

**Not for publication by virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972**

Committee:	Special Executive	Agenda Item No.:	3
Date:	13 th January 2010	Category	
Subject:	Tarran Bungalow Redevelopment	Status	Exempt Paragraph 3
Report by:	Housing Strategy and Enabling Manager		
Other Officers involved:	Head of Finance Head of Housing Head of Procurement Senior Principal Solicitor		
Director	Strategy		
Relevant Portfolio Holder	Regeneration		

RELEVANT CORPORATE AIMS

COMMUNITY SAFETY – Ensuring that communities are safe and secure

CUSTOMER FOCUSED SERVICES – Providing excellent customer focused services

ENVIRONMENT – Promoting and enhancing a clean and sustainable environment

REGENERATION – Developing healthy, prosperous and sustainable communities

SOCIAL INCLUSION – Promoting fairness, equality and lifelong learning.

STRATEGIC ORGANISATIONAL DEVELOPMENT – Continually improving our organisation.

TARGETS

Affordable Housing NI155

VALUE FOR MONEY 1. Previous Tarran redevelopment papers have highlighted the expense to the authority in trying to replace all social rented bungalows as a stock retaining authority. This paper proposes such action on only one of the three Tarran bungalow sites.

2. The scale of redevelopment proposed within the paper would lead to levy of the maximum planning application fee of £250,000

THE REPORT

0.0 Summary

Minute 150 of July 13th 2009 Executive gives approval to Bolsover Council officer's to procure a developer panel so that Tarran bungalow redevelopment can occur. This paper advises members that the Head of the Shared Procurement Unit has sourced an East Midlands Developer Panel named the East Midlands Property Alliance (EMPA), procured through OJEU procedures, managed by "Scape" (a Local Authority owned company) and representing potential time saving to the authority.

The paper details that the selected EMPA member "Kier", has now reached an advanced stage of feasibility that could lead to planning applications on all three Tarran sites by Spring 2010. Members are advised that site surveys are required in order to complete detailed feasibility.

Finally, the paper details that owing to a reduction in the National Affordable Housing Programme (NAHP) funding, the authority has been asked to consider a range of funding streams. One of the funding streams, "Kickstart", has a minimum threshold of 50 units meaning that additional land has had to be identified by officers with implications for the boundary of King George's Field Recreation ground, Oxcroft, Bolsover Town.

Another of the funding streams, "Local Authority New Build", was previously discounted owing to:

- a. The expense to the authority of borrowing match funding
- b. The Homes and Communities Agency view that Tarran bungalow replacement was decent homes activity and therefore ineligible

This paper details that the Homes and Communities Agency has now changed that view and Members are advised that borrowing of £889,960 (+ estimated £250,000 professional fees) is necessary for the Council to remain as Landlord on the Bolsover Oxcroft site.

1.0 Background

There has been an eleven month delay in the sourcing of Tarran developer partners whilst the authority explored the option of redeveloping all Tarran units as Landlord. The risk in terms of Homes and Communities Agency National Affordable Housing Programme Grant Funding and the continued allocation of that grant funding is detailed in the 13th July 2009 Exempt paper to Executive – "Procurement of Developer Panel – Tarran Bungalows."

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The same paper detailed the disillusionment felt by some Tarran tenants who, having been told that demolition activity was to occur September 2008, would like to see tangible progress.

2.0 The Bolsover Oxcroft Site

The Bolsover Oxcroft Tarran site is found at Appendix A and shows:

- The red outlines of existing bungalow stock (20 social rented units of which two are vacant).
- The proposed new layout exceeding the number of replacement social rented bungalows required.
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No owner occupiers are affected by demolition proposals, although two have asked to be included. Their properties will be valued and shared ownership units may be offered by a Housing Association partner meaning that the owner occupiers will pay rent on the unowned equity share.

2.1 The inclusion of the two owner occupiers means that one additional bungalow unit can be provided above the 46 units shown at Appendix A and summarised below:

House type	Tenure	Number	Land
Replacement bungalows 2 bed 3 person	Social Rented	16	QMEC HRA Oxcroft Tarrans
Replacement bungalows Disabled	Social Rented	2	HRA Oxcroft Tarrans
2 bed 4 person bungalows	Open Market	2	HRA Oxcroft Tarrans
2 bed 4 person house	Open Market	11	HRA Oxcroft Tarrans
3 bed 5 person house	Open Market	12	HRA Oxcroft Tarrans
4 bed 6 person house	Open Market	3	HRA Oxcroft Tarrans
Replacement bungalows 2 bed 3 person	Social Rented	4	King George Playing Field (not shown)

2.2 The availability of the QMEC site (Appendix B), which came back into Council ownership summer 2009, could solved the difficulty of “no decant” for elderly Tarran residents on Oxcroft with 13 of the replacement units located there.

2.3 The King George Playing Field will likewise assist with the task of rehousing Tarran residents without decant activity. However, the main reason for including the King George Playing Field, which is owned by the Town Council as opposed to the District Council, was to comply

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with “Kickstart” funding criteria which requires mixed tenure bids containing a minimum of 50 units.

Kickstart

As the name suggests, the “Kickstart” programme is designed to provide impetus to the weak housing market through provision of gap funding for infrastructure. Feedback from the Homes and Communities Agency (HCA) confirms that the Bolsover Oxcroft Kickstart bid is through to the second round. The final success or otherwise of the Oxcroft Kickstart bid will be known after Xmas with part of the judgement focussed on how quickly planning and start on site targets can be achieved.

- 2.4 The amount of playing field land lost to development will need to be recompensed by other adjoining land owned by the district council. Appendix C details the proposed area of land which will require to be valued by the District Valuer. Development Control has been made aware of the proposal and is supportive in principle although there is a requirement to go out to statutory consultation.
- 2.5 The cost of re-fencing the District Council land and of making good the proposed land to playing field standard is in the region of £10,000. The cost of including the QMEC site is £400,000 lost capital receipt to the authority however – because the authority has submitted a Local Authority New Build bid on the QMEC site, the possibility is that the site will be retained as an asset by the authority.
- 2.6 If negotiations with the Town Council are not successful, or if the cost of including Town Council land is thought to be prohibitive, the fall-back position enabling delivery of 50 units will be to substitute an element of flatted accommodation on the Oxcroft HRA site. Please see the location of four bedded houses on Appendix A.
- 2.7 Local Authority New Build Bid
On 30th October 2009, the authority submitted a Local Authority New Build bid to the Homes and Communities Agency (HCA) on the Oxcroft site only. Bid submission followed HCA advice that traditional affordable housing funding (the National Affordable Housing Programme) streams were low. Detail of that bid can be found at Appendix E and is summarised below:

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Oxcroft Tarran Units	Elderly	Disabled	Total
Number	16	2	18
Build Cost	£1,440,000	£180,000	£1,620,000
Oncosts	£235,840	£34,159	£ 269,999
Total Scheme Costs	£1,675,840	£214,159	£1,889,999
LA Borrowing Required	£777,400	£112,560	£889,960
Grant	£898,440	£101,599	£1,000,039

On-costs come to just under 15% of Total Scheme Costs; will be In the capital cost of the scheme and include the following services:

- External consultant fees where contract is design and build
- Building Control and Planning Permission Fees
- Employers Agent
- Architect
- Engineer
- CDM (Health and Safety)
- Independent certifier
- Home Loss and Disturbance

External consultant fees where contract is Design and Build

The circumstance where on-costs rise to over 20% of total scheme costs is possible. This is the result of Kier requests that Bolsover District share site survey costs in order that planning submissions occur within the required timeframe. The apportioned cost of site survey work and associated cost of the panel to facilitate the procurement across the three sites is estimated at £250,000 for Bolsover District Council. This figure is likely to change for two reasons:

1. Once final costings, funding and tenure mix is confirmed, site survey costs will be adjusted to reflect ownership. If the Council is successful in attracting funding to redevelop 18 bungalow units as Landlord at Bolsover Oxcroft, the site survey cost element of the £250,000 should reduce to £28,468
2. The figure for site survey costs quoted above will reduce further if double counting between the £269,999 on-cost estimate within Appendix E and the £126,000 site survey costs identified at Appendix F include double counting.

Estimates provided by Kier are attached at Appendix F and in conformity with the open book method promoted by Scape, will be backed up by three quotes for officer scrutiny when available. At present, on-costs of over 20% based on estimates mean that capital costs rise to **£1,139,960**.

An option to finance this is as follows;

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- The capital cost would initially be financed by short term borrowing. This can then be netted down by capital receipts from the sale of the open market units, but this could be over a period of at least 3 years. It is expected that the total value of the capital receipt will be sufficient to cover the capital costs, subject to confirmation from the District Valuer.
- The interest element of the borrowing will be paid for through rental income streams on the new units. The social rented units owned by the Council will be the 1st phase of the new build programme.
- Without capital receipts to minimise any borrowing costs from open market plots, rent levels for Oxcroft bungalow tenants will be circa £79 per week which exceeds current Council rental levels but is lower than comparable private sector rent.

2.8 There are up to 32 open market units identified on the Oxcroft site – all of which should generate capital receipts to finance the capital costs on the Tarran bungalow re-provision. However, the authority is not yet in a position to apply to the Secretary of State for consent to dispose of Housing Revenue Account Land because full values will only be known once the District Valuer has completed valuations based on site layouts and detailed costings provided by the developer.

2.9 Appendix G comprises Application to the Secretary of State for consent to dispose of Housing Revenue Account Land under section 32 of the Housing Act 1985. The regulations state that Executive has responsibility for applying for permission to sell but that Council authorises the application to the Secretary of State. Owing to the probable requirement to instigate start on site to comply with funding deadlines, members are asked to approve delegation of Executive powers to the Director of Neighbourhoods in conjunction with the Leader and Deputy Leader of the authority.

3.0 The New Houghton Site

The New Houghton Tarran site is found at Appendix H and shows:

- The red outlines of existing bungalow stock (48 social rented units of which twelve are vacant or currently let on short term tenancies).
- The proposed new layout exceeding the number of social rented replacement bungalows required.

The one owner occupier affected by demolition proposals has requested a replacement plot that would ordinarily provide two new bungalows. Owing to the large size of the owner occupiers existing plot, it was felt prudent to commence negotiations on that basis. The individuals concerned will not consider shared ownership as a model since they have not requested to be involved in the New Houghton Tarran bungalow redevelopment. It is likely therefore that following valuation of their existing property, a shared equity model will be offered by the authority since the Registered Social

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Landlord sector is unwilling to offer this option. This means that for the value not covered by the existing property, the excess is owned by the Council on the title deeds to be redeemed upon sale or death. There is no rent to pay on the unowned equity share. This option is assessed at under £100,000 and therefore more cost effective than undertaking compulsory purchase arrangements or trying to design site layout *around* the owner occupied unit.

3.1 The new site plan details 107 units as follows:

House type	Tenure	Number	Land
Replacement bungalows 2 bed 3 person	Social Rented	44	HRA New Houghton
Replacement bungalows 2 bed 4 person	Social Rented	4	HRA New Houghton
Replacement bungalows Disabled	Social Rented	4	HRA New Houghton
2 bed 4 person house	Open Market	28	HRA New Houghton
3 bed 4 person house	Open Market	20	HRA New Houghton
4 bed 6 person house	Open Market	7	HRA New Houghton

3.2 The size of the New Houghton site and the number of Tarran bungalow replacements required meant that it was considered too expensive in borrowing terms to submit to the LA New Build programme. Instead, the completed Tarran replacement units will be purchased by a Registered Social Landlord Partner through the National Affordable Housing Programme (NAHP).

3.3 Like the Oxcroft site, the New Houghton site was submitted for Kickstart funding - but has been unsuccessful. Reasons for this include the HCA view that the number of open market units achievable means that public sector grant is not required. This view is disappointing for the following reasons:

- a. Infrastructure and road layout at New Houghton is poor with substantial work required to bring services up to standard
- b. The housing market is still unrecovered and the ability to sell open market units unclear
- c. Capital receipt accruing to the authority will be very greatly reduced if HCA grant is not forthcoming and all monies are instead required to cross-subsidise affordable housing.

3.4 The authority is not yet in a position to apply to the Secretary of State for consent to dispose of Housing Revenue Account Land because full values will only be known once the District Valuer has completed valuations based on site layouts and detailed costings provided by the developer.

Not for publication by virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972

Following receipt of these calculations, a National Affordable Housing Programme (NAHP) bid will be submitted to the HCA in order to cover any gap funding required.

3.5 Appendix G comprises Application to the Secretary of State for consent to dispose of Housing Revenue Account Land under section 32 of the Housing Act 1985. The regulations state that Executive has responsibility for applying for permission to sell but that Council authorises the application to the Secretary of State. Owing to the probable requirement to instigate start on site to comply with funding deadlines, members are asked to approve delegation of Executive powers to the Director of Neighbourhoods in conjunction with the Leader and Deputy Leader of the authority.

4.0 The Langwith Junction Site

The Langwith Junction Tarran site is found at Appendix I and shows:

- The red outlines of existing bungalow stock (40 social rented units of which four are vacant or currently let on short term tenancies).
- The proposed new layout matching the number of social rented replacement bungalows required.

The two owner occupiers affected by demolition proposals at Langwith Junction are believed to be interested in being involved in redevelopment proposals. Because it has not been possible to speak to the individuals directly, it is not clear whether they would be offered shared equity or shared ownership models to compensate for their loss.

4.1 The new site plan details 86 units as follows:

House type	Tenure	Number	Land
Replacement bungalows 2 bed 3 person	Social Rented	29	HRA Langwith J. Tarrans
Replacement bungalows 2 bed 4 person	Social Rented	5	HRA Langwith J. Tarrans
Replacement bungalows Disabled	Social Rented	2	HRA Langwith J. Tarrans
2 bed 4 person house	Open Market	19	HRA Langwith J. Tarrans
3 bed 4 person house	Open Market	25	HRA Langwith J. Tarrans
4 bed 6 person house	Open Market	6	HRA Langwith J. Tarrans

4.2 The size of the Langwith Junction site and the number of Tarran bungalow replacements required meant that like New Houghton, it was considered too expensive in borrowing terms to submit to the LA New Build programme. Instead, the completed Tarran replacement units will

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be purchased by a Registered Social Landlord Partner through the National Affordable Housing Programme (NAHP).

4.3 Like the Oxcroft site, the Langwith Junction site was submitted for Kickstart funding - but has been unsuccessful. Reasons for this include the HCA view that the number of open market units achievable means that public sector grant is not required. This view is disappointing for the following reasons:

- a. Infrastructure and road layout at Langwith Junction is poor with substantial work required to bring services up to standard
- b. The housing market is still unrecovered and the ability to sell open market units unclear
- c. Capital receipt accruing to the authority will be very greatly reduced if HCA grant is not forthcoming and all monies are instead required to cross-subsidise affordable housing.

4.4 The authority is not yet in a position to apply to the Secretary of State for consent to dispose of Housing Revenue Account Land because full values will only be known once the District Valuer has completed valuations based on site layouts and detailed costings provided by the developer. Following receipt of these calculations, a National Affordable Housing Programme (NAHP) bid will be submitted to the HCA in order to cover any gap funding required.

4.5 Appendix G comprises Application to the Secretary of State for consent to dispose of Housing Revenue Account Land under section 32 of the Housing Act 1985. The regulations state that Executive has responsibility for applying for permission to sell but that Council authorises the application to the Secretary of State. Owing to the probable requirement to instigate start on site to comply with NAHP funding deadlines, members are asked to approve delegation of Executive powers to the Director of Neighbourhoods in conjunction with the Leader and Deputy Leader of the authority.

IMPLICATIONS

Legal:

- **August 2009** - The Shared Procurement Unit hosted a meeting of the EMPA Intermediate Panel at Bolsover District Council with Legal, Housing Strategy and Housing Services in attendance. In using the panel, it was established that “back to back” contracts would be required with the authority only contracting with the EMPA panel member (as opposed to any purchasing Registered Social Landlord).
- **September 2009** - The East Midlands Property Alliance (EMPA) Access Agreement allowing feasibility to occur was signed September 7th 2009.
- **October 2009** - Kier Homes were subsequently selected by the Council from EMPA Panel at a selection day October 12th including tenants, portfolio holders, ward members, procurement and officers.

***Not for publication by virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972***

- **October 2009** – 19th October saw three Kickstart bids submitted on behalf of the authority (one for each of the Tarran sites) and the unapproved action of submitting the QMEC site was taken by officers. No obligation is created by this action however.
- **October 2009** – 30th October saw one Local Authority New Build bid submitted on the Oxcroft site. No obligation is created by this action however.
- **October/November 2009** – Six “Planning for Real” consultation events have been undertaken with residents to establish unit types and site lay out. These consultation events provide evidence that the authority is “listening” to residents and will be of importance if the owner occupiers affected by demolition activity fail to agree sale by negotiation.
- **November 2009** - Kier contacted the Housing Strategy and Enabling Manager on 25th November 2009 with estimated site survey costs (Appendix F) and provided a covering note (Appendix J) detailing conditions in the instance of abortive work. These conditions relate solely to costs incurred for architectural services, are felt to be outside Scape terms and the already signed Access Agreement and would be resisted.
- Should members approve delegation arrangements to incur the estimated site survey costs (Appendix F), the EMPA Project Order Form will need to be signed. The Project Order Form does not commit the authority to a contractual relationship in terms of construction work with Kier. It allows the authority to jointly commission and pay for the site surveys required to underpin planning permission and will only be signed if bid success is confirmed. Members will note that site survey costs have been shared equally across three parties and total an estimated £126,088 per organisation.
- If the Secretary of State does not give consent for the sale of HRA Tarran land (Appendix G), despite achievement of Kickstart funding, it is likely that the Council will be held liable for the cost of all site survey work at Appendix F. This is because it will be the authority as opposed to the developer deemed to have instigated scheme abortion. The only available reserve to cover these costs would be £373,000 HRA business plan reserve. This risk is being mitigated by stretching the 31st March HCA planning approval deadline as follows:
 - Appendix G details a 15 working day time period for the Secretary of State to decide on release of HRA land. A District Valuers report is required which in itself, needs detail of Kier build cost assumptions. These will be available week commencing 25th January allowing submission of Appendix G within the final week January 2010 leading to Secretary of State consent or otherwise third week February 2010.
 - In delaying site surveys until the latter half of February 2010, scheme submission to the Local Planning Authority is unlikely to occur until mid March meaning a planning decision date of June 2010. However, because Kier are confident of scheme completions by the HCA deadline date of 31st March 2012, the two month planning delay may not be material.

**Not for publication by virtue of paragraph(s) 3 of Part 1 of Schedule 12A
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Financial:

- **September 2009** - it was confirmed to the authority that HCA funding availability to 2012 is indeed greatly diminished and the authority was therefore encouraged to apply to a range of funding pots in order to effect Tarran redevelopment. Including:
 - a. Kickstart Funding for mixed tenure sites
 - b. Local Authority New Build funding
 - c. National Affordable Housing Programme (NAHP)

The deadlines submission dates for these pots were as follows:

Stream	Bid Submission	Planning Approval	Start on Site	Completions
Kickstart	19.10.09	March 31 st 2010	Spring 2010	March 31 st 2012
LA NB	30.10.09	March 31 st 2010	Spring 2010	March 31 st 2012
NAHP	asap	asap	asap	2011

- **December 2009** – it was confirmed to the authority that Kickstart bids for Langwith Junction and New Houghton have been unsuccessful meaning that NAHP bids now need to be formulated. Bolsover Oxcroft has been successful through round 1 of Kickstart and will progress to due diligence.
- **January 2009** – if the LA New Build bid is successful on Bolsover Oxcroft, site surveys should be commissioned on all three sites. This is because the borrowings match funding the bid are of a scale to deliver the investigations required.
- EMPA contract management is secured through Scape Open Book procedures with each and every element of the design and build process requiring of three quotes i.e: subjected to competition at every stage. Legal services have confirmed that this will comply with “best consideration” requirements.
- The design and build process will take into account the authorities requirement to deliver mixed tenure estates including open market units. The planning permission will show open market units with some form of overage agreement included between Kier and the authority.
- The overall cost of the project, over the 3 sites, would see the Council Incurring over £1m in capital costs. However, land released by these developments will be used for the building of open market properties that will generate capital receipts to cover the cost of the project to the Council.
- No drop in rental income is expected from Oxcroft aspect of the scheme but rent income will transfer to the RSL when tenancies at Langwith Junction and New Houghton commence in their ownership.
- The transfer of the properties and associated loss in rental is matched by a reduction in negative Housing Subsidy payments and reduced repair liabilities.

Not for publication by virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972

- Changes may have to be made to increase the Council's prudential limits until capital receipt from open market units becomes available.
- Rental income from new LA owned Oxcroft bungalows will assist with repayment on interest charges from borrowing.
- If the project were to fail significant costs would fall on the HRA and would use a significant amount of the reserve.
- Owner occupiers affected by the proposals will be offered shared equity or shared ownership replacement properties. Shared equity is more onerous to the provider in terms of value recouperation because there is no requirement to pay rent on the unowned equity share. Monies are only recouped upon sale or death.
- Delegation by Council is proposed for the financial matters to the Director of Resources in consultation with the Chief Executive Officer and the Leader of the Council.

Human Resources: The time saving element of this proposal has been highlighted. If the feasibility stage is not successful and the authority requires to under go OJEU procedures, the time saving advantage will have been lost.

RECOMMENDATIONS that;

- 1. Members agree to the proposals in principle;**
- 2. Members delegate to the Director of Neighbourhoods the decision as to whether to make an application to the Secretary of State for the disposal of the Tarran bungalow sites at (a) Oxcroft Lane, Bolsover (b) Langwith Junction and (c) New Houghton under section 32 of the Housing Act 1985. The decision of the Director of Neighbourhoods is to be made in consultation with the Leader and Deputy Leader of the authority and the Housing Management Portfolio Holder;**
- 3. Members delegate to the Chief Executive Officer the decision as to whether to transfer the Tarran bungalows on terms and conditions negotiated by the Solicitor to the Council. The decision of the Chief Executive Officer is to be made in consultation with the Leader and Deputy Leader of the authority and the Housing Management Portfolio Holder;**
- 4. Members delegate the power to the Chief Executive Officer to enter into any agreement and/or incur expenditure incidental and ancillary to the development of the Tarran bungalow sites;**
- 5. It be noted that the Chairman of the Council has agreed that the call-in procedure as set out in 4.5.16 of the Council's Constitution shall not apply;**
- 6. It be noted that the Executive consider that the above decision is an urgent one.**

ATTACHMENTS:

- Appendix A: Bolsover Oxcroft Tarran site proposals
- Appendix B: QMEC site
- Appendix C: King George Playing Field
- Appendix E: Local Authority New Build Bid
- Appendix F: Estimated site survey costs

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of the Local Government Act 1972***

Appendix G: Secretary of State consent for sale of HRA land
Appendix H: New Houghton site proposals
Appendix I : Langwith Junction site proposals
Appendix J : Kier proposal on Abortive costs

FILE REFERENCE:
SOURCE DOCUMENT: