



AGENDA ITEM: 12

SUMMARY

Report for:	Cabinet
Date of meeting:	26 May 2015
Part:	II
If Part II, reason:	<p>The report contains information relating to the financial or business affairs of any particular person (including the authority holding that information)</p> <p>Local Government Act 1972, Schedule 12A, Part 1, paragraph 3</p>

Title of report:	Development Update
Contact:	<p>Margaret Griffiths, Portfolio Holder for Housing</p> <p>Julia Hedger, Strategic Housing Group Manager</p> <p>David Barrett – Interim Development Manager</p> <p>Sarah Pickering, Housing Development Lead Officer</p>
Purpose of report:	<p>To seek approval to dispose of the Council garage site in West Dene, Great Gaddesden to Hastoe Housing Association, for the development of six affordable housing units.</p> <p>To seek approval to award the main contract in connection with the construction of 5 new Council homes at Queen Street, Tring.</p>
Recommendations	<ol style="list-style-type: none"> 1. That Cabinet recommend to Council to approve the disposal of the Council garage site in West Dene, Great Gaddesden for the sum of £60,000 to Hastoe Housing Association, for the development of six affordable housing units (subject to planning permission) 2. To award the main contract in connection with the construction of 5 new Council homes at the former Tring Depot in Queen Street, Tring to Modplan Building & Refurbishment Contractors Ltd for up to £836,000. 3. That Cabinet recommend Council to approve an additional build cost budget of £286,000 to develop 5

	<p>new homes at the former Tring Depot in Queen Street, Tring.</p> <p>4. That Cabinet recommend Council to approve an additional consultant budget of £20,000 to develop 5 new homes at the former Tring Depot in Queen Street, Tring.</p>
<p>Corporate Objectives:</p>	<p>Affordable Housing</p>
<p>Implications:</p> <p> </p> <p>'Value For Money Implications'</p>	<p><u>Financial (Great Gaddesden site)</u></p> <p>The general fund would receive a lump sum payment of £60,000 from the sale of the site. The Council will no longer be liable for the cost implications of managing the garage site.</p> <p>The Council are currently receiving a rental income from the garage site. Disposing of the site will result in a loss of £5,875.20 annual income.</p> <p><u>Financial (Queen Street, Tring site)</u></p> <p>Acceptance of this quotation will enable the development of 5 new Council homes to take place at the former Tring Depot in Queen Street, Tring. Modplan's offer would see the new development completed in 47 weeks and would cost the Council up to £835,373.</p> <p>A financial assessment was carried out by the Council's Finance Department based on the bidders set of accounts (last 3 financial years) and a credit reference report. Modplan passed this financial assessment.</p> <p><u>Value for Money (Great Gaddesden site)</u></p> <p>The offer is based on a rural exception site valuation of £10,000 per plot. Rural exception sites have a unique land value which is higher than agricultural land but lower than open market values. The land value is lower than open market value as the site can not be used to deliver market housing and build costs are generally higher. The site valuation of £10,000 per plot makes the scheme financially viable.</p> <p>If the Council were not to accept the offer from Hastoe of £60k and asked for an increase in the amount received, Hastoe would then ask for additional affordable housing grant from the Council to make the scheme viable. This can be shown in a financial viability appraisal.</p> <p><u>Value for Money (Queen Street, Tring site)</u></p> <p>The level of tender returns received would suggest a</p>

	<p>competitive level of tendering was achieved. The tender sums submitted provide a true reflection of the current market conditions for small to medium residential build in the area.</p> <p>Value for money was confirmed by the Council's Employers Agent (BPM Project Management).</p>
Risk Implications	<p>Hastoe Housing Association's offer of £60,000 is subject to the site obtaining planning approval. Hastoe will progress the planning application on approval of the purchase of the site.</p> <p>The Council will ensure the land is developed as a rural exception site through the conditions of sale and a Section 106 Agreement.</p> <p>Risk Assessment for Queen Street, Tring site has been completed within the New Build PID and by the Council's Employers Agent (BPM Project Management).</p>
Community Impact Assessment	<p>Will be undertaken as part of the planning application process for Gaddesden Row site.</p> <p>Community Impact Assessment reviewed for Tring site.</p>
Health And Safety Implications	<p>There are no health and safety implications relating to this Cabinet report.</p>
Monitoring Officer/S.151 Officer Comments	<p>Monitoring Officer:</p> <p>No comments to add to the report.</p> <p>S.151 Officer</p> <p>Gaddesden</p> <p>The Assistant Director (Planning & Regeneration) has confirmed that planning restrictions preclude open market residential development within this location, and that development can only be permitted for Affordable Housing under Rural Exception.</p> <p>On the basis of this restricted market for the land, and the Service Level Agreement in place between the Council and Hastoe Housing Association, the proposed receipt of £60k is consistent with the land disposal requirements of the Financial Regulations.</p> <p>Tring</p> <p>The additional budget requested is affordable within the HRA business plan. Officers should note the significantly higher unit costs of developing this site, and ensure that costs on future</p>

	developments are controlled as tightly as possible.
Consultees:	<p>Mark Gaynor, Director of Housing & Regeneration</p> <p>Elliott Brooks, Assistant Director - Housing</p> <p>Nicholas Brown, Group Manager (Commercial Assets & Property Development), Building Services</p> <p>Paul Newton, Planning Casework Team Leader, Planning Casework</p> <p>Laura Wood Team Leader - Strategic Planning & Regeneration, Spatial Planning</p> <p>Francis Whittaker Strategic Planning and Regeneration Officer (Strategic Planning), Spatial Planning</p> <p>David Barrett, Interim Housing Development Manager</p> <p>Richard Baker, Group Manager, Financial Services</p> <p>Andrew Linden, Team Leader, Commissioning, Procurement & Compliance</p> <p>Aaron Keyte, Team Leader, Financial & Regulatory Accounting</p>
Background papers:	<ul style="list-style-type: none"> • Dacorum Borough Council's Core Strategy – Adopted Sept 2013. • Affordable Housing SPD – adopted September 2013.
Glossary of acronyms and any other abbreviations used in this report:	CDA Herts - Community Development Action Herts

1. Background for Great Gaddesden site

- 1.1. In 2012 Dacorum Borough Council, Community Development Action Herts, and Hastoe Housing Association entered into a Service Level Agreement to provide Rural Housing Enabling Services for Parish Councils within the borough.
- 1.2. The Council works with the Rural Housing Enabler at CDA Herts to support Parish Councils in their decisions to promote affordable housing within their parishes.
- 1.3. When the need for affordable housing is identified in a parish, it is possible through policy CS20 of the Core Strategy, "Rural Sites for Affordable Housing", to make an exception to the Council's standard planning policies, in order to provide affordable homes for households that are in housing need and have a local connection to the parish.

- 1.4. CDA Herts Rural Housing Enabler was approached by Great Gaddesden Parish Council in 2013. The Parish Council wanted to establish whether there was a need for affordable housing in the area.
- 1.5. CDA Herts conducted a housing needs survey at Great Gaddesden in December 2013. This survey concluded there was a need for six affordable housing units in the parish.
- 1.6. Great Gaddesden Parish Council decided they would like to pursue a development to reflect the results of the housing need survey.

2. Site identification

- 2.1 A site appraisal exercise in Great Gaddesden was completed in early 2014 by Hastoe Housing Association and CDA Herts, to identify a site that could accommodate six units.
- 2.2 The site appraisal exercise involved discussions with the Council's Strategic Planning Department to ensure the sites selected were suitable for development.
- 2.3 A Council owned garage site in West Dene, Great Gaddesden was determined the most suitable site to deliver six affordable homes. The location of the site is shown in the diagram below:



3. Planning Policy

- 3.1 The site would be delivered as a rural exception site. The National Planning Policy Framework defines rural exception sites as *“Small sites used for affordable housing in perpetuity where sites would not normally be used for housing. Rural exception sites seek to address the needs of the local community by accommodating households who are either current residents or have an existing family or employment connection.”*
- 3.2 Informal discussions with the Strategic Planning Team suggest the site would be suitable for development and could be delivered through Policy CS20 of the Core Strategy.
- 3.3 Policy CS20 of the Core Strategy sets out the Council’s planning policy for rural housing. This policy enables small-scale schemes for local affordable homes in selected small villages in the countryside when the scheme meets the following criteria:
- The scheme is supported by the local Parish Council.
 - It meets an identified local need for affordable housing.
 - The housing is for people who have a strong local connection with the village or parish through work, residence or family.
 - The scheme is of a scale and design that respects the character, setting and form of the village and surrounding countryside.
- 3.4 Affordable Housing provided under the Rural Exception Site policy specifies that sites must remain in perpetuity as housing for people who have a strong local connection with the village or parish through work, residence or family. This will be set out in the Section 106 Agreement and as a planning condition.

4. The Site

- 4.1 There are 26 garages on the site, of which 11 are occupied. The Commercial Assets and Property Development and Tenants and Leaseholders team have confirmed there is an interest in disposing of the site for the delivery of new homes.

5. Site Offer

- 5.1 Hastoe Housing Association have offered the sum of £60,000 for the site. This offer is based on a rural exception site valuation at £10,000 per plot.
- 5.2 The offer is in line with the rural housing economic viability toolkit, produced by the Homes and Communities Agency, which states land values for rural exception sites tend to be £10,000 per plot.
- 5.3 A condition of the sale of the land to Hastoe Housing Association will be that the site is developed as a rural exception site.

- 5.4 The offer of £10,000 per plot maximises the value of the land and receipt to the Council. There is not a higher receipt available to the Council since market housing cannot be built on land identified for rural exception housing schemes within planning policy.
- 5.5 Hastoe Housing Association specialises in delivering sustainable and affordable rural housing, enabling local people to remain within their communities. Hastoe have built a reputation on delivering sensitively designed, high quality homes to high environmental standards.

6. Nomination rights

- 6.1 The Council will enter into a Nominations Agreement with Hastoe Housing Association and will have the nominations rights to the affordable rented units delivered. These properties will be advertised through the Council's choice based lettings system, "Moving with Dacorum".

It is recommended that Cabinet recommend to Council to approve the disposal of the Council garage site in West Dene, Great Gaddesden for the sum of £60,000 to Hastoe Housing Association, for the development of six affordable housing units.

1. Background for Queen Street, Tring site

- 1.1 The Council received planning permission to develop 5 new homes at the old Tring Depot, Queen Street, Tring in February 2015.
- 1.2 The proposed works at Queen Street, Tring consists of the design and construction of 4 2-bedroom flats and 1 3-bedroom house. Please see a floor plan below.



2. Procurement process

- 2.1 The procurement process to appoint the main contractor at Queen Street, Tring commenced last year. Due to a lack of response to the first tender issued in December 2014, the tender documents were re-issued in February 2015.
- 2.2 The tender route followed was a one stage open tender in line with the Council's Procurement Standing Orders. The proposed development would be built in accordance with the planning application ref: 4/01155/14/FUL.
- 2.3 Each Invite to tender (ITT) return has been scored in line with the scoring methodology set out in the ITT documentation. The scoring was completed by the Housing Development Team and the Council's Employers Agent (BPM Project Management).
- 2.4 The form of contract for this appointment will be an amended Joint Contract Tribunal (JCT) 2011 Design and Build Contract, as provided by Eversheds in their capacity as legal advisers for the Council's New Build Programme. A draft copy of this contract was included in the ITT documentation.
- 2.5 A Design and Build Contract was selected as the Council are able to establish the financial commitments prior to works commencing, providing that changes are not introduced during the project.

3. Tender returns

- 3.1 The Council received five tender returns. The level of tender returns received would suggest a complete level of tendering was achieved. The tender sums submitted provide a true reflection of the current market conditions for small to medium residential build in the area.
- 3.2 Tender returns were scored on both cost and quality. A summary of the tender sums submitted are shown in the table below. As some tenders did not complete the contract sum analysis in full, the Employers Agent appraised all bids to include an allowance for provisional sums, so a "like for like" comparison could be made. The revised tender sums based on the Employers agent's appraisal are also shown in the table below.

Contractor	Tender sum	Revised tender sum
Modplan Building & Refurbishment	£736,852.00	£759,430.00
Sandwood Design & Build	£805,895.51	£877,973.00
Langtry Contractors Ltd	£820,859.00	£908,486.00
Taylor French Developments	£897,593.00	£946,426.00
Mears Limited	£1,025,471.00	£1,025,471.00

- 3.3 A summary of the tender scores for quality are shown in the table below. There were three questions relating to quality with a total of 40 marks available.

Contractor	Quality Score
Modplan Building & Refurbishment	30
Taylor French Developments	30
Sandwood Design & Build	28
Langtry Contractors Ltd	28

Mears Limited	28
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3.4 A summary of the combined scores for both cost and quality are shown in the table below. Tender returns were scored out of 100.

Contractor	Total Score
Modplan Building & Refurbishment	90
Sandwood Design & Build	83
Langtry Contractors Ltd	82
Taylor French Developments	79
Mears Limited	71

3.5 Modplan's tender was the most competitive bid and scored highest in both cost and quality.

3.6 Modplan's offer would see the new development completed in 47 weeks and would cost the Council up to £836,000 (this includes a 10% contingency).

3.7 Modplan are experienced in delivering affordable housing schemes. The Council are confident that Modplan can develop 5 affordable homes at Queen Street, Tring to the Council's quality expectations.

4. Financial implications

4.1 The Council has been out to tender for the Tring scheme on three occasions now to achieve best value for money, which reflects the housing market and complexities of this site. The Council's priority in delivering new Council homes aims where possible for these to be built in a variety of locations within the Borough to help meet local housing need

4.2 An increase in the build cost budget is required due to build costs having increased significantly since the Council first started the New Build Programme in 2011. The build costs have increased as a result of the backdrop of a rising market, a reduction in availability of materials and reduction in availability of a skilled labour force. These build costs are monitored by the Employers Agents which are employed on each scheme by the Council for this purpose. Further benchmarking of scheme costs is currently underway against private developments and housing association properties in Hertfordshire and London. This will hopefully be available for the June Cabinet meeting for the next development update. There is no benchmarking data available from other local authorities in Buckinghamshire or Hertfordshire yet because they do not have new build programmes as advanced as Dacorum Borough Council.

4.3 When the HRA business plan was approved last year an estimated build cost assumption was £100k per unit. With information collated from the market and from the Council schemes on site this figure has been revised to £130k per unit for the reasons as stated above in 4.2. These are still only estimates and are based on averages, therefore as a development progresses the finances are developed also to be closer to actual costs rather than just estimates. This is a natural process with housing development finance and

once tenders have been received that is the point a scheme finances are usually finalised, subject to any unexpected circumstances.

- 4.4 Cabinet approved a build cost budget of £550,000 in June 2014. A further £286,000 is required, resulting in a total build cost based on a tender return of £836,000. The build cost on the Tring scheme has a higher than average cost per unit than the revised business plan build cost assumptions due to scale of the site; it is also within a conservation area where a higher specification is required to satisfy planning requirements. (E.g. wooden windows and doors, the retention of a historic boundary wall).
- 4.5 An increase in the consultancy budget is also required for the additional costs for ongoing consultancy support for Party Wall Awards and Employers Agent fees. These consultant fees have been refined during the development of the scheme. Cabinet previously approved a consultant budget of £30,000. A further £20,000 is required, resulting in a total consultant budget of £50,000.
- 4.6 A significant amount of work has been undertaken in the last 6 months within the development team to clarify all scheme budgets including land costs, build costs and consultant fees. This will help considerably going forward and is a significant change of how scheme finances were estimated when the Council first started the new build programme.

The report recommends the award of the main contract in connection with the construction of 5 new Council homes at the old Tring Depot, Queen Street, Tring to Modplan Building & Refurbishment Contractors Ltd for up to £836,000.00.

That Cabinet recommend Council to approve an additional build cost budget of £286,000 to develop 5 new homes at the old Tring Depot, Queen Street, Tring

That Cabinet recommend Council to approve an additional consultant budget of £20,000 to develop 5 new homes at the old Tring Depot, Queen Street, Tring.