

CABINET

Date of Meeting	Tuesday, 18 th July 2017
Report Subject	Approval of Costs for the former Resource Centre, Melrose Avenue, Shotton
Cabinet Member	Deputy Leader of the Council and Cabinet Member for Housing
Report Author	Chief Officer (Community and Enterprise)
Type of Report	Operational

EXECUTIVE SUMMARY

This report seeks Cabinet approval to progress the next key stages of the Council's Strategic Housing And Regeneration Programme (SHARP) and sets out proposals to develop a new Council housing scheme at the former Resource Centre, Melrose Avenue, Shotton which is a strategic priority for the Council and is a pre-agreed site for inclusion within the SHARP.

This report provides information on the proposed scheme, including proposed property types, design and layout and projected build costs.

The report identifies prudential borrowing as the preferred funding option and details the Development Scheme Assumptions against which the viability of the scheme will be measured and assessed.

RECOMMENDATIONS

1	Cabinet approve the development of 9 new Council homes on the site of the former Melrose Centre, Shotton.
2	Cabinet approve that prudential borrowing to the value of £1,191,092 (subject to final approval and verification) is used to fund the proposed development.

REPORT DETAILS

1.00	BACKGROUND				
1.01	Former Resource Centre, Melrose Avenue. Shotton				
1.02	The redevelopment of the former Melrose Resource Centre with new Council housing is a strategic priority for the Council. The building had become a target for vandalism and anti-social behaviour in recent months following the closure of the Resource Centre. As a consequence of this, the building was demolished in Spring 2017 and the site secured. It is proposed to re-develop the site with a Council housing scheme consisting of 5x 2 bed houses and 4x 1 and 2 bed apartments (Appendix 1).				
1.03	Project Build Costs				
1.04	<p>The table below details the projected costs for the proposed scheme. These have been subject to on-going verification and challenge by the Council to ensure the schemes delivers value-for-money. (See Appendix 2 which provides details on the overall scheme costs and financial assumptions).</p> <table border="1"> <thead> <tr> <th>Scheme</th><th>Cost</th></tr> </thead> <tbody> <tr> <td>Former Resource Centre, Melrose Avenue, Shotton</td><td>£1,191,092</td></tr> </tbody> </table>	Scheme	Cost	Former Resource Centre, Melrose Avenue, Shotton	£1,191,092
Scheme	Cost				
Former Resource Centre, Melrose Avenue, Shotton	£1,191,092				
1.05	Flintshire House Standard				
1.06	Properties and land associated with the scheme will be designed to comply with the Council's Flintshire House Standard and will inform the design and specification of all the new housing delivered through the SHARP and form a benchmark to ensure consistent, good quality of internal layout, and fixtures and fittings, high standards of energy efficiency and external appearance in keeping with local circumstance, low maintenance product specifications, adequate parking and a public realm designed to promote cohesive and inclusive communities.				
1.07	Local Lettings Policy				
1.08	A Local Lettings Policy will be developed for the proposed scheme to ensure the opportunities to house local people are maximized.				
1.09	Funding				
1.10	The option of self-financing funding solutions has been explored for the new Council homes to be built. These solutions range from private borrowing; lease back; buy back options or Council borrowing which will be then recouped through rental incomes (which are predicted through robust models making agreed allowances for voids; maintenance costs; rental income levels (including CPI etc.).				
1.11	The Council undertakes long term borrowing for capital purposes only. This				

	can include property acquisition and development, major maintenance, improvement in land, plant and equipment etc. The length of period over which the Council may borrow to finance its capital expenditure is determined by the life of an asset. There are no fixed rules for determining the life of an asset, it is for the Council to agree what it considers to be reasonable when investing in a particular asset.
1.12	Detailed financial assessment has been undertaken by the Council to ensure that sufficient rental payment revenue is generated from the proposed new scheme at the former Melrose Resource Centre to service the borrowing (i.e. repay the Loan and to pay interest, Appendix 2).
1.13	The Council's position is strong given the voluntary agreement for Housing Revenue Account (HRA) self-financing. Alongside completion of the Welsh Housing Quality Standard (WHQS) for the existing stock, the Council has been successful in securing an additional allocation of borrowing headroom for a HRA new build programme. The Council has already utilised prudential borrowing for its Council building programme as it offers routes to long-term debt which remain the most cost effective and most stable funding product available. The HRA is likely to generate further revenue and borrowing headroom during the life of this programme.
1.14	With this in mind, it is considered appropriate for prudential borrowing to be utilised by the Council (as the preferred option) for the provision of new Council Housing within the Programme. Whilst this approach will be reviewed on a site by site basis, this option is cost effective and considered appropriate for the schemes as the Council properties will remain in the ownership of the Council and the anticipated level of expenditure is sustainable within the context of HRA self-financing.
1.15	Development Scheme Assumptions
1.16	The Development Scheme Assumptions detailed below have been applied to all of the Council-approved schemes and make agreed allowances for voids; maintenance costs; rental income levels (including CPI etc.) and will be used to assess all potential future development schemes to determine scheme feasibility and viability with a requirement for all Cabinet approved schemes to pay back the scheme costs within 50 years.
1.17	<p>For the proposed scheme at the former Melrose Resource Centre, the following assumptions have been made:</p> <ul style="list-style-type: none"> • Management costs - £400 per annum • Maintenance - Year 1 - £100 (defects liability should cover anything apart from gas servicing) Years 2/3 - £200, yr. 4+ £400 (graded rate to reflect reality with new stock) • Major repairs - As per capital replacement schedule deferred for 10 years • Voids/bad debts - 2.5%

1.18	It is proposed to review the Development Scheme Assumptions periodically to ensure these remain prudent, but also that they do not become so demanding that genuine value for money schemes are deemed unviable.
------	--

2.00	RESOURCE IMPLICATIONS																				
2.01	Melrose Centre																				
2.02	£15.5M borrowing approval is available for a council house building programme. The Financial Appraisal for the proposed scheme at the former Melrose Resource Centre is attached at Appendix 2. This shows the total scheme cost of £1,191,092 and how the scheme performs against Development Scheme Assumptions identified in paragraph 1.22. The scheme will achieve pay back in year 50 and excludes Welsh Government Grants.																				
2.03	The scheme will be batched with the former Dairy, Connah’s Quay (which is scheduled to start on site later in 2017) to generate savings in site mobilisation costs.																				
2.04	The scheme has been assessed as providing best value for the Council by The Council’s Design and Consultancy and Finance Teams.																				
2.05	Council Tax Yield																				
2.06	<p>Total Council Tax yield on the Melrose development (9 units) would be in the region of £10,872 per annum, made up as follows:</p> <table><tr><th>Tenure</th><th>Type</th><th>No.</th><th>Total Council Tax Yield (per annum)</th></tr><tr><td>Council</td><td>1 Bed Apartment</td><td>2</td><td>£2,174 total (based on ‘Band B’ Council Tax)</td></tr><tr><td>Council</td><td>2 Bed Apartment</td><td>2</td><td>£2,485 total (based on ‘Band C’ Council Tax)</td></tr><tr><td>Council</td><td>2 Bed House</td><td>5</td><td>£6,213 total (based on ‘Band C’ Council Tax)</td></tr><tr><td>Total</td><td></td><td></td><td>£10,872</td></tr></table>	Tenure	Type	No.	Total Council Tax Yield (per annum)	Council	1 Bed Apartment	2	£2,174 total (based on ‘Band B’ Council Tax)	Council	2 Bed Apartment	2	£2,485 total (based on ‘Band C’ Council Tax)	Council	2 Bed House	5	£6,213 total (based on ‘Band C’ Council Tax)	Total			£10,872
Tenure	Type	No.	Total Council Tax Yield (per annum)																		
Council	1 Bed Apartment	2	£2,174 total (based on ‘Band B’ Council Tax)																		
Council	2 Bed Apartment	2	£2,485 total (based on ‘Band C’ Council Tax)																		
Council	2 Bed House	5	£6,213 total (based on ‘Band C’ Council Tax)																		
Total			£10,872																		

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	The scheme has been discussed in depth with planners, highways officers and local elected members which has informed the current proposal.
3.02	<p>A public consultation event was held 10th of March 2017 in the adjacent primary school hall, although this event was sparsely attended the principle of residential development was welcomed. The principle concerns raised at the event were:</p> <ul style="list-style-type: none"> • Noise and disruption from construction activities • Parking of contractors vehicles, particularly during school drop off and collection times • Safety of children and pedestrians during construction activities.
3.03	Subsequent to this event a full planning application was submitted at the beginning of April and we are currently awaiting approval of the proposals.

4.00	RISK MANAGEMENT
4.01	The Operational Risk Register is in place for the SHARP Housing Programme which is regularly updated in relation to emerging and changing risks. This is in addition to Project specific Risks and Strategic Risks.
4.02	The SHARP team continues to develop a framework for managing risk and opportunities the programme generates. Further work is on-going in order to improve the robustness in risk identification and management as part of the new CAMMS system which will contain Development Framework procedures.

5.00	APPENDICES
5.01	Appendix 1 - Site Plan Former Resource Centre, Melrose Avenue, Shotton
5.02	Appendix 2 - Financial Summary Appraisal Former Resource Centre, Melrose Avenue, Shotton

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>Contact Office: Clare Budden Job Title: Chief Officer Community and Enterprise Telephone: 01352 703800 E-mail: clare.budden@flintshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
7.01	<p>Strategic Housing And Regeneration Programme (SHARP) – Flintshire County Council House Building Programme which will build 500 new homes (200 Council) and 300 (affordable).</p> <p>Welsh Housing Quality Standard (WHQS) - Flintshire County Council will be spending £111 million over six years on a major refurbishment and maintenance programme of works bring its 7,200 Council homes up to the Welsh Government's Welsh Housing Quality Standard (WHQS) new properties across the Council during the next five years.</p> <p>Standard Development Scheme Assumptions - agreed allowances for voids; maintenance costs; rental income levels (including CPI etc.) and will be used to assess all potential future development schemes to determine Scheme feasibility and viability.</p> <p>Housing Finance Grant II - The Welsh Government (WG) has made available additional revenue funding of approximately £8 million each year, over a 30 year period for the second phase of the Housing Finance Grant (HFG) scheme. For this second phase of the HFG funding, delivery partners have now been extended to not only include Registered Social Landlords but also Local Housing Authorities due to the recent exit of the Housing Revenue Account System.</p>