

BOLSOVER DISTRICT COUNCIL

Meeting of the Executive on 27th January 2025

New Dwellings – Alder Close, Shirebrook

Report of the Portfolio Holder for Housing

Classification	This report is Public
Contact Officer	Steve Brunt Strategic Director of Services

PURPOSE/SUMMARY OF REPORT

- To seek approval to construct 9 new dwellings at Alder Close, Shirebrook.
 - To seek approval to appoint Dragonfly Development Limited to deliver the new builds.
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REPORT DETAILS

1. Background

Bolsover Homes programme

- 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 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.
- 1.3 Linked to this was 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 was 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.

Design Team

- 1.4 The Design Team currently consists of Members, Architects, Engineers, Principal Designer, and officers from BDC Housing and the Dragonfly Development Limited New Builds team, who assess the available sites, demand, and timescales to bring a programme of suitable developments forward. Dragonfly Development Limited has directly employed staff into its New Builds department in the roles of Operations Manager, Preconstruction Manager, Estimator, Project Manager, Quantity Surveyor, Site Manager, Quality Manager and Business Support Officer. William Saunders Partnership are appointed as architects and engineers to provide a robust, flexible team ready to deliver Council schemes more efficiently and effectively than would be achieved using private principal contractors.
- 1.5 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 schemes be entered into.
- 1.6 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, the budget was increased with 1:4:1 capital receipts and Homes England and other external funding. Members have already approved the construction or purchase of 191 new Council properties through the Bolsover Homes framework.

Council Plan - The Future

- 1.7 In March 2024 the Council approved a new Council Plan – “the Future”. This outlines the priority of “Delivering 200 new homes through the Bolsover Homes Programme using Dragonfly Development Ltd by March 2028.”
- 1.8 Approximately £14m remains in the Bolsover Homes budget. This could be increased with 1:4:1 receipts and funding if schemes are brought forward. Using this remaining budget to continue with the Bolsover Homes pipeline aligns with the priority set out in the Council Plan.

Demand for Affordable Housing

- 1.9 The Housing Management Team have identified the need for housing in Shirebrook and have confirmed that development at Alder Close would partially meet this need as well as contributing towards the Council’s strategic priority.

2. Details of Proposal or Information

Proposed development at Alder Close, Shirebrook

- 2.1 At the time of writing this report the scheme brought forward has not been granted planning permission but is listed for decision at Planning Committee on 22 January with a recommendation for approval. If planning permission is granted the scheme will provide a mix of 9 houses at Alder Close, Shirebrook comprising of 2 x 3 Bed Semi-Detached, 2 x 2 Bed Semi-Detached, 2 x 1 Bed Semi-Detached and 3 x 1 Bed Terraced. A site layout is shown at **Appendix 1**.

- 2.2 The properties will meet National Design Guide Characteristics and are built to Design Team preferences. The external elevations of the properties have been designed to complement and enhance the surrounding area of Shirebrook.
- 2.3 The costs put forward by Dragonfly Development Limited have been independently assessed by Whiteley Eaves Ltd, who are appointed by the Council to act as Managing Agent, Quantity Surveyor and Principal Designer for Bolsover Homes schemes, in a value for money assessment and confirmed them to be competitive.

Meeting the Council's Priorities

- 2.4 The construction of these new homes would provide the first 9 of the 200 homes to meet the Council's priority of delivering 200 new homes through the Bolsover Homes Programme using Dragonfly Development Ltd by March 2028. It should be noted that this scheme was not included within the Bolsover Homes work programme when agreed by the Council in July 2020. However, following a review of available owned land by the Design Team it was decided that this was the optimal site to develop next. Should Executive agree that this scheme can proceed a report requesting its inclusion in the Bolsover Homes pipeline will be submitted to Council for approval before the scheme can proceed.

Funding and timelines

- 2.5 Homes England (HE) have indicated that they are likely to offer funding towards the scheme from their current funding pot in the amount of £500,000, subject to grant of planning permission and sign off at national panel which is expected by the end of February 2025. HE have indicated that it will not be possible to provide this funding if the scheme completion date goes beyond March 2026 as this is when the current round of funding must be spent. HE have also stated that there is no certainty that Bolsover Homes schemes would be eligible for any new funding rounds that may become available beyond March 2026.
- 2.6 Brownfield Housing Funding for this scheme was applied for from EMCCA, who have indicated they would contribute £170,000 towards the scheme provided it meets their funding criteria and can be defrayed by March 2026.
- 2.7 Both Homes England and EMCCA aware of these two separate funding applications and have confirmed that both funding streams can be used for this scheme.
- 2.8 If planning permission is granted on 22 January 2025 and if Executive and Council approval is given, Dragonfly would be able to start on site in March 2025 which would allow time for the construction to be completed by March 2026 in line with funding deadlines.

Financial Implications - on behalf of the Section 151 Officer

- 2.9 To give an indication of the whole-life financial implications of a capital scheme, a spreadsheet model developed over a number of years is used. The model is based on assumptions made at a point in time and potentially subject to change, but it is an estimate of future costs and income streams for the Housing Revenue Account (HRA).
- 2.10 Inputs to the model are initial capital build costs (usually the loan amount); the ongoing revenue costs such as supervision and management, and repairs and

maintenance; the rental income receivable and the borrowing costs associated with financing the capital scheme. Any grant funding received towards the cost are also included.

- 2.11 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 (PWLB) over, and also the maximum number of years our properties can be depreciated over, under current accounting regulations.
- 2.12 When rental income exceeds the costs of maintaining and managing the properties, plus all of the borrowing costs and the initial capital build costs, the scheme is said to break-even. The model calculates how many years it will take for the rent to reach this level. At break-even point, the original cost to build the properties has been recouped.
- 2.13 If this happens at or before year 50, we class this as a viable scheme as there should be sufficient income within the HRA to repay the principal to the PWLB when it is due in year 50.
- 2.14 However, there is often a time before the scheme breaks even where the scheme makes a positive contribution to the HRA in-year. This means the rental income exceeds the costs as above, but not enough income has been earned overall, to repay the principal amount borrowed.
- 2.15 The risk in accepting schemes that do not break-even by year 50 or sooner, is that it cannot be guaranteed that the HRA will be able to repay the borrowing to the PWLB when it becomes due in year 50.
- 2.16 If this were limited to 1 scheme, the HRA would probably have enough of a cash balance to make the repayment, but if Members allowed a number of schemes to be approved that didn't break-even, this could cause the HRA to need to borrow and incur extra borrowing costs. Eventually, this could cause the HRA to be unsustainable.
- 2.17 There are 4 possible scenarios for the financing of this proposed scheme:
 - 1) If both the Homes England and EMCCA funding requests are successful, the borrowing to fund the balance of the cost, chargeable to the HRA, will be at its lowest amount.
 - 2) If neither of the funding requests are successful, the borrowing chargeable to the HRA for the cost of the scheme, will be at its highest.

Scenarios 3 and 4 are where only one of the funding requests is successful and these borrowing amounts will be between the level of cost for scenarios 1 and 2. **Table 1** below shows the costs associated with each scenario.

Table 1

	Scenario 1 – all funding secured	Scenario 2 – no funding secured	Scenario 3 – HE funding secured only	Scenario 4 – EMCCA funding secured only
Build costs	£2,035,877	£2,035,877	£2,035,877	£2,035,877
Homes England	(£500,000)	0	(£500,000)	0
EMCCA	(£170,000)	0	0	(£170,000)
Balance to be borrowed	£1,365,877	£2,035,877	£1,535,877	£1,865,877
Positive contribution made to HRA in year	18	30	21	28

Break-even

- 2.18 Scenario 1, where both Homes England and EMCCA funding is received is the only scenario that breaks-even at year 50. The other 3 scenarios take longer than 50 years, each having a higher scheme borrowing requirement.
- 2.19 **Table 1** shows the year that each of the scenarios starts to make a positive contribution to the HRA. Scenario 1 would make the scheme produce a positive contribution at year 18 and meet its full development costs at year 50. This then helps to maintain the sustainability of the Housing Revenue Account (HRA).
- 2.20 Without receiving both sources of funding this scheme takes longer than 50 years to fully recoup its capital cost. Should funding not be received in an amount to make the scheme sustainable for the HRA, Executive would be asked to reconsider approval under a further report which would assess these implications.

3. Reasons for Recommendation

- 3.1 To continue to meet the growing demand for affordable housing in the district.
- 3.2 To deliver a more affordable rental residential development in the district.
- 3.3 To help to meet the Council Priority of delivering 200 new homes through the Bolsover Homes Programme using Dragonfly Development Ltd by March 2028.
- 3.4 To meet the timeline criteria of funders.

4 Alternative Options and Reasons for Rejection

- 4.1 The Council could decide not to proceed with the scheme. This is rejected as there is budget to proceed and not proceeding would not help to meet the

Council's priority of delivering 200 new homes through the Bolsover Homes Programme using Dragonfly Development Ltd by March 2028.

RECOMMENDATION(S)

1. That, subject to planning approval, Executive approves the capital expenditure budget as outlined within the report to deliver the Alder Close affordable housing building scheme in the amount of £2,035,877 (less £670,000) – Scenario 1, Table 1.
2. That, subject to planning approval, a report be submitted to Council to update the schemes included in the Bolsover Homes pipeline funding envelope of £36.2m for this Alder Close, Shirebrook scheme which is currently not included.
3. That, subject to planning approval, Executive agrees that the Council enters into contract with Dragonfly Development Limited for the development of Alder Close as outlined in the report, subject to Council approval for inclusion in Bolsover Homes pipeline funding.

Approved by Councillor Sandra Peake, Portfolio Holder for Housing

IMPLICATIONS:

Finance and Risk Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>		
Details: Covered in paragraphs 2.9 – 2.20 of the report.		
On behalf of the Section 151 Officer		
Legal (including Data Protection) Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>		
Details: The Council will need to enter into a formal contract with Dragonfly Development Limited.		
On behalf of the Solicitor to the Council		
Staffing Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>		
Details: There are no staffing implications within this report.		
On behalf of the Head of Paid Service		

Equality and Diversity Impact and ConsultationYes No **Details:**

The two and three bedroom homes will meet Category 2 of the Building Regulations - Accessible and adaptable dwellings which have a higher level of accessibility that is beneficial to a wide range of people who occupy or visit the dwelling with particular benefit to older and disabled people including some wheelchair users.

On behalf of the Information, Engagement and Performance Manager

EnvironmentYes No **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 constructed with enhanced u-values, to meet the recently enhanced requirements of Building Regulations, in order to reduce heat loss and carbon emissions. The properties will incorporate renewable technologies such as air source heat pumps and solar panels dependent on viability. 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.

DECISION INFORMATION:

Please indicate which threshold applies:

Is the decision a Key Decision?

A Key Decision is an Executive decision which has a significant impact on two or more wards in the District or which results in income or expenditure to the Council above the following thresholds:

Revenue (a) Results in the Council making Revenue Savings of £75,000 or more or **(b)** Results in the Council incurring Revenue Expenditure of £75,000 or more.

Capital (a) Results in the Council making Capital Income of £150,000 or more or **(b)** Results in the Council incurring Capital Expenditure of £150,000 or more.

District Wards Significantly Affected:

(to be significant in terms of its effects on communities living or working in an area comprising two or more wards in the District)

Please state below which wards are affected or tick **All** if all wards are affected:

Yes No (a) (b) (a) (b) All

Is the decision subject to Call-In? <i>(Only Key Decisions are subject to Call-In)</i>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
If No, is the call-in period to be waived in respect of the decision(s) proposed within this report? <i>(decisions may only be classified as exempt from call-in with the agreement of the Monitoring Officer)</i>	Yes <input type="checkbox"/> No <input type="checkbox"/>
Consultation carried out: <i>(this is any consultation carried out prior to the report being presented for approval)</i>	Yes <input type="checkbox"/> No <input type="checkbox"/>
Leader <input type="checkbox"/> 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"/>	

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

DOCUMENT INFORMATION:

Appendix No	Title
1	Site Layout

Background Papers
<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>