



Report for:	Cabinet
Date of meeting:	15th October 2019
Part:	I
If Part II, reason:	

Title of report:	Council New Build Programme Update
Contact:	<p>Cllr Margaret Griffiths, Portfolio Holder for Housing</p> <p>Mark Gaynor, Corporate Director Housing and Regeneration</p> <p>Fiona Williamson, Assistant Director Housing</p> <p>Nigel Howcutt, Assistant Director Finance and Operations</p> <p>David Barrett, Housing Development Group Manager</p>
Purpose of report:	<p>To be read in conjunction with Part II.</p> <p>To seek approval to award the main contract and appoint a Principle Contractor to construct 3 units at land adjacent 35-36 West Dene, Gaddesden Row.</p> <p>To seek approval for the appropriation of land at Coniston Road/Barnes Lane, Kings Langley.</p> <p>To seek approval for the payment of “one for one” grant funding to Housing Associations (Registered Providers) delivering affordable housing schemes in the Borough.</p>
Recommendations:	<ol style="list-style-type: none"> 1. That the main contract to construct 3 x social rented units at Land Adjacent 35-36 West Dene, Gaddesden Row be awarded to Modplan Building & Refurbishment Contractors Ltd. 2. That the appropriation by the Housing Revenue Account of the General Fund land, set out in Part II of the report referenced MV2, for Council house new build purposes, be approved. 3. That an increase to the grant funding payment to Thrive Homes from £1,417,000 to £1,512,883 (Increase of £95,883) for a development known as Two Waters, Westside, London Road, Hemel Hempstead be

	approved
Corporate Objectives:	Delivering Affordable Housing
Implications:	<p><u>Financial</u></p> <p>Land Adjacent 35-36 West Dene, Gaddesden Row</p> <p>A detailed breakdown of the tendered costs for Land Adjacent 35-36 West Dene is included in the appendix. The scheme is subject to close financial monitoring and any future variations will be agreed formally through a change control process.</p> <p>Land at Coniston Road, Kings Langley</p> <p>The overall development budget is reviewed strategically as part of the annual review of the Housing Revenue Account (HRA) Business Plan. Each individual scheme following contract award is subject to close financial monitoring with any variances agreed formally through a change control process. A small part of Council owned land will be appropriated by the HRA which will result in a 'receipt' for the General Fund.</p> <p>Two Waters, London Road</p> <p>This approach to supporting other organisations developing affordable housing in the Borough will enable us to allocate the funding before the deadline to spend expires.</p> <p><u>Value for Money</u></p> <p>Land Adjacent 35-36 West Dene, Gaddesden Row</p> <p>This has been achieved through a successful procurement programme involving an open tender process.</p> <p>Land at Coniston Road/Barnes Lane, Kings Langley</p> <p>Land purchases are in line with Red Book Valuation to ensure value for money</p> <p>Two Waters, London Road</p> <p>"One for one" receipts paid to Housing Associations by way of a grant provides the means to increase the provision of affordable homes within the Borough at no cost to the Council and assist in avoiding the costs of homelessness by increasing supply.</p>
'Value For Money Implications'	
Risk Implications	<p>Risk assessments are completed within the new build Project Initiation Document (PID) and reviewed and updated on Project Management Office, on a monthly basis.</p> <p>A risk assessment is completed for each site by the Employers Agent and reviewed monthly from the award of</p>

	<p>the contract.</p> <p>If the Council is unable to spend its “one for one” receipts they must be returned to the Government. Should the Council retain receipts and then be unable to spend them within a three-year period then interest becomes payable. The recommended model agreement passes this risk onto the receiving Housing Association.</p>
Community Impact Assessment	Full Community Impact assessment not required as homes are allocated in the basis of the Council’s Allocation Policy which has had a full assessment.
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>Health & Safety 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. To ensure compliance monthly site checks carried out on behalf of DBC as the client to ensure adherence to H&S procedures.</p> <p>Any empty properties will be monitored on a regular basis following completion and handover from contractor.</p>
Monitoring Officer/S.151 Officer Comments	<p>Deputy Monitoring Officer:</p> <ol style="list-style-type: none"> 1. Officers should ensure that a JCT Design and Build Contract is completed before building works commence at land adjacent to 35-36 West Dene. Appropriate warranties should also be sought. 2. Further to section 122 of the Local Government Act 1972, a principal council has a general power to appropriate land that satisfies the following conditions:- <ol style="list-style-type: none"> i) The land belongs to that council ii) The land is no longer required for the purpose for which it is held iii) The land is being appropriated to any other purpose for which the council is authorised by statute to acquire land <p>The land meets the above requirements and is currently waste land.</p> <p>The current agreement to spend retained Right to Buy receipts to fund no more than 30% of the development cost of affordable housing units is made under Section 11(6) of the Local Government Act 2003. The Council has discretion to fund developments using right to buy receipts provided the limit of 30% is not exceeded.</p>

	<p>Deputy S.151 Officer</p> <p>The award of the contract to Modplan is the outcome of an open and transparent procurement process with tender submissions evaluated for value for money.</p> <p>The land at Coniston Road has a red book valuation as outlined in part II of this report and the appropriation value is in line with this valuation.</p> <p>The increased provision for the Two Waters development will be met by one of one receipts that have already being received by DBC and are specifically dedicated to development of affordable and social housing.</p>
<p>Consultees:</p>	<p>Mark Gaynor, Corporate Director Housing and Regeneration</p> <p>James Deane, Corporate Director Finance & Operations</p> <p>Fiona Williamson, Assistant Director Housing</p> <p>Nigel Howcutt, Assistant Director Finance and Resources</p> <p>David Barrett, Group Manager, Housing Development</p> <p>Caroline Souto, Financial Planning & Analysis Team Leader, Financial Services</p> <p>Andrew Linden, Team Leader, Commissioning, Procurement & Compliance</p>
<p>Background papers:</p>	<p>HRA Business Plan September 2015</p>
<p>Glossary of acronyms and any other abbreviations used in this report:</p>	<p>N/A</p>

1. Background

- 1.1 Since 2013 the Council has embarked on a development programme, which to date has seen the delivery of 188 new Council homes, including St Peters, a block of energy efficient, Passive House flats. Additionally the Council has needed to respond to an increasing pressure from Homeless applicants and completed a 41 bed homeless hostel, The Elms in 2015.

Table 1. Properties delivered to date

Scheme	Tenure	No. of units	Completion	Site source
Longlands	Social rent	6	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
Kylina Court	Social rent	79	2019	Private
Corn Mill Court	Social rent	12	2019	Private
TOTAL		188		

- 1.2 The Council already has both a good record of accomplishment on delivery of new homes to date and a strong pipeline of new schemes programmed. The lifting of the borrowing cap on the HRA has presented an opportunity to accelerate delivery and enable a sustainable ongoing development programme.

Table 2. Properties in construction

Scheme	Tenure	No.	Completion	Site source
Northend/Westerdale	Temporary Accommodation	12	2019	Council
Magenta Court	Social rent	29	2019	Private
Martindale	Social rent Sale	44 21	2021	Private
TOTAL		106		

2. Introduction

- 2.1 The next phase of the development programme is underway with Magenta Court, Apsley, Martindale Fields, the ex-school site, Northend and Westerdale, ex-garage sites, are all under construction.

Land Adjacent 35-36 West Dene, Gaddesden Row

- 2.2 This report seeks approval for the appointment of the Principal Contractor at land adjacent 35-36 West Dene, Gaddesden Row.
- 2.3 The Council identified Land Adjacent 35-36 West Dene for redevelopment, using General Fund resource. The properties would provide an ongoing revenue stream as well as being a valuable flexible asset.

- 3.6 A financial assessment was carried out by the Council's Finance Department based on the bidder set of accounts (last 3 financial years) and a credit reference report. The recommended successful bidder baser this financial assessment.
- 3.7 The report recommends the award of the main contract to construct 3 new Council homes at Land Adjacent 35-36 West Dene, Gaddesden Row to Modplan Building & Refurbishment Contracting Ltd.

4. Land at Coniston Road/Barnes Lane, Kings Langley

Appropriation of land at Coniston Road / Barnes Lane, Kings Langley

- 4.1 In order to ensure the continued pipeline of the future development sites, this report seeks approval to consider the appropriation by the Housing Revenue Account of the General Fund land, at market value, of land at Coniston Road/Barnes Lane, Kings Langley subject to the Housing Development Team achieving a planning approval.
- 4.2 This site has been submitted for pre-application planning advice, and the current proposal will deliver 9 to 10 houses. The independent valuation report for the site is contained with Part II of this report.

5. Two Waters, Waterside, London Road

Background

- 5.1 The Council signed up to an agreement with the Department for Communities and Local Government, following the government's major increase in the level of potential discount for Right to Buy, which allowed the Council to use the receipts to part fund new affordable homes – the one for one replacement scheme.
- 5.2 The funding has some restrictions:
 - It can only cover 30% of the total costs of the development (meaning that the Council or Housing Association has to have available the 70% match)
 - It cannot be used on the cost of land where this is already in the Council or Housing Association's ownership (thus omitting around 25-30% of costs that it can be applied to)
 - It cannot be used on any schemes that are either affordable homes within a s106 agreement or which have received Homes and Communities Agency funding (thus ruling out around 50% of Housing Association affordable homes delivery)
 - It must be spent within three years of receipt
- 5.3 Initially the intention was to use the entirety of these receipts to help fund the Council's own new build programme. Following decisions made by the Government in the Welfare Reform and Work Act 2016, one being a reduction in Council rents by 1% per year for four years, there has been a significant reduction in the available resources within the Housing Revenue Account to directly fund new Council homes.
- 5.4 Funding not spent within the three year window dictated by the government must be returned however the one for one regulations allow for it to be spent

on delivery of additional affordable homes by Housing Associations. It is proposed to avoid having to pay money back. The Council works closely with Housing Associations in the area to fund suitable affordable housing developments which can then be allocated to local people. This is in addition to the spending on the Council's own new build programme.

- 5.5 The level of Right to Buy sales has generated a level of receipt that the Housing Revenue Account is unable to match fund in order to spend it all within the three years – this generates a level of receipt that the Housing Revenue Account is unable to match fund in order to spend it all within the three years. The rules of the scheme mean that it can only be used to cover 30% of overall costs and the level of receipts is so high that we will have to return some of the receipt. The importance of working with Housing Associations has grown as have the grant levels to distribute. For this reason it is felt that a more formal agreement on schemes moving forward should be captured in a form of agreement that facilitates the development of the new homes whilst protecting the Council from interest costs should the grant agreed not be spent in time, transferring this risk to the Housing Association.
- 5.6 Working in partnership with Housing Associations we are looking to avoid any money going back to Government and therefore have been seeking opportunities to support affordable housing schemes in the borough. The Council has in place regular monitoring meetings on both a monthly and quarterly basis involving senior officers from Housing and Finance all to ensure there is a robust programme for allocating the receipts that have been accepted by the Council. This report seeks approval to allocate “one for one” grant funding to this organisation

6. Thrive Homes – Two Waters, Waterside, London Road, Hemel Hempstead £1,417,000 to £1,512,883 (Increase of £95,883)

- 6.1 Thrive Homes have submitted a revised application to increase the grant funding payment of £1,417,000 to £1,512,883 (increase of £95,883) for the provision of 29 flats (16 One Bed & 13 x Two Bed) for Affordable Housing (Rent to Homebuy).
- 6.2 An increase of £95,883 is required for unforeseen remediation works. The first application for £1,417,000 was approved by Cabinet on 19/09/2017. This revised application will be drawn down as follows:
- 2019/20
Q1– Grant already claimed
Q2 – Grant already claimed
Q3 – Grant already claimed
Q4 – £95,883

7. Recommendations

- 7.1 To award the main contract to construct 3 x social rented units at Land Adjacent 35-36 West Dene, Gaddesden Row to Modplan Building & Refurbishment Contractors Ltd.
- 7.2 That the appropriation by the Housing Revenue Account of the General Fund land, set out in Part II of the report, for Council house new build purposes, be approved.

- 7.3 An increase to the grant funding payment from £1,417,000 to £1,512,883 (increase of £95,883) to Thrive Homes for a development known as Two Waters, Waterside, London Road, Hemel Hempstead.