

Cabinet

10 February 2015

Report of the Assistant Director – Housing & Community Safety
(portfolio of the Cabinet Member for Communities)

New Council House Building – Phase 2

Summary

1. This report sets out proposals to deliver the second phase of new council homes; seeking approval to pursue the development of a number of sites within the Housing Revenue Account (HRA) and one within the General Fund. The Housing Revenue Account Business Plan has identified a £20m investment fund. Significant funds remain to aid new council house delivery. The proposed new council housing sites within this report are analysed in terms of development potential and challenges to delivery.
2. Whilst this report primarily focuses on the delivery of a second phase of new council housing, it also refers to longer term strategic ambitions. With the quality and quantity of available HRA sites being severely limited and the need for new social housing remaining high, there is a need to further consider the longer term strategic approach to affordable housing delivery in the city.

Recommendations

3. This report asks Cabinet to:
 - a) Approve expenditure of up to £25,000 from the HRA Investment Fund for developing proposed schemes and budgets for Phase 2 of the Council House Building Programme with the aim of bringing forward up to 46 new council homes.

Reason: To allow the council to add a significant number of homes to its existing asset base and help to alleviate the acute housing need in the city.

- b) Note that subject to the proposed scheme being considered the best strategic use for the site and being financially viable and value for money, that permission will be sought to appropriate the Heworth Lighthouse site into the Housing Revenue Account.

Reason: To allow this site to be developed for new council housing whilst generating the appropriate return for the General Fund.

- c) Agree the inclusion of an element of market housing where appropriate on any site where 20 or more new council homes are being created.

Reason: To ensure a mix of tenures to create a mixed and sustainable community and to provide cross subsidy to help fund the delivery of council homes.

- d) Note that an extension of the New Build Project Manager post by 12 months will be sought to enable the project management of the construction sites to be funded from the total scheme cost budget for Phase 2.

Reason: To allow the successful delivery of the project without impacting on the wider Housing Development Team work plan by ensuring the appropriate level of resources.

- e) Note the longer term strategic ambitions of delivering a greater number of new affordable homes across the city with consideration given to alternative vehicles for delivery and the requirements being considered as part of the ongoing strategic review of council and existing HRA assets.

Reason: To help meet more of the housing need in the city and enabling the delivery of homes in a more effective way.

Background

4. In 2012, 19 new council homes were completed at Lilbourne Drive. Following this successful development, proposals were agreed by Cabinet to construct 50-70 new council homes. This is referred to as Phase 1 of new council house building. Further approvals will

result in Phase 1 actually delivering 71 new council homes and 9 for market sale by early 2016. These will be delivered across 7 sites. This consists of:

- 27 homes at Beckfield Lane (9 for market sale)
 - 8 homes at Hewley Avenue
 - 8 homes at Fenwick Street
 - 8 homes at Chaloners Road
 - 9 homes at Newbury Avenue
 - 6 homes at Pottery Lane
 - 14 homes at the Pack of Cards, Lindsey Avenue
5. All of the homes within Phase 1 will achieve Lifetime Home standards as well as Code for Sustainable Homes level 4. This will ensure the homes meet the changing needs of the occupants and will be more affordable to heat and light.
6. Following all approvals of expenditure to date and including the amendments and additions in the Capital Monitor and Capital Strategy reports on this agenda, the HRA investment fund has £9.37m unallocated from the original £20m included in the HRA Business Plan.

Proposals

7. The HRA Business Plan proposes the development of a further 30 council homes as a second phase of development, the proposals set out within this report will see that increase to 46 new council homes.
8. The need for new council housing is significant across all house types and sizes. It is considered that Phase 2 of the council house building programme should continue to provide a range of house types, with consideration given to:
- Maximising the number of homes on the available land;
 - Local context and surroundings;
 - Priority need as identified in the 2011 Strategic Housing Market Assessment (SHMA¹);
 - The impact of welfare reform changes

¹ York & NY SHMA

9. It is anticipated that all of the homes within Phase 2 will be for social rent, unless HCA funding is secured which would require the rents to be negotiated under the Affordable Rent regime. The aim would be to secure these at a level as close to social rents as possible. It is proposed that the homes will be built to Code for Sustainable Homes Level 4 and incorporating Lifetime Home standards (or equivalent) such that they can more easily and affordably be adapted to meet the changing needs of the tenants.
10. The preference is to develop homes using a 'fabric first' approach, where carbon savings are made through the structure and materials of the building. This minimises the need for technology which results in reduced maintenance liability. However, where significant financial savings can be made, other options will be considered for achieving high environmental standards including the use of renewable energy. Consideration will be given to incorporating an element of market housing into any site that exceeds 20 new homes. This is consistent with the approach taken at Beckfield Lane where 9 homes are for market sale. This approach can help to create mixed and sustainable communities as well as providing a capital receipt which can be used to support the delivery of new council homes.
11. The identification of the sites for phase 2 has proved challenging and there is a recognition that there is a balance required between the need for council housing and ensuring value for money. Against this backdrop longer term strategic options for the delivery of new affordable housing are currently being considered in conjunction with the development of a second phase of new council house building outlined in this report. This includes alternative vehicles for delivery of new homes and the opportunities this may bring, a strategic review of existing housing assets, and input into the corporate asset review which is currently being carried out on all Council land and building assets particularly looking at the larger sites.

Locations

12. All vacant HRA land has been considered as an option for development within Phase 2 of the new council house building programme. From this assessment, 6 individual HRA sites have been brought forward for consideration within this report; one site from the General Fund at Heworth Lighthouse is also being

proposed which, if approved, would be appropriated into the HRA (see below). In selecting these potential development proposals consideration has been given to issues such as planning constraints and the size and location of the sites. Sites have been rejected if they can only accommodate one home as it is considered they would not represent good value for money. The details of the sites are presented in the table below. In 2 cases the site, as set out below, contains more than one area of land which has been packaged up to create a more economically efficient construction programme. The development proposals for consideration are as follows:

Site	Minimum numbers and house type	Maximum numbers and house type	Preferred numbers and house type
Heworth Lighthouse	6 Bungalows	20 Apartments	14 Apartments
Maple Avenue x 3	4 Bungalows	6 Bungalows	6 Bungalows
Ordnance Lane	6 Houses	20 Apartments	20 Apartments
Viking Road Parking Court and Crombie House	6 Houses	4 Apartments and 4 Houses	6 Houses
TOTAL	22	54	46

13. It should be noted at this stage that additional work is required to test the feasibility of the above sites for development. Initial analysis has concluded that they may be viable both practically and economically. Moving forward additional considerations would take place including further analysis of planning and environmental constraints, service and utility infrastructure, and any legal and property considerations such as the legal title and any restrictions on use. Public consultation is required to more fully understand how the above sites are used and whether any of the services or facilities they may provide are required to be retained on site or supplied elsewhere. Following this work a final recommendation will be brought forward setting out the site by site detail and expected total programme costs.
14. A brief summary of each site and an explanation of the proposed house types and numbers based on current information are

presented below. Plans of all sites are within the appendices at the end of this report.

Heworth Lighthouse

15. This site is located along Bull Lane in Heworth and sits between bungalows on Sixth Avenue and the two storey development at Glen Lodge and the four storey Yorkshire Housing apartment development at Poplar Tree Gardens. The site was previously used by the early years support team but this activity has now transferred to the former Burnholme College. The site is brownfield and it is considered that a residential redevelopment scheme would be consistent with the aims of the local plan.
16. The site is owned by the General Fund and, if approved, would be appropriated to the HRA. The site contains a number of mature trees which limit the developable area of the site. Whilst continuing to investigate the best use of the site, it is considered that apartments could be developed on the site to sit comfortably alongside Poplar Tree Gardens. This would make the most efficient use of the site in terms of maximising the number of new homes created. It is considered that a development of 14 new apartments is a realistic development possibility taking into accounts the site's constraints. The other alternative is to create new bungalows which would relate to those on Sixth Avenue. However, this approach would result in a significantly reduced number of new council homes and is considered to under utilise the site's potential. Given that a cost is likely to be associated with appropriating this site into the HRA, only a development of apartments is likely to achieve a reasonable price per home.

Maple Avenue x 3

17. This development proposal consists of a collection of small sites off Maple Avenue in Bishopthorpe. The area is characterised by bungalows and these sites would present a good opportunity to add to the council provision of this much needed house type. All three sites are relatively small and could accommodate two bungalows each. Two of the sites are classified as brownfield land. As three sites packaged up into one building contract there are potential financial savings per unit.

18. Each site has constraints. Based on analysis of available open space in the area the northern-most site is currently classed as amenity open space in the Emerging Local Plan. This site is too small to have been put forward as a housing allocation in the plan. Advice has been sought from the Local Plan team in regards to the principle of developing this site for council housing. The initial feedback raises some concerns about developing bungalows on this site unless alternative amenity open space in the area is provided or it can be demonstrated that it is not needed. At present this site is used to store building materials in conjunction with the modernisation and improvement of some existing council houses in the area.

19. Further south along Maple Avenue are two sites opposite each other. One is occupied by Vernon House with the second site being a car parking court opposite. Vernon House has been used as a community room and small laundrette facility. However, it has recently been closed due to health and safety concerns. The building would require significant investment before it could be brought back into public use. In addition to the improvement costs the facility does not cover its running costs and the council has been subsidising its use over the years. The development of this site would require the demolition of Vernon House. Given the wider issues around the demonstration of need for the area of open space and the impact of closing the community room and laundry, it is proposed to undertake wider community consultation with the local residents and ward councillor to clearly identify the housing and amenity open space needs of this community.

Ordnance Lane

20. This site contains the existing Ordnance Lane homeless hostel. A proposal was agreed by Cabinet in December 2014 to demolish and rebuild the homeless hostel with the remainder of the site being used for new council housing. The area contains buildings up to four storeys in height; there is therefore scope to construct a development which allows more than two storeys of living accommodation on this site. For this reason it is considered that an apartment development would make the most efficient use of this site in terms of housing numbers. Approximately 20 apartments could be developed on this site. The land is a brownfield site, re-using this site for development is supported by the principles set out

in the local plan. The relatively central location and good access to services and facilities would ensure it is a desirable location for tenants requiring apartments.

21. There is the potential for the site to be an effective downsizing development should there be demand in this part of the city. In addition a mixed tenure scheme could be considered incorporating some apartments for market sale. The social implication of building apartments in this location requires further analysis. As an alternative it is considered that around 6 houses may be developed on this site based on current estimates of the amount of the site which will be set aside following the redevelopment of a homeless hostel.
22. An option will be considered as to whether the re-provided homeless hostel and new council homes should be packaged up into one construction contract. There are practical benefits from providing a modular build for the homeless hostel in terms of reducing the construction timescales. It may be feasible to include the provision of new council homes within the same contract. This option provides potential cost savings in terms of economies of scale. However it may add to the timescale for delivery by packaging it up with the provision of the homeless hostel.

Viking Road Parking Court and Crombie House

23. The Ordnance Lane development includes for the re-provision of the existing 7 units (two x 3 bedroom houses and five bedrooms with shared facilities) of temporary homeless accommodation currently provided at Crombie House, Acomb. This therefore presents an opportunity to use the existing site for new council homes. If the existing building is demolished, approximately 4 family sized houses could be erected on this site. The character of the area is family sized housing with front and rear gardens which could be replicated here. This is currently the preferred option as detailed analysis of the potential to convert all or part of the existing building needs to take place. Following this further investigation it may be possible to provide some apartments and houses within the existing building with some new build alongside. This option needs to be considered in terms of feasibility and cost.
24. Two further houses may be accommodated on a garage court on the opposite side of the road. The site currently contains six

garages which would be demolished. At present 2 of the garages are let to people who live locally, 4 are let to people who live more than one mile from the site. Information from Yorkshire Water shows that a public sewer runs through the garage court site. Yorkshire Water require a 4m easement between the sewer and any house which places constraints on the part of the site which can be built on. It is possible to divert the sewer to the edge of the site but the cost of this is not likely to represent good value for money. A consultation is required with local stakeholders to understand the potential loss of amenity from demolishing the garages on this site. Both sites are brownfield land which links positively to the aims of sustainable development in the local plan.

Delivery programme

25. Following Cabinet approval, the anticipated programme for delivery is:

- Bring a further report to Cabinet setting out detailed site by site proposals and anticipated costs by July 2015
- All sites that are to be progressed to have planning applications submitted by October 2015
- Planning permission achieved for all sites by January 2016
- All site issues resolved by January 2016
- Contractors appointed by April 2016
- Last start on site by July 2016
- All sites completed by July 2017

26. It should be noted that the above timescales are very challenging and the programme does not assume any unforeseen delays in resolving issues with the sites and/or achieving planning permission, issues with the procurement process, and any delays to the build programme.

Funding Route

27. There are funds remaining in the HRA Investment Fund as set out in paragraph 5. However, in order to reduce the overall expenditure from the HRA Investment Fund alternative funding streams will be sought and where appropriate utilised. The primary options are the use of Right to Buy receipts, Section 106 commuted sums, Homes and Community Agency grant, and revenues from the sale of

market housing. Right to Buy receipts can be used to fund up to 30% of scheme costs (subject to availability). If sufficient Right to Buy receipts are not in place then HCA grant will be explored. There are remaining commuted sums available and the revenues from the sale of 9 houses on Beckfield Lane.

28. Recent tender returns and market analysis from the Quantity Surveyor shows that the projected scheme costs for Phase 2 will be higher than Phase 1. Engaging with small local contractors in developing homes which meet Lifetime Home standards and Code for Sustainable Homes Level 4 across a number of small constrained sites requires significant resource. Whilst these quality standards require a higher capital investment they will bring long term savings in terms of maintenance and adaptation costs as well as saving money for tenants in terms of utility bills.
29. There has been significant general inflation within the construction markets. The Building Cost Information Service (BCIS) show that tender prices have increased by 10% in the 15 month period from Dec 2013. In addition, it is anticipated that a cost will be associated with the appropriation of Heworth Lighthouse into the HRA from the General Fund. Further work will take place in terms of investigating potential cost savings by packaging sites up into a single contract. Construction methods will be analysed to see if further savings can be achieved by moving away from a more traditional approach. All available opportunities for value engineering and general cost reduction will be fully explored and utilised where suitable whilst achieving the required standards and quality of the homes considering whole lifecycle costs.
30. Proposed costs for the delivery of the new council homes will be set out in the next Cabinet report as outlined in the delivery programme.

Procurement

31. Architect - A tender exercise will be required to appoint an architect to produce full planning applications for the sites which are taken forward.
32. Employers Agent (EA) and Quantity Surveyor (QS) – A separate tender process is required for the appointment of an EA and QS to work with the Housing Development team to deliver these projects.

The appointment will be in accordance with the council's framework following advice from the Procurement team.

33. Contractor – There are a number of potential approaches to employ a contractor to undertake the work. It is proposed that if Cabinet agrees to work up the detail of Phase 2 of the Council House Building Programme analysis will be undertaken to consider the most appropriate approach to employing a contractor. Procurement options include:

- One contractor to undertake the whole programme bringing with it the potential to develop a longer term relationship (if this route was taken it would be on the understanding that the use of local labour was expected)
- Procure a number of contractors to build the new houses. Consideration will be given to packaging up more than one site into a single contract in order to create greater cost efficiencies. However, this will need to be considered against the council's aim of appointing small to medium sized local contractors.
- Consideration of delivering the whole of Phase 2 via modular off site construction methods. If this option was chosen it is more likely to make the tender attractive to suppliers as the whole programme would be with a single supplier.
- Consideration will be given to utilising a 'Design and Build' contract rather than client led.

34. A procurement strategy will be developed to consider the above ensuring that any contractor is capable of delivering the schemes. Ordnance Lane may require a different procurement strategy if the council housing is packaged up into the same contract as the modular build of the replacement homeless hostel.

Resources

35. In terms of taking the project forward in the short term a sum of £25,000 is sought to work up schemes for the sites identified. This sum would cover fees for architect work, pre-application planning submission, Phase 1 site investigation work to understand the likelihood of contamination being present, and quantity surveyor work to provide an estimate for individual site and total scheme costs. The quantity surveyor work will include consideration of both

traditional and modular build construction options. This work will allow a report to be brought before Cabinet in the summer outlining:

- Development options considered acceptable in principle by the Local Planning Authority including details of house types and numbers
- Individual site cost estimates including both traditional and modular build options (taking on board utilities information, likelihood of contamination being present, and based on written planning advice)
- Total scheme cost estimates if the sites are packaged up into a single building contract

36. The above work is required as part of any development proposal of this nature. Carrying out the work at this stage reduces the cost of the next stage of the development process in terms of obtaining planning permission and going out to tender. Some of the work and associated costs in submitting a planning application will have already been completed. Funds will only be spent on proposals for the above named sites as long as they are considered suitable for development and viable. The £25,000 budget ask is based on all schemes being brought forward as a firmed up development options within the subsequent Cabinet report in the summer.

Communication/consultation strategy

37. All relevant Ward Members will be contacted to inform them of the sites being considered and to get their initial views. Members will be kept informed on the progress of any proposals, and in the case of the proposed development at Maple Avenue at Bishopthorpe be involved in the wider community consultation. Before each planning application is submitted a public information event will be arranged where the plans will be on display for members of the public and other interested parties to view. A further public information event will take place prior to start on site to introduce the local community to the contractor. Where garage courts are to be demolished the licensees will be contacted individually to discuss the proposals and inform them of their options.

Options

38. There are two options to consider with a recommendation of following Option 1

- **Option 1**- To approve the working up of Phase 2 of the Council House Building Programme utilising a budget of £25,000 from the HRA Investment Fund with the aim of bringing forward up to 46 new council homes on the sites identified
- **Option 2** – To not undertake any preparatory work to develop a Phase 2 of the Council House Building Programme until longer term considerations of delivery models has been undertaken.

Analysis

39. A significant amount of analysis of the options is contained within the body of the report.
40. **Option 1**- This option will allow the Housing Development Team to bring forward proposals to add a number of homes to its existing asset base and to help alleviate the acute housing need in the city. There is an identified need for 790 new affordable homes per annum as set out in the York & North Yorkshire SHMA 2011, and whilst this project will not solve that need it will contribute new high quality homes across a range of house types.
41. **Option 2** – The development of alternative delivery models for new council homes may bring opportunities that are currently not available to the council. However, this report is not proposing a particular procurement or delivery model, but working up a number of potential development sites that can deliver new council housing, this work will need to be undertaken regardless of the delivery route. Choosing this option would result in a significant delay in bringing forward much needed new council housing.

Council Plan

42. Any approval to progress with new council housing has a positive impact on four of the five council priorities.
43. **Create jobs and grow the economy** –Investment in the construction industry has a direct positive impact on economic activity, with every £1 spent generating a total of £2.84 in extra

economic growth². Any procurement route chosen will consider the appropriateness of local labour and the requirement for development of apprentices.

44. **Build strong communities** – New council housing will provide high quality accommodation for those unable to access housing on the open market. The inclusion of market housing at Ordnance Lane could introduce a mix of tenures to create mixed, sustainable communities. Access to high quality housing in places where people want to live at a price they can afford is a key tenet of the Housing Strategy (2011-15), and is crucial to happiness and well-being.
45. **Protect vulnerable people** – The new homes will be built to Lifetime Homes standards which are designed to adapt with people's changing care needs, enabling them to remain in their own home and be independent for as long as possible. The new homes will be built to Code for Sustainable Homes Level 4 which will significantly reduce the utility bills for residents.
46. **Protect the environment** – The new homes will be built to Code for Sustainable Homes Level 4, which exceeds the council's mandatory requirement to meet code 3 and will reduce carbon emissions on the completed homes and throughout the build process.

Implications

47. The following implications have been identified:
 - (a) **Financial** – A budget of £25,000 is sought to obtain planning advice based on architect's drawings and to devise scheme budgets based on detailed quantity surveyor work. A separate report will be brought before Cabinet in the summer seeking a development budget including an extension of the current role of the New Build Project Manager by 12 months at Grade 9. This will be funded through the HRA Investment Fund, the use of money from the sale of market houses at Beckfield Lane, Right to Buy Receipts and/or HCA funding if available, and commuted sums.

² Cambridge Centre for Housing and Planning Research, 'Funding Future Homes – an evidence base' 2012

- (b) **Human Resources** – An extension to the current temporary secondment for the role of New Build Project Manager by 12 months will be sought.
- (c) **Equalities** - It is considered that there are no negative equalities implications. The report is asking for permission to work up potential schemes and consult with the community and bring back a report in the summer outlining specific proposals. Full CIA's for any programme of building will be undertaken at this point in time.
- (d) **Legal** – The Council has the power, under section 9(1) of the Housing Act 1985, to build new houses. If the Authority decide to sell any of the housing, the Secretary of State's consent will be required pursuant to s32. General consents have, however, been granted by the Secretary of State and are contained in the General Consents 2013. This allows disposals of vacant dwellings at market value to persons who will use the property as their principal home

If land is to be sold section 123 Local Government Act 1972 requires the Authority to obtain the best consideration reasonably obtainable for any disposal, but disposals at less than best consideration can be made pursuant to the Local Government Act 1972: General Disposal Consent (England) 2003, provided the Authority consider that the disposal is likely to contribute to the achievement of the objective of promoting or improving the economic, social, or environmental well-being of its area or residents; and the difference between the unrestricted value of the land and the consideration does not exceed £2 million

European state aid rules must also be complied with in respect of any disposals for less than market value which might impact on trader between Members states.

The appointment of the developer and the various technical consultants will need to be procured and contracts will be prepared by Legal Services

- (e) **Crime and Disorder** – There are no crime and disorder implications.

- (f) **Information Technology** – There are no IT implications
- (g) **Property** – The appropriation of Heworth Lighthouse from the General Fund to the HRA will only be effective following the working up of the schemes and proposed costing. There are a number of issues associated with each of the sites including the legal title, any restrictions on use, environmental and planning considerations which will need to be further investigated and dealt with to ensure each site is ready to be developed without delay once a contract is awarded. If this further investigation results in a matter which cannot be resolved and would as a result prevent the development of that site for housing then the scheme will need to be re-designed or alternative sites will need to be considered
- (h) **Other** – There are no other implications.

Risk Management

- 48. The project to deliver 46 new council homes across 7 sites by summer/autumn 2016 carries a number of risks. It is a multi-million pound project that has a tight delivery timescale through complex delivery mechanisms. The council will need to procure consultants and contractors, resolve issues affecting the development of the sites, achieve full planning permission, and build a significant number of new homes across multiple sites. In addition, packaging up the Ordnance Lane council house development with the construction of a replacement homeless hostel has the potential to add further complexity to the delivery of new council homes. These all pose challenges to project delivery and the consequent impact on the reputation of the council.
- 49. To mitigate these risks the project must be properly resourced. Cross directorate support and commitment will be required to ensure each directorate meet their identified and agreed delivery timescales, and the existing 'New Build Project Manager' post will need to be extended within the Housing Development Team to project manage the construction of the schemes.

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**Report
Approved**

Date 29th January 2015

Wards Affected: *List wards or tick box to indicate all*

All

For further information please contact the author of the report

Background Papers

Cabinet Report - Get York Building – A Case for Change

Cabinet Report - The replacement of Ordnance Lane Homeless Hostel

Annexes

Appendix A – Heworth Lighthouse site plan

Appendix B – Maple Avenue sites x 3 site plan

Appendix C – Ordnance Lane site plan

Appendix D – Viking Road Parking Court and Crombie House site plan