

<b>Committee(s):</b> Environment, Enforcement and Housing Committee	<b>Date:</b> 20 September 2021
<b>Subject:</b> Strategic Housing Delivery Plan	<b>Wards Affected:</b> All
<b>Report of:</b> Tracey Lilley, Corporate Director (Housing & Community Safety)	<b>Public with Exempt Appendices</b>
<b>Report Author/s:</b> Name: Ian Winslet, Strategic Housing Consultant Telephone: 0777 0384141 E-mail: iwinslet@arkconsultancy.co.uk	<b>For Decision</b>

### Summary

This report summarises progress since the last report to Committee on 5 July 2021 on the development of a pipeline of new affordable homes through the development and regeneration of various Housing Revenue Account (HRA) owned sites. As a reminder, this Strategic Housing Delivery Programme (SHDP) is made up of two distinct elements, 1) the regeneration of Brookfield Close and Courage Court, Hutton to develop 62 zero carbon homes and 2) the development of a range of smaller HRA sites to deliver a further 80 Zero Carbon homes on a further 8 council owned sites. All of these new homes will contribute to, and be managed within, the Council's HRA. In addition, this report also updates Members on progress with the conversion of 17, Crescent Road, Brentwood, a vacant double fronted Victorian villa style house in some disrepair into two new apartments.

The Council's Corporate Strategy 'Brentwood 2025' commits to Introducing "innovative Carbon reduction and absorption schemes", "identify opportunities for low emission and green developments" and using "brownfield sites efficiently, such as council owned garage sites, to provide affordable homes...".

### Recommendation(s)

**Members are requested to:**

- R1. Note the new affordable homes programme viability assessment in the report and approve:**
  - a) the continuation of financial and technical assessment across the small sites programme to inform a final report to this Committee on the viability of the programme; and**
  - b) the commencement of the tendering process for a construction partner for the redevelopment of Brookfield Close and Courage Court.**
- R2. Consider the options available for the redevelopment of Ingleton House and identify the preferred option for further delivery assessment.**

## **Activities undertaken since the last report on 5 July 2021**

### **Brookfield Close and Courage Court Regeneration Update**

1. Planning permission was granted for this regeneration on 29 June 2021 and the 'Regeneration Offer', as approved by this Committee on 5 July, published, and sent to all affected residents in mid-August. One to one discussions have commenced once again with residents to explain the offer in more detail, answer questions and to understand further residents' aspirations and needs. The discussions continue to be captured in a comprehensive database by the engagement team put in place specifically for this programme. Discussion is ongoing with the Council's own tenants about their relocation to other Council owned homes. A number of offers have already been made. Local Valuers, Mass & Co, have been engaged to support the valuation of six private homes that the Council proposes to acquire to facilitate the regeneration.
2. A further viability assessment has been undertaken for this 62 new home scheme and included in the 'Programme Viability' section to be found later in this report.
3. Post planning technical assessments are being undertaken, including 'Bat Survey' during the last weeks of August and early September and intrusive survey work on an empty property in Courage Court. The empty bungalows at Brookfield Close have had greater security screening provided to doors and windows following reports of intruders. Services/utilities are also being removed in preparation for demolition in due course. All but a handful of garages on the site have had their leases terminated, again in preparation for improved site security and any eventual demolition.
4. Ward Councillors have been kept updated on progress

### **Small Sites Programme Update**

5. Following the appointments of Pellings LLP in May 2021 as the Council's technical advisors, Stage 1 reports have been completed which include draft layout drawings, programme timeline, costs and risks for each of eight sites. The costs and revised new homes numbers have been subject to a further viability assessment which is summarised in the 'Programme Viability' section later in this report.
6. In total, this small sites element of the programme accounts for 80 new zero carbon homes across eight existing Council owned sites. Topographical and Measured Building Surveys, Utilities Search, Arboriculture Survey, together with

Preliminary Risk Assessment (contaminated land) and Transport Technical have been commissioned. Once signed off, Stage 2 concept designs will be developed. The programme is targeting planning application submissions by the end of the calendar year. Where existing tenants are directly affected by the programme, consultation will commence in October 2021.

### **17 Crescent Road Update**

7. Planning Permission for the conversion of this vacant property into two x 2-bedroom three person apartments was approved on 29 June 2021. Since then, a 'Tender Pack' has been developed which went live on 01 September 2021. A number of surveys have been undertaken including asbestos in preparation for the appointment of contractors and commencement on site, and future addresses 17 and 17a, Crescent Road, have now been registered. The anticipated timetable for this scheme from now until contract commencement is as follows:

<b>Key Event</b>	<b>Date</b>
Issue of Invitation to Tender	Wednesday 01 September 2021
Closing date for bidders' questions	Friday 17 September 2021
Closing date for Tender submissions	Friday 24 September 2021
Notification of result of evaluation	Friday 01 October 2021
Expected date of contract award	Friday 08 October 2021
Contract Commencement	Monday 01 November 2021 (TBC)

8. Ward Councillors have been kept updated on progress.

### **Emerging Phase 2 Programme**

9. Work is now commencing on future phases of the new homes programme. The delivery team is in active discussion with London Borough Newham officers about how the two Council's might work together on future delivery, for shared benefit, on Newham owned sites in the Borough.
10. NPS Group has been engaged to support an assessment of how older sheltered bungalows, especially those with very poor construction or thermal efficiency might be improved or regenerated. One site in Pilgrims Hatch has been identified for such an assessment. Ward Councillors have been engaged in early discussion and site visits and a report will be presented to this Committee in due course.
11. A number of estate offices, no longer in use, are also the subject of review. Assessment will commence on these once Phase 1 Small Sites programme has been submitted for planning.

## Programme Funding Support

12. Discussion with Homes England took place on 09 September to provide an update on the Council's programme. As a result, a prudent level of grant per unit has been assumed in the latest programme scheme viability assessments.
13. An up-to-date assessment has been made on Section 106 Affordable Housing contributions that are available to support the delivery of new homes. Currently there are uncommitted contributions totalling £1,502,421. Consideration will now be given to how this capital sum might best be used to deliver various elements of the new homes programme. It might be particularly useful on regeneration schemes or section 106 new homes schemes where Homes England grant funding is not available. Some of this capital has been assumed to support the Brookfield Close and Courage Court regeneration but the wider use will be the subject of a future report on how this funding might be applied to for best effect.

## Programme Viability Assessment – Stage Update

14. At each stage of the pre-construction development assessment process, viability is assessed to ensure that the programme will contribute financially to, rather than cause a drain on, the Housing Revenue Account 30-year Business Plan. In July, this Committee approved a new Affordable Homes Delivery Strategy which, amongst other things, laid out the financial assumptions and criteria that would be used to assess the programme. It is anticipated, that within a multi-site programme some projects would make a positive financial contribution, and some be 'loss making' against the criteria set. This would be especially the case where regeneration schemes which include the costs of things such as decanting and buy back costs make them less viable. The strategy recognised this likelihood and allowed for the 'coupling' of schemes to present an aggregated programme viability position. As a reminder, the criteria for testing viability in the Phase 1 programme are:

Output Performance Criteria	Hurdle	Explanation
HRA Loan payback period maximum	30 Years	This is the year at which any borrowing for the scheme has been repaid.
Net Present Value (positive year)	Year 30	Where an NPV is positive at or before the target year, this shows that the value of cash coming in is greater than that going out over chosen investment period.

Internal Rate of Return	Positive and greater than the appraisal interest rate	In general, any opportunity where an IRR exceeds the cost of capital is deemed to be a profitable investment opportunity. The indicative cost of capital for appraisal purposes in the HRA Business Plan is 2%.
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15. In the tables below all schemes within the Phase 1 programme have been the subject of updated viability assessment. The tables show a) the current position for Brookfield Close and Courage Court, and b) for the small sites programme of eight sites. For each, the current assessment against various viability hurdles (above) is shown.

### Brookfield Close Stage 2 Viability Assessment (September 2021)

<b>BROOKFIELD CLOSE &amp; COURAGE COURT</b>	
Units	62
<b>Costs</b>	<b>Scheme</b>
Acquisition	0
Works	16,263,452
Other costs	3,404,972
Fees and interest	2,717,844
<b>Total scheme costs</b>	<b>22,386,268</b>
Grant and commuted sum	2,765,000
Long term loan	19,621,267
Repaid in year	28
Sales receipts	12,242,400
Net present value @ year 30	633,014
Internal rate of return	2.68%

16. Brookfield Close and Courage Court Regeneration is showing a positive Net Present Value (NPV) at year 30, an Internal Rate of return (IRR) that exceeds the 2% HRA borrowing rate and the loan repaid at year 28. It therefore now passes all 3 tests having failed them previously at Stage 1 assessment. The main changes since the last assessment are in rental income. In the last test it was assumed that at least 50% of residents would return on their existing rent rather than new residents being housed and affordable rent levels applied. In consultation with residents few are looking to return and therefore rental

streams increase slightly, which over 30 years makes a significant difference to viability.

17. The Council's commuted sums have also been applied to those homes that are not 'additional' by the Homes England definition and therefore not grant fundable by them. This additional internal 'grant' or subsidy was not applied in the original viability assessment. Given this position, subject to Committee approval, this scheme will now be recommended for tendering for a main contractor to undertake the regeneration. Once pricing is received, a final viability assessment will be reported to this Committee for final approval before any contract close. NPS who is advising on costs have also reassessed market values that might contribute to the project when those properties that are either shared ownership or open market sale are sold. This has also improved slightly since the last assessment.

### Small Sites programme Stage 1 Viability Assessment (September 2021)

18. Two assessments have been undertaken for the eight-site programme, one showing a 100% affordable rented programme of 80 homes and a further assessment showing 30% (24 homes) of the programme produced for Shared Ownership with the balance (56 homes) for affordable rent. The two viability assessments are shown below.

SMALL SITES SCHEMES - ALL RENT		SMALL SITES SCHEMES - Rent/30% Shared Ownership	
Units	80	Units	80
Costs	Scheme	Costs	Scheme
Acquisition	0	Acquisition	0
Works	21,900,000	Works	21,900,000
Other costs	1,504,353	Other costs	1,504,353
Fees and interest	2,344,135	Fees and interest	2,563,417
<b>Total scheme costs</b>	<b>25,748,488</b>	<b>Total scheme costs</b>	<b>25,967,770</b>
Grant	2,805,085	Grant	2,492,813
Long term loan	22,943,398	Long term loan	20,041,757
Repaid in year	37	Repaid in year	33
Sales receipts	0	Sales receipts	3,433,200
Net present value @ year 30	-3,635,161	Net present value @ year 30	-1,895,358
Internal rate of return	0.65%	Internal rate of return	1.49%

19. Currently, both scenarios at this Stage 1 show a failure to meet the viability criteria set which is not unusual and, indeed, was the case with Brookfield Close at Stage 1. The scheme with some shared ownership shows improved viability. Further assessment work will be undertaken to define the mix of tenures that might best support viability together with an assessment on design

and contractor procurement that might lead to lower cost. This work will be undertaken before a further Stage 2 viability assessment is carried out and presented to this Committee later this calendar year.

### **Ingleton House Options Appraisal**

20. Earlier this year, residents were moved from Ingleton House following a failure of water services. The property is now occupied by a security contractors and the costs associated with this demand an early resolution to this vacant building. A technical report commissioned after the property was empty indicated the costs of renovation and reconfiguration approached £400,000 immediately without accounting for future capital costs to improve the buildings fabric. Prior to the building failing, it had already been included in a future unspecified phase of the Council's new homes small sites programme (as reported to this Committee in November 2020). Given the failure of the building however and the high level of remedial cost, the property was brought forward into phase 1 for immediate regeneration.
21. The site is a popular one given its location, and subsequently a number of other options have been introduced to the Council. Two options (below) are currently available for consideration with a third, from the Mid Essex CCG for a Health centre to facilitate the relocation of the new Folly health centre available for consideration should the Committee request. This option is not as advanced as the two options presented below, and no further detail is available at this time.

#### **Option 1: Continued Inclusion in the Council's Small Sites Programme of new affordable homes.**

22. Attached as Exempt Appendix A is the Council's in-house Stage 1 feasibility assessment report which offers a high-level view of what the site might offer to the Council's programme of new affordable homes. If this option is selected to go forward, this document will inform the consultation with ward Councillors and Council residents that might be affected by the development. The offer retains the existing bungalows, popular with the occupants, and aims to balance a size and mix that will improve the street scene.
23. Ingleton House is held within the HRA and therefore has been included in the Council's own programme of new homes delivery from an early stage and was reported as such to this committee in December last year. This Stage 1 report from the Council's technical team presents a development opportunity for 26 general needs homes, within a timeline that leads to a planning permission submission by the end of the calendar year.

24. If this option is chosen to go forward, consultation will commence immediately with an expectation that layouts and financial viability will be updated and finalised for pre-planning and a planning application aimed to be submitted by the end of the calendar year.

**Option 2: Delivery of 14 apartments for people with complex learning disabilities or autism.**

25. Attached as Exempt Appendix B is a submission from Transforming Healthcare, a company specialising in the delivery of homes for people with often complex needs. Transforming Healthcare approached the Council in late spring this year with an option for the delivery of specialist housing through a Joint Venture partnership.
26. The proposal lays out how the Council can achieve the following ambitions:
- a. The generation of a capital receipt for the Council and income receipts for both parties;
  - b. The best use of existing stock by way of the high-specification regeneration and responsible development of Ingleton House to meet the growing need for social care and housing in the district; and
  - c. The provision of flagship, unparalleled care to individuals with complex care needs alongside a well-managed service.
27. If this option is chosen to go forward, due diligence on the financial modelling and Joint Venture structure will commence immediately with an expectation that a further report is placed before the appropriate committee by the end of the calendar year.

**Consultation**

28. Extensive resident consultation has taken place at Brookfield Close and Courage Court and this is continuing with a second round of face-to-face conversations through September 2021. Ward Councillors for Brookfield Close, Courage Court, Crescent Road and Ingleton House have been updated on schemes in their wards given the public profile of each and potential impact on residents.

**References to Corporate Plan**

29. The Council's Corporate Strategy 'Brentwood 2025' commits to Introducing "innovative Carbon reduction and absorption schemes", "identify opportunities for low emission and green developments" and using 'brownfield sites efficiently, such as council owned garage sites, to provide affordable homes...".

The SHDP and specific proposals in this report contribute to all of these strategic objectives.

## **Implications**

### **Financial Implications**

**Name/Title: Jacqueline Van Mellaerts, Corporate Director (Finance & Resources) and Section 151 Officer**

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Financial Information is included within the report and will be applied to the Housing Revenue Account (HRA) business plan depending on which option is preferred and further financial modelling that is required.

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The Council must follow its statutory duties when looking to develop areas including serving the statutory notices required under Schedule 5A of the Housing Act 1985 as inserted by clause 182 of the Housing Act 2004 and amended by the Housing and Regeneration Act 2008, when undertaking this type of development.

The Council by following the statutory processes the Council will mitigate its risk of challenge.

### **Economic Implications**

**Name/Title: Phil Drane, Corporate Director (Planning and Economy)**

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The Council's Strategic Housing Delivery Programme is a vital initiative to regenerate areas and provide new homes that meet environmental improvement objectives. Whilst this is the priority, these objectives also contribute to economic growth. It is important that the places people live in the borough are of high quality to inspire long-term economic prosperity, among other things. In the short-term, design and construction phases will provide for an economic boost to relevant industries.

## **Background Papers**

None

## **Appendices to this report**

- Exempt Appendix A: Ingleton House Small Sites Stage 1 Report, Brentwood Borough Council, September 2021
- Exempt Appendix B: Transforming Healthcare Joint Venture Partnership proposal, September 2021