

Executive Board – Date 17th December 2024

Subject:	Development of Laura Chambers Lodge for Social Housing
Corporate Director(s)/Director(s):	Nicki Jenkins, Interim Corporate Director for Growth & City Development Geoff Wharton, Consultant Strategic Director of Housing
Executive Member(s):	Jay Hayes, Portfolio Holder for Housing & Planning
Report author and contact details:	Ceri Davies, Regeneration Team Leader ceri.davies@nottinghamcity.gov.uk x. 63530
Other colleagues who have provided input:	Mick Suggett – Team Leader Conveyance Paul Stanley – Head of Development Ann Barrett – Team Leader Legal Services Tom Button – Team Leader Contracts and Commercial Jonathan Whitmarsh – Corporate Procurement Officer Thomas Straw – Senior Accountant David Worthington – Senior Accountant Sarah Baker – Commercial Business Partner
Subject to call-in:	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Key Decision:	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Criteria for Key Decision:	
(a)	<input checked="" type="checkbox"/> Expenditure <input type="checkbox"/> Income <input type="checkbox"/> Savings of £750,000 or more taking account of the overall impact of the decision
and/or	
(b)	Significant impact on communities living or working in two or more wards in the City <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Type of expenditure:	<input type="checkbox"/> Revenue <input checked="" type="checkbox"/> Capital If Capital, provide the date considered by Capital Board Date: 14 th November 2024
Total value of the decision:	£10,700,700
Section 151 Officer expenditure approval	Has the spend been approved by the Section 151 Officer? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/a Spend Control Board approval reference number: n/a
Commissioner Consideration	Has this report been shared with the Commissioners' Office? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Shared with commissioners 25 th November 2024, reviewed and approved with no further commentary.
Wards affected:	Clifton East
Date of consultation with Executive Member(s):	
Relevant Council Plan Key Outcome:	
Clean, Green and Connected Communities	<input type="checkbox"/>
Keeping Nottingham Working	<input type="checkbox"/>
Carbon Neutral by 2028	<input type="checkbox"/>
Safer Nottingham	<input type="checkbox"/>
Child-Friendly Nottingham	<input type="checkbox"/>
Living Well in Our Communities	<input type="checkbox"/>
Keeping Nottingham Moving	<input type="checkbox"/>
Improve the City Centre	<input type="checkbox"/>
Better Housing	<input checked="" type="checkbox"/>
Serving People Well	<input type="checkbox"/>

Summary of issues (including benefits to citizens/service users):

Development of Laura Chambers Lodge (former care home in Clifton East) by Nottingham City Council for social housing. The development will be accounted for in the Housing Revenue Account and the scheme funded by a combination of Right to Buy Replacement Fund Receipts (RTB RF) and s.106 contributions.

The scheme capitalises on the recently enhanced accessibility of RTB RF to entirely fund new social housing, and would deliver up to 40 homes assisting in address of NCC's 10,000 plus waiting list and homelessness pressures to the General Fund.

Does this report contain any information that is exempt from publication?

Appendix A to the report is exempt from publication under paragraph 3 of Schedule 12A to the Local Government Act 1972 because it contains information relating to forecast finances of the project, and, having regard to all the circumstances, the public interest in maintaining the exemption outweighs the public interest in disclosing the information. It is not in the public interest to disclose this information because it could influence value for money in future procurement processes

Appendix B to the report is exempt from publication under paragraph number 5 of Schedule 12A to the Local Government Act 1972 because it contains information in respect of which a claim to legal professional privilege could be maintained in legal proceedings relating to a proposed decision and, having regard to all the circumstances, the public interest in maintaining the exemption outweighs the public interest in disclosing the information. It is not in the public interest to disclose this information because it contains confidential legal advice in respect of the proposed decision and disclosure could prejudice the Council's position.

Recommendation(s):

- 1** To agree the demolition and redevelopment of the site of Laura Chambers Lodge for approximately 40 units of social housing and this be reflected in the capital programme
- 2** To agree the use of £8.37m RTB RF/HRA capital funding for this scheme
- 3** To agree the use of £1.4m of s.106 contributions for this scheme
- 4** To agree the appropriation of the site of Laura Chambers Lodge from General Fund to HRA and debt-reapportionment between GF and HRA equivalent of the market value of the land.
- 5** To agree delegation of approval for any change in unit cost to the Corporate Director of Growth & City Development in consultation with the Corporate Director of Finance and Resources/s.151 Officer.

1. Reasons for recommendations

- 1.1 NCC currently has over 10,000 households on its housing register, and also faces significant general fund pressures from homelessness regarding the use of nightly paid temporary and emergency accommodation. Increasing the housing stock will allow for the allocation secure tenancies, creating throughput in established temporary accommodation and therefore reducing

use of nightly paid accommodation from the private sector (e.g. Hotels)

1.2 Increasing the HRA housing stock will help secure the necessary rental income over the medium to long term, which is vital for replenishment of the repairs reserves and operating budgets for existing and new stock.

1.3 Changes to the RTB RF retention agreement allowing schemes to now be 100% funded by these receipts are in place until 31st March 2026 whereby they will be reviewed review, therefore maximum benefit is gained from assigning and spending in this period.

2. **Background (including outcomes of consultation)**

2.1 Laura Chambers Lodge is a former care home located in Clifton East ward, that was declared surplus in 2016. It is currently owned by NCC and accounted for in the General Fund.

2.2 The building had been previously considered for conversion to 24 units of Temporary Accommodation for homeless households, the property to remain in the General Fund post conversion and then leased to a registered provider. Other opportunities for conversion to Temporary Accommodation however, emerged through the Independent Living Review, opportunities which could be delivered more efficiently and within the Housing Revenue Account.

2.3 The site is currently accruing £70k per annum in security and maintenance costs, which would cease with the start of development.

2.4 Delivery for social housing allows NCC to fund the scheme majority through RTB RF as a result of recent government announcements allowing councils to use RTB RF to meet up to 100% of the cost of development, whereas it had previously been capped at 50%. This means there is no requirement for HRA resource until 2026/7 should the rules on RTB RF revert, and any requirement could be met via direct revenue contributions, meaning no borrowing with accruing interest is required to finance the capital expenditure.

2.5 The proposal for conversion to Temporary Accommodation, required the allocation of £1.4m s.106 contributions to gap fund the general fund financing of the scheme. Some of these contributions require immediate (re)allocation due to the timescales for their assignment and are therefore to remain attached to the delivery of a scheme at Laura Chambers Lodge. Changes in the s.106 regulations at the same time as the change to RTB RF spending rules, mean that s.106 commuted sums can once again be used in conjunction with RTB RF.

2.6 The Housing Revenue Account will need to appropriate the land from the General Fund to enable the housing to be accounted for in the HRA. The General Fund will receive a receipt for this in the form of debt re-apportionment (HRA takes an equivalent sum of the General Funds debt rather than make a capital receipt). A current and valid valuation will be required to inform the appropriation/transfer of land between account funds.

2.7 Outline plans for the cleared site present potential for 10 houses and 30-36 flats with an estimated completion date of August 2027.

- 2.8 The resulting homes are to be let from the HRA at affordable rent (as required by RTB RF funded schemes).
- 2.9 The allocation and availability of additional housing on secure tenancies will assist in generating capacity in temporary accommodation and subsequently therefore, reduce the use of nightly paid emergency accommodation by as a result of this throughput. The annual cost per household in nightly paid/emergency accommodation is c.£36.5k
- 2.10 The site has already received some pre-start investigations; a full planning application will be submitted following scheme approval. Officers will make representations to maximise the contribution the scheme can make in terms of delivery numbers during the planning process, and within acceptable parameters and aligning with broader considerations of the planning authority.
- 2.11 Development and Procurement teams will set out a comprehensive and compliant route to market tender process for new build schemes entering the capital programme, this will be presented to commercial oversight board for approval and further approval will be sought from commercial oversight board to enter into agreements resulting from the procurement process.
- 2.12 Contractors will be appointed pursuant to the outcome of this compliant and approved procurement strategy.
- 2.13 The scheme will be monitored via Major Programmes and Building A Better Nottingham.

3. **Other options considered in making recommendations**

- 3.1 Conversion to temporary accommodation. This could deliver 24 units of temporary accommodation, funded by general fund resource and s.106 commuted sums. As the site sits in the general fund and cannot be appropriated and developed using HRA resource with the purpose of immediate onward disposal, the scheme would need to be delivered by and leased from the general fund to an external RP, in order to deliver support to the scheme and access exempt housing benefit levels. NCC would receive no rental income or no receipt, however savings could be made against the cost of private nightly paid/ emergency accommodation and the decommissioned sites security costs. Better outcomes regarding savings against the costs of homelessness accommodation can be delivered by converting decommissioned HRA independent living schemes with a greater number of units and therefore onward savings, at lower cost, using HRA resources and be ready more quickly. Security costs savings would apply to any development option. This option was therefore rejected.
- 3.2 Sale on open market. This would generate a capital receipt that could be used to support the capitalisation of Exceptional Financial Support. The combination of the debt re-apportionment resulting from the appropriation, relief of homelessness spend pressures in the medium term, the availability of 100% RTB RF funding, and the challenges of finding pipeline sites in Nottingham city however, outweighs the short term benefit of the capital receipt and means social housing delivery presents more long term benefit. This option was rejected.

4. **Consideration of Risk**

- 4.1 Site abnormals – should abnormals or additional costs be uncovered during the construction phases, contingency has been built in on the construction costs and the overall scheme costs.
- 4.2 Reversion of RTB spend regulations. Should the RTB RF spend rules revert to less than 100% scheme costs, there are sufficient HRA resource in the form of reserves, revenue contributions to capital and funding freed up by the reprofiling existing schemes under the new rules, to meet the costs between April 2026 and completion.

5. **Best Value Considerations, including consideration of Make or Buy where appropriate**

The scheme will be delivered for Nottingham City Council and homes held in the HRA, which presents best value to our residents in terms of rents and best value to the council in terms of allocations.

Delivering the site for social housing, ensures that the additional supply directly impacts the portion of the housing market and housing need, that is most required – affordable housing – the absence of which also incurs the most acute costs in respect of temporary and emergency accommodation.

The construction of the scheme will be procured via competitive tender, ensuring best value on balance of quality and deliverability within timescales.

The scheme is majority funded by RTB RF, s.106 commuted sums and potentially HRA reserve/revenue contribution to capital, there is no requirement for HRA borrowing used, therefore no debt to accrue interest.

6. **Commissioner comments**

- 6.1 Commissioners have reviewed and approved with no further commentary

7. **Finance colleague comments (including implications and value for money/VAT)**

- 7.1 The report requests approval to include in the Housing Capital Programme the development of the former Laura Chambers Lodge care home site. The care home is currently accounted for in the General Fund and appropriation to the HRA is required if the recommendation is to be approved.
- 7.2 The recommendation is the preferred one of three options which have been considered. The second option is the sale of the site on the open market and to include the capital receipt as part of the authority wide strategy for the financing the Exceptional Financial Support.
- 7.3 The third option was to retain the property in the General Fund and to develop the site for 24 units of temporary accommodation. This option has now been rejected on the grounds that there are other ways of providing temporary accommodation following the Independent Living review.
- 7.4 An options appraisal has been undertaken to compare the net present values (NPV) of the recommended development option with the option to sell on the open market. The results of the appraisal are set in the table below

Years	Option 1	Option 2
	HRA Development	Sale of Site
	NPV £m	NPV £m
5	(0.196)	0.457
10	0.706	0.823
20	2.066	1.354
50	3.867	1.354

- 7.5 The market value of the site used in the NPV calculations is two years out of date and therefore does not reflect the latest position. A fresh valuation is forthcoming so that the NPV calculations can be updated. The updated valuation will change the NPV values in the table which could alter the result.
- 7.6 The table shows the NPV values for each option at 5-, 10-, 20-, and 50-year intervals. Except for option 1 in year 5, both options return positive NPV values. The results show that in the short term (up to year 12) option 2 to sell the site would be the most advantageous to the Council. However, in the long term (year 13-onwards) Option 1 to develop the site would be the better option for the HRA.
- 7.7 In July the new Government announced changes to rules regarding the use of restricted RTB receipts. For 2024/25 and 2025/26 only Councils can finance acquisitions and all eligible new build schemes with 100% restricted RTB receipts. In addition, Councils can use Section 106 contributions in conjunction with restricted RTB receipts to finance new build projects. These changes, which are time restricted, will benefit the recommended option 1.
- 7.8 The monthly monitoring of restricted RTB receipts confirms that there are sufficient restricted RTB receipts available to finance the recommended development. Also, confirmation has been received of the availability of Section 106 contributions to part fund the project.

David Worthington Interim HRA Accountant – 30th October 2024

- 7.9 The decision to appropriate to land means the HRA will acquire debt from the Council instead of the Council getting a capital receipt. This transfer of debt to the HRA means the General Fund will get a revenue Minimum Revenue Provision benefit of c.£0.047m per annum. Following the approval of this decision any General Fund revenue saving will be built into the Treasury MRP forecast and fed into the Council's budget process.

Tom Straw Senior Accountant (Capital Programmes), 8th November 2024

- 7.10 Further finance information is contained in Exempt Appendix A

8. Legal colleague comments

- 8.1 The recommendations [4-6] are asking for authority to develop and execute a procurement strategy for the delivery of the project and to enter into any relevant contracts pursuant to the outcome of that strategy. The most suitable contracting arrangements and procurement processes will be determined in consultation with the Corporate Procurement Team and, where required, Legal Services. In any event,

they must be in accordance with the Council's Constitution and relevant laws, including the Public Contract Regulations 2015.

- 8.2 Whilst Legal Services can support with some of the contractual arrangements that may be required, where the contracts relate to construction activity, those contract will need to be sourced from external law firms who possess that expertise. Legal Services is happy to support colleagues using a process to identify and instruct an external law firm via a framework following a mini-competition or, with justification, a direct award. Colleagues should factor both the costs and time required for a process into their planning.

Tom Button, Contracts and Commercial 22/10/2024

- 8.3 Further Legal comments are contained in Exempt Appendix B.

9. Other relevant comments

Property Services

- 9.1 The recommendations set out in this report are supported by Strategic Assets and Property. The re-use of this surplus site will provide much needed housing and will remove the £70K per annum holding costs which the Council currently funds. Re-development will also remove the anti-social behaviour which has been prevalent at this site.

The option to sell the site on the open market has been reviewed several times and the expected capital receipt would be more than £750K depending on the redevelopment options available. The option to sell the site was rejected due to a combination of debt re-apportionment, relief of homelessness spend pressures in the medium term, the availability of 100% RTB RF funding and the challenges of finding pipeline sites in Nottingham city. This means that social housing delivery presents more long-term benefit over that of receiving a capital receipt. Strategic Assets & Property will provide any required advice to the Regeneration Team to facilitate this development.

A valuation of the current market value of the site will be undertaken to inform the appropriation/debt re-apportionment sum.

Advice provided by Beverley Gouveia – Head of Property 1st October 2024.

10. Procurement

- 10.1 Procurement is working with the client team to agree a compliant procurement & contracting strategy to appoint consultants / contractors to develop the site. Once this has been completed the scheme must be presented to Commercial Oversight Board for their agreement, and approved by Executive Board, before any procurement activity can be undertaken and contracts awarded / appointments made.

Advice provided by Jonathan Whitmarsh, Lead Procurement Officer, 31st October 2024.

11. Crime and Disorder Implications (If Applicable)

- 11.1 n/a

12. Social value considerations (If Applicable)

12.1 The proposed development will contribute to meeting the need for new affordable housing within the city. The construction of the new housing has the potential to benefit the local economy by providing opportunities for local employment and local businesses. New and additional social housing will also assist in reducing homelessness and its immediate and associate acute costs.

13. Regard to the NHS Constitution (If Applicable)

13.1 n/a

14. Equality Impact Assessment (EIA)

14.1 Has the equality impact of the proposals in this report been assessed?

No

An EIA is not required because the building has long been vacant, and site long declared surplus. The resulting new homes will be allocated via the allocations policy which is subject to its own extensive EIA.

15. Data Protection Impact Assessment (DPIA)

15.1 Has the data protection impact of the proposals in this report been assessed?

No

A DPIA is not required because no personal or sensitive data will be collected or shared during the construction of this scheme.

16. Carbon Impact Assessment (CIA)

16.1 Has the carbon impact of the proposals in this report been assessed?

No

Yes

Attached as Appendix C and due regard will be given to any implications identified in it.

17. List of background papers relied upon in writing this report (not including published documents or confidential or exempt information)

17.1 n/a

18. Published documents referred to in this report

18.1 n/a