

Report for Resolution

Report to Executive
16 September 2009
Report of Assistant Director of City Development
Subject Local Authority New Build

6

Purpose

To obtain agreement of the Executive of the Council procuring the services of project managers to work up and submit bids for affordable housing schemes.

Recommendations

That Executive agree to council officers procuring the services of project managers to progress bids to the Homes and Communities Agency (HCA) Local Authority New Build grant fund.

Financial Consequences

The financial consequences of this report are the cost of employing project managers and an architect, which is dependent on the number of units grant funded by the Homes and Communities Agency. This is expected to be in the region of £100,000, based on a percentage of the total build cost of 13 units. This cost will be funded from developer contributions to provide affordable housing.

Risk Assessment

If the council is unsuccessful in securing grant funding from the Homes and Communities Agency, there is a risk that the amount paid to the project managers will be lost. However, this cost would be covered by S106 funds or there may be opportunity to recoup some of the money paid if the schemes are subsequently developed by an Registered Social Landlords (RSL) partner who would contribute towards work that had been done on the scheme(s) prior to their involvement.

Strategic Priority and Outcome/Service Priorities

The report helps to meet the strategic priority "Safe and healthy neighbourhoods-working in partnership with residents to create neighbourhoods where people feel secure, where the streets are clean and well maintained, where there is good quality housing and local amenities and where there are active local communities".

Executive Member: Councillor Arthur - Housing and Adult Services

Ward: Nelson, Mile Cross

Contact Officers

Alison Spalding

01603 212871

Debbie Gould

01603 212851

Background Documents

Not applicable.

Report

Local Authority New Build

1. The Council built its last housing in the early 1990s and has been restricted in increasing numbers of housing stock since then, largely due to the constraints of building within the Housing Revenue Account. The Council has for some time had an ambition to build its own housing and in 2007 looked into the possibility of doing this. For a number of reasons this proposal was not progressed.
2. Following the Spring budget, the HCA announced a Housing Stimulus Package which saw an additional £800m in funding available for the development of affordable housing via five streams: Kickstart fund- £400m available to private developers to deliver stalled sites; Energy Saving Programme- £83.8m available to retrofit cavity wall insulation to properties; Low Carbon Infrastructure Fund- £20.96 available to developers trialling low carbon initiatives; Public Land Initiative, which the HCA hopes will deliver 1250 mainly open market, new homes over the next 3 years; and Local Authority New Build (LANB) fund- initially £100m now extended to £350m available to local authorities to build their own new, affordable homes. This pot is made up of approximately 50% in grant funding and 50% available via prudential borrowing.
3. The HCA intends to fund approximately 3,000 new affordable homes nationally via LANB, so are looking for small, highly deliverable schemes to be brought forward. This fund provides an opportunity for the Council to pursue its ambition to extend the council housing stock through the construction of new homes.
4. In order to be eligible to bid for LANB funding, the council must successfully complete the HCA's pre-qualification questionnaire and provide extensive financial information.
5. Initial feedback from the council's finance and legal departments has been positive in respect of the city submitting bid(s).
6. A decision to progress two bids for HCA funding via the LANB pot is required. This includes the appointment of a consultant employer's agent/ quantity surveyors to project manage the design and build process.
7. The amount of time between now and the bid submission deadline is unlikely to be sufficient to allow for the tendering of these services and so it is intended that a waiver be put in place to allow for the necessary organisations to start work as soon as possible.
8. Typical work practices see project managers and architects working at risk initially.
9. This bid round opens towards the end of September and the closing date for bids is Friday, 30th October 2009. All bids must be highly deliverable and completed by March 2012. Priority will be given to schemes which complete

well before this date.

10. There are two sites currently being considered for council led development: Stafford Street and Bowers Avenue.
11. Stafford Street is a one unit eco exemplar scheme, intended to be Code for Sustainable Homes level 4, 5 or possibly 6. A significant amount of work has been done on this scheme by an RSL partner who was unable to work up appropriate plans at this location due to financial issues.
12. Bowers Avenue is a garage site which could provide up to 12 new affordable homes.
13. All bids must be submitted via the HCA's Investment Management System (IMS). Access to this system has been applied for and training will be provided to council officers to enable them to upload bids for consideration by the HCA
14. The partnering pre-qualification process is a lengthy one and has been designed to run alongside the bid round. This means that a partnering application can be pending at the time the bid closes, although we anticipate achieving this before the deadline.
15. Once the council has achieved partnering status with the HCA it will retain this status once the LANB pot has been allocated. Therefore if the council is unsuccessful in acquiring grant this time round, it will still be eligible to bid in future rounds.
16. By bidding to this round of local authority funding, the council could be in a position to build its first new homes for nearly 20 years. If the council does not work up and submit a bid, there may still be opportunity to bid if the HCA announces further rounds next year but with no further funding announced and a possible change of government next year, it is worth noting that there is potentially no further funding until April 2011.
17. The council may apply to exclude any new build properties from the HRA subsidy system. If the council wishes to do this, an application must be made with the grant submission.
18. The development of the Stafford Street and Bowers Avenue sites are part of the proposed delivery programme identified in the broader agreement with the HCA. This proposal to include them in the LANB scheme is a demonstration of the commitment of the Council to the early delivery of additional affordable housing units in the City.
19. If the bids are unsuccessful, the Council will have incurred the cost of employing consultants and architects to develop the schemes but there would be an opportunity for these costs to be met from S106 funds or by an RSL to take on the worked up schemes, allowing the Council to recoup some/ all of the associated costs.
20. Recommendation: that the Executive Committee agrees to council officers procuring the services of project managers to progress bids to the Homes and Communities Agency (HCA) Local Authority New Build grant fund.

