



Decision Pathway – Report

PURPOSE: Key decision

MEETING: Cabinet

DATE: 04 September 2018

TITLE	ALDERMAN MOORES HRA NEW BUILD DEVELOPMENT	
Ward(s)	Bedminster	
Author:	Martyn Pursey/Peter Quantick	Job title: Development Manager/Housing Property Partner
Cabinet lead:	Councillor Paul Smith	Executive Director lead: Patsy Mellor
Proposal origin: BCC Staff		
Decision maker: Cabinet Member		
Decision forum: Cabinet		
Purpose of Report: To seek support to enter into a construction contract at a cost of £24.14m to build and fund a mixed tenure development of 133 homes (53 council and 80 private homes for sale) on the Alderman Moore site in Ashton Vale. Cabinet approval was obtained in March 2017 to enter into a Development Agreement with Willmott Dixon and to bring back a further report for a key decision seeking approval to enter into a construction contract following the achievement of Planning consent for the site and agreement of the final financial commitments of the proposed scheme.		
Evidence Base: These new council homes are being built to help:- <ul style="list-style-type: none">(i) Increase the number of affordable homes within the city(ii) Tackle some of the most acute housing needs in the City(iii) Provide larger homes to help alleviate overcrowding issues in central wards(iv) Provide downsizing opportunities for those being affected by the changes to welfare benefits(v) With tackling homelessness in the City.(vi) Provide quality, energy efficient and affordable council homes(vii) The procurement route for the appointment of Wilmot Dixon was through the Scape Framework and has led to the award of the building contract		
Cabinet Member / Officer Recommendations: <ol style="list-style-type: none">1. To agree that the council enter into a maximum fixed price contract with Willmott Dixon at Alderman Moore's site for the construction of 133 new mixed tenure blind homes and delegate authority to the Executive Director (Communities) to conclude legal formalities and manage the contract including any savings which might arise during the construction phase.2. To approve the financial and funding arrangements as set out in this report as follows:-<ul style="list-style-type: none">▪ Maximum Total scheme costs (council and sales and includes Contingency) - £24.14m▪ Income from sales (and anticipated RHI payments) - £19.4m▪ Total residual investment required by HRA - £4.74m3. To agree the use of £2.9m (30%) of 1-4-1 RTB receipts towards the cost of constructing the council units plus a proportion of the infrastructure costs. In overall terms, the use of RTB receipts results in a net cost to the HRA of <u>£1.84m</u>.4. To approve the development of a Management Company to look after the estate post completion and delegate authority to Executive Director (Communities) in consultation with the Service Director of Legal and Democratic		

- Services and the relevant Cabinet Member to agree the details.
5. To agree that an incentivisation agreement with Wilmot Dixon is developed and entered in to and to delegate authority to Executive Director (Communities) to agree the details of the payment structure in consultation with the relevant Cabinet Member.

Corporate Strategy alignment:

The proposal is to promote better public health by ensuring all the homes are warm, dry and safe and providing energy efficient and quality homes which are cheaper to run for residents and tenants alike. Working with partners the council aims to support individuals and families to live independent, active and healthy lives in new council homes fully fit for the 21st century.

City Benefits:

The construction of the development will provide job opportunities for local people, apprenticeships and work experience. The new homes will bring investment to the area, make a contribution towards the community infrastructure levy and generate additional council tax revenues.

The new homes will be built to building regulation and planning policy standards and delivering a mix of homes, of different types and sizes, which are accessible and respond to people's changing needs over time.

Consultation Details:

Prior to the initial Cabinet approval and subsequently through the planning process, we have carried out a number of stakeholder engagements for local community groups, such as the Allotment holders association. Local residents have attended a number of events on the proposed development as well as local ward members.

For full details of the consultation process see appendix B.

Revenue Cost	£ N/A	Source of Revenue Funding	N/A
Capital Cost	£ 24.14m	Source of Capital Funding	HRA capital, reserves and RB receipts.
One off cost <input checked="" type="checkbox"/>	Ongoing cost <input type="checkbox"/>	Saving Proposal <input checked="" type="checkbox"/>	Income generation proposal <input checked="" type="checkbox"/>

Required information to be completed by Financial/Legal/ICT/ HR partners:

1. Finance Advice:

The Alderman Moores site is an opportunity to develop a mixed tenure site of 133 units comprising 53 affordable and 80 market sale units. This is the first time that the HRA has developed a mixed tenure site and as such there will be learning from this development that can be built into future developments of this type. The forecast gross cost of developing the site is £24.14m, proceeds from private sales (£18.9m) and RHI payments (£0.5m) is expected to be £19.4m resulting in a net cost of developing the site of £4.74m. Based on the value of the affordable units, £9.667m the net cost of the site of £4.74m will in part be offset by the use of 1-4-1 right to buy receipts of £2.9m, leaving a net cost to be funded from the HRA Capital of £1.84m. There are clear risks associated with developing the site as the financial modelling assumes sales revenue from the 80 market sales of £18.9m. Should the housing market fail to perform at the levels assumed in the model both in terms of price of individual units sold and price obtained the net cost to the HRA will increase. This risk is in part offset by the incentivised agreement with Wilmott Dixon and requirement to closely monitor progress of the site development and pace of sales. At this stage the financial model makes no assumption for the cost of borrowing to meet cash flow requirements for the development of the site. It is expected that Bristol City Council will support the cash flow of the site to allow the site to be developed ahead of any house sales. Based on the cashflow of the development costs against sales revenue there is a peak cash flow requirement of £11.65m at month 15 (approximately February 2020) into the site development. Clearly the costs and progress of the development need to be closely monitored to ensure that risks around cost overrun and sales income are identified early and suitable mitigation put in place. It would be beneficial that regular reports are brought to HSLT and Growth and Regeneration EDM on a regular basis.

Finance Business Partner: Neil Sinclair. 19 July 2018

2. Legal Advice:

S.9 of the Housing Act 1985 ("the Act") provides that a local housing authority may provide housing accommodation by erecting houses on land acquired by them for the purposes of providing housing accommodation. No restrictions are placed on the type of tenure that must be used when the Council decides to provide housing under this power, or indeed whether the Council must retain ownership of the completed units. By relying on Section 9 the Council will not, even in connection with the houses being built for sale, be engaged in a commercial activity, and so is not required to act through a company, regardless of the intention to generate a profit from the market sales.

Furthermore, S.32(1) of the 1985 Act gives local authorities power to dispose of land held by them for the purposes of providing housing accommodation (under Part 2 of the 1985 Act), in any manner, provided the land is not subject to "Right to Buy" rights. Although this power is subject to consent from the relevant Secretary of State, he has issued a general consent: the General Housing Consents 2013. The Consents (at paragraph A.3.1.1) provide that a local authority may dispose of such land, (which includes dwelling houses, houses and flats), for a consideration equal to its market value.

The Council therefore has the power to develop the site as proposed and sell a proportion of the units at market value in order to subsidise the social housing units.

By virtue of S.12 of the Local Government Act 2003 the Council has the power to invest for any purpose relevant to its functions. Bristol would be able to rely on this provision to invest to erect dwelling houses and dispose of them at market value

New homes for sale are required to have the benefit of a suitable building warranty. The council's contract specification will require the Contractor to procure quotations from reputable warranty providers (e.g. NHBC Buildmark and/or Buildmark Choice and/or Buildmark Connect/LABC New Homes Warranty) for appropriate warranties for consideration and determination by the Council.

The scope framework is an EU compliant framework which the Council has used on other contracts

Legal Team Leader: Eric Andrews 19 July 2018

3. Implications on ICT:

There are no identifiable direct implications for BCC IT Services in this initiative

ICT Team Leader: Ian Gale Dated 13/7/2018

4. HR Advice:

No HR implications anticipated

HR Partner: James Brereton (People & Culture Manager), 16th July 2018

EDM Sign-off	Patsy Mellor	11 th July 2018
Cabinet Member sign-off	Councillor Paul Smith	17 July 2018
CLB Sign-off	Mike Jackson	24 th July 2018
For Key Decisions - Mayor's Office sign-off	Mayor's Office	6 th August 2018

Appendix A – Further essential background / detail on the proposal	YES
Appendix B – Details of consultation carried out - internal and external	YES
Appendix C – Summary of any engagement with scrutiny	NO
Appendix D – Risk assessment	YES
Appendix E – Equalities screening / impact assessment of proposal	YES
Appendix F – Eco-impact screening/ impact assessment of proposal	YES

Appendix G – Financial Advice	NO
Appendix H – Legal Advice	NO
Appendix I – <u>Link</u> to combined Background papers March 2017 Cabinet Report https://democracy.bristol.gov.uk/ieListDocuments.aspx?Cld=135&Mid=388&Ver=4	YES
Appendix J –Exempt Information Financial Appraisal	YES
Appendix K – HR advice	NO
Appendix L – ICT	NO