potentially greater.
- 2.4 The primary benefits therefore, of the local authority acting in this direct developer role include more certainty around delivery, better control of construction on professional costs, the use of off-site construction methods (where these are deemed appropriate), and of course tight control of the overall investment process.
- 2.5 This in turn meant that additional capital resources would be required above the original sum of £7m previously approved by Council. At the March 2014 meeting of the Executive support was given in principle to the continuation of the programme subject to the completion of a financial due diligence report. This has been undertaken by the Interim Head of Finance and Procurement and is at exempt Appendix 1. Given that the full delivery of the programme is dependent on a further allocation of capital resources amounting to £9.5m it is necessary for full Council to consider and approve this. The due diligence report concludes and accepts the merits of completing the delivery of 250 homes by way of the Council acting as direct developer and investing the additional capital sum required.
- 2.6 During the significant period of due diligence, officers have carefully managed the relationship with the HCA, and continued to complete some critical work tasks. This has involved work associated with planning, tender processes, design, etc.
- 2.7 Whilst the programme remains critically tight (completion by 31 March 2015) officers are satisfied that given the work already completed and underway and of course some of the tender activity being completed, it is possible to complete the

programme subject to Full Council determining support and approval of the additional capital resources at this meeting.

3.0 Report Details

- 3.1 At exempt Appendix 2 is a table which sets out the headline information on each site and the indicated scheme costs, grant availability and sales income. Overall capital investment costs, when compared with sales income, means that the Council will complete 250 affordable homes across 26 sites. The quoted return is after repayment of the £16.5m invested by the Council in the scheme should the additional funding be approved as part of this report.
- 3.2 Below are some core pieces of work which have been completed to date in order to enable critical progress to be made on preparatory activities so that it remains possible to achieve delivery of the total programme by the deadline of 31 March 2015. This list is not exhaustive but gives an idea of the work completed:
- Progressing detailed design on all sites
 - Securing planning
 - Dealing with planning conditions
 - Establishing training programme - proving very successful and popular
 - Working up the leaseback model
 - Developing business plan for the CLT
 - Developing legal agreements for self-builders
 - Completion of 34 units
 - Letting the completed 34 units and putting necessary management arrangements in place.
- 3.3 Clearly this is a complex programme of activity, and Council Members will note from exempt Appendix 2, that it is divided into various elements and each element is dependant to a lesser or greater degree on the HCA grant award. The HCA themselves are under particular pressure from Government to deliver their national affordable homes programme in full by 31 March 2015. They have subsequently confirmed to the Council that they will be unable to release any funding in respect of this programme after this date.
- 3.4 Further, it has been necessary for officers to satisfy the HCA that the status around the necessary planning consents is sufficiently robust. We have carefully considered the planning status of each of the sites forming the programme, and we have now concluded that any outstanding planning conditions can be satisfactorily resolved and concluded to enable delivery within the stated deadline provided council make the decision to approve the capital resources required at this meeting.
- 3.5 The development programme that has been put together for the sites foresees completion of the homes to a point which allows us to apply and draw down grant in accordance with the HCA requirements and regulation. All of the programme calculations allow us to deliver the affordable homes element within the timescales.

The programme however would not be deliverable if Council are unable to approve recommendation 1.3 above.

- 3.6 Council are asked to particularly note that Cherwell Community Land Trust (CCLT) has been actively involved in the Build! programme from both a design and community engagement perspective from the outset. As set out in the March 2014 CCLT has expressed an interest in acquiring 30 of the homes for affordable rent and the freehold (unsold shares) of the 49 shared ownership homes. The expression of interest submitted by the CCLT covers the following sites:
- Calthorpe House, Banbury - 15 apartments for affordable rent
 - Coach House Mews, Bicester - 12 apartments for affordable rent
 - Woodpiece Road, Arncott - 3 houses for affordable rent
 - Fairway Methodist Site (now registered as Hope Close) - 11 homes for shared ownership
 - Orchard Lodge, Banbury (now registered as The Orchard) - 16 homes for shared ownership
 - Newton Close, Bicester - 21 homes for shared ownership
 - St. Georges Crescent - 1 home for shared ownership.
- 3.7 Members are asked to note the fact that a substantial element of the programme is providing opportunities for self-build finishes. Some 230 homes in total have a self-build element, skills assessment, and training as their fundamental contribution to this process. The Council has also ensured that there is sufficient infrastructure around dealing with individual applications to participate within the self-build programme. Presently, a website and other information is available to those seeking initial details about the scheme.
- 3.8 To assist this programme, the Council has already ear-marked a significant training programme in partnership with Ace Training (Kidlington). Some 30 households are taking part with one of the cohorts already having fully completed the necessary course requirements.
- 3.9 With regard to the overall demand, it is clear that there has been significant interest from potential purchaser and participants in this major self-build initiative. For example at Newton Close, Kingsmere, Bicester, the construction phase is presently underway and the mortgage application and approval process for these dwellings has already been completed with some 17 dwellings already approved for purchase.
- 3.10 The Council has continued to make a significant effort around raising the profile of new affordable homes through different housing products such as self-build, and this remains a crucial element of the overall Build! Programme. We have already achieved regional and national recognition for some of the work that we are engaged in and we hope to continue and expand these initiatives with the support of off-site construction partners and where necessary the HCA. Clearly failure at this point in time to deliver the programme above would have serious reputational and credibility risks associated with it.

4.0 Conclusion and Reasons for Recommendations

- 4.1 The overall programme is complex and remains challenging to deliver. Officers are however satisfied that the risk elements associated with this delivery have been mitigated wherever possible and that the programme delivery to make application and legitimately draw down the grant elements managed and approved by the HCA is possible, but only on the basis of the necessary capital funds being approved tonight by Full Council.
- 4.2 The programme is largely aimed at self-build opportunities to provide much needed affordable housing across the district. Officers are confident that the delivery of the programme secures a significant objective of the Council to deliver at least 250 affordable homes across the district.

5.0 Consultation

- 5.1 Officers have consulted with a wide range of partners around the potential for development, including off-site construction partner, HCA, mortgage lenders, self-build groups, the County Council, planners, training organisations, and DCLG. We will continue to consult as required to ensure the delivery as indicated above.

6.0 Alternative Options and Reasons for Rejection

- 6.1 The following alternative options have been identified and rejected for the reasons as set out below.

Option 1: To not develop the sites identified in exempt Appendix 2. This would leave the Council with some 26 sites for disposal. Whilst this would represent the opportunity to return the original £7m capital investment approved by the Council at the beginning of the Build! Programme it would fail to meet the core objectives of delivering 250 affordable homes across the district. This would have an impact on the demand for affordable housing across CDC and would reduce the opportunities available to those seeking affordable accommodation.

Option 2: To dispose of the sites to selected registered providers seeking to secure affordable housing development. Given where we are in terms of the existing national affordable homes programme it is uncertain that there would be sufficient interest from our existing core partners to acquire the sites and develop out the type of affordable housing we could develop as identified above. There is also the further issue of having to revisit some of the cost base for projects where for example more than one registered provider partner was involved and where only a proportion of the sites were bought by that partner. This may lead the more challenging sites undeveloped or less attractive to the market place. It would further undermine the ability of registered providers generally to deliver the programme and draw down the grant already allocated. This in turn would mean the HCA would re-allocate the grant to other areas.

Clearly in both the options above, there is the further credibility and reputational considerations to be borne in mind.

7.0 Implications

Financial and Resource Implications

- 7.1 In order for the Build! programme to be completed by the Council rather than through other service providers, as was originally the intention, additional funding of £9.5m is required.
- 7.2 This requirement will be a temporary call on unallocated capital receipts and could lead to the Council having to borrow to fund the project.
- 7.3 However, borrowing will only be required if there is not a high level of slippage on the capital programme.
- 7.4 Capital commitments already agreed across all schemes across the Council come to approximately £40m. This includes the £9.5m request contained within this report.
- 7.5 If all of this committed capital spend was actually spent (which is very unlikely), then the Council would have to borrow approximately £5m.
- 7.6 However, the following year £19.1m should be returned through property sales. This funding will repay the already agreed £7.0m and the £9.5m being requested as part of this report.
- 7.7 Importantly, the costs of the project include a cost of borrowing for the whole of the additional funding even though this is unlikely to be required.
- 7.8 The New Homes Bonus generated as a direct result of this scheme would generate a further £1.5m over a six year period if the NHB national scheme stays the same.
- 7.9 In summary, therefore, although there are risks associated with the project the due diligence exercise attached as an appendix sets out that the financial returns associated with the project are worth pursuing not to mention the non-financial reason for progressing the scheme.
- 7.10 In conclusion, the due diligence report is supported as is the release of the additional funding for the progression of the completion of the scheme.

Comments checked by:

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Legal Implications

- 7.11 Any capital expenditure on this programme in excess of the £7m already approved would be unlawful in the absence of full Council approval. Otherwise there are no direct legal implications arising from this report.

Comments checked by:
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8.0 Decision Information

Wards Affected

- 8.1 Identified within exempt Appendix 2 are the sites to be developed. Clearly where sites are developed and built out, there will be added value to those wards impacted. It will however be necessary to complete the appropriate level of consultation etc with local residents.

Links to Corporate Plan and Policy Framework

A cleaner, greener Cherwell
Cherwell, a district of opportunity
A safe, healthy and thriving district
Cherwell, an accessible value for money council

Lead Councillor

Councillor Debbie Pickford Lead Member for Housing

Document Information

Appendix No	Title
1	Due Diligence Report (exempt)
2	Programme Summary Report (exempt)
3	Build! Programme Phased Delivery Report from 3 March Executive meeting (exempt)
Background Papers	
None	
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