

Waverley Borough Council

Report to: Overview and Scrutiny (Resources)

Date: 14 November 2023

Ward(s) affected: Elstead and Pepper Harrow/ Godalming Central & Ockford

Report of Director: Place

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Executive Portfolio Holder/ Lead Councillor responsible: Councillor
Nick Palmer

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Report Status: Part Exempt

Key Decision: Yes

HRA New Build Housing Delivery – Elstead & Ockford Ridge

1. Executive Summary

- 1.1 The purpose of this report is to provide members with an overview of the proposed new build housing schemes which are in a position to bring forward to planning and procurement of a build contractor with a view to enter into contract to deliver the new sustainable homes.
- 1.2 Seek member approval to the recommendations made for each project as set out in the business cases within Exempt Annexe 1 a & b) of this report and 2.2 and 2.3 below using the financial strategy approved by Full Council on 13 December 2022.

2. Recommendation to Overview and Scrutiny Committee (Resources)

2.1 It is recommended that the Overview and Scrutiny Committee consider this report, information within the Exempt Annexes and Appendices and the recommendations as set out in the business cases in Exempt Annexe 1 (a & b) of this report and 2.2 and 2.3 below and provides observations, comments, suggestions to Executive.

2.2 Recommendations – Springfield, Elstead

1. Progression with Option 4 to demolish the existing accommodation and re-develop a scheme that incorporates a variety of homes of varying sizes and tenures that can accommodate different individual and local housing need.
2. Delegate authority to the Strategic Director of Place, in consultation with the Portfolio Holder for Housing (Delivery), to submit a planning application, including demolition to facilitate delivery of 26 new affordable homes.
3. Approve the sale of shared ownership homes to be delivered on the site at Springfield with the Executive Head of Housing Services in consultation with Portfolio Holders for Housing (Delivery and Operations) to approve the final terms of such sales having regard to market value and giving the Executive Head of Legal and Democratic Services authority to approve the final form of the sale agreements and any ancillary related legal agreement.
4. Delegate authority for Executive Head of Housing Services in consultation with Portfolio Holders for Housing (Delivery and Operations) to approve the future sale of percentage shares.
5. Delegate authority for the Executive Head of Housing Services in consultation with the Executive Head of Finance to review and change the tenure of an affordable shared ownership home to affordable rented should the housing market negatively impact the sale of these homes (provided there is not a negative net revenue impact to the business plan for the scheme)

6. Delegate authority for the Executive Head of Regeneration and Planning Policy in consultation with the Executive Head of Legal to consider and agree any potential compensation/remediation costs due to tenants/owner occupiers should the main contractor be required to undertake work beyond the site boundary (for example trenching works) provided there is sufficient budget.
7. Delegate authority to the Strategic Director of Place to:
 - i. Approve the commencement of the tender process for the demolition and construction contracts
 - ii. Approve the appointment of contractors following the appropriate procurement subject to the appointment being within the identified budget
 - iii. Approve the use of pre contract agreements with the preferred contractor to enable the development of the project and authorise spend in accordance with the budget
 - iv. Approve enter into the JCT Contracts (Works/Design and Build) for both demolition and delivery of new homes.
 - v. Approve the entering into any related contractual documentation (including collateral warranties, novation agreements, easements other ancillary agreements) relating to the delivery of the project
 - vi. Approve the entering into any agreement (including paying any necessary sums provided they are within the project budget) with any utility or related provider to ensure the connection, moving, management of any services to facilitate or deliver the project.
 - vii. Approve entering into an agreement with Homes England should grant funding be secured from the Affordable Homes Delivery Programme.
8. Delegate authority to the Executive Head of Legal and Democratic Services to approve the final form of any legal agreements including those with utility companies and other statutory authorities.

It is recommended that Executive recommends to Full Council that:

1. The approval of a project budget allocation of £10,074,928m, with the delegation to Executive to approve the final budget once tender returns for the construction contract have been received.

2.3 Recommendations – Ockford Ridge (Site F)

1. Progression with Option 2 to demolish the existing accommodation and re-develop a scheme that incorporates a variety of homes of varying sizes and tenures that can accommodate different individual and local housing need.
2. Delegate authority to the Strategic Director of Place, in consultation with the Portfolio Holder for Housing (Delivery), to submit a planning application, including demolition to facilitate delivery of 20 new affordable homes.
3. Approve the sale of shared ownership homes to be delivered on the site at Site F, Ockford Ridge with the Executive Head of Housing Services in consultation with Portfolio Holders for Housing (Delivery and Operations) to approve the final terms of such sales having regard to market value and giving the Executive Head of Legal and Democratic Services authority to approve the final form of the sale agreements and any ancillary related legal agreement.
4. Delegate authority for Executive Head of Housing Services in consultation with Portfolio Holders for Housing (Delivery and Operations) to approve the future sale of percentage shares.
5. Delegate authority for the Executive Head of Housing Services in consultation with the Executive Head of Finance to review and change the tenure of an affordable shared ownership home to affordable rented should the housing market negatively impact the sale of these homes (provided there is not a negative net revenue impact to the business plan for the scheme)
6. Delegate authority to the Strategic Director of Place to:
 - a. Approve the commencement of the tender process for the demolition and construction contracts
 - b. Approve the appointment of contractors following the appropriate procurement subject to the appointment being within the identified budget

- c. Approve the use of pre contract agreements with the preferred contractor to enable the development of the project and authorise spend in accordance with the budget
 - d. Approve entering into the JCT Contracts (Works/Design and Build) for both demolition and delivery of new homes.
 - e. Approve the entering into any related contractual documentation (including collateral warranties, novation agreements, easements other ancillary agreements) relating to the delivery of the project
 - f. Approve the entering into any agreement (including paying any necessary sums provided they are within the project budget) with any utility or related provider to ensure the connection, moving, management of any services to facilitate or deliver the project.
 - g. Approve entering into an agreement with Homes England should grant funding be secured from the Affordable Homes Delivery Programme (provided there is not a negative net revenue impact to the business plan for the scheme.)
7. Delegate authority to the Executive Head of Legal and Democratic Services to approve the final form of any legal agreements including those with Homes England, utility companies and other statutory authorities.

It is recommended that Executive recommends to Full Council:

1. The approval of a project budget allocation of £7,270,379m, with the delegation to Executive to approve the final budget once tender returns for the construction contract have been received.
2. The approval of an additional and specific budget of £150k to facilitate the design of Site E Ockford Ridge by the appointed contractor for Site F.

3. Reason(s) for Recommendation:

- 3.1 The Waverley Corporate Strategy 2020-2025 sets out the Vision and Strategic Priorities for the Council. One of the strategic priorities is to 'provide good quality housing for all income levels.'
- 3.2 Build More, Build Better, Build for Life Affordable Homes Delivery Strategy 2022 – 2025 sets out the Council's commitment to build homes to buy or rent for households from all income levels. The strategy has been supported by evidence studies including the Waverley Housing Affordability Study 2021.
- 3.4 To seek ensure that the committee is up to date with the progress made with the next phase of delivery of affordable homes and request support for the development projects described in this report and Exempt Annexe 1 a – b as part of the council's new affordable homes programme financed in compliance with the HRA Business Plan Strategic Review report and recommendations approved in December 2022.

4. Exemption from publication

- 4.1 Yes Part Exempt – Open Report / Exempt Annexe
The content of the Annexes of this report is to be treated as exempt from Access to Information publication rules because information relating to financial or business affairs of any particular person (including authority holding that information) and is therefore exempt by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

5. Purpose of Report

- 5.1 The purpose of this report is to provide members with an overview of the proposed new build housing schemes which are in a position to bring forward with business cases and support the delivery of new affordable homes to meet the local housing need.

- 5.2 The business case for each scheme is set out in Exempt Annexe 1 (a – b)
- 5.3 This report also seeks the relevant authorities and associated budgets required to progress with the delivery of these schemes, including submission of planning applications, detailed design and to enable the procurement of a build contractor.
- 5.4 A summary of budget requested for each scheme can be found in Exempt Annexe 2.

6. Strategic Priorities

- 6.1 Affordable housing is central to community well-being. It is consistent with the Council's [Corporate Strategy 2020 – 2025](#), strategic priority to deliver 'good quality housing for all income levels and age groups' and 'effective strategic planning and development management to meet the needs of our communities.'
- 6.2 As set out in the Build More, Build Better, Build for Life, Affordable Homes Delivery Strategy 2022-2025, the Council is committed to build homes to buy or rent for households from all income levels. The Strategy sets out priorities and objectives for the development of new affordable homes by the Council and our partners for the next 3 years.
- 6.3 One of the actions within the Affordable Homes Delivery Strategy Action Plan is to deliver 15% of the new homes, 60 over the life of the strategy with the remaining 85% delivered by other registered providers. Another action is to introduce a rent cap for affordable rents set at 70% of market rent for 1 and 2 bed homes and 65% for 3 bed homes to reflect local income levels and affordability. The delivery of the new homes programme will increase the number of affordable homes available for those that are in housing need and registered on the Council's housing register or seeking to own their own home through purchase of a percentage share of a shared ownership home.
- 6.4 The schemes as set out in the business cases in Exempt Annexe 1 (a-b) aim to increase the number of affordable homes available for those that are in housing need and registered on the Council's

housing register for homes for affordable and social rent together with those who are considering purchase of an initial share of a shared ownership home.

7. Background

- 7.1 On 13 December 2022, Full Council considered and approved the HRA Business Plan Strategic Review Report and recommendations. At the same meeting officers proposed business cases for schemes ready for Full Council approval under the new strategy. Continuing with the delivery of new homes through regeneration, this report proposes two schemes ready for Full Council approval to proceed under the adopted strategy. The detailed business case for each proposed scheme is set out in Exempt Annexes 1 (a-b) of this report.

8. Consultations

- 8.1 Portfolio Holders Housing (Delivery and Operations) and other members of the Executive have been briefed on the proposals and recommendations set out in this report and associated Exempt Annexes.

9. Key Risks

- 9.1 Risk will be managed in accordance with the Council Risk Management Framework with consideration of the Council's Risk Appetite Statement and risk domains.
- 9.2 Identification, assessment, and management of site-specific risks will be undertaken using the project risk register and management practice, including appropriate internal reporting should risks become issues.
- 9.3 The risk that a preferred contractor goes into administration either when in a pre-contract services agreement or in JCT Contract became an issue in one project. The risk of this can be assessed through

thorough due diligence and financial assessment and mitigation actions should this happen when in contract through seeking a parent company guarantee and / or bond.

- 9.4 The cost over the Business Plan and over the life of the asset rent, maintenance and management cost increases, actual experience may be different to these assumptions and the impact will be on the net revenue position and mitigated where possible through the New Development Impact Reserve.
- 9.5 Risk of the Right to Buy sale and loss of income to the business plan. Where the council has financed the property through borrowing, the asset could be lost before the debt is cleared. A debt repayment allowance is included within the Right to Buy retention calculation and the net debt impact will be managed through the New Development Impact Reserve.
- 9.6 When a main contractor is appointed, they will be responsible for paying the sub-contractors, there is a risk that this may not happen. Mitigation measures implemented through the monitoring of work completed by the sub-contractors by the project quantity surveyor and a requirement for the main contractor to evidence payment.

10. Financial Implications

- 10.1 Decisions made regarding budget to deliver the new build housing delivery programme will impact on the Council's financial resources as set out in this report. The details of the proposed financing of these schemes are detailed in Exempt Annexe 2 of the report. The impact on HRA business plan, NPV and payback period have all been considered in the viability assessments of these schemes, the details of this are also contained with Exempt Annexe 2.
- 10.2 Procurement of further consultancy services and contractor will be undertaken in accordance with the Council's Sustainable Procurement Strategy, Contract Procedure Rules and approved delegations.

10.3 The Council commissioned Haverly Consulting Limited to undertake a development appraisal, value for money and benchmarking assessment of both schemes which concluded that the Council are using robust development assumptions that are in line with the sector comparison and market levels. This assessment can be found at Exempt Annexe 3 to this report.

11. Legal Implications

11.1 The Council has functions to provide social housing and to build and develop these schemes. The individual projects are at various stages of the development cycle and accordingly the legal risks and elements with these projects is kept under review to ensure the Council's position is protected and appropriate advice and support is sought. The decision to approve the development of sites in this programme does not prejudice or determine the proper functions of the Council as Planning Authority or in any other regulatory function and appropriate approval and consideration under the relevant frameworks must be considered in light of those frameworks.

12. Human Resource Implications

12.1 The projects within the next phase of the delivery programme can be delivered with staffing resource of the Housing Development Team and other council service areas who support the delivery together with the external specialist consultant teams.

13. Equality and Diversity Implications

13.1 There are no direct equality, diversity, or inclusion implications in this report. Equality impact assessments are carried out, when necessary, across the council to ensure service delivery meets the requirements of the Public Sector Equality Duty under the Equality Act 2010.

14. Climate Change/Sustainability Implications

- 14.1 The New Build contribution to the Council's environmental and sustainability objectives include working with consultants to develop climate positive design and carbon off-set opportunities in materials used in construction.
- 14.2 The consultant and contractor shortlisting / tender process supports the Council's ambition of being carbon neutral by 2030. Tender criteria are used to enable the Council to take account of the qualitative, technical and sustainability aspects of the tender as well as price when evaluating and reaching a contract award decision.
- 14.3 Demolition contractors are required to operate in an environmentally responsible manner with a firm commitment to recycle and reclaim the maximum materials recovered during demolition and dismantling process.
- 14.4 Our build contractor appointment includes an assessment of responses in relation to minimise the carbon impact on delivery of the schemes with specific references to addressing their environmental impact, pre-construction activity, build and post construction phases and management of their supply chain.
- 14.5 Contractors are required to demonstrate areas of innovation that they have developed or suggest products and advise how they might be used in projects delivered with the council, having regard to the council's current Design Standards and Employers Requirements to deliver energy efficient and sustainable homes for existing and future tenants.
- 14.6 The Waverley Borough Council Housing Design Standards were reviewed by the Housing Overview and Scrutiny Working Group and the resulting recommendations were formally adopted by the Executive in September 2021. The focus of the review was on opportunities and methods of delivery of carbon neutral / Passivhaus

homes and value for money. The homes included in the Council New Build Housing Delivery Programme will be net zero carbon in operation.

- 14.7 The Housing Development Team work with other teams to identify ways the delivery of the Council's new build and regeneration programme can support delivery of other elements of the Council's Climate Change and Sustainability Strategy and Strategic Carbon Neutrality Action Plan

15.0 Summary of Options

- 15.1 Cease delivery of the pipeline of new build homes by the Council, however delivery of good quality affordable homes for local people in housing need is a strategic priority within the Council's Corporate Strategy 2020 – 2025 and commitment within the Affordable Homes Delivery Strategy 2022 – 2025 to deliver 60 new homes over the life of the strategy. Options for each of the schemes are set out in the individual business case for each scheme in Exempt Annexe 1a–b.

16. Conclusion

- 16.1 Overview and Scrutiny Committee (Resources) asked to consider and provide comments and observations to Executive on the recommendations made in this report and exempt annexes to facilitate the delivery of 46 new homes and ensure that the Council continues to meet the strategic priorities of its Corporate Strategy 2020-2025 and commitments within the Affordable Homes Delivery Strategy 2022 -2025.

Background Papers

- 17.1 None

Exempt Annexes and Appendices

- 18.1 Exempt Annexe 1a – Business Case, Springfield, Elstead and Appendix 1a Valuation Report
- 18.2 Exempt Annexe 1b – Business Case, Site F, Ockford Ridge, Godalming and Appendix 1b Valuation Report
- 18.3 Exempt Annexe 2 – Scheme Financial Analysis
- 18.4 Exempt Annexe 3 – Development Appraisal, Value for Money and Benchmarking Report

Please ensure the following service areas have signed off your report.
Please complete this box, and do not delete.

Service	Sign off date
Finance / S.151 Officer	CK 25/10/23
Legal / Governance	RT 03/11/23
HR	-
Equalities	-
Lead Councillor	NP 26/10/23
CMB	17/10/23
Executive Briefing/Liaison	31/10/23
Committee Services	