

MUNICIPAL YEAR 2015/2016 REPORT NO. 199

MEETING TITLE AND DATE:
Cabinet – 15 March 2016

REPORT OF:
Director – Regeneration &
Environment

Agenda – Part: 1

Item: 12

**Subject: Small Housing Sites Phase 2:
Group A Delivery
Wards: Enfield Lock and Highlands
Key Decision No: 4161**

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1. EXECUTIVE SUMMARY

- 1.1 In March 2015, Cabinet authorised the expenditure of an outline budget in the “*Small Housing Sites (Phase 1): Further Sites Report*” (KD4007) to develop four small sites for new housing; at Ordnance Road in Enfield Lock ward, and Padstow Road, Perry Mead & Hedge Hill in Highlands ward. That report delegated authority to the Director of HHASC (now Director – Regeneration & Environment) and the Director of Finance, Resources & Customer Services, to authorise the final scheme budget required.
- 1.2 Since Cabinet approved the previous report, scheme designs have evolved based on client feedback, extensive pre-application discussions with Development Management, and resident consultation. Separate planning applications for all four schemes have now been submitted with one determined favourably, and three awaiting a decision, with 28 homes being proposed in total across the four sites.
- 1.3 Since Cabinet approved the previous report, the economic environment has become more certain, and as a consequence it is now proposed that the homes to be constructed on the three sites at Padstow Road, Perry Mead, and Hedge Hill should all be disposed of as private sale properties.
- 1.4 It remains the intention to hold the homes to be constructed on the Ordnance Road site within the Housing Revenue Account.
- 1.5 The Small Housing Sites Rolling Programme now includes approximately 15 sites where the Housing Development and Renewal team are presently working on design proposals. It is intended that a further report will be presented to Cabinet in June for the next group of sites that based on current design proposals will deliver in excess of 100 additional homes.

2. RECOMMENDATIONS

- 2.1 That Cabinet agree the proposal to dispose of the homes to be constructed on the sites at Padstow Road, Perry Mead, and Hedge Hill as private homes.
- 2.2 That in the event that additional GLA Grant Funding can be secured, Cabinet agree for this funding to be used to make as many of the 13 new homes at Padstow Road, Perry Mead and Hedge Hill more affordable and to be sold as shared-equity or shared ownership homes.
- 2.3 That Cabinet delegates authority to the Director – Regeneration and Environment to appoint a sales agent to assist with the disposal of these new homes, and note that homes will be marketed to local residents first.
- 2.4 That Cabinet delegates authority to the Assistant Director Legal and Governance Services to enter into agreements for the disposal of these new homes.
- 2.5 That Cabinet agree to set the rents on the Ordnance Road development of 15 new homes at affordable rent levels, as per the explanation at paragraph 3.22-3.25.
- 2.6 That Cabinet delegates authority to the Director – Regeneration and Environment, and the Assistant Director Legal and Governance Services to agree the terms and enter into such other agreements as are required to ensure the completion and occupation on the new homes to be constructed on the sites at Ordnance Road, Padstow Road, Perry Mead, and Hedge Hill.
- 2.7 That Cabinet authorise the proposed approach to governance for the next groups of Phase 2 sites within the Small Housing Sites Rolling Programme as explained in paragraph 3.26-3.30.

3. BACKGROUND

- 3.1 In March 2015, Cabinet authorised the expenditure of an outline budget in the “*Small Housing Sites (Phase 1): Further Sites Report*” (KD4007) to develop four small sites for new housing; at Ordnance Road in Enfield Lock, and Padstow Road, Perry Mead & Hedge Hill in Highlands. That report delegated authority to the Director of HHASC (now superseded to the Director – Regeneration & Environment) and the Director of Finance, Resources & Customer Services, to authorise the final scheme budget required.

SCHEME PROGRESS TO DATE

Scheme design development

- 3.2 Since Cabinet approved the previous report, scheme designs have evolved based on client feedback, extensive pre-application discussions and correspondence with Development Management, and resident consultation.

- 3.3 All of the sites have constraints which have had to be addressed for the submission of a planning application while ensuring that the quantum and level of accommodation proposed is financially viable.
- 3.4 The scheme designs for each of the four sites have responded proactively to the site constraints, providing accommodation at an appropriate density in a contemporary architectural style.

Consultation for Ordnance Road scheme

- 3.5 A consultation event was held on the evening of 17th February 2015 at the Enfield Lock Ward Forum. Peter Barber Architects presented an exhibition of display boards of the proposed scheme and Council officers were also present to answer questions from members of the public.
- 3.6 Officers have been engaged with members of the public as the scheme design has evolved and are attempting to allay and mitigate concerns as far as possible. Concerns are predominantly around car parking, access to the new mews and how it is controlled, and boundary treatments.
- 3.7 The Design & Access Statement which is part of the planning application addresses concerns from residents on a number of issues such as overshadowing, overlooking and car parking.

Consultation for Padstow Road, Perry Mead & Hedge Hill schemes

- 3.8 A consultation event was held on the afternoon/evening of 30th April 2015 at the Holtwhites Sports & Social Club.
- 3.9 Peter Barber Architects presented an exhibition of display boards of the proposed schemes for each of the three sites, and Council officers and the Council's planning consultant were also present to answer questions from members of the public.
- 3.10 Officers have been engaged with members of the public as the scheme design has evolved and are attempting to allay and mitigate concerns as far as possible. Concerns are predominantly around car parking, disruption from construction activity, and boundary treatments.
- 3.11 The Design & Access Statements which are part of each of the planning applications addresses concerns from residents on a number of issues such as overshadowing, overlooking and car parking.

Planning Applications & Proposed Accommodation Schedule

- 3.12 Separate planning applications for the four schemes were all submitted during December 2015 and January 2016, with 28 homes being proposed across the four sites.
- 3.13 The planning application for the Ordnance Road development was favourably determined at the Planning Committee on 26th January 2016.
- 3.14 Planning applications for the proposed developments at Padstow Road, Perry Mead, and Hedge Hill are currently being determined and are expected to go to planning committees during March and April.

Phase 2a: Accommodation Schedule			
Site	Unit type & GIA	Quantity	Proposed tenure
Ordnance Road	1b2p (53-59m ²)	4	Affordable Rent
	3b5p (103-110m ²)	11	Affordable Rent
Padstow Road	2b4p (84-92m ²)	6	Private Sale
Perry Mead	2b4p (84m ²)	1	Private Sale
	3b5p (96-107m ²)	3	Private Sale
Hedge Hill	1b2p (54m ²)	1	Private Sale
	2b3p (70m ²)	1	Private Sale
	2b4p (73m ²)	1	Private Sale
Total Homes		28	

DEVELOPMENT STRATEGY

Funding and viability

- 3.15 The overarching objectives for the Phase 2a project are to maximise the level of affordable housing and to contribute Right to Buy One for One Replacement Scheme receipts towards the cost of the new homes on the Ordnance Road development. If the Right to Buy receipts are not spent on providing new social rented homes then they will have to be returned to government with added interest.
- 3.16 As per the previous report that was approved by Cabinet (KD4007), the Ordnance Road development will be for all affordable housing, and the Padstow Road, Perry Mead and Hedge Hill sites will be for private housing. It is now proposed that the 13 private units are disposed of individually as market sale homes when completed, rather than as private rented homes.

3.17 By optimising the values from tenure across the four sites, the Council is able to achieve approximately 54% affordable housing and spend a greater amount of its Right to Buy One for One Replacement receipts than it would otherwise if tenure on each site was mixed. The Council is able to spend approximately £1m of Right to Buy receipts through the government's One for One Replacement Scheme.

3.18 The details of the financial appraisal are included in Part 2 of this report.

Ordnance Road - Affordable rent levels

3.19 For the Ordnance Road scheme, it is proposed that rents are set at affordable rent levels based on a percentage of market rent. This improves the viability of the project and revenue for the Housing Revenue Account given the recent government imposed rent reduction on the Council's 30-year HRA Business Plan.

3.20 It is proposed that rents will be set at up to **80%** of market rent for the 1-bed houses, and up to **60%** of the market rent for the 3-bed houses.

3.21 These rent levels would fall below the current Local Housing Allowance for Enfield.

3.22 The rent levels will also be sense checked at the time that the units are let so that they remain within 30% of the average gross household income for Enfield Lock (which is £38,600, as estimated by CACI in 2012).

Construction contract and tendering

3.23 Two separate procurements are being undertaken to appoint building contractors. The contractors will be appointed by the Council by way of a JCT Design & Build contract.

- Lot 1: Ordnance Road development
- Lot 2: Perry Mead, Padstow Road & Hedge Hill

3.24 The Council appointed Mott MacDonald (KD 3920, 18th March 2015) and they are acting as the quantity surveyor, and also as the employers agent for both Lot 1 and Lot 2 construction projects.

Programme

3.25 The following indicative milestones are based on an outline programme;

Milestone	Month
Ordnance Road planning consent granted	Feb 2016
Perry Mead planning consent granted	March/April 2016
Padstow Road planning consent granted	March/April 2016
Hedge Hill planning consent granted	March/April 2016
Lot 1: Invitation to quote issued	March 2016
Lot 1: Building Contractor Appointed	June 2016
Lot 2: Invitation to quote issued	March 2016
Lot 2: Building Contractor Appointed	July 2016
Lot 1: Start on Site	August 2016
Lot 2: Start on Site	September 2016

PROPOSED GOVERNANCE FOR FURTHER SMALL SITES SCHEMES

- 3.26 The Council's architects are making good progress with feasibility studies and resident consultation for a number of sites, and it is anticipated that further package of sites which can deliver approximately 100 units across 10 sites can be in planning by the end of summer 2016.
- 3.27 To expedite delivery of these schemes, a more streamlined approach to reporting and governance is proposed.
- 3.28 Rather than seeking Cabinet approval for a group of schemes which are based on feasibility stage drawings, and therefore subject to change after pre-application discussions and design iterations, it is proposed that Cabinet approval for a group of schemes in terms of funding and procurement, is sought at a later stage when more detailed design (with RIBA Stage 3 drawings ready for planning submission) has been undertaken and pre-application discussions have been held so the unit numbers are not subject to change. At this point, cost and value information for financial appraisals is more reliable and less will be required in consultants' fees and officer time.
- 3.29 It is recommended that Cabinet delegate authority to the Director – Regeneration & Environment to authorise expenditure of architectural design fees and any associated surveys and reports for each scheme so that a single report to Cabinet can be based on more detailed design, accurate assumptions and projects can be delivered to a more efficient and timely programme.
- 3.30 Consultation events will be held for each emerging scheme proposals to inform and invite comments from local residents and stakeholders.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1 Doing nothing was not considered to be viable for the Council as the currently underutilised sites have capacity for new homes, of which there is an acute undersupply.
- 4.2 Private rent rather than private sale on the three sites was considered and previously preferred however given the opportunity to generate immediate cross subsidy in the form of a capital receipt on the Padstow Road, Perry Mead, and Hedge Hill sites, this can offset a large proportion of the cost of the Ordnance Road scheme and reduce the impact on the HRA Business Plan which is currently constrained.
- 4.3 If for any reason the homes do not sell at a price that can sustain the approach recommended in this report, the decision to sell the properties can be reviewed and instead the private properties can be rented at private rents.
- 4.4 100% affordable rent: While this option would spend a greater proportion of Right to Buy Receipts, it would fail to capitalise on the value of the sites and capital receipt, and put further pressure on the HRA Business Plan.
- 4.5 100% Council rent: While this option would spend a greater proportion of Right to Buy Receipts, it would fail to capitalise on the value of the sites and capital receipt, and put pressure on the HRA Business Plan.

5. REASONS FOR RECOMMENDATIONS

- 5.1 The project will deliver 28 new homes across the four sites, with at least 54% of the homes being affordable. The 15 much needed affordable rented homes will be owned by the Council, and can be funded from within the HRA business plan.

6. COMMENTS OF THE DIRECTOR OF FINANCE, RESOURCES AND CUSTOMER SERVICES AND OTHER DEPARTMENTS

6.1 Financial Implications

- 6.1.1 All costs of this scheme will be funded using HRA resources, with any grant funding, capital receipts and rental income flowing back into the HRA in later years after the initial outlay.
- 6.1.2 The proposed development at Ordnance Road meets the requirements of the Government's Right to Buy One for One Replacement scheme and will allow the Council to utilise £1m or more of those receipts to contribute towards the scheme costs.

- 6.1.3 Further financial commentary on the scheme and its associated budgets is included in the Part 2 report.
- 6.1.4 The costs of appointing a sales agent and undertaking the legal work associated with the proposed disposals will be met from the sale proceeds.
- 6.1.5 Setting rents at affordable levels on the Ordnance Road scheme will assist with scheme viability and increase the income received in the HRA. Rent levels will need to be agreed through the correct decision making processes prior to the properties being let.
- 6.1.6 The costs of architectural design as described in paragraph 3.32 will be recouped through the developments that proceed as professional fees within each project development appraisal.

6.2 Legal Implications

- 6.2.1 Under section 8 of the Housing Act 1985 the Council as local housing authority has a duty to keep under review the provision of housing in its area, and has power under section 9 to provide housing accommodation through erecting or acquiring houses. Local authorities also have a general fiduciary duty to Council Tax payers and must therefore take whatever is the overall most reasonable and cost effective course of action in order to deliver best value from these sites. In addition, the general power of competence in s.1(1) of the Localism Act 2011 states that a local authority has the power to do anything that individuals generally may do provided it is not prohibited by legislation and subject to Public Law principles. The recommendations within this Report are in accordance with these powers.
- 6.2.2 The procurement of the building contractors must be carried out in accordance with EU/UK law and the Council's Contract Procedure Rules.
- 6.2.3 The legal documentation implementing the recommendations contained in the Report must be in a form approved by the Assistant Director of Legal and Governance.
- 6.2.4 The Council has a general power under the Housing Act 1985 to dispose of property held for housing purposes. By section 32 of the 1985 Act a voluntary disposal requires government consent but the situation here is covered by the 2013 General Consent issued by the Department of Communities and Local Government which will permit the Council to dispose of the new dwellings at market value.

6.3 Property Implications

- 6.3.1 Property Services supports the proposal to bring forward the development of new homes on what are presently underutilised sites.
- 6.3.2 The proposed development strategy includes both construction and development risks.
- 6.3.3 The Council is proposing to mitigate the construction risk by engaging experienced employers agents to assist with and help manage both the contractor procurement and the construction processes. A single stage tender procurement is proposed. This procurement route should bring cost certainty for an early stage prior to appointment of the contractor. Although it is likely that the tendering contractors will qualify some cost elements and the cost risk for these elements will pass to Council. The likely risks that are likely to remain with the Council include such issues as ground conditions and remediation. The Council has undertaken geo-tech/soil testing and the reports will be passed on to the contractors to help them understand and price for the works required.
- 6.3.4 The biggest development risk is that the proposed private sale homes do not bring in the receipts that have been budgeted for. In the current rising market this might be considered unlikely however, these properties are unlikely to come to market for at least another year by which market conditions may have changed. The Council is reserving its position in the event that this happens and as an alternative the properties could be rented on the private market via one of the Council's housing SPV's.
- 6.3.5 An independent valuation has been obtained to support the budget estimate of sales values used in the development appraisals for the group of sites. Advice on specification has been sought from independent private homes sales specialists. Other work such as checking of legal titles, planning history of the sites, and ground conditions has been undertaken to help ensure that the properties when completed can be readily marketed for sale.
- 6.3.6 The proposed disposal of the private homes will have to follow the requirements for disposal set out in the Property Procedure Rules.

7. KEY RISKS

7.1 Key Risks are included in Part 2 of this report.

8. IMPACT ON COUNCIL PRIORITIES

8.1 Fairness for All

8.1 New development will have an impact on surrounding residents, particularly in the short term with disruption from construction, and potentially changes to car parking provision. There may also be a loss of communal space or amenity space resulting from proposals.

8.2 To mitigate any negative effects as far as possible, the Council and the appointed architects will work with affected residents to find effective design solutions. New development proposals will aim to provide higher quality landscaping, public realm and amenity space for existing residents.

8.2 Growth and Sustainability

8.3 The project aims to increase housing supply, and to maximise affordable and family housing. The proposed developments will, subject to viability, aim to achieve the tenure and bedroom mix of the Council's Core Strategy.

8.4 The project aims to achieve high quality architectural and landscape design which can positively contribute to the built environment of communities. The new homes will achieve a high level of energy efficiency and sustainability.

8.3 Strong Communities

8.5 The project will see investment into Enfield communities to provide much needed new housing. Local communities will be involved in the process and consulted on design proposals.

9. EQUALITIES IMPACT IMPLICATIONS

9.1 An Equalities Impact Assessment has yet to be undertaken for this project. Council owned homes will be allocated in accordance with the Council's existing allocations and lettings policies while any private sale homes will be disposed of by a marketing agent.

10. PERFORMANCE MANAGEMENT IMPLICATIONS

10.1 There are no Performance Management implications arising from this report.

11. HEALTH AND SAFETY IMPLICATIONS

11.1 There are no Health & Safety implications arising from this report.

12. HR IMPLICATIONS

12.1 There are no HR implications arising from this report.

13. PUBLIC HEALTH IMPLICATIONS

13.1 There are a number of public health implications arising from new housing development schemes because housing is a major determinant of health.

13.2 Across the sites, the new homes will be designed to meet Code for Sustainable Homes Level 4 or equivalent standards for energy and water use. This will result in lower energy bills for residents. The building standards for these houses will help protect resident's health through reduced expenditure.

13.3 The design of the homes complies with the London Housing Design Guide and with consideration of Lifetime Homes. Across the sites, the new houses will be dual aspect to ensure adequate daylight, and all include either private gardens or generously sized private courtyard spaces.

Background Papers

None