

HOMES & COMMUNITIES COMMITTEE

5 NOVEMBER 2018

HOUSING REVENUE ACCOUNT - DEVELOPMENT PROGRAMME

1.0 Purpose of Report

1.1 This report provides the Committee with an update on the progress being made with the 5 year Housing Revenue Account (HRA) development programme and the proposal to develop an extra care scheme in Boughton.

2.0 Background Information

2.1 Delivery of new affordable housing is a strategic priority for the Council, with the need to develop a mixed provision of affordable homes to meet the requirements of younger people, families with young children and older people across the district's urban and rural communities.

2.2 Set against this strategic priority the Policy & Finance Committee, at its meeting on 30 June 2016, approved that the Council and Newark and Sherwood Homes work in partnership to deliver a 5 year housing (HRA) development programme to provide an indicative 335 new affordable units across the district, with the Homes & Communities Committee charged with monitoring the delivery of the programme.

3.0 Progress - Housing Revenue Account (HRA) Development Programme

3.1 As previously reported Robert Woodhead Ltd has been appointed as the delivery partner for the 5 year HRA development programme following a detailed and successful procurement exercise based upon both price and quality.

3.2 Newark and Sherwood Homes are project managing the programme on behalf of the Council and review meetings are held between officers of the Council and Company in order to monitor delivery of the programme.

3.3 In addition, a service specification has been drawn up covering the project management roles and responsibilities of the Company. The fee charged by the Company is based on per unit delivery, rather than a % of the overall programme and reflective of a competitive market rate.

Phase One - Site Progression

3.4 The table below provides the Committee with an update on progression with development of the phase one sites:

Locality	Address	Units	Anticipated Completion or Completion Date
Newark Cluster	Grange Road	5 x 2 bed houses	Completed May 2018
	Meldrum Crescent	8 X 1 bed apartments	Completed June 2018
	Quibell Road	1 bed bungalow 2 x 2 bed houses	Completed April 2018
	Stephen Road	2 x 1 bed apartments	Completed January 2018

Balderton Cluster	Gibson Crescent	2 x 3 bed houses	Due for completion October 2018
	Wolfit Avenue (1)	3 x 2 bed houses	Due for completion October & November 2018
	Wolfit Avenue (2)	2 x 2 bed bungalows	
	Wolfit Avenue (3)	1 x 2 bed bungalow	
	Wolfit Avenue (4)	2 x 2 bed bungalows	
Farndon Cluster	Almond Grove 1 & 2	(1) 2 x 2 bed units (2) 1 x 2 bed bungalow	Due for completion November 2018, subject to Severn Trent final installation.
	California Road	1 x 2 Bed bungalow	Due for completion October 2018
	Staveley Court	6 x 2 bed houses 2 x 3 bed houses 2 x 1 bed bungalows 1 x 3 bed bungalow	Phased handover from October 2018
	The Willows	1 x 2 bed unit 1 x 3 bed unit	Completed September 2018
Collingham Cluster	Windsor Road	3 x 2 bed houses	Due for completion November 2018, subject to Severn Trent final installation now scheduled for December 2018.
	Snowden Road	2 x 2 bed bungalows	Due for completion October 2018
	Windsor Close (2)	4 x 2 bed houses	Due for completion February 2019
West Cluster	Adj 1 Allenby Road, Southwell	2 x 1 bed bungalows	Due for completion December 2018
	Adj 31 Trinity Road, Southwell	1 x 1 bed bungalow	Due for completion November 2018
	Greenwood Cres, Boughton	2 x 2 bed bungalow	Completed September 2018
	Adj 67 Greenwood Cres, Boughton	1 x 2 bed house	Due for completion November 2018
	Eastfield Close, Clipstone	2 x 2 bed houses	Due for completion December 2018
	Vicars Court, Clipstone	2 x 2 bed houses	Due for completion December 2018
	Haywood Oaks Lane, Blidworth	3 x 1 bed apartments	Due for completion January 2019
	Central Avenue, Blidworth	1 x 2 bed bungalow	Completed September 2018

	Preston Road, Rainworth	2 x 1 bed bungalows	Due for completion October 2018
Target Total		70	

- 3.5 Due to the extremely dry summer, Severn Trent have not been able to provide a connection date for water services and failed to attend agreed appointments. Discussions with Severn Trent indicated they have been forced to divert many of their resources into water conservation and fixing leaks rather than new connections.
- 3.6 This issue has begun to alleviate with a number of sites handing over in the past month and subsequent completion dates for the remainder of the units by the end of the October, with the exception of Windsor Close, Collingham.

Budgetary Position (Phase One)

- 3.7 The development costs for phase one, which run over two financial years (2017/18 & 2018/19) and led to the scheme being developed in phases, have seen an increase from those applied in the financial modelling in early 2016.
- 3.8 The initial modelling was based on an estimated figure of £100,000 per unit to provide an indication on what growth could be delivered within the parameters of the HRA Business Plan. The inputs into the financial model were informed by a number of assumptions but were not site specific.
- 3.9 The units that formed the grant bid submissions to Homes England, showed an average build cost of £132,965 per unit. The uplift in costs are primarily due to inflationary impacts since the first estimates were made, the small scale of unit delivery per site (average circa 2.8 units per site), site constraints and support costs, such as service connections and planning and infrastructure requirements.
- 3.10 As previously reported the Council has been successful in its grant bid submissions to Homes England for phase one. This will bring the cost per unit to the HRA down to an average of £93,056. The Committee should note that Homes England grant funding is primarily there to enable the delivery of schemes with significant abnormal costs that may not otherwise come forward, which is the case for a number of the smaller sites in phase one.
- 3.11 The Company have an ongoing dialogue with Robert Woodhead to value engineer site costs and establish accurate figures for the delivery of each site prior to commencement. This is to aid ongoing financial monitoring and maintain the overall viability of the development programme. The Company will continue this process throughout the life of the project to ensure that the average cost per unit over the programme achieves good value for money, within the parameters of the HRA Business Plan.
- 3.12 The inputs and assumptions of the HRA Business Plan are also in the process of being reviewed, which will enable the financial modelling and forecasting for the delivery programme to be updated.

Phase Two – Site Progression

- 3.13 The table below provides the Committee with an update on the progression with phase two sites, in terms of the planning status:

Location	Planning Consent Granted	No of units	Unit Type
Queens Court, Newark	August 2018	9	6 x 1 bed apartments 3 x 2 bed apartments
Meldrum Crescent, Newark	February 2018	4	4 x 1 bed apartments
Central Avenue, Blidworth	April 2018	4	2 x 1 bed apartments 2 x 3 bed bungalows
Thorpes Close/Parkes Close, Coddington	March 2018	4	3 x 2 bed bungalows 1 x 1 bed bungalow
Valley View, Coddington	May 2018	3	3 x 2 bed houses
Westhorpe, Southwell	August 2018	3	1 x 3 bed bungalow 2 x 1 bed bungalow
Beech Avenue, Ollerton	June 2018	2	2 x 2 bed houses
		29	
Lansbury Road, Bilsthorpe	Due for submission October 18	2	2 x 1 bed bungalows
Lindsay Avenue, Newark	Due for submission October 18	10	6 x 1 bed apartments 2 x 2 bed apartments 2 x 2 bed houses
Rainworth Water Road, Rainworth	Due for submission October 18	2	2 x 1 bed apartments
St Marys Gardens, Newark	Due for submission October 18	7	7 x 2 bed houses (tbc)
		21	
Target Total		50	

- 3.14 It is anticipated that work will start for the phase two delivery in early Autumn and the commencement of all sites will be staggered over a period of several months reflecting the completion profile of the phase one sites.

Homes England Grant Funding

- 3.15 Further to positive discussions with Homes England, grant bids will be submitted through the Affordable Homes Programme for the majority of the phase two sites and the Council will use its 1-4-1 Right to Buy receipts on the remaining sites.

4.0 Extra Care – Boughton

Proposed Extra Care Scheme - Boughton

- 4.1 Approval was given at the Policy & Finance Committee meeting on 28th June 2018 to progress the development of an extra care scheme in Boughton financed through the Housing Revenue Account (HRA), and subject to a successful housing grant bid submission to Homes England. The capital finance split of the scheme is:

Funding Source	Capital Contribution
Homes England	30%
Newark & Sherwood District Council <i>(Through Housing Revenue Account (HRA) Balances and/or Borrowing).</i>	70%

- 4.2 The scheme is being project managed by Newark and Sherwood Homes and a full planning application has now been submitted for a 40 unit extra care scheme (30 x 1 bedroom apartments and 10 x 2 bedroom bungalows), to be developed on the allocated HRA housing site (*Policy OB/Ho/2 - Ollerton & Boughton - Housing Site 2*).
- 4.3 On the same principle as Gladstone House, the accommodation specification will be in line with extra care design guidance, along with incorporating communal facilities including a dining area and kitchen for meal provision, laundry facilities, communal room and upstairs external balcony, assisted bathing provision, hobbies room, guest bedroom and interior designed themed communal areas.
- 4.4 A bid for grant funding support through Homes England ‘Care and Support Specialised Housing Fund’ has now been submitted and the outcome of this should be known within the next 8 weeks.
- 4.5 Due to the specialist nature of the proposed scheme, it will need to be procured outside of the existing approved 5 year HRA development programme that Robert Woodhead are contracted to deliver and financed separately to the programme. Newark and Sherwood Homes are now taking forward the procurement of a main contractor for the scheme, set against preparing a detailed specification for this and in line with the Council’s Contract and Procedure rules.
- 4.6 Should the necessary capital finance be secured, an indicative timescale for delivery will see commencement on site late 2018/early 2019 with the build programme lasting approximately between 12 - 15 months.

Nottinghamshire County Council – Housing With Care

- 4.7 As with the arrangements at Gladstone House, the County Council have confirmed that they will be seeking to agree nomination rights to a proportion of the new homes on the scheme (*currently indicated at 30*) for use as ‘housing with care’. This arrangement will be subject to a Co-operation Agreement to guarantee a rental income to the HRA Business Plan should a unit continue to be void after a prescribed period of time.

HRA Revenue

- 4.8 All units will be charged at an affordable rent level, and have a service charge and provision of an intensive housing management service. (***NB: An Affordable Rent is set at up to 80% of the market rent (i.e. the average rent for local private lettings) inclusive of any service charges.***)

- 4.9 For Committee information the current affordable rent and service charge levels for Gladstone House are £264.31 for a two bedroom unit and £220.16 for a one bedroom unit. It is anticipated that the rent and service charges for the proposed scheme will be at a similar level inflated to reflect the indicative letting at 2020/21, which would provide an estimated charge of £233.57 and £280.41 for a one and two bedroom unit respectively. At Gladstone House the affordable rent and service charges are housing benefit eligible, with the exception to a proportion of the midday meal, TV licence and care line facility.

Management

- 4.10 Newark & Sherwood Homes will provide the housing management and repairs service to all the units in accordance with the existing Management Agreement and those units not under Co-operation Agreement will be allocated through the Council's housing register as general supported housing.

5.0 Proposals

- 5.1 As set out above the proposal is for the Committee to note the activity being delivered in Phase one and two of the Council's approved 5 year HRA development programme and progress in developing a proposed new extra care scheme in Boughton, on the allocated HRA housing site (*Policy OB/Ho/2 - Ollerton & Boughton - Housing Site 2*).

6.0 Equalities Implications

- 6.1 The Council's housing needs evidence based informs the type of affordable housing to be delivered across the district to meet the needs of all communities, including those with protected characteristics.
- 6.2 The proposed extra care scheme in Boughton will meet evidenced housing, health and social care needs for the older population in Ollerton & Boughton.

7.0 Financial Implications (FIN18-19/3955)

- 7.1 Total on-site costs for the phase one of the HRA development programme (70 units) were initially £9.308m at the time of the Homes England grant submission. Total on-site costs are now estimated to be £9.388m which is an increase of £0.08m, due to contract variations. One of the 70 sites was not included in the grant submission to Homes England, in order to allocate some of the 1-4-1 Right to Buy receipts to ensure deadlines set by Government to use resources are met. The remainder of the costs will be met from the Major Repairs Reserve or other capital receipts.
- 7.2 The total costs are subject to fees as per paragraph 3.3.
- 7.3 As per paragraph 3.7 – 3.10 the cost per unit has increased considerably from the original estimate of £100,000 to £132,965 per unit. This increase in cost per unit totals £2,307,550 over the 70 units in phase one. This additional cost has been funded by the grant received from Homes England, with the HRA existing capital resources funding the remaining costs.
- 7.4 Detailed funding of the programme going forward is still to be determined once the financial modelling and forecasting has been updated to take account of inflation and increased cost per unit within the HRA Business Plan.

- 7.5 As stated at paragraph 3.15 consideration will need to be given to phase two, to put aside one or more sites from the next Homes England grant bid submission in order to utilise more 1-4-1 Right to Buy receipts to keep up with the government deadlines and avoid having to return any monies to government (*which would attract large penalties*).
- 7.6 In relation to the proposed extra care scheme in Boughton, its delivery will be dependent on the Council's housing grant bid to Homes England being successful as set in the table at 4.1.
- 7.7 As stated in paragraph 4.9 the anticipated rent and service charge for the proposed scheme will be an estimated charge of £233.57 and £280.41 for a one and two bedroom unit respectively.

8.0 RECOMMENDATION

That the Committee notes the progress being made with the Council's five year Housing Revenue Account development programme and the proposed extra care scheme in Boughton, making any observations as appropriate.

Reason for Recommendation

To enable the Committee to regularly review and scrutinise delivery of the Council's 5 year Housing Revenue Account development programme.

Background Papers

Nil

For further information please contact Karen White on Ext 5240 or Rob Main on Ext 5930

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