

17th June 2015

Environment & Housing Management Committee

**Right to Buy Capital Receipts Commitments & Garage Site
Redevelopment Proposals**

Report of: *Helen Gregory, Head of Housing Services*

Wards Affected: *All wards*

This report is: *Public*

1. Executive Summary

1.1 In connection with the Garage Site Redevelopment Proposals the Housing & Health Committee of the 5th November 2014 (Minute 250) it was approved:

- *Seek outline planning approval for development of three homes at Magdalen Gardens CM13 1RL*
- *Seek outline planning approval for development of six homes of Fawters Close CM13 2SY*
- *Seek outline planning approval for development of three homes at Fielding Way CM13 1JN*
- *Incur fees up to £120,000 funded from this year's HRA capital budget to prepare outline planning application for three sites.*
- *Incur additional fees up to £90,000 to develop detailed designs and tender documentation if outline planning is granted.*
- *To undertake procurement to appoint a suitable developer/partner to deliver each scheme.*

1.2 It was envisaged that the development of the garage sites would be start on site in June 2015 and that the available Right to Buy Capital Receipts would enable one scheme to be progressed with additional funding from the HRA Investment Fund and prudential borrowing.

- 1.3 Progress with the developments has not been as quick as originally assumed as a consequence of the surveys required to accompany the planning applications and the actual planning approval process.
- 1.4 There is a requirement that the Right to Buy Capital Receipts are expended by certain dates and as a consequence of the delay the first date of September for all the investment to be made is likely to be missed.
- 1.5 This report sets the current position with the development of the garage sites provides recommendations as to the actions taken to address these issues.

2. Recommendation(s)

- 2.1 That a development manager be engaged to produce a detailed business case of Options 1 and 2 in paragraph 3.4 of this report to inform the procurement options.**
- 2.2 That delegated authority be granted to the Head of Paid Service to consider the procurement options produced and to commence the procurement process in consultation with the Chair of the Committee for a developer or registered provider to construct the schemes at Magadalen Gardens, Fawtens Close and Fielding Way.**
- 2.3 That the Head of Paid Service be delegated authority to acquire such residential units that meet current General Needs requirements to ensure that that Right to Buy Capital Receipts are fully expended by March 2016 subject to consultation taking place with the Leader of the Council and the Section 151 Officer before the exercise of such authority.**

3. Introduction and Background

- 3.1 Applications for planning permission for all three sites were submitted and April and it is envisaged that the applications will be submitted to the Planning Committee in July.

3.2 The outline programme which was included in the previous report was as follows;

TABLE 1

	Procurement and Development Programme		Current Position
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TABLE 2 t of

Development Programme				
Procurement of Development Programme				
1	Outline design development	Sept/Oct 14		March 2015
2	Option 1 - Direct Housing Committee – Consideration of scheme options	Comments 1 Nov 14	Weeks	Completed
3	Outline Planning Application submitted	Dec 14		Submission – April 2015
4	Development of Design Specification	Nov/Jan 15		To be completed following grant of planning permission
5	Preparation of tender documents	Dec 14		To be completed following grant of planning permission
6	Judicial Review	Dec14/Feb 14		Follows grant of planning permission
7	Procure Constructor	Jan/Feb 15		Dependent upon procurement method adopted
8	Constructor Mobilisation	Mar/May 15		Dependent upon procurement method adopted
9	Start on site	June 15		Dependent upon procurement method adopted

3.3 It was envisaged that the construction works would be undertaken following granting of planning permission, further development of the design and a tender exercise involving contractors selected from the South Eastern Corsortia’s Approved Framework List.

3.4 The current programme is set out below, the actual length of programme is dependent upon the option selected.

- 4 – 6 weeks (could be advanced at same time as Full Tender for Development Manager) Development Manager	Assume employment of consultant to co-ordinate project	Full Tender Exercise – 10 weeks
- Design Development	Development of scheme to a position where tender for works can be sought	4 – 6 weeks (could be advanced at same time as Full Tender for Development Manager)
- Procurement of Contractor	Tender period to let building contract	Full Tender exercise – 10 weeks
- Construction Works	Assumed Construction Period	26 weeks
- Total Weeks		46 weeks
Option 2 – Framework Partner (or RP)	Comments 1	Weeks
Appointment of Development Manager (RP) & Contractor already on Partner Framework Agreement		6 - 8 weeks
- Design Development		4 – 6 weeks (could be advanced at same time as Full Tender for Development Manager)
- Procurement of Contractor	If on framework no need to tender just to negotiate	4 – 6 weeks
- Construction Works		26 weeks
- Total Weeks		36 – 40 weeks

4. Issue Options and Analysis of Options

4.1 The development of the garage sites is progressing albeit not as expected as reported to the Committee in November 2014.

4.2 The immediate risk is that the Right to Buy Capital Receipts that have accumulated will not all be expended by required dates, see table below which illustrates the aggregated receipts, the gross expenditure required to be committed/spent and the Councils contribution.

TABLE 3

Right to Buy Capital Receipts			
Date to be Spent	Gross Project Cost	RTB Capital Contribution	Council Contribution
Sep-15	168,347.77	50,504.33	117,843.44
Dec-15	940,485.57	282,145.67	658,339.90
Mar-16	446,052.23	133,815.67	312,236.56
	1,554,885.57	466,465.67	1,088,419.90
Jun-16	240,756.93	72,227.08	168,529.85
Sep-16	0.00	0.00	0.00
Dec-16	1,303,344.03	391,003.21	912,340.82
Mar-17	609,602.77	182,880.83	426,721.94
	2,153,703.73	646,111.12	1,507,592.61
Jun-17	527,622.40	158,286.72	369,335.68
Sep-17	327,158.53	98,147.56	229,010.97
Dec-17	359,139.37	107,741.81	251,397.56
Mar-18	840,733.77	252,220.13	588,513.64
	2,054,654.07	616,396.22	1,438,257.85
Cumulative Total	3,708,589.30	1,112,576.79	2,596,012.51

4.3 In the event that the Receipts are not spent then all or unexpended balance of the specific identified sums as detailed above have to be paid to DCLG with interest at 4% above Base Rate from receipt. As an example in the event the RTB Capital Contribution as identified in Table

3above is not spent then the £50,504.33 identified to be spent by 15 September 2015 will have to paid to DCLG together with interest (3 Ys at 4.5%, compounded) of circa £7,500.

- 4.4 The options available to the council regarding the RTB Capital Contributions for the current year include progressing with the small site schemes and or using the Contributions to help fund the acquisition of residential units openly available on the market or affordable units available through s106 requirements to let at affordable rents i.e. rents up to 80% or market rents.
- 4.5 The RTB Capital Contributions have to be used to increase the supply of new affordable homes for rent.
- 4.6 Although some of the RTB Capital Contribution that is required to be spent by 15 September has been expended on the small site schemes circa £50,000 (gross) has been spent it is unlikely that the full Gross Project Cost is likely to be achieved.
- 4.7 In view of this and the requirement to spend a further £941,000 by 15 December 2015 it is recommended that a programme of acquiring completed or close to being completed residential units is instigated as soon as possible.
- 4.7 In order to acquire suitable opportunities a process/ procedure will have to be approved to ensure that the Council is competitive in an extremely dynamic market where the current Committee cycle and procedures would not enable satisfactory outcome.
- 4.8 If this recommendation is approved appropriate delegation will have to provided to both the Leader and Head of Paid Services/s 151 Officer to agree the purchase of suitable properties which comply with the current housing needs policy. The current approval process is not adequate to meet with the demands of securing property in the open market. If properties are acquired then it should be reported at the next Policy, Finance and Resource Committee.

5. Reasons for Recommendation

- 5.1 Members are asked to approve the recommendations to ensure that the development of the garage sites is achieved and that the Right to Buy Capital Receipts are expended fully.

6. Consultation

- 6.1 No formal consultation has been undertaken to date. Ward Councillors have been advised of the outline proposals and comments sought. If approval is given to develop the designs, officers will consult with current garage users and local residents whose homes bound the sites.
- 6.2 The planning process requires consultation with affected parties. It is intended that we will consult in advance of this to ensure affected residents are aware of and can discuss the proposals with officers before formal notices are served.

7. Reference to Corporate Plan

The provision of new homes will help to address the Council's aims to meet housing demand in the borough.

8. Financial Implications

Name & Title: Chris Leslie, Finance Director.

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- 8.1 Retained Right to Buy receipts have to be spent in three years or repaid to Central Government. However the Council has no control over when the receipts are received and they may not match the natural spending profile of building projects.
- 8.2 Based on the current projection the level of expenditure required will not be achieved and receipts will have to be repaid. To avoid repayment it is necessary to acquire existing property through delegated authority in order to incur the expenditure within the time scales.
- 8.3 Estimated expenditure of £300k is likely to be required on purchasing existing property and there is sufficient budget to continue developing the proposed sites

Legal Implications

Name & Title: Chris Potter, Monitoring Officer and Head of Support Services

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The Committee can delegate to the Head of Paid Service authority under section 101 of the Local Government Act 1972 in order to safeguard against the risk of repayment to the Government identified above.

10. Background Papers

Housing and Health Committee – Garage Site Redevelopment 10th
September 2014

Housing & Health Committee – Garage Site Redevelopment Proposals 5th
November 2014

11. Appendices to this report

None.

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