

Bolsover District Council

Meeting of the Executive on 11th September 2023

BOLSOVER HOMES SCHEME – WOBURN CLOSE CLUSTER, BLACKWELL

Report of the Portfolio Holder for Housing

Classification	Open
Contact Officer	Steve Brunt Strategic Director of Services

PURPOSE/SUMMARY OF REPORT

To seek approval to carry out demolition work and construction of 45 new dwellings at the Woburn Close Cluster scheme.

REPORT DETAILS

1. Background

Bolsover Homes Framework

- 1.1 As members of Executive will be aware the previous programme of residential developments across the district, B@Home, ended in 2019. To build on this success the Bolsover Homes framework was approved in July 2020 to meet social housing need and deliver the aims and objectives of the Council. The Bolsover Homes Council Report outlined the framework and approved the overall budget.
- 1.2 In order to allocate the budget, give clear information regarding future schemes, and to compliment the Bolsover Homes Council Report a brochure was compiled and shared with all Members to illustrate the Bolsover Homes pipeline. The schemes ranged from the Whitwell cluster which had planning permission, to other sites that had not been looked at in any detail. The document outlined the standards the properties were to be built to, subject to agreed changes by the Design Team and gave estimated costs to deliver the schemes. Linked to this is the Council’s Ambition of “Enabling Housing Growth: increasing the supply, quality and range of housing to meet the needs of the growing population and support economic growth”. Also linked is the target set out in the Business Growth Strategy ECO-07 which aspired to deliver 150 new homes through the Bolsover Homes Programme by March 2024.
- 1.3 Having reviewed the Bolsover Homes Council Report and brochure, the Council agreed to allocate capital funds of £36.2m to deliver Bolsover Homes schemes

over the period to March 2024. During this timeframe funding has also been achieved by using available 1:4:1 capital receipts and Homes England external funding. This has increased the budget available.

- 1.4 It was a condition of the budget allocation that a further report was required to be brought for each scheme once planning permission had been awarded, viability study presented, independent market assessment received, and costs agreed. Only once approved by the Executive could contracts for scheme/s be entered into.

Council's Ambition

- 1.5 The Council's Ambition to enable housing growth is already being achieved as Members have already approved the construction or purchase of 148 new Council properties through the Bolsover Homes framework. (See **Appendix 1** for a summary of new Council properties which have been delivered or are currently on site).
- 1.6 Part of BDC's ambition is to redevelop the affordable housing scheme at Woburn Close, Blackwell which is located in the south of the district.

Construction Delivery

- 1.7 Dragonfly Development Limited has directly employed staff into its New Builds department in the roles of Operations Manager, Preconstruction Manager, Project Manager, Quantity Surveyor, Site Manager, Quality Manager and Business Support Officer. Whiteley Eaves continue to undertake the professional roles of External Quantity Surveyor, Principal Designer and Managing Agent and William Saunders Partnership continue as architects and engineers.
- 1.8 A Design Team has been formed consisting of Members, Architects, Engineers, Principal Designer, and officers from BDC Housing and the Dragonfly Development Limited New Builds team to assess the available sites, demand and timescales to bring a programme of suitable developments forward.

Rise in construction market costs

- 1.9 Since budget allocation was provided in July 2020 delivery costs have risen dramatically due to market price rises. The graph below, published in August 2023, shows fairly stable but generally rising material prices in the ten-year period up until 2021. This is followed by a more than 70% rise in material prices between 2021 and today.) Labour costs have also risen over the period but at a much slower rate.

Material Price Indices

Chart 2: Construction Material Price Indices, UK
Index, 2015 = 100



Source: Monthly Statistics of Building Materials and Components, Table 1

2. Details of Proposal or Information

Demolition of existing properties at Woburn Close

- 2.1 The independent living scheme and bungalows at Woburn Close, Blackwell are beyond their useful economic lives. They were built using Reema panel construction which is now classified as defective, they are not energy efficient, and the independent living scheme cannot viably be made safe in terms of fire safety. The decision has been made to demolish these buildings. The Council has assessed that there is still strong demand in the area for affordable housing and that a replacement independent living scheme and various types of housing are required in the locality.

Proposed development of the Woburn Close Cluster by Dragonfly Development Limited

- 2.2 The scheme brought forward today for decision will provide a replacement independent living scheme at Woburn Close comprising 20 self-contained flats together with a mix of 23 houses and bungalows with a further 2 properties being built at a nearby disused parking area at Pendean Close. Site layouts showing a summary of the type and number of properties are shown at **Appendix 2** for Woburn Close and **Appendix 3** for Pendean Close.
- 2.3 The properties will be built to the principles of lifetime homes, will meet National Design Guide Characteristics and the properties that are built for older people will achieve the HAPPI principles. The external elevations of the properties have been designed to complement and enhance Blackwell village.
- 2.4 The costs put forward by Dragonfly Development Limited have been independently assessed by Whiteley Eaves and confirmed to be competitive.

Meeting the Council's Ambition

- 2.5 The construction of these new homes will take the total number of properties that will be delivered with the current funding pot to 162 (also see **Appendix 1** for a summary of new council properties which have been delivered, are on site or are proposed to be built if approval is granted today)
- 2.6 The target set out in the Business Growth Strategy ECO-07, which aspired to deliver 150 new homes through the Bolsover Homes Programme, will also be achieved financially albeit not by the March 2024 timeline.

Planning permission

- 2.7 Planning permission has been obtained for Woburn Close and it is hoped to start on site in March 2024, work has been carried out to the programme to allow for completion of all properties approximately two years thereafter - in March 2026.
- 2.8 Planning permission has not been obtained for the two bungalows at Pendean Close although pre application advice is favourable. If permission is not granted for these properties they will be removed from the scheme and the costs revised downwards.

Work on site to date

- 2.9 To date the bungalows at Woburn Close have been vacated in readiness for demolition – the budget for this was approved by the Executive on 31st of July 2023. The independent living scheme remains partially occupied by residents who intend to move to the newly developed independent living scheme. If approval is given to demolish the remainder of the site this will save on empty properties Council Tax which is currently a cost to the Housing Revenue Account.

Homes England Funding

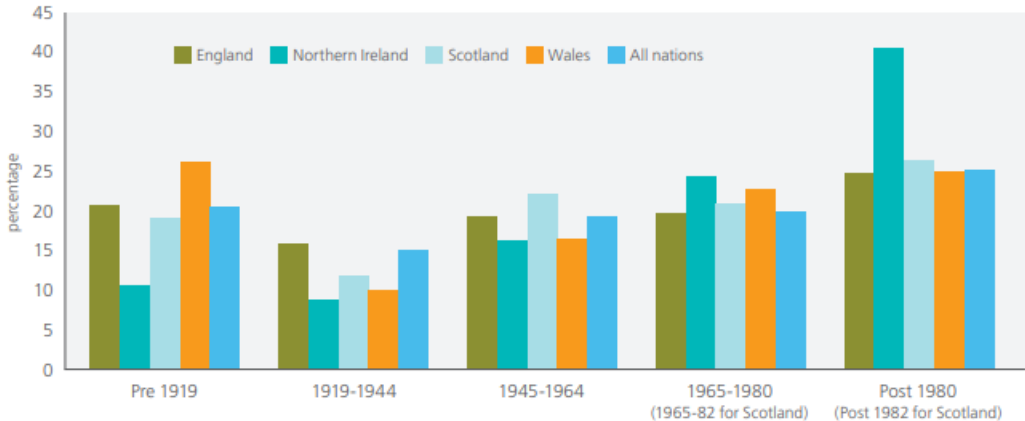
- 2.10 Homes England (HE) have indicated that they are likely to offer funding towards the scheme but this is less likely if the scheme completion date goes beyond March 2026 as this is when the current round of funding ends and HE have indicated that there is no certainty that other funding will become available beyond March 2026.
- 2.11 Consequently, further delays to the start on site to beyond March 2024 could jeopardise Homes England funding. A contribution of £2.25m has been requested but a decision by Homes England has not yet been received.

Financial Implications

- 2.12 To give Members an indication of the whole-life financial implications of a capital scheme, we use a spreadsheet model developed over a number of years. The model is based on assumptions made at a point in time so will never be 100% accurate, but it is an estimate of future costs and income streams for the Housing Revenue Account (HRA).

- 2.13 Inputs to the model are initial capital build costs; the ongoing revenue costs such as supervision and management; the rental income receivable and the borrowing costs associated with financing the capital scheme.
- 2.14 This is then spread over a 50-year period, being the maximum period the Council is allowed to borrow funds from the Public Works Loan Board over, and also the maximum number of years our properties can be depreciated over, under current accounting regulations.
- 2.15 Generally, when the scheme makes a positive contribution to the Housing Revenue Account overall, i.e. when rental income is greater than the costs to the HRA including the interest on the borrowing, it is considered that the scheme has paid for itself although at this stage the principal amount borrowed has often not yet been repaid and it can take a number of years before the whole of the initial capital cost has been recouped.
- 2.16 As long as the HRA remains sustainable and can therefore afford to continue paying the associated borrowing costs of a scheme, there is no reason why a scheme making a positive contribution to the HRA, that takes longer than 50-years to recoup the initial outlay, shouldn't be undertaken. The sustainability of the HRA must be considered in light of all borrowing costs from this and previous capital schemes, not just the scheme being appraised and considered.
- 2.17 25% of properties in the Council's current housing stock are over 100 years old and still earning rental income while 58% of the stock is between 50 and 100 years old. As you can see from the paragraphs above, this income is not factored into the spreadsheet model but is still being received.
- 2.18 The graph below shows the age of properties in the UK. This shows that more than 50% of the housing stock in the UK is over 50 years old, which highlights why the model should be used as a guide but not in isolation.

Figure 2.3 Dwelling age by UK nations, 2017



- 2.19 The Woburn Close scheme has 2 different elements, the independent living scheme replacement for Woburn House comprising 20 flats and also the mix of 23 houses and bungalows plus the 2 further properties at Pendean Close. For the purposes of the financial appraisal, the difference in the properties make it appropriate to identify the figures separately for each part, wherever possible.

Year 1 initial outlay and net cost	Flats Independent Living Scheme	Houses & Bungalows	Whole Scheme
	£ millions	£ millions	£ millions
Total build costs including demolition and construction	5.638	5.945	11.583
Assumed net income in year 1	(0.118)	(0.203)	(0.321)
Assumed net cost in year 1 excluding principal	0.290	0.310	0.600
Net Cost to HRA in year 1	0.172	0.107	0.279

- 2.20 The table above shows an indicative net cost to the HRA for year 1 following scheme completion. Net income and net cost increase each year with inflation until gradually the income exceeds the cost. Both elements of this scheme take longer than 50 years to fully recoup the initial capital cost. However, by the 22nd year of the house and bungalow scheme being completed the scheme makes a positive contribution to the HRA as described in paragraph 2.15, subject to all 8 of the houses still being within the Council's housing stock, as they will be subject to 'right to buy' legislation.
- 2.21 The nature of the independent living scheme means the rental income is low compared to the initial cost of building the flats. This means that by year 50, the scheme doesn't make a positive contribution to the HRA and fully recouping the initial cost is probably not a deciding factor when making a decision on whether to undertake the scheme. It should be remembered however, that the Council will still have the use of the building for tenants and will carry the value of the building on its balance sheet.
- 2.22 Additionally, if funding sought from Homes England was successful, this would reduce the amount of initial borrowing undertaken by the Council and therefore the cost to the Housing Revenue Account each year. The time taken for the schemes to recoup the initial capital cost and make a positive contribution to the HRA would also be reduced.
- 2.23 The total build costs for the scheme from start to finish including carrying out surveys, obtaining planning permission, demolition and construction includes a contingency pot of £1.102m, which would be returned to the Council if not spent.

The contingency pot would cover:

- further price rises in the market over the 2-year build period, as subcontractors may not hold their submitted prices for this length of time.
- Increases in material prices over the 2-year period.
- any unforeseen engineering adjustments that may have to be made once detailed drawings and calculations are devised from the approved planning drawings.

Design and site constraint details

- 2.24 The ground conditions on site require expensive raft foundations which increase construction costs.
- 2.25 The costs per square meter of the independent living scheme flats are 59% more than the costs to build the houses and bungalows. Specialist developments of this nature will always be more expensive than standard accommodation due to the additional features that are provided. The flats benefit from extra amenities such as a communal room and kitchen, first floor communal area, reception, office, scooter stores and internal refuse stores. In addition, the layout of such schemes requires corridors, fire escapes, lifts and other circulation spaces that would not be necessary in a standard dwelling.

3. Reasons for Recommendation

- 3.1 To continue to meet the growing demand for affordable housing in the district.
- 3.2 To develop a fit for purposes independent living scheme in the south of the district.
- 3.3 To deliver a more affordable rental residential development in the south of the district.
- 3.4 To enable demolition to save the HRA the cost of Council Tax on empty properties.
- 3.5 To give the best chance of achieving Homes England funding by ensuring scheme completion before March 2026

4 Alternative Options and Reasons for Rejection

- 4.1 The Council could decide not to proceed with the scheme, but this would mean that there was only provision of one independent living scheme in the south of the district when there is an identified demand for more provision.
- 4.2 The Council could decide to delay its decision to see if prices in the construction market fall to levels which would make the scheme more viable. However, if a decision is not made there is a chance that Homes England funding could be lost which would mean that prices in the market would have to drop much lower.

RECOMMENDATION(S)

1. That Executive approves the capital expenditure budget as outlined within the report to deliver the Woburn Close affordable housing building scheme in the amount of £5,944,592.11 for the houses and bungalows and £5,637,982.58 for the Independent Living Scheme.
2. That Executive approves an expenditure budget as outlined within the report to deliver the Pendean Close affordable housing building scheme, subject to planning permission being granted.

3. That Executive agrees that the Council enters into contract with Dragonfly Development Limited for the development of the Woburn Close Cluster as outlined in the report.

Approved by Councillor Sandra Peake Portfolio Holder for Housing

IMPLICATIONS.

Finance and Risk: Yes No

Details:

Covered in paragraphs 2.12 – 2.23 of the report.

On behalf of the Section 151 Officer

Legal (including Data Protection): Yes No

Details:

The Council will need to enter into a formal contract with Dragonfly Development Limited.

On behalf of the Solicitor to the Council

Environment:

Details:

The newly built properties will help the Council to transition to net zero by 2050 through decarbonisation of its housing stock. The properties will be much more fuel efficient than the existing Reema panel buildings that are currently on the Woburn Close site. The properties will be constructed with enhanced u-values, above the minimum requirements of Building Regulations, in order to reduce heat loss and carbon emissions. The properties will incorporate renewable technologies including solar panels and air source heat pumps. Electric Vehicle charge points will be installed at all dwellings to encourage the use of electric vehicles. The scheme includes biodiversity enhancements to offset any ecological impact from the development. Where possible energy expended during the construction of the properties will be kept to a minimum.

Staffing: Yes No

Details:

There are no direct staffing implications arising from this report. All staff are in place to deliver the schemes.

On behalf of the Head of Paid Service

DECISION INFORMATION

<p>Is the decision a Key Decision? A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds:</p> <p>Revenue - £75,000 <input type="checkbox"/> Capital - £150,000 <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i></p>	<p>Yes</p>
<p>Is the decision subject to Call-In? <i>(Only Key Decisions are subject to Call-In)</i></p>	<p>Yes</p>

<p>District Wards Significantly Affected</p>	<p>Blackwell</p>
<p>Consultation: Leader / Deputy Leader <input type="checkbox"/> Executive <input type="checkbox"/> SLT <input type="checkbox"/> Relevant Service Manager <input type="checkbox"/> Members <input type="checkbox"/> Public <input type="checkbox"/> Other <input type="checkbox"/></p>	<p>Details:</p>

<p>Links to Council Ambition: Customers, Economy and Environment.</p>
<p>Enabling Housing Growth: increasing the supply, quality and range of housing to meet the needs of the growing population and support economic growth</p>

DOCUMENT INFORMATION	
Appendix No	Title
1	Properties delivered or on site
2	Woburn Close – Site layout
3	Pendean Close – Site layout

<p>Background Papers</p>
<p><i>(These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Executive, you must provide copies of the background papers).</i></p>