

**EXECUTIVE BOARD – 20 OCTOBER 2015**

<b>Subject:</b>	New Build Tender Awards for sites in the Building a Better Nottingham – Council housing programme.		
<b>Corporate Director(s)/ Director(s):</b>	David Bishop, Deputy Chief Executive/Corporate Director for Development and Growth.		
<b>Portfolio Holder(s):</b>	Councillor Jane Urquhart, Portfolio Holder for Planning and Housing		
<b>Report author and contact details:</b>	Robert Caswell, Programme Manager, Major Programmes 0115 876 3408      robert.caswell@nottinghamcity.gov.uk		
<b>Key Decision</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<b>Subject to call-in</b>	<input type="checkbox"/> Yes <input type="checkbox"/> No
<b>Reasons:</b> <input checked="" type="checkbox"/> Expenditure <input type="checkbox"/> Income <input type="checkbox"/> Savings of £1,000,000 or more taking account of the overall impact of the decision			<input type="checkbox"/> Revenue <input checked="" type="checkbox"/> Capital
Significant impact on communities living or working in two or more wards in the City			<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<b>Total value of the decision:</b> £7.471 million			
<b>Wards affected:</b> Bestwood, Aspley and St Ann's	<b>Date of consultation with Portfolio Holder(s):</b> 23 September 2015		
<b>Relevant Council Plan Strategic Priority:</b>			
Cutting unemployment by a quarter			<input type="checkbox"/>
Cut crime and anti-social behaviour			<input checked="" type="checkbox"/>
Ensure more school leavers get a job, training or further education than any other City			<input type="checkbox"/>
Your neighbourhood as clean as the City Centre			<input type="checkbox"/>
Help keep your energy bills down			<input checked="" type="checkbox"/>
Good access to public transport			<input type="checkbox"/>
Nottingham has a good mix of housing			<input checked="" type="checkbox"/>
Nottingham is a good place to do business, invest and create jobs			<input type="checkbox"/>
Nottingham offers a wide range of leisure activities, parks and sporting events			<input type="checkbox"/>
Support early intervention activities			<input type="checkbox"/>
Deliver effective, value for money services to our citizens			<input checked="" type="checkbox"/>
<b>Summary of issues (including benefits to citizens/service users):</b>			
This report supports the Council's pledge to continue to build Council Houses and to bring all social housing up to the Decent Homes Standard. As part of the changes in the Housing Revenue Account (HRA) system, the Council have had the opportunity to remove from use a number of council homes that are in the worst condition and the least popular in the city. The building of these new homes will support the Council's ambition to provide a mix of high quality homes across the city.			
<b>Exempt information:</b>			
None.			
<b>Recommendation(s):</b>			
<b>1</b> To approve the addition of four new build schemes and associated costs to the Public Sector Housing (HRA) Capital Programme: (a) Hazel Hill £2.890m; (b) Oakford Close £2.500m; (c) Conway Close £1.315m; (d) Hazel Hill Crescent £0.395m; (e) Nottingham City Homes (NCH) fees of £0.071m; and (f) acquisition of Hazel Hill land £0.300m.			
<b>2</b> To delegate the authority to the Deputy Chief Executive/Corporate Director for Development and Growth, in consultation with the Portfolio Holder for Planning and Housing, to award the new build tenders for the four sites (Hazel Hill, Hazel Hill Crescent, Oakford Close and Conway Close) and the signing of the contracts, subject to tenders being returned within the total funding envelope of £7.171m.			

<b>3</b>	To approve the use of £0.051m of Homes and Community Agency (HCA) Affordable Homes Programme 2015-2018 grant to part fund the Hazel Hill Crescent scheme.
<b>4</b>	To approve the use of £0.867m of retained Right to Buy “1-4-1” receipts to support the development of the three sites (Hazel Hill, Oakford Close and Conway Close).
<b>5</b>	To approve the transfer of £0.300m from the HRA Capital Programme to the Property Trading Account as payment for the Hazel Hill site and the demolition of the existing property.

## **1 REASONS FOR RECOMMENDATIONS**

- 1.1 There is an opportunity on these sites for the Council to realise its ambition to provide high quality housing and actively regenerate the neighbourhoods within the wards identified.
- 1.2 The awarding of the contracts will allow new homes to be delivered within the existing housing programme.

## **2 BACKGROUND (INCLUDING OUTCOMES OF CONSULTATION)**

- 2.1 The programme of new council house building, being delivered by NCH, is part of a much wider programme of delivery, being actively brought forward through council interventions and support. The City Council is working with registered providers and private sector development partners on a range of sites to bring forward additional housing, both open market and affordable.
- 2.2 In accordance with the usual partnership procurement process, contractors from the Efficiency East Midlands, of which NCH is a member, will be invited to tender for the new build on these four sites.
- 2.3 The new council properties delivered through the build programme will meet the energy efficiency equivalent of the former Code for Sustainable homes level 4, meaning a lower carbon footprint and reduced bills for tenants. This will contribute towards the Nottingham Plan – our Sustainable Community Strategy – 2020. All of the properties will also meet the Homes and Communities Agency (HCA) quality standards for internal size to ensure that there is adequate space for residents.
- 2.4 The designs will be subject to consultation and input from the local community and will create better connected and safer neighbourhoods by improving the quality of the built environment and through the Secure by Design framework which will help to both reduce crime and fear of crime.
- 2.5 The four schemes are all older person’s bungalow schemes and each site will have a mix of one and two bedroom bungalows. This fulfils the Council commitment to build bungalows and also meets the local commitment to deliver older persons housing on these sites. The decision to build bungalows at these specific locations is based on analysis of lettings information which confirms the demand for this type of accommodation in these areas. The intention is to implement Local Lettings policies for these schemes. This would enable these bungalows to be let to NCH and Registered Provider tenants who meet the age criterion and wish to downsize from family houses, as well as tenants with disabilities or other specific needs for bungalows. This addresses the problem of the significant level of under-occupation of family housing in the context of high demand.
- 2.6 As the schemes are for older persons there will need to be a community common room on each site. In the case of Hazel Hill and Hazel Hill Crescent which are located in close proximity they will share a common room on the Hazel Hill site.

2.7 The total cost for these four schemes is £7.471m. The costs are due to bungalow developments being more land intensive, the bungalows being constructed to meet Life Time Home standards, including common room provision, and it also includes £0.300m paid for the land and demolition of the existing building on the Hazel Hill site which is to be paid to the Property Trading, the remaining £7.171m is for the new build and this is broken down as follows:

Site	Number of Properties	Type	1-4-1 Right to Buy receipts £m	HCA grant £m	Total Cost £m
Oakford Close	6	One bedroom bungalows	0.102		0.750
	13	Two bedroom bungalows	0.221		1.750
Hazel Hill	7	One bedroom Bungalows	0.119		0.875
	15	Two bedroom bungalows	0.255		2.015
Conway Close	3	One bedroom bungalows	0.051		0.375
	7	Two bedroom bungalows	0.119		0.940
Hazel Hill Crescent	1	One bedroom bungalows		0.017	0.125
	2	Two bedroom bungalows		0.034	0.270
NCH Fee					0.071
<b>Total Cost</b>			<b>0.867</b>	<b>0.051</b>	<b>7.171</b>

The Council and NCH will work to reduce these costs further through development efficiencies and a competitive procurement process.

2.8 Hazel Hill Crescent was part of the successful HCA bid to support the development of sites that are by their nature difficult to develop and therefore incur greater costs. Therefore, there is a £0.051m HCA grant available for that site. The remainder of the £0.395m cost, which is £0.344m, will come from the HRA Capital Programme.

2.9 The remaining three sites (Oakford Close, Hazel Hill and Conway Close) will all be partly funded by using the Right to Buy "1-4-1" receipts. The total value of the right to buy receipts is £0.867m and the remainder of the build costs of £5.838m will be funded from the HRA Capital Programme.

### **3 OTHER OPTIONS CONSIDERED IN MAKING RECOMMENDATIONS**

- 3.1 Not redeveloping these sites was rejected because of the Council's ambition to provide high quality housing and actively regenerate Nottingham's neighbourhoods.
- 3.2 Selling the sites for market housing development was rejected as the provision of council homes in these locations will support the Council's aims of regenerating communities. One of the sites has been returned by a developer after only 50% of the site was developed.
- 3.3 Disposing of all the sites to a Registered Provider partner, for a reduced receipt in order for them to provide new affordable housing was rejected, because these sites are not marketable. Hazel Hill has been given up by a Registered Provider.

### **4 FINANCE COMMENTS (INCLUDING IMPLICATIONS AND VALUE FOR MONEY/VAT)**

- 4.1 The total cost of the development of 54 council homes on 4 new build sites is £7.100m. There will be fees of 1% of the new build costs (ie £0.071m) for managing the delivery of the new build programme by NCH. The land at the Hazel Hill site is owned by the Council and would need to be purchased by the HRA at a cost of £0.300m.
- 4.2 This can be financed as follows:
- |                       |  |
|-----------------------|--|
| HRA Capital Programme | £6.553m                                      |
| 1-4-1 Receipts        | £0.867m                                      |
| HCA grant             | £0.051m (build must be completed by 31/3/18) |
| <b>Total</b>          | <b>£7.471m</b>                               |
- 4.3 The total costs to the HRA Capital Programme (£6.553m) will be financed from Building a Better Nottingham (BABN) section – from the New Build Phases 1 and 2 Unallocated lines. The BABN programme was agreed in the budget approved at the Full Council meeting in March 2015.
- 4.4 The average build cost is £0.131m per bungalow which, after deducting grant contribution of £0.017m per bungalow, gives a net cost of £0.114m per bungalow.
- 4.5 Financial modelling of the sites shows a payback of 53 years across all the schemes (including the cost of the land and the communal rooms).

### **5 LEGAL AND PROCUREMENT COMMENTS (INCLUDING RISK MANAGEMENT ISSUES, AND INCLUDING LEGAL, CRIME AND DISORDER ACT AND PROCUREMENT IMPLICATIONS)**

- 5.1 The proposals set out in the report raise no significant legal issues and are supported. The transfer of the land in the Property Trading account to the HRA can be achieved by way of appropriation with a balancing payment for the land value being made to that account.
- 5.2 The tenders for the building works will require full and proper evaluation to ensure that the works can be delivered within the available financial envelope. Going forwards steps should also be taken to reduce the likelihood of cost overruns once the contract(s) are awarded.

- 5.3 In terms of pre contract award issues, it is assumed that full site surveys have already been undertaken but, if not, will be in order to ensure that, as far as possible, the Council has a clear picture of any likely abnormal costs relating to the site(s).

## **6 SOCIAL VALUE CONSIDERATIONS**

- 6.1 The tenderers will be selected from the efficiency East Midlands framework and a mini tender will be undertaken to identify the preferred contractor.
- 6.2 The contractor and their sub-contractors are required to contact the Nottingham City Employer Hub in relation to any vacancies and apprentices recruited.
- 6.3 The contractor will publicise the works at local venues and on relevant local websites as well as contacting potential local suppliers and sub-contractors using Nottingham City Council and NCH approved lists of contractors. There will be regular meet the contractor events that will give the chance for local companies to investigate opportunities for working on the site.

## **7 REGARD TO THE NHS CONSTITUTION**

- 7.1 N/A

## **8 EQUALITY IMPACT ASSESSMENT (EIA)**

Has the equality impact been assessed?

- (a) not needed (report does not contain proposals for new or changing policies, services or functions, financial decisions or decisions about implementation of policies development outside the Council)
- (b) No
- (c) Yes – Equality Impact Assessment attached

Due regard should be given to the equality implications identified in any attached EIA.

## **9 LIST OF BACKGROUND PAPERS RELIED UPON IN WRITING THIS REPORT (NOT INCLUDING PUBLISHED DOCUMENTS OR CONFIDENTIAL OR EXEMPT INFORMATION)**

- 9.1 None

## **10 PUBLISHED DOCUMENTS REFERRED TO IN THIS REPORT**

- 10.1 Executive Board report and minutes - 18 November 2014, Acceptance of the Homes and Communities Agency (HCA) Affordable Programme 2015-18 Grant and approval to proceed with the decommissioning of sites, the tendering of demolition contracts and the tendering of new build contracts.
- 10.2 DD982 – Demolition of the former Hazel Hill Residential Unit, Bestwood Park.- published 8 December 2011.

## **11 OTHER COLLEAGUES WHO HAVE PROVIDED INPUT**

11.1 Richard Whittaker, [richard.whittaker@nottinghamcityhomes.org.uk](mailto:richard.whittaker@nottinghamcityhomes.org.uk) 0115 876 2052

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