

Taunton Deane Borough Council

Council Meeting – 23 July 2013

Part I

To deal with written questions to, and receive recommendations to the Council from, the Executive.

(i) Councillor Mrs Adkins

Halcon North Regeneration - Creechbarrow Road Project, Taunton

The Executive has recently considered a report concerning the outline detailed proposals of the Creechbarrow Road Project, Taunton primarily in relation to the Council's portion of the site.

The revised development project sought to maximise the opportunities afforded by Homes and Communities Agency funding allocated to Knightstone Housing Association (KHA) and changes to housing finance resulting in more resources available for the Council's Housing Revenue Account (HRA) to invest in new affordable housing.

Much work has been undertaken to progress the scheme since it was last brought to Full Council, to the point where final approval for the Taunton Deane element is now required.

The site is currently being assembled by decanting the current tenants and buy back of the leasehold properties along with giving notice to quit on the garages.

All the current flats/houses on the Creechbarrow Road site will be demolished. One end of the site will be transferred to KHA and they will construct 32 affordable rented houses on this area. The remainder of this site will remain in Taunton Deane ownership, on which 60 new homes for Social rent will be built.

Whilst the project is housing driven, it is also designed to help tackle the deprivation in the area. The proposed play/green area will provide a new central focus and help integration of the new and the existing properties and provide a quality open space and the Community Hub building will potentially provide a valuable facility for the provision of services to the Halcon Ward.

The KHA outline development is comprised of 32 dwellings in total, consisting of the following:-

- 1 x 1 bed two-person Flat Over Garage (FOG);
- 3 x 2 bed four-person FOG;
- 9 x 1 bed two-person elderly persons flats (including 3 wheelchair compliant);

- 6 x 2 bed three-person elderly persons flats (including 2 wheelchair compliant);
- 3 x 2 bed four-person houses;
- 9 x 3 bed five-person houses; and
- 1 x 4 bed seven-person house.

KHA funding is supported by Homes and Community Agency (HCA) grant for 30 of the 32 new dwellings. The grant conditions require completion of these properties by 31 March 2015.

Heads of Terms for the disposal of the KHA portion of the site are currently being prepared. Previously the Council has commissioned Savills to undertake an assessment of the residual value of the KHA portion of the site for affordable housing. This confirmed a negative residual value, and consequently the site will be disposed of for £1. The Council is operating in an "open book" fashion with KHA and the total scheme cost for the KHA part was likely to be £3,972,000 and showed a substantial loss.

If during contractor procurement the KHA scheme reveals a changed position to generating a surplus, an overage agreement has already been negotiated where KHA and the Council will benefit equally in any surpluses derived. In addition a buy back for £1 clause has been included in the draft Heads of Terms so the Council will be able to re-purchase the site if the scheme falters.

The outline of Taunton Deane's development is comprised of 60 new properties in accordance with the mix below:-

- 9 x 1 bed two-person elderly persons flats (including 3 wheelchair compliant);
- 6 x 2 bed three-person elderly persons flats (including 2 wheelchair compliant);
- 1 x 1 bed two-person (FOG);
- 3 x 2 bed three-person (FOG);
- 6 x 1 bed two-person wheelchair compliant flats;
- 8 x 1 bed two-person flats;
- 6 x 2 bed three-person flats;
- 4 x 2 bed four-person houses;
- 13 x 3 bed five-person houses;
- 2 x 4 bed seven-person houses;
- 1 x 5 bed eight-person house; and
- 1 x 6 bed nine-person house.

An Elderly Persons Court will be provided comprising six two-bed and nine one-bed properties all designed to cater for non close-care elderly persons, with the inclusion of wheelchair transfer areas and level access showers in all flats with the option of reverting to baths should they be required. In addition, six ground floor wheelchair compliant ground floor flats have been included in the scheme proposal.

The development will include the following Design Standards:-

- Code for Sustainable Development – Level 4 - The new homes will be much cheaper to run for the occupants in that they will be 25% more energy efficient than current Building Regulations.
- Lifetime Homes - The Creechbarrow Road scheme layout and house layouts will fully conform to the latest Lifetime Homes design criteria, which ensures that a home built to the standards will be adaptable to allow future changes in an occupant's circumstances to be accommodated through pre-planned alterations rather than requiring them to move house.
- Secured by Design - An integral part of the overall sustainable development strategy is to adopt the Secured by Design Police initiative providing guidance and encouragement to those engaged within the specification, design and build of new homes to adopt crime prevention measures in new development.
- Taunton Protocol – This was adopted by the Council in November 2011 and set out the Council's aspirations for development in the fields of carbon reduction, building design and valuation, producing significant reductions of Co2 to help meet the Government's challenging targets for reducing the impact of climate change.

The scheme would remove a current HRA owned play area at the northern end of the site which is of poor quality. In its place a new, more central play area/open space will be provided in the scheme. An equipped area for younger children known as a Local Equipped Area for Play is also to be provided.

A three storey building is proposed at the end of Moorland Road. This will provide dwellings (8 x 1 bed, 2 person flats) on the first and second floors and a community facility on the ground floor which potentially could include the following features:-

- Walk in community facilities such as youth meeting place, internet provision and community café;
- Access to advice and services via volunteers and agencies;
- Meeting/activity rooms;
- Smaller interview rooms; and
- Landing pad workstations (hot desks) for partner agencies working in the area.

It is the intention through the construction phase to maximise opportunities for local community involvement and benefit through such things as requiring contractor(s) to provide training/apprenticeship opportunities that might lead to longer term employment. Such opportunities will initially be ring-fenced to persons within the Ward and the involvement of local and feeder schools in design and public art throughout the site.

In order to maximise the benefits of the scheme, it is important to let the new properties in a way that will facilitate and enable the greatest positive impact.

Consequently a draft Local Lettings Plan has been created in consultation with partners and KHA which will apply to the whole development area.

The new Council properties will be subject to Right to Buy (RtB), therefore if they were let to a tenant with existing, or, in time, earned RtB eligibility, they could make an application to purchase the property.

However, the Council is afforded some protection by the “Cost floor” provision. This means that for new build property for a period of 15 years, the RtB discounts will be limited to ensure that the purchase price of the property does not fall below what has been spent on building, buying, repairing or maintaining it over a certain period of time, up to the market value of the property. Therefore, in order to RtB a property, applicants will be required to pay the full build costs of the property.

An extensive public consultation/engagement process had been undertaken, in terms of preferences and concerns. All of the points have been assimilated into a composite design development process, which has informed the planning submission.

The current position as far as site assembly was concerned is as follows:-

- (i) Notice to quit has been issued to all tenants of garages. Many are now vacant with keys returned;
- (ii) 15 properties have been decanted to alternate accommodation;
- (iii) 15 accepted offers on alternate property are in the process moving home; and
- (iv) Negotiations are continuing with leaseholders for the buy back of properties.

The area of the scheme includes four properties at the end of Moorland Road. Of these, one (No 1) was owned by the General Fund (GF) as it was “bought back” by Housing Enabling during the course of the original larger project. The remaining three properties are owned by the HRA. It is proposed that the property is transferred to the HRA from the GF at a price agreed following formal valuation.

A detailed financial appraisal of the current proposed scheme has been undertaken and provides the following conclusions:-

- The Total Scheme Costs for the project are £8,143,000;
- Based on income from rents over a 30 year period the scheme could afford to repay £5,764,000 over 30 years.
- Therefore the scheme required a subsidy of £2,379,000
- The payback period (the time at which the full cost – including the £2,379,000 above - is paid back) = 46 years.

The current 2013/2014 Capital Programme includes an approved budget for the scheme totalling £7,667,000. In addition, there is an approved budget allocation of £200,000 included in the 2012/2013 Capital Programme for this scheme, giving approval for Total Capital Expenditure of £7,867,000.

The updated estimate of Total Scheme Costs exceeds the current approval, therefore it is necessary to request a budget increase of £276,000 in order to proceed to tender, as shown in the following table:-

	£
Current Capital Expenditure Budget for the scheme:	
2012/13 Capital Programme	200,000
2013/14 Capital Programme	7,667,000
Current Budget	7,867,000
Updated estimate of Total Scheme Costs	8,143,000
Additional Budget Approval Required	276,000

In terms of funding arrangements for the scheme when the initial proposals were approved, £200,000 was allocated from HRA Reserves and Members agreed in principle to approve funding for the balance via borrowing. The Council has experienced significant growth in RtB sales – and therefore capital receipts – in the last year. It is therefore proposed to use RtB capital receipts to fund 10% of the scheme, taking into account the requirement to meet the conditions of the One for One Replacement Agreement with the Government. The following table summarises the proposed funding at this stage:-

	£
Estimated Total Funding Required	8,143,000
Proposed Funding:	
HRA Reserves	200,000
RtB Capital Receipts	814,000
Social Housing Development Fund (indicative only)	1,686,000
Borrowing (indicative only)	5,443,000
Total Funding	8,143,000

Giving approval to support expenditure through borrowing will enable the scheme to proceed.

Although the Business Case indicates that the HRA would effectively provide a subsidy for the scheme within the current 30-year plan, the investment in the increased housing that the scheme will provide did pay back over 46 years. It is therefore reasonable to conclude that the investment is affordable over the long term and that the properties should have a useful life of at least 46 years if properly maintained as planned.

In the circumstances, it is **recommended** that:-

- (1) Authority be granted to the Housing and Health Manager to progress and implement the Creechbarrow Road, Taunton Redevelopment Scheme;
- (2) An 'in principle' commitment to promoting a Compulsory Purchase Order(s) to progress the redevelopment scheme be approved;
- (3) Subject to valuation, the transfer of 1 Moorland Road, Taunton from the General Fund to the Housing Revenue Account be approved;

- (4) A Supplementary Estimate of £276,000 be also approved thus increasing the total Capital Expenditure Budget for the scheme to £8,143,000, and the proposed funding plan for the scheme, including borrowing, be noted; and
- (5) The principles contained within the proposed joint Taunton Deane and Knightstone Housing Association Local Lettings Plan for the development be supported.

(ii) Councillor Cavill

Sale and Acquisition of Freehold Interest in Land at Lisieux Way, Taunton

The Executive recently considered the proposed sale of a freehold interest in part of the site at Lisieux Way in Taunton, plus a freehold acquisition of an alternative part of the site. The proposal, if approved, will 'open up' the site for development as employment land, under the Council's priority of growth and regeneration.

The site in total extends to approximately 6 acres with the Council currently owning the freehold interest in approximately 4.41 acres.

A business has held this part of the site on a lease from the Council for many years with approximately 58 years of the term to run. The Council is currently receiving a ground rent each year in respect of this lease. Rent reviews are held at 14 year intervals but, as the last review was held in 2006 it is unlikely that the rent will increase in the foreseeable future. The business owns the freehold interest in the remainder of the site.

The whole site has unsuccessfully been marketed over the past few years due to the lease of part of the site, which makes it an unviable purchase in its current situation for a private investor.

The result of the inability to sell the combined interests of the Council and the existing business on the open market is that the site remains mainly vacant. The site is well located for redevelopment for employment use and is currently undeveloped at a time when there is demand for employment space in such a good location and a severe shortage of suitable alternative sites. There are currently two tenants on the site occupying Buildings "1" and "3".

A Property Development Company has recently agreed terms to purchase the business's interest in the site. The company has now approached the Council with a view to purchasing Taunton Deane's interest to give them the freehold of the whole site. They propose to redevelop the site for employment uses and this will be reflected in any legal agreement between the parties.

The consideration for the purchase will be the transfer of the freehold interest in the newly refurbished "Building 3". The building is currently occupied on a Full Repairing and Insuring Lease which commenced on 31 May 2012 and is for a term of 25 years with 5 yearly rent reviews.

As the rental income available under this lease will be greater than the rent received

by the Council from the business which currently leases the Council's land by a significant sum each year, there is additional value to the Council from the proposed sale and acquisition. A proposed consideration has been negotiated and provisionally agreed with the Property Development Company for the acquisition of the freehold of "Building 1". With Stamp Duty and a contingency for other associated costs of acquisition, the difference in rent will represent an annual return of 8% gross on the up front capital investment.

From an investment perspective, the positive Net Present Values indicate the investment opportunity represents an attractive proposition.

The proposal is likely to produce a continuing net saving to the Council, indicating that the proposal will be affordable if fully funded through borrowing. The annual savings will be higher if the Council uses reserves (cash) towards the funding of the capital costs.

It is **recommended** that:-

- (1) The proposed sale and acquisition of land and buildings at Lisieux Way, Taunton be supported and that a Supplementary Estimate to the Capital Programme to the amount detailed in the report for this purpose be approved, via borrowing;
- (2) It be noted that the continuing revenue implications would be taken into account as part of the annual budget setting process; and
- (3) The proposed economic development uses of the site in the future be approved in conjunction with the Section 151 Officer, the Portfolio Holder and the Shadow Portfolio Holder.