

Name of meeting: Cabinet

Date: 23 January 2018

Title of report: New Affordable Housing - Golcar, Huddersfield

Purpose of report

To consider a proposal to build 8 new 2 bedroom, 4 person properties for General Needs social housing rent on council owned land at Sycamore Avenue and Leymoor Avenue, Golcar, Huddersfield.

Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?	Yes If yes give the reason why Project spend is over £250,000
Key Decision - Is it in the Council's Forward Plan (key decisions and private reports?)	Yes 20.12.17
The Decision - Is it eligible for call in by Scrutiny?	Yes
Date signed off by Strategic Director & name	Naz Parkar - 11.01.2018
Is it also signed off by the Service Director - Finance, IT and Transactional Services?	Debbie Hogg - 11.01.2018
Is it also signed off by the Service Director - Legal Governance and Commissioning?	Julie Muscroft - 09.01.2018
Cabinet member portfolio	Cllr Cathy Scott/Cllr Viv Kendrick Adults and Public Health

Electoral wards affected: Golcar

Ward councillors consulted: Cllr Marchington, Cllr Iredale and Cllr Richards

Public or private: Public

Summary

- 1.1 The Housing Commissioning Strategy, together with action plans for delivery, was approved by Cabinet in February 2013. In July 2014 Council endorsed the complementary Kirklees Economic and Joint Health and Well-being Strategies. It is widely acknowledged that the homes and places where people live contribute significantly to our health and wellbeing and in turn that confident healthy, resilient people are better able to secure a job and be more productive in the work place.
- 1.2 In November 2014, a motion submitted to Council, noted that “this Council recognises that there is a growing housing crisis in Kirklees. There is a lack of good quality, energy efficient and affordable homes across all tenures to meet the varied needs of local people. Secure, warm and affordable homes are the greatest determinant of the health and wellbeing of our communities, which is rightly a clear and stated priority of this Council”. As a result Council called on Cabinet to bring forward proposals to address this crisis to include consideration of the following:
 - A target to provide up to 1200 new homes on mixed tenure developments over the next 4 years, a third of which (i.e. 400 homes), should be Council and/or affordable housing and some of which should meet more specialist need for older and vulnerable people.
 - Bring forward an initiative to buy back former right to buy properties.
 - Bring forward Council owned land for new homes to be built.
 - Identify sites for private sector homes for sale.
 - Maximising inward investment into the district.
 - Developing and bringing forward investment options and a business case to make best use of headroom and other HRA resources.
 - Using creatively the investment of the resources, land, powers and knowledge we have available.
 - Addressing the growing fuel poverty affecting our citizens.
 - Working with responsible private landlords to drive up standards across the private rented sector.
 - A long term strategic approach with partners including KNH and KCA to develop housing options and the ALMO model.
- 1.3 In November 2015 a report was brought to Cabinet detailing the progress being made on housing delivery projects across the district. This included progress on a joint KNH and KC Building Services project considering the development of new Council homes on council owned land at Sycamore Avenue and Leymoor Avenue, Golcar, Huddersfield.
- 1.4 Although the Golcar site is considered as `difficult to develop` given the level of enabling work and abnormal intervention; it was given further consideration in mid-2017 as part of the initiative to upskill KNH Property Services and self-deliver the project adopting system build approach (SIPS). The outcome feasibility indicated an unsustainable cost proposal and unacceptable levels of risk to the operational delivery of the project, in particular the effect on labour resource and impact on existing core services, as a result Kirklees Council, in full consultation with KNH decided reluctantly, not to progress the project at that time.
- 1.5 In October 2017 the scheme was revisited by the new KNH Senior Leadership Team/ Senior Management Team and subsequently earmarked as a project with an

opportunity to manage the first development project under the new team's expertise and skills. Advantages are seen as:

- An opportunity to enter into the new build discipline and support a developing authority approach
- Demonstrating capability and skill in the sector by making best use of existing overhead/fee
- Utilising the project as a lead into further potential small scale development i.e. garage sites
- Deliver new affordable homes for the Council.

2. Information required to take a decision

2.1. It is proposed that KNH lead on the development of 8 new council homes on the Council owned land site in Golcar, by appointing a contractor (GS Kelsey) from the Efficiency North procurement framework, on a design and build (D&B), traditional construction basis.

2.2 The forecasted cost of delivering the new homes (Option 2 in the table below) is higher than a similar specification/size of unit delivered by Ongo Homes (Option 3 in the table below) it should be noted however that Golcar is considered 'difficult to develop' due to the following site related factors:

- 2 adjacent plots
- Significant works to relocate mains/services
- Significant drainage remediation/connection
- Potential abnormal ground condition due to existing underground culvert.

Also it should be recognised that in comparison the cost to develop Golcar reflects an increase in cost due to:

- Relatively low build volume (less than 20 units) with less scope to realise economies of scale.
- Lack of long term relationship and commitment with the supply chain.

The overall budget for the scheme £1,021,638 includes the forecasted scheme cost highlighted below plus fees and a 10% contingency.

The table below provides benchmarking cost comparisons

	Delivery Option	Scheme Cost £	M2 cost £
1	Self-Delivery – traditional construction	£1m - £1.2m	£1900
2	GS Kelsey (D&B; traditional construction)	£961,035	£1600
3	Ongo Homes – (specification aligned)	£825,030	£1450
4	Sector average (volume based)	£879,000	£1500

2.3 Based on a high demand for 2 bedroom 4 person homes in Golcar a financial assessment using the Net Present Value (NPV) approach, which in capital budgeting analyses the profitability of a projected investment, indicates that over a 30 year period the return on the investment is positive. At the full Local Housing Allowance (LHA) rate of £96.91 per week these properties have a positive NPV of £14,341 (£1,793 per property). NPV is the difference between the present value of cash inflows and the present value of cash outflows. The rent compares to 80% of the

market rent based on information from local letting agents on a similar new build 2 bedroom 4 person private sector rented product.

- 2.4 Planning permission was approved in April 2017 under Application No. 2017/62/90063/W.
<http://www.kirklees.gov.uk/beta/planning-applications/search-for-planning-applications/detail.aspx?id=2017%2f62%2f90063%2fW>
- 2.5 A risk assessment in relation to the project has been carried out with key risks, impacts and mitigations outlined in the table below.

Risk	Impact	Mitigation
Abnormal ground condition	Delay and increase in construction cost	Comprehensive Site Investigations completed
Management and security of the site	Delay and increase in construction cost	Adequate and approved Construction Phase H&S plan
Inclement Weather	Delay and increase in construction cost	Programme of works will reflect risk and incorporate time contingency where appropriate
Construction phase H&S incidence	Prosecution, delay and increase in construction cost, reputational impact	Comprehensive PCI, CPHSP, KNH project management, intensive site monitoring.
Local Labour shortage	Construction delay and associate rent loss	Formal requirement to utilise local suppliers on Council framework (price dependent)
Defective construction	Delay in handover and associated rent loss	Sectional inspection and handover, competent contractor, agreed specification and preamble. JCT 2011 D&B contract. Building control sign off.
Cost over run	Impact on budget	Known BOQ appended to a fixed price assigned under JCT D&B 2011
Low product demand	Rent Loss	Local area housing assessment determines high demand for 2 bedroom 4 person affordable housing
Contractor insolvency	Project overrun, increased costs and reputational damage	Contractor meets risk and audit capability/capacity assessment. JCT D&B with bond of collateral warranty.

3. Implications for the Council

3.1 Early Intervention and Prevention (EIP)

- 3.1.1 The proposal to build new homes for social rent on the site supports the Council's strategic priority of delivering more affordable housing. Due to local economic factors around 60% of households in Kirklees cannot access open market housing. Development of the site will also support the role good quality housing plays in supporting health and well-being and residents to achieve a good quality of life.

3.2 Economic Resilience (ER)

- 3.2.1 The proposed scheme will provide good quality and much needed housing for the district which will be owned by the Council. The scheme offers value for money via procurement and benchmarked construction costs and will provide increased Housing Revenue Account income.
- 3.2.2 Although the contractor is not local to the Kirklees area as part of the contract negotiation we have expressed a formal requirement of the contractor to, where possible, use local suppliers and labour. In addition to this they are also expected to provide an opportunity to utilise Property Services to deliver a sample of second fix activities as part of a mentoring and upskilling workforce programme.

3.3 Improving Outcomes for Children

- 3.3.1 The new 2 bedroom homes will be let to families with children who are in housing need. Good quality housing has a positive impact on the health and wellbeing and contributes to children achieving their full potential.

3.4 Reducing demand on services

- 3.4.1 The provision of more affordable quality homes reduces demand on housing services responsible for providing housing options advice and tackling homelessness for those on low incomes in housing need. Improving health and wellbeing by providing quality housing has the potential to have a reduce demand on health and social care services.

3.5 Legal/Financial or Human Resources

3.5.1 Legal

- The method of procurement; namely the use of the Efficiency North Framework (Re:Allies) has been assessed by KC Risk/Audit and Procurement. The process of contractor selection meets the tests for value for money and represents a fair market competition/price particularly considering the nature, complexity and size of the site.
- The preferred method of contractor appointment is on a design and build basis with responsibility for the overall delivery of the project on time and to budget. The form of contract will be a JCT Design & Build 2011 with Quantities. The contractor has undergone in-depth capacity and competency assessment both prior to qualification to the Efficiency North Framework and most recently by KC Risk/Audit to ensure sound financial standing.

- Public Sector Equality Duty – Public sector authorities are bound by the Public Sector Equality Duty set out in section 149 of the Equality Act 2010. This requires the Council to have regard to the effect of the proposed development of any differential impacts on groups with protected characteristics. The protected characteristics being race, disability, and gender and also covers sexual orientation, age, religion or belief, marriage and civil partnership, pregnancy and maternity and gender reassignment. A stage 1 Equality Impact Assessment (Screening Tool) has been completed to assess the likely impact on equality groups. This indicated that the development is likely to have little or no impact on groups. No further equalities impacts are therefore required.

3.5.2 Finance – The approved Housing Revenue Account Strategic Capital Plan 2017/18 outlined a number of strategic priorities including new build proposals which would be subject to more detailed reports to be considered by Cabinet. This includes a proposal for KNH to deliver new homes. The overall budget for the Golcar scheme is £1,021,638 this includes the forecasted scheme cost plus fees and a 10% contingency. The scheme continues to be identified in the revised Capital Plan which is to be considered for approval by Cabinet and Council in January/February 2018. (Garage /Green Space Development Phase1 - £1,238,000).

3.5.3 Human Resources

KNH Property services will assume the following client responsibilities:

- Client role: Construction Design and Management (CDM)
- Contract administrator
- Project Manager
- Employers agent
- Commercial Management

Kirklees Council PRP will provide a project monitoring role including:

- Quantity Surveying - checking that valuations align with work completed and the contract
- Clerk of Works – site checks during course of the project to ensure that the build quality aligns with Council expectations and the contract.

4. Consultees and their opinions

4.1 Cllrs Marchington, Iredale and Richards were consulted in December 2017 on the proposed scheme. Cllr Richards and Cllr Marchington have confirmed their support for the use of this land site to provide suitable accommodation that is to be charged at affordable rents.

5. Next steps

5.1 Continue to progress the delivery of new affordable homes at Golcar as outlined in this report.

6. Officer recommendations and reasons

6.1 Cabinet give their approval for KNH to progress the Golcar housing scheme.

- 6.2 Cabinet approve the proposed procurement approach, namely the use of the Efficiency North Framework and the appointment of GS Kelsey.
- 6.3 Cabinet delegate authority to the Service Director, Legal Governance and Commissioning to finalise and enter in to all appropriate contracts, deeds and documents in relation to the appointment of the design and build contractor in consultation with the Service Director, Economy regeneration and Culture.
- 6.4 The development of the Golcar site will deliver new social houses for rent and so contribute to the Council's strategic priorities of delivering housing growth and meeting the housing needs of low income/vulnerable households.

7. **Cabinet portfolio holder's recommendations**

- 7.1 Councillor Cathy Scott was briefed on the proposal to build new council homes on 8th January 2018.

Cllr Scott said 'I am supportive of the proposal to build much needed council homes for families in need of an affordable home for rent. These new homes will help to meet housing need in this area of Kirklees'.

8. **Contact officer**

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9. **Background Papers and History of Decisions**

Housing Delivery Programme Update – Cabinet 17.11.15

<http://democracy.kirklees.gov.uk/documents/s8557/Housing%20Delivery.pdf>

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10. **Service Director responsible**

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