

9 December 2020		ITEM: 17 Decision: 110543
Cabinet		
Purchase and Development of Land in Tilbury		
Wards and communities affected: All	Key Decision: Key	
Report of: Councillor Barry Johnson, Portfolio Holder for Housing		
Accountable Assistant Director: David Moore, Interim Assistant Director of Place Delivery		
Accountable Director: Andy Millard, Director of Place		
This report is Part Exempt – Appendices A and B are exempt under Schedule 12A of the LGA 1973 para 3 (Information relating to the financial or business affairs of any particular person (including the authority holding that information) and para 5 (Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings).		
Date of notice given of exempt or confidential report: 27 October 2020		

Executive Summary

This report concerns the potential purchase and redevelopment of land identified in Exempt Appendix A for residential development. The resulting new homes constructed would be held within the Housing Revenue Account (HRA) and be available for rent in line with the Council's allocation policies.

This proposal, in summary, involves a private sector developer purchasing land, obtaining planning permission and then selling it onto the Council alongside an agreement to build 27 apartments for the HRA. This report seeks approval to enter into an agreement for the purchase of land and construction of affordable homes for rent at this site.

1. Recommendation(s)

It is recommended that Cabinet:

- 1.1 Approve the acquisition and development of land identified in Appendix A.**
- 1.2 Delegate authority to the Director of Place and Director of Adults, Health and Housing in consultation with the Cabinet Member for Housing to**

commence negotiations and seek to agree final terms for the acquisition of the site and construction of dwellings and to enter into any such agreements necessary to conclude the acquisition and terms of construction.

2. Introduction and Background

- 2.1 The Council has a strong commitment to the delivery of new affordable housing and has previously agreed a target to develop up to 500 affordable homes through the Housing Revenue Account (HRA) between 2019 and 2029.
- 2.2 This report seeks approval for purchase of land and agreement for construction of 27 new affordable housing apartments in Tilbury for rent within the HRA in line with the Council's allocations policies.
- 2.3 The cost of the project, together with the associated financial and legal requirements for the scheme to proceed, are set out in exempt Appendix B.

3. Issues, Options and Analysis of Options

- 3.1 The land identified in exempt Appendix A has been vacant for approximately 15 years and is currently in a poor condition. The property is detrimental to the public realm in Tilbury and contributes significantly to perceptions of a poor street scene. The opportunity to redevelop for affordable housing would support the Council's overall ambitions in place shaping, and enhancing the existing street scene and contribute the Council's housing delivery targets.
- 3.2 A private sector constructor has brought forward an opportunity to redevelop this site, with the aim of delivering 27 dwellings as affordable housing for rent by the Council.
- 3.3 Proposed construction and land purchase costs have been benchmarked by the Council's appointed specialist against similar projects. The final details of the proposed design and the project cost are dependent on a future planning application that will be brought forward by the private sector developer. This report therefore recommends delegated authority be given to relevant Officers and the Portfolio Holder for Housing to conclude negotiations. Purchase of the land would be subject to a number of conditions precedent, including the grant of planning permission.
- 3.4 The proposal is to construct 27 apartments for Council rent. The design proposed is of high quality to match other Council new build projects and will feature high quality materials, achieve high sustainability and energy conservation standards, and will have an active frontage to bring visual interest and promote place making in Tilbury. The quality of the internal fit out proposed would recognise the Council's on-going repairing liability and ensure components such as kitchens and bathrooms are not only of a high quality and durable, but that any necessary spares and replacements can be readily

sourced. Positive pre-application meetings have taken place with the Council's Planning Service.

- 3.5 The funding for the project would seek to use capital receipts held by the Council under Section 11 (6) of the Local Government Act, known as the "Right to Buy" retention agreement, with prudential borrowing within the HRA. No general fund borrowing is required. This approach makes use of the receipts from sale of Council houses under the Right to Buy legislation which would have to be paid to the Treasury together with interest if not used within three years of receipt.
- 3.6 It should be noted that in the event that new Council tenants exercised their right to buy, the Council's investment is protected in that the 'cost floor' rule applies such that a resident's discount on purchase price is limited during the first 15 years after construction. In this way, the tenant's purchase price cannot fall below the cost of construction even after discount.

Housing Demand and Delivery

- 3.7 The mix of units proposed is 21 no. 1 bed and 6 no. 2 bed duplex apartments. The Council's housing service has recently agreed a target mix for new build housing development as shown below and the proposed mix is considered suitable in that location and contributes towards meeting targets across the whole programme.

Units Size	1 bed	2 bed	3 bed	4 bed
Target Mix	30%	48%	20%	2%

- 3.8 The proposed timeline for delivery is:
- Conditional Contract exchanged Winter 2020/1
 - Planning approval Spring 2021
 - Completion of land purchase by Council Summer 2021
 - Start on Site Autumn 2021
 - Completion Winter 2022/23

Development cost comparisons

- 3.9 Development cost includes the costs of construction, preliminary contractor costs, contractor's overheads and profits, design fees and contingencies. The costs of development are influenced by factors such as local ground conditions and local labour costs, and vary from site to site, and town to town.
- 3.10 Generally, private sector schemes tend to have lower development costs than Council-led developments, but correspondingly, Council-led developments tend to demonstrate more living space and better quality units (to reduce long-term maintenance and repair costs).

3.11 The development cost per unit proposed for this site in Tilbury is £294k, with an average cost per sq ft of £296. A comparison with other similar Council housing construction projects either currently on site or at cost planning in the feasibility stage shows that these costs are lower than the average cost per unit (£303k per unit) and broadly in line with the average cost per sq ft (£283).

	Type	Cost per unit	Cost per ft ²
Vigerons Way	Houses	£ 341,233	£ 360
River View	Flats	£ 313,992	£ 260
Loewen Road	Houses	£ 322,013	£ 272
Calcutta Road	Flats	£ 284,227	£ 225
Thames Road	Flats	£ 366,926	£ 321
Tops Club	Flats	£ 254,865	£ 215
Claudian Way	Houses & Flats	£ 252,097	£ 316
This Tilbury site	Flats	£ 294,401	£ 296
Average costs		£ 303,719	£ 283

4. Reasons for Recommendation

4.1 The key reasons for the recommendations are that the proposal:

- Contributes to the demand for affordable housing and delivery of the Council's housing targets
- Potential to quickly spend RTB receipts avoiding the requirement to make interest payments to the Treasury
- Would contribute significantly to place-making and regeneration of a key location
- Can bring forward redevelopment at pace.

5. Consultation

5.1 None

6. Impact on corporate policies, priorities, performance and community impact

6.1 The proposed development of this run down site for affordable housing aligns closely with the Council's Vision and Priorities adopted in 2018. In particular it resonates with the "Place" theme which focuses on houses, places and environments in which residents can take pride. It would also directly contribute to the Council's housing delivery targets.

7. Implications

7.1 Financial

Implications verified by: **Jonathan Wilson**
Assistant Director, Finance

The delivery of housing through the HRA will contribute to the wider objectives of the Council.

The proposed build costs are set out in the report and these have been considered with reference to similar Council schemes. There has also been reference to local market housing prices which confirms these build costs include a premium associated with the need to address specific ground and title issues associated with the site. The premium also reflects a higher specification to support the reduction of lifecycle maintenance costs which will need to be met within HRA resources. These costs also need to be considered alongside the wider strategic regeneration aspirations for the area.

The costs will be developed further should the project proceed and corporate finance will continue to assess the overall scheme costs in the context of the aims of the project to ensure it demonstrates value for money.

The costs associated with this proposal are proposed to be funded from Retained Right to Buy Receipts together with prudential borrowing. The funding and associated maintenance costs can be managed within the HRA offset against rental income at Local Housing Allowance levels over the lives of the properties.

Specific considerations should also be given to the legal position set out in respect of the defective title and the proposed procurement approach before determining whether to commit the required funding to the scheme.

As with all HRA properties these flats would fall within the Right to Buy scheme. The purchase price under the current regulations would be limited to a minimum of the build costs for the first 15 years after coming into use. From this point onwards a discount level will apply as set out within existing regulations up to a current maximum of £84,200.

7.2 Legal

Implications verified by: **Tim Hallam**
Deputy Head of Law and Deputy Monitoring Officer

Bevan Brittan have advised on all aspects of the proposal to date. If approved the detail of any final contract for the purchase of land and dwellings will also require verification by internal legal for compliance with the Councils own protocols including its procurement rules.

7.3 Diversity and Equality

Implications verified by: **Roxanne Scanlon**
**Community Engagement and Project
Monitoring Officer**

The service has completed a Community Equality Impact Assessment (CEIA) in line with Equality Act 2010 requirements and to gather an understanding of the impact on protected groups through the implementation of the process set out in this report. The findings from the CEIA established that the implications for each protected group is currently considered neutral or positive.

7.4 Other implications (where significant) – i.e. Staff, Health, Sustainability, Crime and Disorder)

None

8. Background papers used in preparing the report (including their location on the Council's website or identification whether any are exempt or protected by copyright):

- None

9. Appendices to the report

- Appendix A – Site Plan and photographs of existing and Computer Generated Images of the Proposal (exempt from publication)
- Appendix B – Financial and Project information (exempt from publication)

Report Author

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Place