

Report of:	Head of Housing and Partnerships
Contact Officer:	Louise Tandy
Telephone No:	01543 464348
Portfolio Leader:	Housing
Key Decision:	Yes
Report Track:	Cabinet: 13/06/19 Council: 17/07/19

CABINET
13 JUNE 2019
REDEVELOPMENT OF HAWKS GREEN DEPOT, CANNOCK

1 Purpose of Report

- 1.1 To seek scheme approval and permission to spend for the redevelopment of the Hawks Green Depot site.
- 1.2 To note the Construction Framework that will be utilised to appoint the development partners and develop the site.
- 1.3 To note the West Midlands Combined Authority (WMCA) grant offer of £900,000 to develop a housing scheme, including Council housing on the Hawks Green Depot site.

2 Recommendations

- 2.1 That the Hawks Green Depot Site, marked in red in Appendix 1, is identified as a priority site for redevelopment for the provision of new Council housing.
- 2.2 That subject to the approval of the Hawks Green Depot Rationalisation Plan Report recommendations, Cabinet appropriates for a transfer value of £382,000 for the Hawks Green Depot Redevelopment site from the Council's General Fund to the Housing Revenue Account under section 122 of the Local Government Act 1972.
- 2.3 That Cabinet note the WMCA formal grant offer of £900,000 to offset land remediation costs and associated fees.
- 2.4 That Cabinet note the appointment of a development partner via Dudley Metropolitan Borough Council's Construction Framework Agreement and the housing scheme attached as Appendix 2.
- 2.5 That scheme approval and permission to spend for the Hawks Green Depot Redevelopment Scheme be approved.

- 2.6 That the Head of Housing and Partnerships following consultation with the Housing Portfolio Leader be authorised to take forward all actions and make amendments to the scheme as necessary to implement any agreed recommendations.
- 2.7 That authority to enter into any legal agreements between Cannock Chase Council (CCDC) and the appointed development partner that are required to facilitate the delivery of the proposed scheme be delegated to the Head of Housing and Partnerships in consultation with the Portfolio Leader.
- 2.8 That permission to spend up to £130,000 within the HRA Capital Programme – New Build budget in relation to development works to bring forward future sites is approved.

3 Key Issues and Reasons for Recommendations

Key Issues

- 3.1 On 25 January 2018 Cabinet approved a budget of £12.9m for the establishment of a Housing Investment Fund to support the delivery of new Council housing in the District over a five year period and which now forms part of the agreed HRA Capital Programme for the period 2018-19 to 2022-23.
- 3.2 Affordable homes for rent are in high demand in the District and there are currently approximately 800 households on the Council's housing list. Evidence from the Housing Needs Assessment 2019 identified a need for 110 additional affordable homes per annum.
- 3.3 A review of the Council's land holdings has taken place with the key objective to maximise the delivery of homes within the budget. In order to achieve a viable cost per unit the review was tasked to identify suitable sites within the Council's ownership. The findings were that there is not a deliverable site available that could deliver 20+ units.

Reasons for Recommendations

- 3.4 The Council's Hawks Green Depot covers an area of approximately 1.8ha. The rationalisation of Hawks Green Depot, which is the subject of a separate report on the agenda concluded that 0.9ha (50%) of the site needs to be retained for the provision of existing services whilst the remaining 0.9ha (50%) will be available for an alternative use such as to deliver a housing scheme. A plan of the site identifying the land to be retained and developed is attached at Appendix 1 and as set out below will provide 44 new homes.
- 3.5 An application was made to Homes England Accelerated Construction Fund and as part of the due diligence exercise, ground condition surveys and reports identified that significant land remediation works were required. As a result the redevelopment has not been considered economically viable without additional grant to meet the funding gap. Unfortunately, the application to the Accelerated Construction Fund was unable to meet the funding gap.

- 3.6 Whilst a bid to the Stoke and Staffordshire LEP has not been successful to date a successful bid was submitted to WMCA in March 2019 and the Council will receive grant of £880,000 to offset land remediation costs with £20,000 for associated fees.
- 3.7 As part of the development appraisal process of the Hawks Green Redevelopment Scheme, and taking into account the housing needs of the District, a site layout was produced (Appendix 2).
- 3.8 The proposed scheme will deliver a mixed tenure scheme consisting of 44 homes comprising of 50% (22) Council homes for rent and 50% (22) for outright sale. Subject to planning approvals the Council homes for rent would comprise of:
- 4 x 1 bedroom houses
 - 8 x 1 bedroom flats,
 - 8 x 2 bedroom houses
 - 2 x 3 bedroom homes
- 3.9 It may, be necessary to amend the scheme to address issues which arise from the completion of the tender documentation and the planning process and it is therefore proposed that the Head of Housing and Partnerships following consultation with the Housing Portfolio Leader, is authorised to make such amendments to the scheme.
- 3.10 It is proposed that the Council's HRA Capital Programme will finance the provision of the 22 (50%) affordable Council homes i.e. homes for rent. A development partner would be appointed to undertake construction of the Council's 22 homes for rent and provide 22 (50%) homes for outright sale.
- 3.11 The agreed HRA Capital Programme for the period 2018-19 to 2022-23 includes budgetary provision of £12.9m for New Build programme.
- 3.12 The following budgetary provision will be required for the Hawks Green Redevelopment Scheme and will form part of the three year HRA Capital Programme for the period 2019-20 to 2021-22:

	<u>Year 1</u> 2019-20 (£000's)	<u>Year 2</u> 2020-21 (£000's)	<u>Year 3</u> 2021-22 (£000's)	Total
Land Costs	382	-	-	382
Land Remediation & Construction Council dwellings (22 homes)	550	1,900	600	2,988* ¹
	922	1,990	600	3,370* ²

Notes

*¹ Net cost of provision after the deduction of the land value of the market homes.

*² Gross cost of provision prior to the deduction of additional rent income

- 3.13 The Dudley MBC Construction Framework is an established framework to carry out the design and construction of new build housing (details are set out in section 5 of the report) and can be used by other West Midlands authorities. Using the Framework will enable the Council to progress the site quickly with an experienced contractor who has already taken part in an OJEU compliant tendering exercise.
- 3.14 The Scheme costs including the contract sum will be accommodated within the Hawks Green Redevelopment budget. Should the scheme exceed the budgetary provision a further report will be presented to Cabinet.
- 3.15 The development programme and relevant milestones are set out below:

HAWKS GREEN DEPOT DEVELOPMENT PROGRAMME	
Secure WMCA Grant	June 2019
Council approval	July 2019
Contract Award	August 2019
Stock Rationalisation	November 2019
Full Planning Approval by	January 2020
Land Remediation Start on Site by	February 2020
Construction Start on Site by	April 2020
Scheme completion by	Spring 2022

- 3.16 The Council's appointed Development Partner will act as developer and contractor to design and construct a redevelopment scheme for the site. The specific responsibilities of the Development Partner will be formalised through a JCT Design and Build Contract.
- 3.17 In order to bring future sites forward it is necessary to undertake development work such as scheme design, development appraisals and site and ground condition surveys prior to scheme approval. It is proposed that a sum of £130,000 (equivalent to 1% of the New Build budget) within the HRA Capital Programme – New Build is approved for preparatory development works.
- 3.18 There will be a further report to Cabinet when other site(s) have been identified that could be brought forward for housing utilising the Housing Investment Fund resources, including land not in the ownership of the Council.

4 Relationship to Corporate Priorities

- 4.1 The Housing Investment Fund has implications for the service aims to increase housing choice, including delivering additional Council housing which form part of the "Promoting Prosperity" Priority Delivery Plan 2018-19.

5 Report Detail

- 5.1 On 25 January 2018 Cabinet approved a budget of £12.9m for the establishment of a Housing Investment Fund to support the delivery of new Council housing in the District over a five year period and which now forms part of the agreed HRA Capital Programme for the period 2018-19 to 2022-23.
- 5.2 The Hawks Green Redevelopment Site, if approved, will follow the successful garage site redevelopment programme which completed in June 2019 and delivered 39 Council homes for rent on 11 sites throughout the district.
- 5.3 Affordable homes for rent are in high demand in the District and there are currently approximately 800 households on the Council's housing list. Evidence from the Housing Needs Assessment 2019 identified a need for 110 additional affordable homes per annum.
- 5.4 A review of the Council's land holdings has taken place with the key objective to maximise the delivery of homes within the budget. Although the Council owns a large number of small pieces of land including a significant number of garage sites the complexities of developing small sites results in a high cost per unit. In order to achieve a viable cost per unit the review was tasked to identify suitable sites within the Council's ownership. The findings were that there is not a deliverable site available that could deliver 20+ units.

Hawks Green Depot Site

- 5.5 The Council's Depot, situated at Hawks Green, currently has a number of depot buildings including office buildings and units used for storage and vehicle maintenance and covers an area of approximately 1.8ha.
- 5.6 The rationalisation of Hawks Green Depot is the subject of a separate report on the agenda. The rationalisation exercise concluded that 0.9ha (50%) of the site needs to be retained for the provision of existing services whilst the remaining 0.9ha (50%) will be available for an alternative use such as to deliver a housing scheme. A plan of the site identifying the land to be retained and developed is attached at Appendix 1 and as set out below will provide 44 new homes.
- 5.7 As part of the initial options appraisal process an application was made to Homes England Accelerated Construction Fund. As part of the due diligence exercise, ground condition surveys and reports identified that significant land remediation works were required. As a result the redevelopment has not been considered economically viable without additional grant to meet the funding gap. Unfortunately, the application to the Accelerated Construction Fund was unable to meet the funding gap.
- 5.8 An application was made to the Staffordshire and Stoke LEP (SSLEP) which has been unsuccessful to date. However, a bid for grant was made to the West Midlands Combined Authority Brownfield Land and Property Development Fund in March 2019. This bid has been successful and will be a major contribution to the estimated land remediation costs which renders the scheme viable and which is further discussed below.

Land Appropriation

- 5.9 The Hawks Green Depot Redevelopment Site is an asset held within the Council's General Fund. If the Hawks Green Depot Redevelopment Site is to be redeveloped for housing then it will need to be transferred from the General Fund to the Housing Revenue Account by a process known as appropriation. Under section 122 of the Local Government Act 1972 the Council has the power to appropriate land which belongs to the Council but is no longer required for the purpose for which it is currently held to enable the land to be used for a different Council purpose. If the Hawks Green Depot Redevelopment Site is appropriated it will be necessary to ensure there is no detriment to the General Fund by transferring an equivalent amount of housing resources (i.e. the market value of the site) from the Housing Revenue Account to the General Fund. The Council's surveyor has advised that the market value of the Hawks Green Depot Redevelopment Site is £382,000.

The Scheme

- 5.10 As part of the development appraisal process of the Hawks Green Redevelopment Scheme, and taking into account the housing needs of the District, a site layout has been produced (Appendix 2).
- 5.11 The proposed scheme will deliver a mixed tenure scheme consisting of 44 homes comprising of 50% (22) Council homes for rent and 50% (22) for outright sale. Subject to planning approvals the Council homes for rent would comprise of:
- 4 x 1 bedroom houses
 - 8 x 1 bedroom flats,
 - 8 x 2 bedroom houses
 - 2 x 3 bedroom homes
- 5.12 The homes will be built to a high standard and will enhance the current environment to provide a vibrant housing scheme. However, it should be noted that due to the close proximity of the site to the Old Hednesford Road and the Chase Railway Line a noise survey is being undertaken as part of the planning process. It may be necessary to amend the scheme to address issues which arise from the completion of the tender documentation and the planning process and it is therefore proposed that the Head of Housing and Partnerships following consultation with the Housing Portfolio Leader is authorised to make such amendments to the scheme.
- 5.13 It is proposed that the Council's HRA Capital Programme will finance the provision of the 22 (50%) affordable Council homes i.e homes for rent. A development partner would be appointed to undertake construction of the Council's 22 homes for rent and provide 22 (50%) homes for outright sale.

Redevelopment Funding

- 5.14 The agreed HRA Capital Programme for the period 2018-19 to 2022-23 includes budgetary provision of £12.9m for New Build programme.

The following budgetary provision will be required for the Hawks Green Redevelopment Scheme and will form part of the three year HRA Capital Programme for the period 2019-20 to 2021-22:

	<u>Year 1</u> 2019-20 (£000's)	<u>Year 2</u> 2020-21 (£000's)	<u>Year 3</u> 2021-22 (£000's)	Total
Land Costs	382	-	-	382
Land Remediation & Construction Council dwellings (22 homes)	550	1,900	600	2,988* ¹
	922	1,990	600	3,370* ²

Notes

*¹ Net cost of provision after the deduction of the land value of the market homes.

*² Gross cost of provision prior to the amendment for additional rent income

5.15 As stated in paragraph 5.7 above the major barrier in bringing the site forward has been the land remediation costs. A bid for grant was made to the West Midlands Combined Authority Brownfield Land and Property Development Fund in March 2019. At their meeting on 3rd June 2019 the WMCA Investment Board approved a total grant of £900,000 of which £880,000 will be a major contribution to the estimated land remediation costs with the additional £20,000 for associated fees.

5.16 Whilst full terms and conditions for the grant funds are yet to be received the Investment Board confirmed that the funding conditions would stipulate that failure to complete the redevelopment by the deadline date of 31 March 2022 would result in a financial clawback. A further requirement of the grant funding is that at least five apprenticeships are provided for by the redevelopment scheme. Speed of delivery, quality and value for money are therefore critical to the project, both to build Council homes for rent quickly which are in high demand and to ensure that the Council can meet the timetable for delivery in respect of the grant funding.

Procurement

5.17 In 2015, Dudley MBC invited tenders for places on a Framework Agreement to carry out the design and construction of new build housing. The contract notice stated that 'in general, work requirements are to comprise of the following areas:

- New build housing construction and conversion of existing non-housing buildings
- Design services for new build and conversion to housing
- Pre construction advisory services, including feasibilities and grant bidding
- Demolition and site clearance
- Management of statutory authorities and services'

- 5.18 Four providers were selected to be on the framework. Contractors are ranked and all work is directly awarded to the first placed contractor. If they are unable to undertake a particular project, the award can be made to the second placed contractor and so on. The Framework Agreements were procured via an OJEU compliant tender exercise which provided for the Framework to be used by other West Midlands authorities.
- 5.19 It is therefore proposed that authority to enter into any legal agreements between Cannock Chase Council (CCDC) and the Development Partner that are required to facilitate the delivery of the proposed scheme be delegated to the Head of Housing and Partnerships in consultation with the Portfolio Leader.
- 5.20 The Scheme costs including the contract sum will be accommodated within the budget provision for Hawks Green Redevelopment Scheme. Should the scheme exceed the budgetary provision a further report will be presented to Cabinet.

Development Programme

- 5.21 Subject to planning permission, the Council is therefore in a position to start on site by February 2020 and all 44 homes should be delivered by Spring 2022. The development programme and relevant milestones are set out below:

HAWKS GREEN DEPOT DEVELOPMENT PROGRAMME	
Secure WMCA Grant	June 2019
Council approval	July 2019
Contract Award	August 2019
Stock Rationalisation	November 2019
Full Planning Approval by	January 2020
Land Remediation Start on Site by	February 2020
Construction Start on Site by	April 2020
Scheme completion by	Spring 2022

- 5.22 The Council's appointed Development Partner will act as developer and contractor to design and construct a redevelopment scheme for the site. The specific responsibilities of the Development Partner will be formalised through a JCT Design and Build Contract but will include the following:-
- (a) The provision of architectural services to finalise plans for the site together with any additional benefits which the Development Partner can bring to the scheme.
 - (b) All scheme and property design work to obtain all relevant planning (including change of use from employment to residential use) and other permissions in relation to the site plans and subsequent detailed design work.
 - (c) Land remediation and demolition of redundant buildings.
 - (d) The procurement and/or implementation of any necessary infrastructure works.

(e) Construction of the scheme.

5.23 The Council will finance the construction of the new Council properties via staged payments throughout the construction period. These payments will be made in accordance with a payments schedule agreed with the Development Partner.

5.24 The Council will retain ownership of the land during the build process. The development agreement provides for a building licence to be issued to the developer.

Future Schemes

5.25 In order to bring future sites forward it is necessary to undertake development work such as scheme design, development appraisals and site and ground condition surveys prior to scheme approval. It is proposed that a sum of £130,000 (equivalent to 1% of the New Build budget) within the HRA Capital Programme – New Build is approved for preparatory development works.

5.26 A further report will be submitted to Cabinet when other site(s) have been identified that could be brought forward for housing utilising the HRA Capital Programme – New Build resources, including land not in the ownership of the Council.

6 Implications

6.1 Financial

The agreed HRA Capital Programme for the period 2018-19 to 2022-23 includes budgetary provision of £12.9m for New Build programme.

The following budgetary provision will be required for the Hawks Green Redevelopment Scheme and will form part of the three year HRA Capital Programme for the period 2019-20 to 2021-22:

	<u>Year 1</u> 2019-20 (£000's)	<u>Year 2</u> 2020-21 (£000's)	<u>Year 3</u> 2021-22 (£000's)	Total
Land Costs	382	-	-	382
Land Remediation & Construction Council dwellings (22 homes)	550	1,900	600	2,988*1
	922	1,990	600	3,370

Notes

*1 Net cost of provision after the deduction of the land value of the market homes.
*2 Gross cost of provision prior to the amendment for additional rent income

The anticipated contract value and a contract award will only be made within the budgetary provision set out above. A further report would be submitted to Council should a contract award not be made.

6.2 Legal

Any procurement exercise will need to be EU compliant as outlined in the report.

Failure to adhere to the terms of the existing framework agreement would risk legal challenges to the procurement process and cause delay, uncertainty and carry a costs risk

Other legal implications are addressed throughout the report

6.3 Human Resources

None

6.4 Section 17 (Crime Prevention)

The scheme will be 'secure by design' where appropriate.

6.5 Human Rights Act

None

6.6 Data Protection

None

6.7 Risk Management

There are a number of risks associated with development, particularly in relation to uncertain ground conditions. The Council's development partner will have extensive experience in developing on sites with land remediation issues.

The Council will also engage independent "Quantity Surveying" services to ensure value for money and adherence to the agreed scheme.

6.8 Equality & Diversity

Development of the Hawks Green Depot site has been subject to an Equality and Diversity Impact Assessment and no negative implications have been identified.

6.9 Best Value

A development partner would be secured via Dudley MBC's Construction Framework Agreement as a result of an OJEU compliant tender exercise Dudley MBC carried out in 2015. Four providers were selected to be on the framework.

Grant from WMCA of £880,000 is a significant contribution towards the land remediation costs, enabling Council resources to 'stretch' further.

7 Appendices to the Report

Appendix 1 Proposed Hawks Green Housing Site

Appendix 2 Hawks Green Redevelopment Scheme

Previous Consideration

None

Background Papers

None

Proposed Hawks Green Housing Site

	Hawks Green Depot Hawks Green Lane Cannock			
	PLAN NO:	SCALE: 1:1250	DATE:	



Based on Ordnance Survey Mapping with the Permission of the controller of Her Majesty's Stationary Office (C) Crown Copyright. Unauthorised reproduction infringes Crown Copyright and may lead to prosecution or civil proceedings. Cannock Chase District Council Licence No. 100019754 (2010)

Hawks Green Redevelopment Site

