

READING BOROUGH COUNCIL

REPORT BY DIRECTOR OF ENVIRONMENT AND NEIGHBOURHOOD SERVICES

TO:	POLICY COMMITTEE		
DATE:	13 APRIL 2015	AGENDA ITEM:	10
TITLE:	COUNCIL HOUSE BUILDING PROGRAMME UPDATE		
LEAD COUNCILLOR:	CLLR RICHARD DAVIES	PORTFOLIO:	HOUSING
SERVICE:	HOUSING	WARDS:	BOROUGHWIDE
LEAD OFFICER:	SARAH GEE	TEL:	
JOB TITLE:	HEAD OF HOUSING, NEIGHBOURHOODS AND COMMUNITY SERVICES	E-MAIL:	sarah.gee@reading.gov.uk

1. PURPOSE AND SUMMARY OF REPORT

- 1.1 Reading Borough Council has held a long-standing commitment to ensuring a supply of affordable housing to meet local housing needs. The Council, as a landlord, has committed to the retention of its own Council housing to offer greater housing choice within Reading and to protect the provision of permanent, good quality, affordable homes for those on low incomes.
- 1.2 In addition, in September 2014, Policy Committee committed to both make further improvements to its existing Council homes and also to build new Council homes across the town to meet acute need. The council set an bold target of developing circa 250 units in the first 5 years of a 30 year programme aiming to deliver 1000 new homes.
- 1.3 Key progress includes:
 - 1.3.1 The Council approved its 3 year Capital Programme as part of the budget setting process in February and this includes a total allocation of £8m to fund new council houses, along with a programme of improvements to existing Council housing stock totalling £23.5m in value.
 - 1.3.2 An internal programme management structure is in place, a Council House Building Project Manager has been appointed and further specialist resources are now being sourced.
 - 1.3.3 A total of 13 Council-owned sites have been identified and feasibility studies are being completed to deliver around 125 of the 250 new Council Homes planned for the first 5 year phase of the Council House Building programme. This includes land at Conwy Close for circa 40 new homes, vacant land at North Street (c. 25 homes), land at 96 George Street (2 homes) and, when no longer required for its existing temporary use, Caversham Nursery for around 15 new homes.

- 1.3.4 A Procurement Strategy has been established to resource the programme. The Council has signed up to the Homes and Communities Agency (HCA) Procurement Framework to enable expedient procurement of a range of architectural, multi-disciplinary technical and construction services for larger contracts, compliant with EU procurement regulations.
- 1.3.5 A set of Design Principles for new Council homes has been outlined that is intended to meet the needs of Reading's residents and to ensure that future tenants will materially benefit from their new more affordable homes, thereby helping to narrow the gaps in Reading. The design standards will help support the Council's priorities in terms of reducing fuel poverty, improving environmental sustainability and providing flexible and adaptable accommodation to help meet the changing needs of residents and enable people to stay in their homes for longer, reducing pressure on social care services.
- 1.3.6 Optimised the use of Right to Buy Receipts by purchasing family homes for sale on the open market to help address the most acute needs for housing.

2. RECOMMENDED ACTION

- 2.1 That Committee notes the progress of the Council House Building programme, including the identification of land for the first 125 new homes of the 250 planned first phase.
- 2.2 That Committee APPROVES the broad principles of the Design Standards (Employers' Requirements) for new council houses set out in paragraph 4.3 and authorises the Head of Housing and Neighbourhood Services to agree the detailed schedule of requirements in consultation with the lead Councillor for Housing.

3. POLICY BACKGROUND AND CONTEXT

- 3.1 The Corporate Plan sets out its ambition to help narrow the gaps in Reading to ensure that everyone can benefit from its success.
- 3.2 An increase in households in the town, strong commuter routes to London and other areas of Berkshire and high levels of employment continues to create a pressure on the housing available in Reading. This in turn has a direct impact on the affordability of housing increasing the gap between residents that can afford to live here and those that find current rents or sale prices prohibitive.
- 3.3 Priority 3 of the Corporate Plan is "Providing homes for those in most need" and a key action under this is to deliver our Council House building programme.
- 3.4 Building new council housing (nationally referred to as 'Local Authority New Build' or LANB) is a way of increasing the supply of affordable homes in the town. Importantly, rent levels and the type of tenancy offered are within the Council's control to enable supply to best meet local need.
- 3.5 The Council already had a small programme of building its own new homes:

the new Extra Care Housing scheme at Whitley Rise now provides 40 new homes with on-site care in a high quality environment to enable older people to live independently in the community for longer. The Council is progressing the delivery of a new Supported Living Scheme providing 9 wheelchair accessible flats for people with learning disabilities. Grant totalling £3.45m was secured from the HCA to part fund this scheme.

- 3.6 On 22nd September 2014, Policy Committee endorsed a programme to deliver 1,000 new Council homes in 30 years, with a target of 250 homes in the first 5 years. It also agreed a long-term programme to convert or extend some of the Council's existing properties where this best meets housing needs, and to purchase a small number of properties off the private market to meet short term need.

4 Programme Update

4.1 Resourcing

This is the first substantive programme of new council house building for almost 25 years, with an estimated value of £176m over 30 years. The Council is endeavouring to ensure that the programme is adequately resourced in order to ensure the efficient and timely delivery of homes. An internal programme management structure is in place, a Council House Building Project Manager has been appointed and further specialist resources are now being sourced.

4.2 Land Supply

- 4.2.1 Reading Borough Council has a strong history of encouraging housing development in order to meet local demands and this has included maximising opportunities on its own land. Equally Reading remains one of the highest areas of interest to developers to in terms of the delivery of private housing. Therefore there is strong competition for land that may be available to the Council House Building Programme, and identification of suitable sites remains one of the main challenges to the programme.

- 4.2.2 A total of 13 Council-owned sites have been identified as potential development sites to contribute to phase 1 of the Council House Building programme and feasibility studies are being completed. This includes land at Conwy Close for circa 40 new homes, vacant land at North Street (c. 25 homes), land at 96 George Street (2 homes) and, when no longer required for its existing temporary use, Caversham Nursery for c. 15 new homes. Taken together it is anticipated that these 13 sites will potentially contribute around 125 new homes to the first phase (250 units) of the development programme. It is expected that following the on-going review of the Council's property assets, further sites will become surplus that may be available for the new build programme.

- 4.2.3 In order to utilise our financial capacity and deliver 250 homes over the next 5 years, it will be necessary to identify further council-owned sites and to purchase some sites from the open market. A number of sites have been appraised and are under consideration.

4.3 Development Programme & Process

- 4.3.1 An indicative 5 year delivery programme for phase 1 has been produced. In order to develop the sites the Council is procuring a range of specialist services - architectural and design, technical, employers agents (construction specialists to oversee development of sites on behalf of the Council as a client), and contractors to construct schemes.
- 4.3.2 A Procurement Strategy has been established to bring on board this range of specialists. The Council has signed up to the Homes and Communities Agency (HCA) Procurement Framework to ensure expedient procurement of architectural, multi-disciplinary services and construction services for larger contracts and to ensure compliance with EU procurement regulations.
- 4.3.3 The HCA framework will be used for the procurement of services to develop detailed designs and secure Planning permission for larger sites, including the 40 unit site at Conwy Close.
- 4.3.4 As an example, the key stages of securing planning permission on Conwy Close include:
- Site investigation and survey work
 - Concept site layout and design principles
 - floor plans and street scenes
 - Financial feasibility
 - planning pre-application discussions
 - Pre-application community engagement
 - Detailed planning designs
 - Submission of planning application
- 4.3.5 Extensive survey and investigation work is required for the pre-application process and includes:
- Affordable housing statement
 - Air quality assessment
 - Contaminated land survey & report
 - Daylight/sunlight assessment
 - Ecological survey and reports
 - Energy efficiency statements
 - Environmental statement
 - Flood Risk-assessment
 - Heads of Terms proposal for S106
 - Landscape principles
 - Noise & vibration impact assessment
 - Open Space Statement
 - Plans and drawings
 - Sustainability Statements
 - Transport Assessment & Travel Plans
 - Tree Survey
 - Vehicle (including cycle) parking and waste collection details
- 4.3.6 Upon successful conclusion of the pre-application process during summer 2015, a planning application will be submitted.

- 4.3.7 Architects and Employers Agents for the smaller sites will be procured in accordance with advice from the Council's Procurement Manager and the Councils procurement requirements as the value of the combined works will be lower than the thresholds triggering EU procurement requirements.
- 4.3.8 For the construction works on smaller sites, the Constructionline procurement framework will be used. This is a construction industry specific procurement system that is used by numerous public and private clients across the construction sector and includes some 11,000 suppliers.
- 4.3.9 In summary, the next stage of the programme will involve preparing planning applications for the smaller sites along the same lines as that outlined above for Conwy Close.

4.4 Design Standards (Employers' Requirements)

- 4.4.1 The Council wants to develop new homes that reflect its priorities and a set of requirements for the quality and sustainability of new Council homes. A clear specification, known as "Employers' Requirements", is being produced which will form part of the instruction to the architectural design teams appointed.
- 4.4.2 Building its own council homes enables the Council to ensure that new properties can really benefit future tenants and help to narrow the gaps in Reading. The core message within the Design Standards will be that the Council requires flexible designs tailored to the needs of Reading residents. These properties can help support the Council's aspirations in terms of environmental sustainability, can support the pressure on the Adult Social Care services by delivering homes that support residents to remain in their own homes and can include energy efficiency measures that help low income residents to narrow the gap of housing affordability. A further aim will be to develop homes that can be easily and cost-effectively adapted in the future to meet the changing needs of residents and potential changes in Government policy. Consultation with partners and internal RBC teams will ensure developments remain in line with local need.
- 4.4.3 The outline principles include:
- Mix of unit size: It is proposed that this will be agreed on a site by site basis and will be influenced by the location, type of development, analysis of current need and the viability of the scheme.
 - Size of unit: Built to the Homes and Communities Agency's standards
 - Building for Life standards: Building for life is a government-endorsed industry standard for well-designed homes and neighbourhoods. Local communities, local authorities and developers are encouraged to use it to guide discussions about creating good places to live. It is proposed that these standards are used as a guide to help us assess the design quality of new schemes to enable officers to identify the key aspects that will benefit residents in each location.
 - Code for Sustainable Homes: It is currently a RBC planning policy requirement for all schemes to achieve the following:

- For schemes up to 10 homes (minor schemes) - All homes to meet Level 3.
- Schemes of 10 homes or more (Larger developments) - 50% of homes to meet level 3 and remaining 50% to meet level 4.

However, officers are also reviewing how further elements of the forthcoming new Building Regulations requirements, current Code for Sustainable Homes requirements and other targeted environmental measures, can be combined to deliver even more environmentally sustainable homes which prioritise reducing energy costs for residents. A key consideration will be which of the measures deliver maximum impact and cost-benefit. These additional requirements will be included in the Design Standard.

- Lifetime Homes: Lifetime Homes is a set of designs and features that add to the comfort and convenience of the home and supports the changing needs of individuals and families at different stages of life. It is proposed that all developments incorporate the elements of Lifetime Homes that most support the expected needs of future tenants. As these developments are in the control of Reading Borough Council it provides the opportunity to tailor the designs to meet the specific needs of the residents on the Housing Register or being supported by other Council departments.
- Build Regulations - All developments will comply with the requirements at the time of planning approval.
- National Housing Building Council - All developments will comply with the requirements at the time of planning approval.
- Flexible designs: Where possible, properties will be designed to allow for them to be easily and cost-effectively adapted in the future to meet changing needs. For example, designing properties to allow for the conversion of loft spaces (additional bedroom(s), bathrooms) at a later stage.
- Detailed specification requirements - The Council will need to maintain properties over the longer-term, and the specification needs to have regard to long-term maintenance costs. A detailed specification will be provided to contractors regarding all elements of the build (for example types of window, boilers, kitchens etc.).

4.5 Increasing stock in other ways.

4.5.1 In order to meet acute need for housing and to also comply with Government time restrictions regarding the spend of receipts from the sales of Council properties through Right to Buy, a small programme of purchasing homes from the open market is in progress. At the point of writing this report four properties have been purchased (3x 2 bed-house and 1x 3 bed flat) and the Council has had offers accepted on a further 2x 2 bed houses.

4.5.2 As part of the wider asset management of the Council Stock, it has also been

identified there is the potential to create additional flats within the fabric of existing blocks. There are also two types of three bed properties identified that would be suitable for extension, adding a ground floor bedroom to convert them to a four bed property. A separate programme of work will further assess the feasibility of these options to better tailor existing stock to meet local need.

5. COMMUNITY ENGAGEMENT

5.1 Housing Asset Management

The Council is developing a new tenant 'Home Quality Panel' to focus on performance and satisfaction with the Council's Housing Repairs service. The panel will provide a reference group in developing a new Housing Asset Management Strategy, and to consult on the design and specification for new homes.

5.2 Rent Setting and policy

The Council holds an annual consultation meeting with a group of tenants before setting rent levels, setting out the business plan overview, how rent money is spent, and seeking views about options for the year ahead. Tenants will continue to be consulted as part of the development of future rent policy.

5.3 Developing HRA Housing sites

As well as involving ward councillors, the Council has an established process to engage tenants and residents at a very local level, ahead of the formal planning consultation, when developing sites on Housing land. This approach will be extended for the development of General Fund sites. This ensures that local intelligence and understanding informs development, as well as early identification of any concerns and joint planning to mitigate these.

6. FINANCIAL IMPLICATIONS

6.1 The Housing Revenue Account

6.1.1 The Housing Revenue Account (HRA) deals with the Council's housing finance. The main income is housing rent, and all expenditure related to Council housing (such as dealing with lettings; managing, maintaining and repairing the stock; collecting rent) is charged to this account. The Housing Revenue Account is 'ring-fenced' (separate) from other Council activity (this is accounted for through the 'General Fund' account). The Council is required to prepare a financial plan for the Housing operation over a 30 year period, the HRA Business Plan. The financial model shows the estimates of rent and other income, the day to day management and repair costs as well as the long term major investment needs to maintain the stock and the cost of servicing the debt over 30 years. The Business Plan assumes the repayment of the debt within the 30 year life of the plan.

6.1.2 During the summer of 2014 a review of the capacity within the Reading Borough Council Housing Revenue Account Business Plan was completed, and it reported that:

- there is capacity in the Housing Revenue Account to finance a programme of circa 1,000 new homes over a 30 year period, and to develop an estimated 250 homes over the first five years of the programme.

- there is capacity over the same period to continue to maintain and improve existing Council homes and their surroundings - and additional provision of over £20m has been made in funding plans.
- there is potential to bring forward in the region of 300 new homes on Council-owned land. To deliver a programme of over 1,000 homes the Council would also need to acquire private land on the open market. Land availability in a tightly bounded urban area is identified as a key constraint.

6.1.3 The funding capacity identified is based on a range of assumptions - including that national guidelines for rent setting are adopted, and therefore rents are increased annually by CPI plus 1%. In January 2015 Council adopted a rent policy in line with this increase, following consultation with tenant representatives on this proposal. Variance from this assumption would impact on the number of new homes which could be delivered.

6.1.4 The Council approved its 3 year Capital Programme as part of the budget setting process in February and this includes a total allocation of £8m to fund new council houses, along with a programme of improvements to existing housing stock, including a programme of solar panels, totalling £23.5m in value.

7. LEGAL IMPLICATIONS

7.1 The new dwellings will be provided under the powers of Part II of the Housing Act 1985, Chapter 68, and they will be accounted for within the HRA.

8. SUSTAINABILITY IMPLICATIONS

8.1 Tackling fuel poverty and reducing carbon emissions are clear priorities for the Council and considerable work has already been undertaken to date to replace boiler and heating systems and maximise insulations in existing Council stock, including the installation of solar panels on approximately 465 properties. A programme of externally cladding hard to treat properties has recently commenced.

8.2 Sustainability, reducing carbon emissions and particularly tackling fuel poverty is a priority under-pinning and informing the specification being developed for the Council's new homes programme.

9. BACKGROUND PAPERS

Reading Borough Council Corporate Plan 2015-18
 17th February 2014, Policy Committee report on Future Social Housing Provision
 22nd September 2014, Policy Committee report on Appraisal of Capacity to Build New Local Authority Homes