

LOW COST HOME OWNERSHIP: PHASE 2 OF THE HRA PIPELINE PROGRAMME

Cabinet Member	Councillor Philip Corthorne
Cabinet Portfolio	Social Services, Health and Housing
Officer Contact	Paul Feven, Adult Social Care, Health and Housing
Papers with report	None.

HEADLINE INFORMATION

Purpose of report	<p>The council has been provisionally approved for £725,000 grant funding from the Homes and Communities Agency (HCA) to build 29 low cost home ownership units for Hillingdon residents.</p> <p>This will be Phase 2 of the council's Housing Revenue Account Pipeline Programme.</p> <p>This report seeks approval from the Cabinet to accept the grant funding and take the necessary actions to proceed with the house building programme. Officers will be required to undertake tenders to appoint a contractor, Employers Agent and other specialist advisers working with the Corporate Landlord function. It will also be necessary to sign a grant agreement with the HCA to accept funding conditions.</p>
Contribution to our plans and strategies	<p>This project will directly contribute to the Council Plan objectives of:</p> <ul style="list-style-type: none"> • Maximising opportunities to help people live in settled and affordable homes. • Achieving value for money – providing financial benefit to the council. • Helping to meet housing targets within the Local Development Framework (LDF)
Financial Cost	<p>The recommendations do not commit the council to any additional spending at this stage. A further report will be submitted to Cabinet to seek approval to enter into contract with the chosen suppliers.</p>
Relevant Policy Overview Committee	Social Services , Health and Housing
Ward(s) affected	Brunel, Harefield, Pinkwell, South Ruislip, Townfield, Uxbridge North

RECOMMENDATIONS

That Cabinet:

1. Approves that officers accept and draw down the funding that is available from the HCA for building 29 homes for Hillingdon residents that will be available for purchase at low cost (otherwise known as low cost home ownership or LCHO).
2. Approves that the expenditure for this scheme not covered by grant funding and sales receipts is covered by a combination of prudential borrowing and HRA receipts.
3. Approves that officers enter into the required grant agreement with the HCA that will set out the terms and conditions of the grant funding.
4. Approves that officers conduct a tender exercise (OJEU procedure) to appoint a contractor to carry out the building works.
5. Approves that officers carry out a tender exercise to appoint specialists to coordinate the programme (an Employers Agent and CDM Co-ordinator responsible for health and safety).
6. Approves the appointment of external solicitors to undertake specialist work in relation to the grant agreement.
7. Approves that in the event of one of the sites not proceeding, one of the substitute sites named in Paragraph 18 of the report is included in the programme instead.

INFORMATION

Reasons for recommendation

1. To take the opportunity to deploy inward investment to support Council Plan objectives and enable the council to build 29 homes for low cost home ownership (phase 2 of the ongoing HRA Pipeline Sites programme)
2. To improve the Borough's environment by redeveloping sites that are vandalised, derelict and underused thereby removing targets for anti-social behaviour
3. To improve access to good quality and well designed housing by developing new housing for local people.
4. To deliver sites for low cost home ownership and enable local households to access the property ladder.

Alternative options considered / risk management

5. To not proceed with the projects – this is not recommended as it would not deliver the opportunities for low cost home ownership to the benefit of Hillingdon residents and leave the sites in their present underused or disused form.

6. To proceed with the projects but to fund the programme entirely with the council's own receipts – this is not recommended as it would mean declining the money that is on offer from the HCA. There is a related opportunity cost as there are other potential projects where external funding is not available that would require commitment from the council's own resources.

Comments of Policy Overview Committee(s)

7. The POC has not considered this report at the time of writing.

Supporting Information

8. Hillingdon has been one of the most successful local authorities in the country in achieving external capital funding for building new homes for local people. One of the chief reasons for success has been the preparation that has been undertaken, enabling the council to be in a position to bid at short notice in national competitions for funds. The council has now been offered £725,000 to deliver 29 units for low cost home ownership (LCHO) for Hillingdon residents.

9. As part of a review of Housing Revenue Account (HRA) property assets in 2006 a significant number of small, under-utilised sites across the borough were identified on or around council estates, including garage sites and open spaces. Many of these sites were underused or causing local problems such as vandalism, fly-tipping and other forms of anti-social behaviour. Referred to as "Pipeline Sites", the sites became the focus of a project where under-utilised sites were examined for their potential to provide new homes for local people.

10. Since 2007 the council has been developing the HRA Pipeline programme in detail, working alongside members of the Affordable Housing Group, composed of the three cabinet portfolio members for Social Services and Housing, Planning and Regeneration and the Corporate Directors of ASCHH and Planning. The strategy agreed for these sites was as follows:

- Affordable housing will be built on these sites where this is appropriate
- The predominant focus will be to develop low cost home ownership for Hillingdon residents
- Where affordable rented housing is built, this will be predominantly for older people currently living in rented council housing, thereby freeing up family sized accommodation
- The programme should pay for itself, using receipts from LCHO and the private sale of some of the sites in order to fund the development costs of the affordable rented element

11. At its meeting on 20 March 2008, Cabinet agreed a number of sites for progressing. Planning permission for a large number of these sites has since been granted or is currently in progress.

12. However, since this time, the economic downturn has led to falling land and property prices which placed the programme in jeopardy. Officers were tasked by the members of the Affordable Housing Group to look for alternative funding opportunities whilst still retaining the original principles.

13. In April 2009 the government made funding available for local authorities to deliver rented housing on their own sites. Hillingdon was one of the most successful authorities in the country in bidding for this funding, being awarded £7m. These sites, representing Phase 1 of the Pipeline Programme (as well as the council's first extra care scheme in Triscott House) are

under construction at the present time. Hillingdon achieved Investment Partner status in September 2009 making it easier to bid for any further funding opportunities.

14. Recently the HCA made additional funding available for pre-qualified local authorities to build homes for low cost home ownership. The council has provisionally been awarded £725,000 to deliver 29 units, which will represent Phase 2 of the HRA pipeline programme. A major factor in the successful application was the council's preparedness with a range of sites earmarked for low cost home ownership. All the sites must be completed by December 2011. *If the funding is accepted, Hillingdon will become the first authority in London to receive funding for building low cost home ownership homes on council owned sites.*

15. If funding is accepted, officers in ASCHH and Corporate Landlord will undertake the next stages of the programme and thereby deliver one of the core aims of the Pipeline Sites Programme which is to build homes for low cost home ownership in the form of shared ownership (also known as part rent part buy). The completed homes will be sold to applicants on the council's shared ownership waiting list. Priority groups will include key workers and existing social housing tenants. By selling homes to the latter group, targeting underoccupiers, this will free up units for social rented housing.

16. To deliver the programme, officers will need to appoint a contractor to build the units, an Employer's Agent to monitor performance and costs, a CDM Co-ordinator to meet health and safety requirements and a clerk of works to supervise the construction. This procurement process will be undertaken in partnership with the Corporate Landlord section, who could also be involved in the scheme project management. We also intend to appoint external solicitors to undertake specialist work in relation to the grant agreement and conditions precedent. For stage 1 of the HRA pipeline programme TLT solicitors were appointed to undertake this work.

17. The table below shows the sites in the programme and the mix of units:

Site	Ward	Unit Mix	Planning Status	Date Planning Permission Received /Expected
*Gilbert Road	Harefield	5x 2 bed houses	Approved	March 09
St Jeromes Grove	Townfield	2x 3 bed houses	Approved	September 10
St Peters Road	Brunel	1x 2 bed house	To be submitted	February 11
Brackenbridge Drive	South Ruislip	6x 3 bed houses	To be submitted	February 11
Wheatley Crescent	Townfield	2x 2 bed houses	To be submitted	February 11
Whitehall Road (Manor Waye)	Uxbridge North	2x 2 bed houses	To be submitted	February 11
St Helens Close	Brunel	2x 2 bed houses 1x 3 bed house	To be submitted	February 11
Sullivan Crescent	Harefield	3x 3 bed houses 1x 4 bed houses	To be submitted	February 11
Denbigh Drive	Pinkwell	4x 1 bed flat 5x 2 bed flats	To be submitted	February 11

* Cabinet approval has already been granted for Gilbert Road to proceed.

18. If it is not possible to proceed with any of the above sites due to unforeseen circumstances then there are two potential replacement sites that could be substituted into the programme instead. These are Malmesbury Close in Northwood Hills (approx 6 units) and Warsaw Close in South Ruislip (approx 2 units). Currently neither of these sites have planning permission however they are viewed by officers as being viable for redevelopment and in the event of one of the above sites not proceeding, officers are seeking cabinet approval to include one of the substitute sites with the agreement of the HCA.

Financial Implications

19. Below is a table to give indicative figures for the progression of the Phase 2 HRA Pipeline Programme (Low Cost Home Ownership) project.

	£000's
Total project expenditure for Phase 2 HRA Pipeline Programme (Low Cost Home Ownership) project	4,241
The HCA Grant towards the project is	725
Initial - Net spend to be financed from HRA Resources	3,516
Capital Receipts from sale of 40% Equity from new properties with MV of £6,740 (Expected around 6 months or so after properties are built)	2,660
Net Spend after Sale of 40% Equity in properties.	856

20. Market appraisal reports will be produced for each site and the units will be sold on a 125 year lease. This will help to assess the financial risk associated with the 40% equity sales of these new built properties. The Council will also receive rental income based on the unsold equity (which is 60%). The additional housing units could potentially reduce pressure on the general fund homeless costs. This assumes that the properties are sold to applicants who would otherwise access rental properties that could in future be used to discharge the homeless duty.

21. As the table above shows the schemes have attracted social housing grant of £725k. The remaining balance of £3,516k will initially be met from HRA resources. Currently there are sufficient HRA capital receipts to fund these projects. There are restrictions relating to the use of HRA capital receipts so as this project is eligible, it represents an opportunity to utilise this fund.

22. The sale of around 40% equity share of these properties is expected to generate HRA capital receipts of £2,660k. These capital receipts would partly replenish the initial outlay funding of £3,516k. The remaining funding balance of £856k has been subject to a detailed appraisal of financial feasibility which has demonstrated a small positive net present value.

23. These properties will be included in the HRA but will significantly be outside of the HRA Subsidy system and will therefore not attract negative subsidy.

24. This report seeks approval for the acceptance of £725,000 of HCA Grant and does not commit the council to any additional spending at this stage.

EFFECT ON RESIDENTS, SERVICE USERS & COMMUNITIES

What will be the effect of the recommendation?

25. Officers will have the authority to undertake the tender exercises and this will progress the programme

Consultation Carried Out or Required

26. Residents' consultations are being held for all sites prior to the decision on planning applications

CORPORATE IMPLICATIONS

Corporate Finance

27. Corporate Finance have reviewed the above report and concur with the financial implications included above. It is anticipated that existing HRA Resources will be utilised to finance these works, with the future receipts being available to fund affordable housing, regeneration and other HRA projects from 2012/13 onwards.

The total cost of the Phase 2 Pipeline Programme has been revised downwards from the estimate of £5,047k included in the draft budget presented to Cabinet in December as a result of a reduction in scope and construction costs.

Legal

28. Cabinet has before it the following Recommendations seeking authority to:

1. Approve that officers accept and draw down the funding that is available from the HCA for building 29 homes for Hillingdon residents that will be available for purchase at low cost (otherwise known as Low Cost Home Ownership or LCHO).

Under Article 7.08 (c)(18) of the Council Constitution Cabinet has authority to apply for funding from any external body which if successful would require Council matched funding either revenue or capital, and agreement to the final scheme.

2. Approve that the expenditure for this scheme not covered by grant funding and sales receipts is covered by a combination of prudential borrowing and HRA receipts.

This also falls within Article 7.08 (c)(18) of the Council Constitution whereby Cabinet has authority to apply for funding from any external body which if successful would require Council matched funding either revenue or capital, and agreement to the final scheme.

3. Approve that officers enter into the required grant agreement with the HCA that will set out the terms and conditions of the grant funding.

Again, Article 7.08 (c)(18) of the Council Constitution provides Cabinet has authority to apply for funding from any external body which if successful would require Council matched funding either revenue or capital, and agreement to the final scheme.

4. Approves that officers conduct a tender exercise (OJEU procedure) to appoint a contractor to carry out the building works.

The value of the construction works that will be required for Phase 2 of the Pipeline Programme is below the threshold for works under The Public Contracts Regulations 2006 (as amended), and the works will have to be procured in accordance with the Council's Procurement and Contract Standing Orders, although recommendation 4 provides that officers intend to conduct a tender exercise using the OJEU procedure, which they are entitled to do.

5. Approves that officers carry out a tender exercise to appoint specialists to coordinate the programme (an Employers Agent and CDM Co-ordinator responsible for health and safety).

Paragraph 5.1 of the Council's Procurement and Contract Standing Orders and associated Code of Practice sets out the circumstances in which the Council can appoint consultants, which include a situation where specialist skills are not available in house, as indicated in the body of the report.

It is not clear from the body of the report as to the estimated values of the proposed specialist appointments, but any procurement exercise, depending on value, will have to be conducted either in accordance with The Public Contracts Regulations 2006 (as amended) or the Council's Procurement and Contract Standing Orders, whichever is appropriate.

6. Approves the appointment of external solicitors to undertake specialist work in relation to the grant agreement.

Section 101(1) of the Local Government Act 1972 allows the Council to discharge any of its functions by delegation to to a committee, sub-committee or officer.

It is not apparent from the body of the report as to the estimated values of the proposed specialist appointments however under Article 7.08(d)(21) of the Council Constitution the Cabinet Members have a general delegation to accept tenders for contracts for the services of consultants in their portfolio area with a value of between £5,000.00 and £50,000.00.

7. Approves that in the event of one of the sites not proceeding, one of the substitute sites named in Paragraph 11 is included in the programme instead.

Again this matter will fall under Article 7.08 (c)(18) of the Council Constitution whereby Cabinet has authority to apply for funding from any external body which if successful would require Council matched funding either revenue or capital, and agreement to the final scheme.

The recommendations fall within the Cabinet and Cabinet Member's delegations.

Article 13 of the Council Constitution requires that all key decisions taken by Cabinet Members follow the seven principles set out therein, which if followed should minimise the risk of judicial review of any decision made.

Under the provisions of Sections 1 and 2 of the Local Government Act 2000 the Council has the power to do anything which they consider is likely to achieve any one or more of the following objects; (a)the promotion or improvement of the economic well-being of their area; (b)the promotion or improvement of the social well-being of their area, and (c)the promotion or improvement of the environmental well-being of their area. This power may be exercised in relation to or for the benefit of; (a)the whole or any part of a local authority's area, or (b)all or any persons resident or present in a local authority's area.

In addition, under Part II Section 9(1)(a) Housing Act 1985 the Council as the local housing authority may provide housing accommodation by erecting houses, or converting buildings into houses, on land acquired by them for the purposes of the provision of housing accommodation.

Section 111 of the Local Government Act 1972 provides that the Council has the power to do any thing (whether or not involving the expenditure, borrowing or lending of money or the acquisition or disposal of any property or rights) which is calculated to facilitate, or is conducive or incidental to, the discharge of any of their functions.

Under section 1 Local Government Act 2003 the Council has the power to borrow money (a) for any purpose relevant to its functions under any enactment, or (b) for the purposes of the prudent management of its financial affairs.

In order for the Council to fund and proceed with the LCHO building programme it will need to enter into the grant agreement (a copy of which is attached). The provision of the grant is subject to the conditions and obligations within the grant agreement. Please note, if the Council breaches any of these conditions or obligations the HCA may at its sole discretion claim damages for the breach or could request repayment of all or any part of the grant provided under the agreement. Cabinet should take this into account in deciding whether it is satisfied to support the level of commitment required from the Council.

Legal relationships will be created as soon as the agreement is entered into and the Council will be bound by the conditions and obligations contained within it.

Although Cabinet approval is sought for the appointment of external solicitors to undertake specialist work in relation to the grant agreement the majority of the work will be undertaken by the Council's inhouse Legal Services Department.

Please note once funding has been approved Cabinet and Cabinet Member approval will be required for the actual development of the 29 sites, the grant of the 125 year shared ownership leases and to enter into the relevant contracts with the appointed suppliers post tender.

Corporate Landlord

29. All the proposed sites have been approved by Cabinet for inclusion in the affordable housing Pipeline sites programme.

All procurement of consultants, contractors, and project management, in the pipeline sites programme will be conducted with the full involvement and co-operation of the Construction Projects team within Corporate Landlord.

BACKGROUND PAPERS