

APPENDIX K

WAVERLEY BOROUGH COUNCIL

EXECUTIVE - 5 OCTOBER 2010

Title:

DEVELOPMENT AT STATION ROAD, GODALMING - OPTIONS FOR BUILD
[Portfolio Holder: Cllr Keith Webster]
[Wards Affected: Godalming Central and Ockford]

Note pursuant to Section 100B (5) of the Local Government Act 1972

An Annexe to this report contains exempt information by virtue of which the public is likely to be excluded during the item to which the report relates, as specified in paragraph 3 of the revised Part I of Schedule 12A to the Local Government Act 1972, namely:-

Information relating to the financial or business affairs of any particular person (including the authority holding that information)

Summary and purpose:

The purpose of this report is to set out the options for funding the proposed development of affordable housing at Station Road, Godalming.

How this report relates to the Council's Corporate Priorities:

This report relates to four corporate priorities by providing affordable housing and improving the quality of life for the occupants. Value for money will lie at the heart of the procurement process, and the process will be focused on providing an appropriate design to fit within the Godalming conservation area.

Equality and Diversity Implications:

The design of the building will be to disabled required standards.

Resource/Value for Money implications:

There are resource implications from this report and estimated costs are set out in (Exempt) Annexe 1.

Legal Implications:

At this stage there are no legal implications arising from this report.

Introduction

1. In July 2009 the Executive agreed to the principle that land within the ownership of the HRA at Station Road Godalming, should be developed for subsidised affordable housing, releasing it from its current use as a car park, and the appointment of a registered social landlord to act as development agent for the purposes of design procurement. In June 2010 The Executive agreed to Waverley Borough Council being able to submit a planning application for the redevelopment of Station Road. Designs are being drawn up in consultation with the planners and a public exhibition is to be held.
2. The estimated costs of the procurement and build for the scheme have now been determined and are set out in (Exempt) Annexe 1

Background and Design

3. At the outset of the project it was unknown how the scheme might ultimately be funded .In recent years Waverley owned sites have been transferred to Housing Associations in return for nomination rights. However changes in government rules have opened the possibility of Local Authorities carrying out the work either through the Housing Revenue Account or through Special Purpose vehicles. As national economic circumstances have changed over the past 12 months the advantages and disadvantages of each method have also shifted.
4. However to begin the project, regardless of the method of funding, it was necessary to commence a design and procurement exercise with the objective of gaining planning permission. Waverley Borough Council has no in house resources for new build procurement. In July 2009 the Executive agreed that a Housing Association be appointed to act as development agent on WBC's behalf to procure the design for Station Road.
5. Thames Valley Housing Association has worked with WBC on a number of recent projects and has the necessary knowledge and procedures in place to enable a design to be brought to planning stage. As part of their procedures a selection process based on a qualitative points matrix was carried out by TVHA, and Churchill Hui architects were selected to design the development.
6. In consultation with the planning service a design has now been prepared for a15 unit mixed development of houses, maisonettes, and flats for affordable housing on the Station Road site, and a consultation exercise is planned with a public presentation and discussion with local members. If the scheme is agreed by the Executive and planning permission is granted, it is proposed that Thames Valley HA are contracted to carry out the development agents role through to completion of the build programme which will include, through their tendered framework agreements, the appointment of specialist consultants and selection of suitable contractors including site supervision on Waverley's behalf. However Waverley would enter into a design and build contract direct with the contractors.

Options for build and funding

7. The whole site is within the Godalming town centre conservation area, and therefore the development has been designed to be sensitive to its surroundings. The design includes for the provision of properties to meet Lifetime homes and Sustainability Code 4 standards.
8. There are two options available to Waverley Borough Council to fund and build the project
 - 1) To build directly from existing resources within the HRA, or by way of an HRA capital grant and transfer of the land to Waverley Initiatives; or
 - 2) Transfer to a Housing Association.

Option 1

Procurement and build by Waverley Borough Council

9. Waverley Borough Council currently holds £3.6 m of capital monies accrued from sale of assets and Section 106 agreements which could be used to build out the Station Road project. This money is specifically earmarked for the provision of new affordable housing. This could be done directly through the Housing revenue Account or as a grant to Waverley Initiatives Company.
10. Waverley Initiatives Company was instigated for the furtherance of affordable housing in the Waverley area, and to take advantage of opportunities when they arise. Current work to determine the most advantageous route both financially and legally for delivery either through Waverley Initiatives or delivery directly through the Housing Revenue Account is underway. A decision on which route to take will be reported to the Executive in due course
11. Advantages of build by Waverley Borough Council or Waverley Initiatives
 - a) If Waverley were to carry out the work under its own auspices the site would not be transferred out of Waverley Control and income would be available to reinvest into social housing.
 - b) The completed dwellings would be exempt from the Right to Buy
 - c) A competition to determine the appropriate Housing Association for transfer would not be necessary.
12. Disadvantages of build by Waverley Borough Council
 - a) Use of these capital monies for new build means that they are not available for alternative uses on existing stock.

Option 2

Transfer and build by a Housing Association

13. The building of new social housing in Waverley has been predominately carried out over the past 20 years by partner Housing Associations. Waverley owned land has been transferred to a Housing Association, who have commissioned the build and then owned and managed the properties in perpetuity. The return for Waverley has varied according to circumstances. In the past the land has been exchanged for nomination rights only. However more recently, as well as the nomination rights, Housing Associations have been able to pay a capital sum for the site. The value being determined by anticipated rental income, the cost of building and the amount of grant available to invest in the project.
14. Advantages of build by a housing association.
 - a) Once the site is transferred the responsibility for the build, completion and ultimate management and maintenance of the properties is with the HA. Waverley Borough Councils role is to provide nomination for tenants in line with the nominations agreement.
15. Disadvantages of build by a Housing Association
 - a) No social housing can be built without some form of subsidy. The main source of capital for the project will normally have come from Government social housing grant administered through the HCA. That source is now currently not available. Therefore it is not possible for Housing Associations to pay a capital sum for the asset as they have previously. Indeed it is currently expected that a housing association would need a grant contribution from WBC amounting to 35% of the build cost.
 - b) As the site is sold there is no income from the properties and effectively the site passes out of WBC portfolio of assets and therefore there is no long-term income derived from the asset.
 - c) It is understood that changes to recent European case law means that the selection of a Registered Social landlord to receive the site in this case must be carried out through an OJEU advertisement process.

Conclusion

16. Consideration of the options suggests that option 1, development direct by WBC, offers the best value for money for the construction of 15 units at Station Road Godalming. Further details now need to be prepared to consider whether the build is carried out through Waverley Initiatives or direct by the Housing Revenue Account.
17. Thames Valley Housing Association to be engaged to carry out the Development Agent role. Tenders for the build then to be sought from suitable contractors selected after an advertised process. The value of the project is such that an OJEU process will not be necessary.
18. Once tenders have been submitted a report on updated costs will be brought to the Executive.

Recommendation

It is recommended that

1. the development of Station Road Godalming is procured and carried out from resources currently held for affordable housing by WBC's HRA capital funds. Costings as set out in (Exempt) Annexe 1;
2. Further work is carried out on the viability of the development being undertaken by Waverley initiatives. Upon completion of the viability study a report is made to the WI board for a final decision;
3. A waiver be agreed for Thames Valley housing association to be appointed to carry out the full range of functions of development agent to procure monitor and supervise the design and build on Waverley's behalf;
4. A waiver be agreed for the Executive to endorse the appointment of Churchill Hui as architects for the scheme to planning stage; and
5. subject to satisfactory tender prices WBC enters into a Design and Build contract with a contractor selected on an open tender basis. Upon receipt of tenders a further report be made to the Executive prior to a contract being awarded.

Background Papers

There are no background papers (as defined by Section 100D(5) of the Local Government Act 1972) relating to this report.

CONTACT OFFICER:

Name: David Simmons **Telephone:** 01483 523374
E-mail: david.simmons@waverley.gov.uk