

BOROUGH OF KETTERING

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| Report Originator | John Conway (Head of Housing) | <i>Fwd Plan Ref No:</i> A15/009 | |
| Wards Affected | Brambleside and William Knibb | 6 th December 2017 | |
| Title | NEW BUILD COUNCIL HOUSING – SCOTT ROAD AND ALBERT STREET UPDATES | | |

Portfolio Holder: Cllr Mark Rowley

1. PURPOSE OF REPORT

- a. To provide members with an update (following the previous report on council new build housing that was considered by Executive in September 2017).
- b. To seek Member commitment to invest in delivering the Scott Road development.
- c. To seek Member approval to delegate responsibility for the delivery process for Scott Road to the Head of Housing in consultation with the Head of Resources and Head of Legal and Democratic Services.
- d. To advise Members of the next steps in terms of the Albert Street site.

2. BACKGROUND INFORMATION

- 2.1. At its September meeting, the Executive Committee received a report on the new build feasibility work that officers had undertaken and, specifically, the proposals to take forward the delivery of the Scott Road and Albert Street garage sites for affordable housing.
- 2.2. To carry out the initial feasibility work, the Council commissioned architects RG+P to produce concept drawings and cost estimates. Officers also commissioned a number of technical studies to inform this work.
- 2.3. This report outlines scheme details, costs and procurement arrangements for each of the sites
- 2.4. The sites are currently held within the General Fund and the proposal is to develop them within the HRA. This requires the land to be transferred (appropriated) from the General Fund to the HRA. Financing implications are discussed in Section 5 of this report.

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3. SCHEME PROPOSALS

SCOTT ROAD

- 3.1 Following on from the Westleigh/Waterloo development at Laburnum Crescent where the Council acquired five of the newly built properties for council housing, Westleigh presented a partnership proposal to council officers whereby we could work together to deliver further affordable homes in the Borough. Westleigh have proposed using some of their Homes and Communities Agency (HCA) grant allocation to fund Scott Road, a feature that will makes the project better value for money.
- 3.2 Westleigh are a medium sized developer operating throughout the East Midlands., They are affordable housing specialists with approximately 70% of their business turnover generated through affordable housing activity. Westleigh have a track record of delivery locally with Laburnum Crescent being the most recent scheme delivered in the Borough. This project provides a benchmark to measure quality and costs of future schemes against.
- 3.3 To deliver Scott Road we would partner with Westleigh under a Design and Build Contract where they would be responsible for all processes to get the scheme completed as summarised below.
- Design process – Appointing all consultants and commissioning all reports
 - Planning process – They will submit for planning application
 - HCA grant – They will administer the HCA grant allocation.
 - They will contract with KBC on basis of a fixed price design and build Joint Contracts Tribunal (JCT) contract, which will take account of the agreed specification.
 - Construction – Westleigh will build the homes.

Funding

- 3.4 The proposal is for a mix of 21 properties at an estimated total scheme cost of £2.5m (excluding land value).
- 3.5 Westleigh have Homes and Communities Agency funding which could be utilised for the redevelopment of Scott Road. They have allocations for Affordable Homes Programme 2 for 2015/18 and have recently been granted a £48m allocation for the HCA's 2016-21 Shared Ownership and Affordable Homes Programme (SOAHP) to spend in this region. Westleigh are able to apply these allocations to partnerships with both registered providers and local authorities to deliver affordable rented homes, shared ownership homes and rent to buy. The HCA has recently hinted at some flexibility within SOAHP to deliver social rent.
- 3.6 The vast majority of our Registered Provider partners have their own allocations which they are looking to spend within the next five years and consequently

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Westleigh are looking to deliver for partners who are less well placed to bid for their own allocations or compete in the land market – this is an approach that can help local authorities in particular in securing new affordable homes which they can own and manage.

- 3.7 Westleigh are offering £30,000 HCA grant per unit subsidy for this site.
- 3.8 Westleigh have looked at the feasibility work we have undertaken and provided a price for delivering the scheme and a funding package.
- 3.9 The scheme would be built to a similar specification as Laburnum Crescent. Westleigh have proposed a design and build all-inclusive price which includes design fees, engineer's fees, planning application, insurances and cost of works. The only costs the Council will need to consider on top of the package price are our own administration fees, legal fees, Employers Agent fee and the cost of financing the schemes, including interest on borrowing.

Scheme

- 3.10 The feasibility work has shown that the following mix of house types can be accommodated on the site:

- 1 x 4 bed 7 person house
- 1 x 3 bed 6 person house
- 2 x 2 bed 4 person wheelchair accessible bungalows
- 7 x 2 bed 4 person houses
- 10 x 1 bed 2 person flats

Total 21 dwellings

- 3.10 The feasibility drawings show an indicative layout for Scott Road which will be subject to planning following a more detailed design and consultation process:

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Layout at feasibility stage

ref:40382
Indicative Street Scenes



Artist Impression

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3.12 Following a decision to proceed with this proposal we envisage carrying out consultation to inform the detailed design of the scheme prior to submission of a planning application by Westleigh. We would work with Westleigh and the design team on consultation. Indicative programme is set out below:

- Planning application – March 18
- Planning permission – July 18
- Start on site – September 18
- Practical Completion – August 19

ALBERT STREET

3.13 We originally started a dialogue with Westleigh about delivering both the Scott Road and Albert Street schemes for us however they have recently indicated that they have reviewed their business plan and are no longer able to deliver sites of fewer than 16 properties due to poor economies of scale and difficulties in securing labour.

3.14 As the Albert Street feasibility study shows that the site can only accommodate six dwellings, we need to consider alternative procurement options for delivery of this site. We would not want to hold up the delivery of the Scott Road site so these are now being managed as two separate projects.

3.15 The feasibility work undertaken has shown that the site could accommodate 6 x 1 bed 2 person bungalows. The feasibility drawings below show the indicative layout and artists impressions for Albert Street. Final layout would be subject to planning approval:



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Procurement options for Albert Street

- 3.16 For our feasibility study we appointed architects and a quantity surveyor to help us identify sites with development potential. Our QS estimation for this scheme at feasibility stage indicates a budget requirement of £750,000 (inclusive of building costs, fees etc) for Albert Street however this will need refining as more detailed design work progresses.
- 3.17 To take forward Albert Street to the next stage we have considered the most appropriate procurement route as this will inform the detailed design stage of the scheme.
- 3.18 The two procurement options we have considered are set out below:

| Procurement Option | Advantages | Disadvantages |
|---|---|---|
| Traditional | | |
| The design is completed fully before the contractor tender process commences. It would allow the Council a great deal of control over the quality, specification and cost, however the timescale is lengthened to achieve the completion of the design, and the Council will maintain | <ul style="list-style-type: none"> • Council maintaining control of quality and specification. • Cost certainty at point of | <ul style="list-style-type: none"> • Council responsibility for risk. • Cost control during construction works. |

B O R O U G H O F K E T T E R I N G

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| <p>the risk in terms of the consultant’s design and any unforeseen items e.g. ground conditions, as well as failing to benefit from the contractors’ input on buildability by appointing the contractor once the design is completed. As the contractor would have no responsibility for the design, the Council is responsible for any mistakes or omissions in the design. Although, some risk is shared with the contractor the majority of risk is taken on by the Council.</p> | <p>accepting the tender</p> | |
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Design and Build

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| <p>There are many variants on design and build contracts and in this instance the initial design work would be undertaken by the Council’s appointed architect before transfer to the design and build contractor. Thereafter the contractor takes single-point responsibility for the design and construction. The contractor usually then employs consultants for the design element and sub-contractors for the construction work. There are various sub-types of Design & Build; however, the basic parameters remain the same, at a certain point in time the contractor becomes responsible for completing the design and construction of the project for a fixed sum. Cost certainty is achieved at an early stage, and therefore offers the Council a high level of certainty. Commonly, a Client’s Design Team designs the project in order to secure planning permission. At this point the project is tendered either on a single or two stage process</p> | <ul style="list-style-type: none"> • Transfers risk to Contractor for construction delivery and design. • Cost certainty • Shorter programme • Early contractor involvement – assists with buildability | <ul style="list-style-type: none"> • Reduced control over design quality and cost risks • Changes by client are unadvisable – heavy cost penalties (this can be minimised by having greater input at an early stage and clear employers requirement) • Client requirements must be fully detailed before signing contracts |
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3.19 Officers recommend we should progress on the basis of a design and build contract on a fixed price basis. This route is preferred to a traditional building contract route because:

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- a. It will allow the council to mitigate a number of risks, including cost increase and other unforeseen issues
 - b. It is likely to be more competitive in terms of costs, as the contract will allow the contractor the flexibility of using alternative build solutions, whilst ensuring that the Council's specification, planning obligations and core design principles are adhered to.
 - c. It is likely to be significantly quicker than a traditional building contract route assisting with the council's delivery targets
- 3.20 We are recommending a one stage Design and Build procurement route where our requirements are well established and the contractor prices on the basis of all packages of work at once.
- 3.21 To take forward delivery of Albert Street to the next stage the Council will need to set up a project team to refine our project brief and appoint external consultants to assist with this in order to progress the scheme for planning.
- 3.22 To fund this scheme we have the option to utilise some of our Right to Buy 1-4-1 capital receipts up to 30% of the total scheme costs. Receipts in the short term are currently committed, however receipts totalling just over £562,000 need to be allocated to projects over the next two years. Remaining costs would need to be met by the HRA.

4. CONSULTATION AND CUSTOMER IMPACT

- 4.1 Consultation with residents in the vicinity of the sites and people renting the Albert Street garages will form part of the development process. Statutory planning consultation will also take place. We will also consult the Tenants Forum.

5. FINANCIAL RESOURCE IMPLICATIONS

- 5.1 The following section details how Scott Road will be financed. Full details on Albert Street will be set out in a future report.
- 5.2 Members are asked to consider the financial implications of delivering the Scott Road site. The Capital costs are set out in the table below:

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| | Scott Road |
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| Number of Units | 21 |
| S106 allowance | 42,000 |
| WPL D & B package price | 2,550,630 |
| Other Costs | 160,000 |
| Total scheme cost | 2,752,630 |
| Westleigh - HCA Funding | 630,000 |
| Borrowing | 2,122,630 |
| Total Funding | 2,752,630 |

- 5.3 The other costs identified above include employer's agent fee and contingency to cover any increase in scheme costs pre contract.
- 5.4 The land is currently held by the General Fund. The land will need to transfer across to the HRA; this is a technical adjustment referred to as an appropriation and gives rise to a revenue transfer from the HRA to the General Fund. The appropriation will take place based on a certified valuation of £170,000.
- 5.5 The impact on the General Fund following the appropriation is an annual reduction in borrowing costs of £14,000. The impact on the HRA is an annual cost of £7,000.
- 5.6 The potential rental income for this scheme based on affordable rent is approximately £105,000 per annum, after taking into account borrowing and appropriation costs of £58,000 the estimated annual net revenue benefit to the HRA is around £47,000.

6. HR IMPLICATIONS

- 6.1 None at this stage

7. LEGAL IMPLICATIONS

- 7.1 The Council is in the position of trustee on behalf of the community in relation to its ownership of land. When considering the sale or transfer of land the Council

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has a statutory duty under Section 123 of the Local Government Act 1972 to sell or transfer at the best price reasonably obtainable. A disposal for the purpose of the Act includes a sale of the freehold or the grant of a lease. In assessing any offers the provisions of S123 must be taken into account. In this instance this is a transfer between the General fund and the HRA.

8. **RECOMMENDATIONS**

That the Executive Committee;

- a. Endorse the proposals within this report in terms of procurement and financing of these schemes and approve the use of the Blueskies Framework to work with Westleigh on Scott Road.
- b. Approve the appropriation of Scott Road from the GF to the HRA
- c. Grant delegated authority to the Head of Housing in consultation with the Head of Resources and Head of Legal and Democratic to agree terms with Westleigh and progress the delivery of Scott Road
- d. Note the proposals for taking Albert Street forward.
- e. Recommend the changes required to the Capital Programme (as outlined in section 5.2) to full Council.

Background Papers:

Date: N/A

Previous Reports/Minutes:

Executive Committee: Housing Finance – Use of ‘one for one’ capital receipts
Date: 11th November 2011.

Executive Committee: Scott Rd and Albert St Garage sites – New Build Council Housing
Date: 20th September 2017

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