

## **NORTH SOMERSET COUNCIL DECISION**

DECISION OF COUNCILLOR PASLEY, EXECUTIVE MEMBER FOR HUMAN RESOURCES, ASSET MANAGEMENT, CAPITAL PROGRAMME AND TRANSFORMATION PROGRAMME, IN CONSULTATION WITH CLLR AP REES DEPUTY LEADER AND EXECUTIVE MEMBER FOR PLANNING, HIGHWAYS, TRANSPORT, HOUSING AND ECONOMIC DEVELOPMENT AND THE S151 OFFICER

WITH ADVICE FROM: PROPERTY & ASSET MANAGEMENT  
CORPORATE SERVICES DIRECTORATE:



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### **DECISION NO: 2018 – 2019 CSD176**

**SUBJECT: Acceptance of grant offer under Local Authority Accelerated Construction Programme in respect of council owned land at Selworthy Road, Weston super Mare.**

**KEY DECISION: NO**

#### **BACKGROUND:**

The Executive gave approval on 2<sup>nd</sup> February 2016 to bring forward four sites for residential development subject to all relevant consents being received. The sites included Selworthy Road, Weston super Mare. Following positive pre-planning application advice, the site was included within the Council's Sites Allocation Plan which was formally adopted by Council on the 10<sup>th</sup> April 2018. The site is identified to deliver circa 45 units.

In January 2017, Council submitted an Expression of Interest to be included in the Local Authority Accelerated Construction (LAAC) Programme. Whilst this Council was not included in the first tranche, the Selworthy Road site was included for consideration in the second tranche.

The LAAC fund is intended to provide tailored financial support to enable a local authority to invest in their sites in exchange for local authority commitment to taking sites to market in a way which seeks to secure delivery of housing at pace; utilise Modern Methods of Construction (MMC) (where site viability allows); and provide opportunities where appropriate to new entrants and small to medium size builders.

Homes England, acting for Government, undertook a desk top due diligence test, the purpose for which was to assess the site's suitability for tailored support. The process involved an assessment of legal, planning, technical and viability issues. The report identified abnormal costs of approximately £103,000 for survey and site and investigation works, and about £823,000 of capital works.

In July 2018 an offer was received to provide a grant of £926,383 for this site, the principal agreed conditions are

1. Development of 47 housing units (the Sites Allocation Plan suggested 45 units)
2. 30% (14) would be affordable, in accordance with planning policy
3. Council shall help promote diversification in the construction industry (eg attracting new entrants and promoting growth of smaller and medium sized housebuilders)
4. The funds are available to bring the site forward through the planning process and undertaking the necessary infrastructure and enabling works to bring the site forward for home construction.
5. Drawdown on the funds may be claimed on a quarterly basis from proven and acceptable expenses.
6. Drawdown of the funds shall be completed by 31 March 2021.
7. The principal aim of the funding is to accelerate the development of housing, in this respect it is expected that an average of 4.4 homes per month be completed. This equates to the 47 homes being built and completed within a year from building commencement (subject to sales).
8. The offer was for all the houses to be built using Modern Methods of Construction (MMC) using Volumetric construction. Agreement has been reached for this construction type using panellised construction methods (see explanation below)
9. The agreed milestones, to meet the drawdown requirements, being
  - a. Obtaining outline planning consent for the site by December 2019
  - b. Completion of infrastructure works by March 2021
  - c. Commencement of house construction after March 2021
10. There would be a clawback of this grant if the "clean site value" or residual value of the site was to exceed £1,054,056, the clawback being 100% of the excess.
11. In the event of the Council disposing of the land to a developer, the Council shall retain control over the pace of the development by entering a development lease in the first instance.

The Government and Homes England are promoting the use of MMC to speed up the rate of house building across the country. The construction methods described above is

"Panellised": Flat panel units are produced in a factory and assembled on-site to produce a three dimensional structure. The most common approach is to use open panels, or frames, which consist of a skeletal structure only, with services, insulation, external cladding and internal finishing occurring on-site. More complex panels - typically referred to as closed panels - involve more factory-based fabrication and may include lining materials and insulation. These may also include services, windows, doors, internal wall finishes and external claddings. This category embraces newer panellised approaches such as Structural Insulated Panels, storey height aircrete panels, crosswall panellised construction and Cross Laminated Timber panels.

The adoption of MMC, over tradition build, has over the last few years made significant advances in the build quality of housing units as much of the work is undertaken in controlled factory environments. This has resulted in a reduction of waste material, a reduction in time on site and addresses the skills shortages of artisans required for on-site working. The use of MMC techniques may marginally increase the costs of house construction, but, due to offsite manufacture, other costs related to the time frame are reduced. Where the manufacturers of offsite buildings have been through a national formal process of quality assurance, insurance and mortgage providers are prepared to accept such structures.

The Selworthy Road site is within the Bournville Estate where a significant number of the homes are owned by Alliance Homes, which has identified the land as a potential development site for the expansion of its portfolio of social housing. To this end Alliance have provided a suggested layout for some 40 houses and 31 flats for this site.

Officers have commenced discussions with Alliance Homes on the possibility of transferring the site, with or without the LAAC grant offered. If agreement can be reached this will be subject to a separate decision.

The LAAC grant offer has time limits and therefore it is important that progress be made as soon as possible on the acceptance of the grant and agreement on how it is to be utilised. The acceptance of the grant offer does not preclude the Council taking a different direction as it can only be drawn down once the infrastructural and development costs have been expended. But Homes England reserves the right to terminate the Agreement, and consequently any unclaimed grant, in the event of the Council not achieving any agreed outputs or milestones or commits a breach of the agreement. There is a need within the grant to agree in advance the programme and anticipated costs.

#### **DECISION:**

Officers are authorised to proceed with accepting the grant of £926,383 from the LAAC Fund on the basis of the principal terms and conditions outlined above.

#### **REASONS:**

The acceptance of the grant offer will help the Council bring forward the development of this site at a quicker pace than would otherwise be achieved. Whilst the conditions attached to the grant introduce some restrictions in terms of methods of construction these are not considered to outweigh the benefits of the funding.

#### **OPTIONS CONSIDERED:**

The Council could reject this grant offer and proceed to take the site to the market after investing in infrastructural works to bring to market readiness. This would result in an additional £926,383 costs having to be funded as part of the development costs rather than by way of grant. There is no guarantee that the value of the site, post the infrastructural works, will provide a receipt in excess of the cost incurred.

## FINANCIAL IMPLICATIONS:

The detailed 70 page report produced by Homes England identified the following costs of both a revenue and capital nature:

### Survey/further investigation costs

Tree survey	£ 3,000 - £ 4,000	
Utilities	£10,000 - £30,000	
Access and highways	£ 2,000	
Ground conditions	£30,000	
Ecology	£10,500	
Water management	£16,000	
Noise	£12,000	
Air	£10,500	
<b>Estimated cost</b>		<b>£103,000</b>

### Estimated Capital works/investment costs

Utilities	£ 40,000	
Highways and access	£171,000	
Ground conditions	£230,000 - £825,000	
Ecology	£ 15,000	
Water management	£ 32,200	
Buildings	£ 19,000 (asphalt removal)	
<b>Estimated cost</b>		<b>£804,719</b>

<b>Total abnormal costs (from report)</b>	<b>£908,219 (most likely)</b>
	<b>£1,225,219 (maximum).</b>

The Council will need to forward fund the costs that can be reimbursed on a quarterly basis from the LAAC grant.

The anticipated spend of the grant will be spread over two financial years, and are estimated as follows:

2019/20	£103,000
2020/21	£823,000

There is no repayment obligation of the LAAC grant other than a clawback if the Council exceeds an agreed land value.

## LEGAL POWERS AND IMPLICATIONS

The Council has powers to lease/ license out its own assets in terms of the Local Government Act, 1972, Part VII

## CONSULTATION

The offer of the grant was indicated in the paper entitled "Update and contract award for strategic council priority projects; Locking Parklands Primary, FoodWorks, North south Link Road and grant acceptance; including budget setting", considered and agreed by full council on 25<sup>th</sup> September 2018. Under which the decision on acceptance of this grant was delegated to the Executive Member for Capital Finance, in consultation with the Executive member for Housing and Section 151 Officer.

## RISK MANAGEMENT

1. Claims of cost not being accepted by Homes England: This will be mitigated by ensuring that all anticipated costs are acceptable to Homes England prior placing purchase orders.
2. Failure to meet outputs: Mitigate by ensuring Homes England participate and prior agreement to the planning proposals.
3. Failure to meet the agreed milestones: Mitigated by ensuring that Homes England are kept advised on progress to meet the milestones and obtaining their agreement to delays.
4. Failure to drawdown the full grant by 31 March 2021: Mitigated by ensuring that the milestones are met, and all claims made by that date.

## EQUALITY IMPLICATIONS

Not considered necessary at this juncture.

## CORPORATE IMPLICATIONS

The delivery of these projects provides numerous benefits that contribute towards the council's corporate outcomes of: Prosperity and Opportunity, Health and Wellbeing and Quality Places

Prosperity and opportunity	Health and wellbeing	Quality places
<ul style="list-style-type: none"><li>● Drive growth in the North Somerset economy and local jobs.</li><li>● Ensure that all our town centres are thriving.</li><li>● Enable young people to fulfil their potential.</li><li>● Ensure that all our communities share in prosperity and employment growth.</li></ul>	<ul style="list-style-type: none"><li>● Enable residents to make healthy choices and promote active lifestyles which reduce ill-health and increase independence.</li><li>● Support families to give their children the best start in life.</li><li>● Commission or provide quality health and care services, which deliver dignity, safety and choice.</li></ul>	<ul style="list-style-type: none"><li>● Enable sustainable housing growth which protects our natural and built environment and the special character of our villages.</li><li>● Build and sustain great places to live and visit - vibrant, accessible and safe.</li><li>● Empower people to contribute to their community and communities to provide their own solutions.</li></ul>

## BACKGROUND PAPERS

Report identifying the four small sites as available for development to Executive 2/2/16  
Report adopting Sites Allocation Plan to Council 10/4/18  
Report including grant acceptance to Council 25/9/18  
Grant offer from Homes England 25/7/18

### SIGNATORIES:

DECISION MAKER:

Signed: .....  .....

Title: Executive member for HR, asset management, capital programme and transformation programme

Date: ..... 14 MARCH 2019 .....

WITH ADVICE FROM:

Signed: .....  .....

Title: Executive member for planning, highways, transport, housing and economic development

Date: ..... 14 MARCH 2019 .....

Signed: .....  .....

Title: Section 151 Officer

Date: ..... 14 MARCH 2019 .....

Signed: 

Title: Geoff Brakspear, Asset Manager

Date: ..... 14 MARCH 2019 .....