



To: Executive Councillor for Housing
Report by: Director of Customer and Community Services
Relevant scrutiny committee: COMMUNITY SERVICES 14/10/10
Wards affected: Romsey

SEYMOUR COURT SCHEME APPROVAL Key Decision

NOTE – Appendices NOT FOR PUBLICATION: These relate to items during which the public is likely to be excluded from the meeting by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) Order 2006.

1. Executive summary

The report is about how Seymour Court could be redeveloped with new Affordable Housing being retained by the Council and managed by City Homes. In order to do this in a way that is viable for the Council, a mixed tenure scheme would need to be agreed with a house-builder/developer partner and an appropriate disposal of land or flats to the partner agency will need to be approved.

A special meeting of the Community Services Scrutiny Committee is proposed to be held in November to approve a final scheme for the redevelopment of Seymour Court. The report also requests that the Director be given delegated authority in respect of the procurement process.

2. Recommendations

The Executive Councillor is recommended:

- To approve the redevelopment of Seymour Court as a mixed tenure development with the Affordable Housing to be retained by the Council and managed by City Homes, noting the comments of the Housing Management Board held on 28 September 2010.

- To only pursue the current approval to sell Seymour Court to a housing association under a long lease, if a mixed tenure development with the Affordable Housing to be retained by the Council and managed by City Homes is not financial viable.
- To approve that delegated authority be given to the Director of Customer and Community Services following consultation with the Director of Resources and the Head of Legal Services to sign a Development Agreement with a single house-builder/developer partner in respect of a scheme to redevelop Seymour Court. That this approval is subject to the approval of a scheme at a special meeting of the Community Services Committee in November 2010.

3. Background

Seymour Court as part of the Sheltered Housing Modernisation Programme

At the Community Services Committee on the 17 November 2005 the Executive Councillor for Housing & Health approved the sale of Seymour Court under a long lease to a housing association for redevelopment for Affordable Housing. This decision was made as part of the Council's overall programme to modernise its sheltered housing. The longstanding aim has been to find alternative accommodation for tenants of Seymour Court by the end December 2010 (this process is well underway) in order to sell the land for Seymour Court by the end of March 2011.

At the time, the redevelopment of Seymour Court by a housing association was the only viable option to deliver new Affordable Housing. Over the last eighteen months, the financial environment within which Council's operate has begun to change to allow serious consideration to the redevelopment of Seymour Court with new Affordable Housing being retained by the Council and managed by City Homes.

Approval is currently being sought through the September and October Committee cycle from Housing Management Board and the Community Services Scrutiny Committee to pursue the redevelopment of Seymour Court with new Affordable Housing being retained by the Council and managed by City Homes as the preferred option.

Recent Changes and the Affordable Housing Development Partnership

At the Community Services Scrutiny Committee on 25 March 2010 the Executive Councillor for Housing approved that an Affordable Housing Development Partnership be set up to provide new Affordable Housing on Council owned sites.

As part of this process it was approved that, in the event of changes to the financial environment, delegated authority be given to the Director of Community Services following consultation with the Director of Finance and the Head of Legal Services to complete a procurement process to select and appoint two developer/house-builder partners to join the Affordable Housing Development Partnership to progress new Council house-building (subsequent procurement law advice has steered officers towards selecting one partner not two). Approval was also given to procure the services of a professional property consultant to assist with the assessment of the financial viability of schemes. Further, it was noted that should the financial environment change (including further capital grant becoming available), schemes for new Council house building on Council owned sites will be brought back to Committee for scheme specific approval.

The March 2010 Committee Report indicated that it was a possibility the Council may be able to bid for further grant from the Homes and Communities Agency (HCA) to deliver more schemes itself, but at that time it was not certain that there would be the opportunity. To ensure the Council is best placed to bid for grant however, officers set up a tender process to select a preferred developer/house-builder with which to work up a scheme at Seymour Court. The tender evaluation process was completed on 2 September and a single preferred partner has been selected.

At the beginning of August 2010 the HCA announced that there would be a bidding round for grant (the first and probably only round in 2010/11) and that a bid from the Council in respect of Seymour Court would be considered. The deadline for bids was 31 August with decision expected by the end of September. Therefore officers needed to move quickly and an indicative bid was submitted but can be changed or withdrawn subject to Committee scrutiny and approval. Due to the grant funding changes outlined above there is this opportunity for the Council not to transfer the Seymour Court land to a housing association but to re-develop the site with our developer/house-builder partner and for the Affordable Housing to be retained and managed by City Homes.

To bid for grant a Baseline Scheme was established and its viability assessed by our professional property consultant, Cyril Sweett. In order to achieve a financially viable scheme for the Council that was competitive to secure HCA grant, the Baseline Scheme needs an element of market housing to cross-subsidise the Affordable Housing

In summary the Baseline Scheme is as follows

Scheme Mix

Affordable Housing

2 No 1 bed apartments
19 No 2 bed apartments

Market Housing

9 No 2 bed apartments

- The Affordable Housing to be for people aged 55 and over
- 2 of the 2 bed Affordable Housing units to be fully wheelchair accessible, the remainder to meet Lifetime Homes Standard
- All units to meet Level 4 of the Code for Sustainable Housing
- The Market Housing would be built and sold at the developer/house-builder partners risk. The Council would not be able to buy any of the Market Housing back at any stage if they did not meet our standards.

Appendix 1 shows how the Baseline Scheme would be funded including the bid for grant.

Through the tender process our selected partner has indicated that significant improvements can be made to the Baseline Scheme to a point where, should it be possible to increase the number of market housing, much less HCA grant or City Council capital investment would be required to deliver the same number of Affordable Housing. Alternatively, more Affordable Housing may be achievable for less HCA grant and City Council capital investment. Appendix 2 provides a comparison of the viability of the Baseline Scheme with two other scenarios that either improve the viability of the scheme for the Council and/or increase the numbers of Affordable Housing. The figures in Appendix 2 should be treated with caution as they are still to be validated by officers and Cyril Sweett, but are provided for illustrative purposes.

The Baseline Scheme at the grant level bid for is at the limit of what would be considered viable for the Council in terms of established financial measures. Further details are provided in Appendix 1. In terms of 'value for money' the grant per unit and cost per unit of the Affordable Housing are comparable with housing association scheme costs. These financial indicators need to be considered alongside the value of maintaining City Homes stock at sufficient levels to ensure enable the continuing delivery of and efficient housing service.

Negotiations with the partner house-builder/developer are progressing to agree a final scheme that is satisfactory to the Housing Service and is financially viable to for the Council. Planning approval will be required and an appropriate level of grant may be required to make the scheme viable. The complexity of the scheme and the timing of negotiations will mean that a special Community Services Scrutiny Committee will be required in November to approve a final scheme.

Appendix 3 provides a more detailed summary of the scheme using the Council's standard project appraisal format.

Appendix 4 is a summary of the key milestones of the Project to achieve a Start on Site by the end of March 2011.

Key Points on the Proposed Disposal of Land

The final scheme currently being negotiated with the house-builder/developer partner will potentially involve either the disposal of freehold plots where Market Housing is proposed and/or disposal under long leases where Market Apartments are involved. The Council will retain the freehold of land upon which the Affordable Housing is provided and the freehold of land should Market Apartments be provided.

The Council is not committed to working with our preferred partner unless they are able to deliver the Baseline Scheme summarised above, or an improved scheme, and conditional on other requirements that it is the intention to control and procure by way of a Development Agreement and a standard form of JCT Design and Build contract to cover the building works. Full draft agreements have been produced with internal legal advice together with external legal input and advice from Cyril Sweett.

In summary, the key points of the draft Development Agreement are as follows;

- The contractual arrangements with the house-builder/developer are conditional on the achievement of a satisfactory planning permission.
- They are also conditional on the Council confirming it has secured sufficient funding for the Project.
- The Council must approve a scheme prior to the house-builder/developer submitting a planning application.
- The house-builder/developer must submit a planning application 20 working days after exchanging the Development Agreement.
- The cost to the Council is capped at 10% above a cost of a final scheme agreed with the house-builder/developer to allow for any onerous conditions that may be applied through the planning process (this is within the limits allowed by the Council's Contract Procedure Rules).
- Once a satisfactory planning permission is achieved (and subject to funding being in place), the building contract must be completed within 10 working days.
- Any subsequent completion of leases of land or flats to the house-builder/developer will take place 20 working days following Practical Completion as defined in the build contract.

4. Background papers

None

5. Appendices

Appendix 1: Scheme Finance

Appendix 2: Financial Appraisal Information

Appendix 3: Project Appraisal and Scrutiny Committee Recommendation Report

Appendix 4: Project Key Milestones

6. Inspection of papers

To inspect the background papers or if you have a query on the report please contact:

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