



Report for:	Cabinet
Date of meeting:	18 September 2018
Part:	1
If Part II, reason:	Separate Part 2 report

Title of report:	New Build Update and bid for additional Housing Revenue Account Borrowing
Contact:	Cllr Margaret Griffiths, Portfolio Holder for Housing Mark Gaynor, Corporate Director Housing and Regeneration
Purpose of report:	<ol style="list-style-type: none"> 1. To approve the bid to be made to the Ministry of Housing, Communities and Local Government, as set out in the report, including the financial details in part 2, for additional borrowing freedom for £10.1M in the Housing Revenue Account to facilitate the early delivery of 106 new homes and to approve the acceptance of the bid if successful. 2. To consider the purchase of land from Homes England at Paradise Fields for council house new build purposes. 3. To consider the award of contract for the construction of 29 new homes at Stationers Place. 4. To consider a process for purchase of land for social housing purposes within agreed budgets which allows for a sufficiently speedy approach to compete effectively for open market sales. 5. To provide Members with an update on the progress of the Council's new build Council housing programme and to approve a variation in the procurement of the scheme at Stationers Place Apsley.
Recommendations	<p>That Cabinet agree:</p> <ol style="list-style-type: none"> 1. To approve the bid to be made to the Ministry of Housing, Communities and Local Government (MHCLG), as set out in the report, including the financial details in part 2, for additional borrowing freedom for £10.1M in the Housing Revenue Account to facilitate the early delivery of 106 new homes and to approve the acceptance of the bid if successful. 2. That the bid be accepted, if successful, and the detail, process and utilisation of any increased borrowing arising from the bid be delegated to the Corporate Director Housing and Regeneration and the Corporate Director

Community Impact Assessment	Not applicable
Health And Safety Implications	<p>Each new build scheme has in place a Principal Designer and Construction Design and Management Regulations (CDM) Advisor. Contractors are required to comply with the Council's Health and Safety (H&S) policy along with Considerate Constructors requirements.</p> <p>H&S is identified as a key risk of the Housing Service and is reported to the Council's Housing and Communities Overview and Scrutiny Committee on a quarterly basis. Monthly site checks will be carried out on behalf of DBC as the client to ensure H&S procedures are maintained to the highest possible standards.</p>
Monitoring Officer/S.151 Officer Comments	<p>Monitoring Officer:</p> <p>Any land purchases under the proposed delegation in recommendation 5 will need to be documented in an officer decision sheet to ensure that the decision is properly recorded.</p> <p>Full site due diligence and valuation assessment should also be carried and reported in the officer decision sheet for consideration by the statutory officers.</p> <p>Deputy S.151 Officer</p> <p>The revised new build development programme and subsequent submission for an increase in the HRA borrowing limit, by £10.1m, has been modelled through the 30 year business plan. The business case put forward is financially sustainable but will require close monitoring.</p> <p>The HRA is projected, if the bid is accepted, to maximise its new extended borrowing cap of £364min 2021/22 and 2022/23, hence fiscal management is key, as borrowing to the maximum capacity provides no headroom. The strategy will need to continue to be closely monitored to ensure the new build development plan remains deliverable and affordable.</p> <p>The financial increase in the tender contract for Stationers place can be delivered within the existing new build development budget. The increase in contract value after analysis is in line with the expected industry inflationary increases over this time period.</p> <p>The implementation of a land purchase framework/delegated decision making process will allow for the HRA to react to market conditions in a timely manner. The approval of land purchases must be accompanied with a red book valuation to ensure value for money is assessed.</p>
Consultees:	<p>Fiona Williamson Assistant Director Housing David Barratt Group Manager Development Richard Rice Interim Group Manager Property and Estates</p>
Background	

papers:	
Glossary of acronyms and any other abbreviations used in this report:	<ul style="list-style-type: none"> • Ministry of Housing Communities and Local Government (MHCLG) • Housing Revenue Account (HRA) • Homes England (HE)

1. Introduction

- 1.1 This report covers a number of key issues in the Council's new build housing programme and is set out in five separate sections:
- The bid made to the Ministry of Housing Communities and Local Government (MHCLG) for additional borrowing in the Housing Revenue Account (HRA) of £10.1M in 2021/22 to facilitate the early delivery of 106 new homes
 - The purchase of land at Paradise Fields from Homes England in part for new build housing
 - The award of contract for the construction of new homes at Stationers Place Apsley
 - A framework process for purchase of land for social housing purposes within agreed HRA budgets which allows for a sufficiently speedy approach to compete effectively for open market sales
 - A new build update

2. Housing Revenue Borrowing Programme 2019-2022

- 2.1 The government are making up to £1 billion additional HRA borrowing available for authorities in areas of high affordability pressure (which includes Dacorum) during the years 2019/20 to 2021/22. Bids originally had to be submitted by 7 September, but this was later revised to 30 September, with the following conditions:
- That the bidding authority can demonstrate that it doesn't have sufficient borrowing headroom to deliver the new build that would like to
 - That the programme proposed represents value for money
 - That the schemes proposed are demonstrably deliverable by the end of 21/22
 - That schemes are already considerably advanced in terms of ability to move forward.
- 2.2 The Council already has both a good track record on delivery of new homes to date and a strong pipeline programmes of new schemes. It cannot, however, deliver new homes as fast as it would like due to constraints on the available finance. The potential of the Council bidding into the new programme was therefore thoroughly investigated and will be submitted before the deadline of 30th September. It is possible that changes to the bid, with minor overall impact, will have to be made after this report was written.
- 2.3 The government have made the offer on an unhelpfully short term basis – to be completed by 31 March 2022. The reality for most local authorities is that they will not have spent considerable money on taking forward designs on the off chance that more borrowing may be available. Add to this that from consideration of use of a site it typically takes around four years to achieve site purchase, planning, procurement and construction which means the government scheme is challenging. A more helpful approach would have been

to make funding available in a longer bidding timeframe and over a longer period of between 5 and 10 years. MHCLG have, however, provide helpful flexibility in that it is possible to ‘swap’ additional borrowing for the headroom borrowing that otherwise would have been used for a later year. The bid has taken advantage of this. Provided the additional borrowing is granted the programme for 231 homes as set out in Part 2 of this report can be delivered by the end of 2022/23.

- 2.4 Set out in Part 2 of this report is the totality of the Council’s programme of new build up until 2022/23 including financing and delivery details during the period. The bid, which must be a specific scheme or schemes, comprised two schemes: the first at St Margaret’s Close for 56 new homes; the second at Paradise Fields for 50 new homes (subject to Cabinet agreeing the purchase, details below). The Table demonstrates that the Council will require borrowing above the current cap of £10.1M over the period 2019/20 to 2022/23 in order to complete its programme. The bid is for £10.1M of additional borrowing. The schemes detailed in Part 2 are additional schemes beyond those already in construction or soon to be on site. The Tables 1 and 2 set out what has already been delivered, is in construction (or soon to be). The excellent track record of the Council in building new homes will be a key factor the government will consider when judging the bids. We should know the result of the bid in the autumn.

Table One Properties completed

Scheme	Tenure	No.	Completion	Site source
The Elms	Supported Housing	41	2015	Council
Farm Place	Social rent	26	2015	Council
St Peters	Social rent	9	2015	Private
Aspen Court	Social rent	36	2016	Private
Queen Street	Social rent	6	2016	Council
Able House	Social rent	14	2017	Private
Total		132		

Table Two Properties in/ about to be in construction

Scheme	Tenure	No.	Completion	Site source
Kylna Court	Social rent	79	2018	Private
Corn Mill Court	Social rent	13	2018	Private
Northend/Westerdale	Social rent	12	2019	Council
Stationers Place	Social rent	29	2019	Private
Martindale	Social rent	44	2021	Private
	Sale	21		
Total		208		

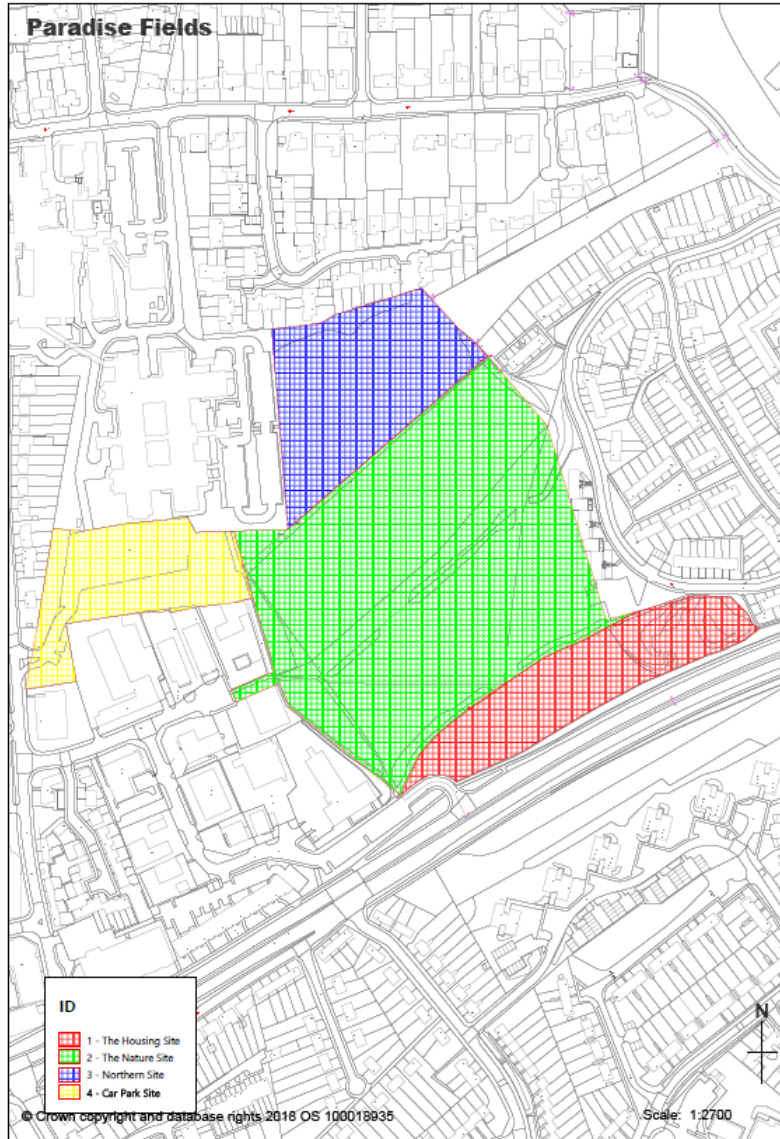
- 2.5 Government has indicated that there would be stringent reporting requirements for those schemes which underpinned any decision to grant additional headroom, but it is not clear if there would be financial consequences of failing to deliver these projects on time (these would most likely be that the borrowing agreed could not be rolled forward into a future year). The best mitigation against this unknown is for the programme to be ambitious but deliverable. From a financial perspective, this programme appears deliverable and the business plan contains sufficient flexibility for the Council to respond to the majority of foreseeable risks.

2.6 It is recommended:

1. To approve the bid to be made to the Ministry of Housing, Communities and Local Government (MHCLG), as set out in the report, including the financial details in part 2, for additional borrowing freedom for £10.1M in the Housing Revenue Account to facilitate the early delivery of 106 new homes and to approve the acceptance of the bid if successful.
2. That the bid be accepted, if successful, and the detail, process and utilisation of any increased borrowing arising from the bid be delegated to the Corporate Director Housing and Regeneration and the Corporate Director Finance and Operations including any minor variations that may need to be made following liaison with MHCLG.

3. Purchase of Land at Paradise Fields from Homes England

- 3.1 Council officers have been in discussion with Homes England (formerly the Homes and Communities Agency) regarding the purchase by the Housing Revenue Account of a housing site fronting on to St Albans Road for new build council housing. Homes England (HE) were clear that they would only consider this as part of a rationalisation of their land holdings in Hemel Hempstead. These are shown on the plan below.
- 3.2 The land comprises four contiguous sites: the housing land to the south; Paradise Fields Nature area; the open space at the north of the site; and part of the hospital car park. With the exception of Paradise Fields (which will remain a nature area) all three remaining sites are set out as potential housing sites in the Town Centre Masterplan.



- 3.3 The Housing site has a valuation agreed by both parties following a red book valuation (details in Part 2 of this report) based on 43 new homes being built with an overage should the numbers rise. The open space and Paradise Fields sites are valued at £1 each with overage on the open space site. The car park is more complex as HE understand that there is a lease arrangement with the hospital which, dependent on its detail, would guide a price for the site though the price will have to be mutually agreed. Further detail on the overage are set out below and the full draft Heads of Terms are attached as Appendix 1.
- 3.4 There are distinct strategic advantages for the Council in purchasing the land. It would leave the Council in a strong position to shape any regeneration of the sites around the hospital (following the conclusion of its future), the nature area would be in community ownership and more strongly protected and the housing site would deliver much needed social rented homes.
- 3.5 The overage arrangements are as follows:
- For the housing site if planning permission for more than 43 homes is granted then clawback of £46,000 per dwelling above this figure would be payable

- For the nature area and the northern site if within 21 years planning consent is granted for an alternative use then 50% of the uplift in market value of the sites will be payable. If the site is sold within 21 years then 50% of the uplift in value would be payable
 - For the car park site if planning consent is granted within 21 years for an alternative use then overage is payable on the difference in value as a car park and the value with the planning consent.
- 3.6 With the exception of the housing site the Council the overage would see any increase in value shared equally for a period of time and therefore to both parties' financial advantage. On the housing site the overage would still represent a price for the land far less than has to be paid per property on a market sale.
- 3.7 It is recommended:

That the purchase of land at Paradise Fields for Homes England on the terms set out in the Part 2 report be approved and the process of purchase be delegated to the Corporate Director Finance and Operations. A £150,000 to be allocated for consultancy and design work, from the existing 2018/19 HRA new build budget also be approved.

4 Stationers Place procurement and delivery

- 4.1 The Council received pre-application planning advice for a scheme of 31 units scheme in July 2015 – a reduction of 5 units from the original plan - resulting from the complication of the services and culverts running through the site. The drawings were revised based on this response. A full planning application was submitted in October 2015, after completing a revised flood risk assessment and a Hydraulic Modelling exercise as requested by the Environment Agency and our specialist consultant. Full planning permission was granted in April 2016.
- 4.2 The contract to construct the scheme was awarded to Jarvis Contracting Ltd following a competitive tender (full details in part 2 of this report)
- 4.3 Since appointment, the scheme has changed from the original proposal due to site and planning constraints which could not be completely anticipated. In order to de-risk the project, following the issues raised by the Environment Agency with regards the Culvert, requirements to keep the development further from the canal and to avoid the services. The scheme was therefore redesigned to mitigate these issues.
- 4.4 In order to achieve this and reduce the risk of potential “delay on site” payments to the contractor an enabling package was undertaken to investigate the site thoroughly for contamination, utilities and Highways issues alongside a resolution to the Environment Agency’s culvert requirements, without affecting the project further and to remove risk once construction works start.
- 4.5 This enabling package, designed to mitigate risks with site condition around existing boreholes, buried services and demolition of existing buildings. This has also provided an opportunity to validate the location of all buried services and given the extent of them check that there are no further site constraints.

- 4.6 In order to address the site issues with the Environment Agency, a new planning application was submitted to provide 29 flats (12 x 1bed, 17 x 2bed), public open space, residential and visitor parking and associated amenity space. This was approved at Development Management Committee (July) and obtained formal planning consent in August 18.
- 4.8 The time since the original appointment of the contractor has also allowed for design guide improvements, introduced by DBC following the Grenfell tragedy and the pre-construction enabling package (the majority of these works formed part of the original contract sum). All of which were designed and considered to significantly de-risk the project and remove the potential for hidden costs, usually associated with commencement on site.
- 4.9 Part 2 of this report contains the rationale and financial details of awarding the contract to Jarvis Construction Ltd. It is recommended:
- 4.10 That the revised contract, as set out in Part 2 of this report for the construction of new homes at Stationers Place, be awarded to Jarvis UK Ltd.

5 HRA land purchase process

- 5.1 The new build programme has always relied on a mix of Council owned land and private sector purchases. The current process – where authority must be given by Cabinet – is very inflexible and time consuming. In practice this means the Council, which for private sale has to compete on the open market, cannot always give a firm commitment to a potential purchase within the vendors timescales. In order to have a 'level playing field' it is recommended that a framework be adopted which allows for a more competitive position.
- 5.2 The HRA has agreed budgets for its new build programme and it is proposed that for individual purchases of land under £5M be delegated to the Corporate Director Housing and Regeneration in consultation with the Corporate Director Finance and Operations and the Assistant Director, Corporate and Contracted Services and the Portfolio Holder Housing and Portfolio Holder Finance and Resources.
- 5.3 For purchases to be approved there will need to be a red book valuation and either planning permission in place or very clear advice from the Assistant Director Planning and Regeneration that the site will be suitable for housing.
- 5.4 It is recommended that:
That the process for purchase of land for social housing purposes within agreed budgets and delegations as set out in the report be approved

6 New Build Update

Kylina Court (Wood House), Maylands Avenue, Hemel Hempstead.

- 6.1 Situated in the Heart of Maylands this project forms an important part of the regeneration of the overall area. This project comprises a 79 unit development, 42 x 1 bedroom flats, 37 x 2 bedroom. The scheme achieved planning permission in March 2016. The development will provide 79 social rented units along with a business suite as an extension to the Maylands Business Centre.

- 6.2 Jarvis Contracting Ltd was awarded the build contract and commenced on site in March 2017 with completion anticipated during November 2018. The project is progressing well on site and the first units are going through quality checks.
- 6.3 In the Cabinet Report submitted on the 17th October 2017 it was highlighted that a review had taken place in the light of the Grenfell Tower fire. A comprehensive review of the fire strategy took place and it was decided to revise the specification of some elements of the construction including introducing non-combustible insulation into the external wall construction. Although at this time there is no regulatory requirement to install sprinklers because the dwellings are less than 18 metres in height, a decision was taken in consultation with the Portfolio Holder to install a full sprinkler system.
- 6.4 Due to the high number of properties which will be let at once, preparations are underway to resource this and a local lettings plan will be in place with support from DBC Housing.

Corn Mill Court (Swing Gate Lane), Berkhamsted

- 6.5 Planning permission to deliver 11 new homes was granted in June 2015, this consisted of 9 new-build flats (6 x 1-beds and 3 x 2-beds) and the conversion of three existing building into two units of accommodation. Osborne Homes were the successful contractor for the New Build works which started in August 2017. The conversion element of the works is also being deliver by Osbourne's through the TAM contract. Completion of the scheme is expected January 2019.

Martindale School, Boxted Road, Hemel Hempstead.

- 6.6 The Council purchased the site from Hertfordshire County Council in May 2015. The scheme had already received outline planning permission for 43 units in February 2015. After two public consultations a planning application was submitted in August 2017 for consideration and comprised 65 new homes: A mix of 1bed & 2 bed flats and 2 bed and 3 bed houses of which 21 will be market sake t cross subsidise the scheme. Planning approval was achieved in October 2017. nits will be available for private sale.
- 6.7 The scheme has been through a thorough procurement process and following approval at Cabinet in July 18, has appointed a contractor - Bugler. It is envisaged that works will start on site late Autumn 2018.

Westerdale and Northend garage sites, Hemel Hempstead.

- 6.8 The Council has identified 2 garage sites as part of the garage asset strategy for redevelopment, using General Fund resources, for new temporary accommodation housing. They are to be redeveloped in tandem to deliver 6x2 bedroom flats at Westerdale and 4x2 bedroom flats and 2x1 bedroom flats at Northend. The properties would provide an ongoing revenue stream as well as being a valuable flexible asset.
- 6.9 After a public consultation the schemes were submitted for planning approval during early October 2017. Planning approval was achieved in December 2017. The scheme has been through a thorough procurement process and following approval at Cabinet in July 18, to delegate authority to appoint, we

confirm that FSG has been appointed as the contractor. It is envisaged that works will start on site late Autumn 2018.