

REPORT TO CABINET

REPORT OF: **CORPORATE DIRECTOR (REGULATORY SERVICES)**

REPORT NO. **DRS22**

DATE: **10 OCTOBER 2005**

TITLE:	AIRE ROAD FLATS REDEVELOPMENT - PROPOSED PARTNERSHIP WITH NOTTINGHAM COMMUNITY HOUSING ASSOCIATION
FORWARD PLAN ITEM:	Yes
DATE WHEN FIRST APPEARED IN FORWARD PLAN:	August 2005
KEY DECISION OR POLICY FRAMEWORK PROPOSAL:	Key Decision

COUNCIL AIMS/PORTFOLIO HOLDER NAME AND DESIGNATION:	Cllr Peter M Mayhew - Community Safety
CORPORATE PRIORITY:	Affordable Housing
CRIME AND DISORDER IMPLICATIONS:	None
FREEDOM OF INFORMATION ACT IMPLICATIONS:	Unless exempt, this report is a public document and available from the Council's website: www.southkesteven.gov.uk
BACKGROUND PAPERS:	Reports CEX212 - 5 December 2003 PRO267 - 29 October 2003 PRO309 - 13 August 2004 Non key decision notice published 1 September 2004

1. INTRODUCTION OR SUMMARY

To summarise progress with the Aire Road redevelopment project and to present proposals for working jointly with Nottingham Community Housing Association (NCHA) in procuring the construction of 34 timber framed houses based upon a formal negotiated partnering contract with Westleigh Homes Ltd of Leicester.

2. RECOMMENDATIONS

It is recommended that Cabinet:-

- a) reconsiders the previous decision of cabinet relating to the development of Aire Road, Grantham for the reasons outlined in this report.
- b) subject to a) above, approves option 4 for the redevelopment of Aire Road, Grantham and:-
 - i) approves the transfer of land to NCHA at the District Valuers valuation with the District Council granting the Association financial assistance in respect of the whole purchase price in accordance with S.25 of the Local Government Act, 1998 and the General Disposal Consent 2005.
 - ii) provides a capital contribution of up to £192,916 for the cost of additional square meterage to meet the specification defined by South Kesteven, but without garages.. The capital contribution being funded from S106 reserves and future commitments. The contribution to be negotiated with NCHA by the Director of Regulatory Services and Director of Finance and Strategic Resources in consultation with the Community Safety Portfolio Holder.

3. DETAILS OF REPORT

The background to this project has previously been set out in Reports CEX212 (5th September 2003), PRO267 (29th October 2003) and PRO309 (13th August 2004) and the Non Key Decision Notice published on 1st September 2004 confirmed that work should proceed on the basis of:

- a) Demolition of existing flats.
- b) Housing layout comprising 34 semi-detached houses - 6 x 4 bed houses and 28 x 2 bed houses.
- c) SKDC capital funding of £2.25m for the construction of 20 houses. Remaining 14 houses to be financed by a Housing Association.
- d) Tenders to be invited for traditional and system built pre-fabricated construction.

The demolition of the original 5 blocks of flats was successfully completed in January 2005 and the levelled site has since been secured with 'permanent' steel fencing in readiness for the redevelopment work.

The design proposals have been drawn up following full consultation with key stakeholders including Tenants and key agencies such as the Police.

Planning permission for the site layout and house types as previously proposed in report PRO309 has also been secured and subject to the resolution of an agreement with a Housing Association and finalisation of contract arrangements the work can proceed.

With regard to these latter two issues, negotiations have been progressing for some months with one of the Council's preferred RSLs, Nottingham Community Housing Association, who have now committed to the project and have included the work in their own delivery programme.

Working with NCHA has also presented the opportunity to procure the construction work on a full partnership contract basis, making use of the organisation's expertise, experience and cost management database in support of the Government's Modern Procurement Programme.

NCHA have fully embraced the partnering approach to all their major procurement projects in recent years and have established preferred contractor arrangements and up-to-date audited databases for the negotiation of project costs without the need for traditional competitive tendering of the kind historically undertaken at SKDC.

Current Situation

The Audit Commission Strategic Housing inspection earlier this year assessed the Council as providing a poor service with uncertain prospects of improvement. A major improvement programme, which provides greater focus on improving its strategic role, has been put together. This has resulted in retargeting of staff resources to the strategic housing and enabling roles rather than direct provision. In addition, the Stock Options Appraisal process has also identified the need for Housing Revenue Account business plan to focus future investment into the meeting of tenants priority aspirations for improvement and the remodelling of sheltered accommodation to ensure they remain 'fit for purpose' in future years. Taking account of these factors NCHA have been asked to consider developing all the units on this site and in particular consideration to commence on site within the current financial year.

NCHA have agreed to develop the whole of the site as previously proposed in report PRO309 and have contacted the Housing Corporation to bid for funding towards the scheme as follows:

Unit Type	Tenure	No. of Units	Total Cost per Unit	Total Public Subsidy per Unit
2b x 4p	Shared ownership	10	£115,072	£ 41,590
2b x 4p	Rent	18	£111,547	£ 72,140
4b x 6p	Rent	6	£151,027	£102,440
		34	£119,551	£ 68,502

Total scheme cost £4,064,726.

The Housing Corporation have raised an issue over the size of the units which represent higher build costs and the cost of building attached garages to 18 of the units which are not eligible for grant funding. They are unlikely to approve grant funding for the scheme without either the size of the affordable housing units being smaller and the garages.

4. OTHER OPTIONS CONSIDERED AND ASSESSED

The size of the proposed units and the Housing Corporation preferred size are as follows:

Propose	H/C	Difference
6 x Type C 4bx6p = 111m ²	96m ²	15m ²
16 x Type D 2bx4p = 81.81m ² (excl. garage)	76m ²	5.81m ²
8 x Type C 2bx4p = 80m ²	76m ²	4m ²
4 x Type B 2bx4p = 79m ²	76m ²	3m ²

The average cost of building = £850m².

The cost of providing a garage is approximately £8 - 10k.

The Type D 2 bed houses have integral garages.

Options for consideration are:-

Option 1

Work in partnership with Nottingham Community Housing Association to develop the 34 housing units as in report PRO309. To transfer the land to Nottingham Community Housing Association at District Valuers valuation, with

the District Council granting the Association financial assistance in respect of the whole purchase price in accordance with S.25 of the Local Government Act 1998 and the General Disposal Consent 2005.

Option 2

Work in partnership with Nottingham Community Housing Association to develop the 34 housing units as in report PRO309. To transfer the land as in Option 1. The Council to grant a capital contribution for the cost of the garages and the difference in square metres between the unit size and the standard size.

18 x garages @ £9,000 per garage	= £162,000
4 bed - 6 x Type C x 15m ² x £850	= £76,500 (£12,750 per unit)
2 bed - 16 x Type D x 5.81m ² x £850 (integral garages)	= £79,016 (£4,938 per unit)
2 bed - 8 x Type C x 4m ² x £850	= £27,200 (£3,400 per unit)
2 bed - 4 x Type B x 3m ² x £850	= £10,200 (£2,500 per unit)
Total capital subsidy required for housing & garage units	£344,716

Option 3

Work in partnership with Nottingham Community Housing Association to develop 34 affordable housing units only on site - the garages to be deleted and the units decreased in size. To transfer the land as in Option 1.

Option 4

Work in partnership with Nottingham Community Housing Association to develop 34 affordable housing units only on site - the garages to be deleted. To transfer the land as in Option 1.

Total capital subsidy required for housing units = £192,916

Appraisal

Option 1 - will deliver 34 affordable housing units in line with report PRO309 and consultation with residents. Nottingham Community Housing Association will not secure grant funding from the Housing Corporation for the scheme as it stands.

Option 2 - will deliver 34 affordable housing units in line with report PRO309 and consultation with residents. Nottingham Community Housing Association

should achieve funding from the Housing Corporation with a capital grant of £300,000 from South Kesteven for the garages and extra square metrage.

Option 3 - will deliver 34 affordable housing units but not as agreed in report PRO309 and in line with the consultation and preferred choice of residents. Further consultation will be required with residents to agree new layout and property sizes. This will delay the development.

Option 4 - Option 4 will deliver 34 affordable housing units (but not the garage units) as agreed in report PRO 309. Nottingham Community Housing Association should achieve grant funding from the Housing Corporation with a capital grant from South Kesteven District Council for the sum up to £192,916.

5. COMMENTS OF DIRECTOR OF FINANCE AND STRATEGIC RESOURCES

The content of the report and recommendations have been discussed with the Director of Finance and Strategic Resources and the recommendations are supported as the most appropriate way forward. The element of Local Authority subsidy can be funded from S106 uncommitted reserves of £152,000.

6. COMMENTS OF CORPORATE MANAGER, DEMOCRATIC AND LEGAL SERVICES (MONITORING OFFICER)

In the light of the changed circumstances referred to in point 3 above, it is now prudent to reconsider the previous Cabinet decision regarding the redevelopment of the site.

7. COMMENTS OF OTHER RELEVANT SERVICE MANAGER

None

8. CONCLUSIONS

Option 4 presents the most viable option to provide additional affordable housing units without any further delay. Start on site can be commenced within the current financial year (subject to Housing Corporation Funding) and completion would be scheduled for Dec 06/Jan 07. The funding for SKDC additional contribution could be secured from S106 reserves.

9. CONTACT OFFICER

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