

SCH&H O&S

12th May 2014

Central
Bedfordshire

**Housing Revenue Account
(HRA) 2014/15 – 2019/20**

**Housing Service
Investment Plan**



Investment potential

– circa £150m over 30 years, plus finance the Council can leverage

Scope to invest – developing a strategic Investment Plan

- Tenant/leaseholder benefit – improvements, tenant aspiration
- Build new homes, meet housing need (e.g. children leaving care)
- Regeneration impact – e.g. Pride of Place, estate improvement
- Asset Management Strategy (resolve problems)
- Economic boost
- Support the Council's efficiency programme
- Respond to demographic change (e.g. accessible homes)
- Environmental agenda – e.g. Fuel poverty



Resources to deliver the Housing Service Investment Plan

- Business Plan forecasts annual surpluses of £6m - £8m (after interest payments) for 6 years
- Estimated £48m available up to 2017/18, £56m to 2019/20 (after debt repayment of £15m)
- Estimated £14m needed for Priory View (2014-2015)
- This would leave £34m available (4 yrs), £42m (6 yrs)
- Business Plan intention is to repay debt of £165m over 30 years
- “Additional” investment potential is approximately **£150m after debt repayment of £165m** over 30 years (estimated range between £136m to £168m, depending on variables such as interest rates)
 - “additional” is an amount over/above the minimum level of investment in the existing stock, that is necessary to maintain homes in good condition
 - from an asset management perspective, “investment” decisions are sophisticated, when considering the existing stock and new opportunities

Loan Portfolio, Debt Strategy, Right to Buy sales

- Self Financing Debt - £165m (73% fixed, 27% variable)
- Interest payments for 13/14 of £4m (average rate 2.40%)
- Interest rate rises on the horizon?
- A 2% increase equates to £900k extra cost per year
- Fixed rate debt - £120m – matures between 2024 – 2034
- Proposal – principal repayment (forecast at £6.3m) in 2017/18 (forecast repayment of £15m by 2019/20)
- Right to Buy (RtB) sales receipts
 - “1 for 1” receipts must be used or they go back to Government (if not spent within 3 years)
 - increase in RtB sales from 7 in 2011/12 to 30 in 2013/14
 - £2.3m balance of retained receipts as at 31.03.14 (£1.1m for “1 for 1” replacements)

Balanced approach to investment planning

- Not done this before – walk before we run – learning from partners
- Spend wisely: the Council has a great deal of money (strategic plan)
- Opportunity led – want to make a difference now
- “Bite sized chunks” (although Priory View is a large chunk)
- Land is constrained (supply of low value land)
- Delivery structure/model – aligned to a programme we can sustain
- Opportunity to work closely with Aragon and Aldwyck and are doing so
 - e.g. Greenfields in Leighton Buzzard
 - a third extra care scheme in Biggleswade

Council will invest in all wards.

Initial programme is dominated by opportunities in the south of Central Bedfordshire

Scope of the O&S discussion

Today – an overview of what the Housing Service is working on
Grand Union will present on planned investment (north of Central Bedfordshire)

Detailed proposals will be presented for approval at Executive

2014/15 (likely to seek approval soon for)

- Croft Green, Dunstable – a sheltered scheme, 26 units
- Creasey Park, Dunstable – a garage site, 4 units

Questions – scope for discussion

- Scope of the programme as a whole.
- Should the Housing Service adopt a balanced approach or be more single focussed in some areas – e.g. New build on green-field sites?
- “Golden rules” are proposed: what do you think?
- Opportunities within Central Bedfordshire – your views?

Constraints

Land

- i.e. economic sites – low value land
- Major sites are constrained due to viability (development economics)
- Grand Union are similarly constrained

Delivery model (i.e. Capacity, expertise, partnership, ambition)

Council has not developed previously. Priory View is a learning curve

Several options, ranging from –

- “in house” team
- Joint venture, Special Purpose Vehicle, Trading Company
- Contract with a specialist provider of “development expertise”
- Important that the model enables the Investment Plan to be delivered
- Intention is to twin track initial investment programme using existing capacity/approach, whilst developing a new vehicle/model.

Homes & Communities Agency (and Partners)

- Housing Service has achieved partner status with HCA
- HCA Grant secured – Priory View £1.7m
- Competitive Grant Bids about to go in ... 3rd extra care scheme
- G&T sites are not HRA funded, but are part of the Investment Plan
 - Grant Bid of £1.9m for proposed extension of Potton site (13 new plots) and new site at Dunton Lane (12 new plots)

Developing a stronger relationship with the HCA. Important –

- To consider how the Council can leverage finance
- How we can make best use of s106 (affordable housing) resource
- How we can enable partners to invest in Central Bedfordshire
- Maximise our opportunity of Development Status
- Contribute to wider development initiatives – strategic partnerships

‘Golden Rules’ – principles to guide investment

- Win/win/win approach:
 - Overall, the proposed scheme is a sound investment
 - A problem is solved – e.g. blighted garage site
 - Delivers savings to the General Fund
- Investment Plan flexibility: informal status, keep options open
- Active involvement of tenants (Tenant Investment Panel)
- Balance investment potential against the choice to repay debt
- New build projects should not be undertaken at the expense of maintaining and managing the existing assets
- New build in all Central Bedfordshire wards (with tenant support)

Tenant Investment Panel (TIP)

- The Panel has informal status – newly formed as part of the budget process for this year. TIP is not part of the process for approval of capital expenditure.
- Intend to consult on specific proposals, as they are being developed, as well as to consult with tenants who are directly involved
- Important to understand choices between investment in the existing stock (improve homes, deliver customer benefit, resolve problems) against strategic objectives – e.g. regeneration, meet housing need
- Always looking for the “..win, win ..” – e.g. fuel poverty initiatives
- Important to develop a common understanding of the debate, the choices and the rationale for decisions
 - e.g. on what basis do you value tenant benefit, when compared to strategic objectives (benefits)?
- Tenants have identified a key issue as being parking provision

Options for investment: where to invest?

- New build on green-field sites – lowest cost per unit, s106 sites
- Extra Care Housing
 - Priory View (now),
 - 3rd extra scheme in Central Bedfordshire, after Greenfields & Priory View
- Environmental/Estate Improvements (e.g. parking)
- Purchase/repair/dispose of empty homes that blight neighbourhoods
- Regeneration of existing sites in the HRA portfolio (e.g. garage sites)
 - Creasy Park, Dunstable is the first of these being worked up
 - Major regeneration schemes
- Remodelling (with new units) of existing Sheltered Housing (Croft Green)
- Capital receipts – use or lose

Priory View, Dunstable – 83 new council homes



Greenfields, Leighton Buzzard (Aldwyck)



Sheltered Housing Review

Modernisation of some sheltered schemes is a key area of investment

Standards agreed, engaging with each scheme over the summer to consider the implications, when Standards are applied to each scheme

Detailed discussion: with each scheme

- Some – major refurbishment
- Some – relatively small scale investment
- Some – de-designate

Toddington, Crescent Court – Council commitment to re-provide accommodation for older people – Neighbourhood Planning process

Dunstable, Croft Green





bathroom



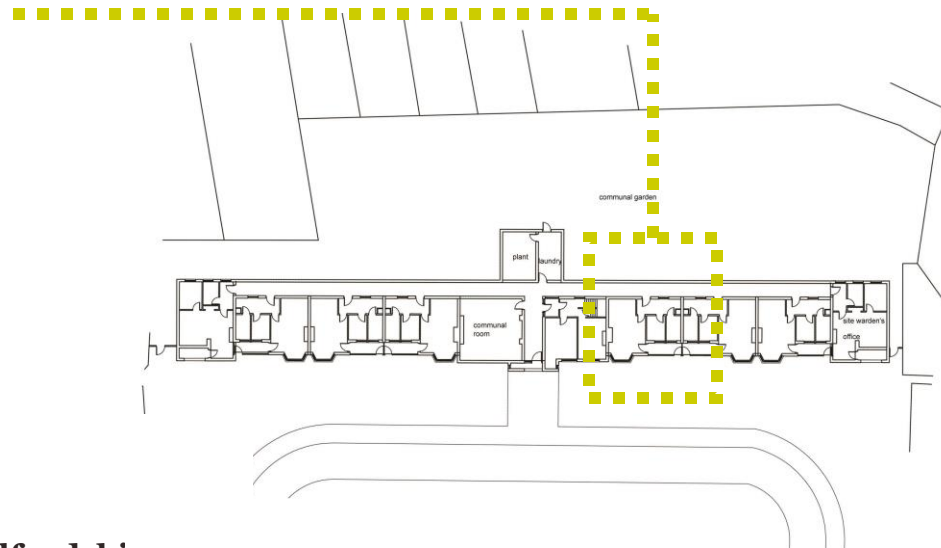
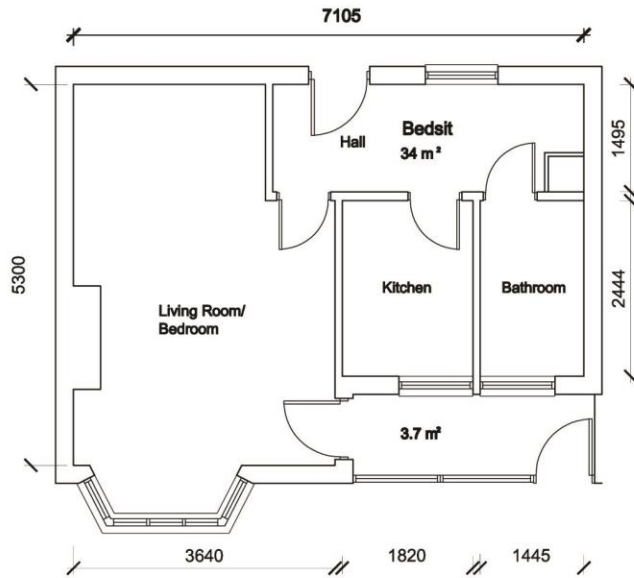
kitchen



front entrance



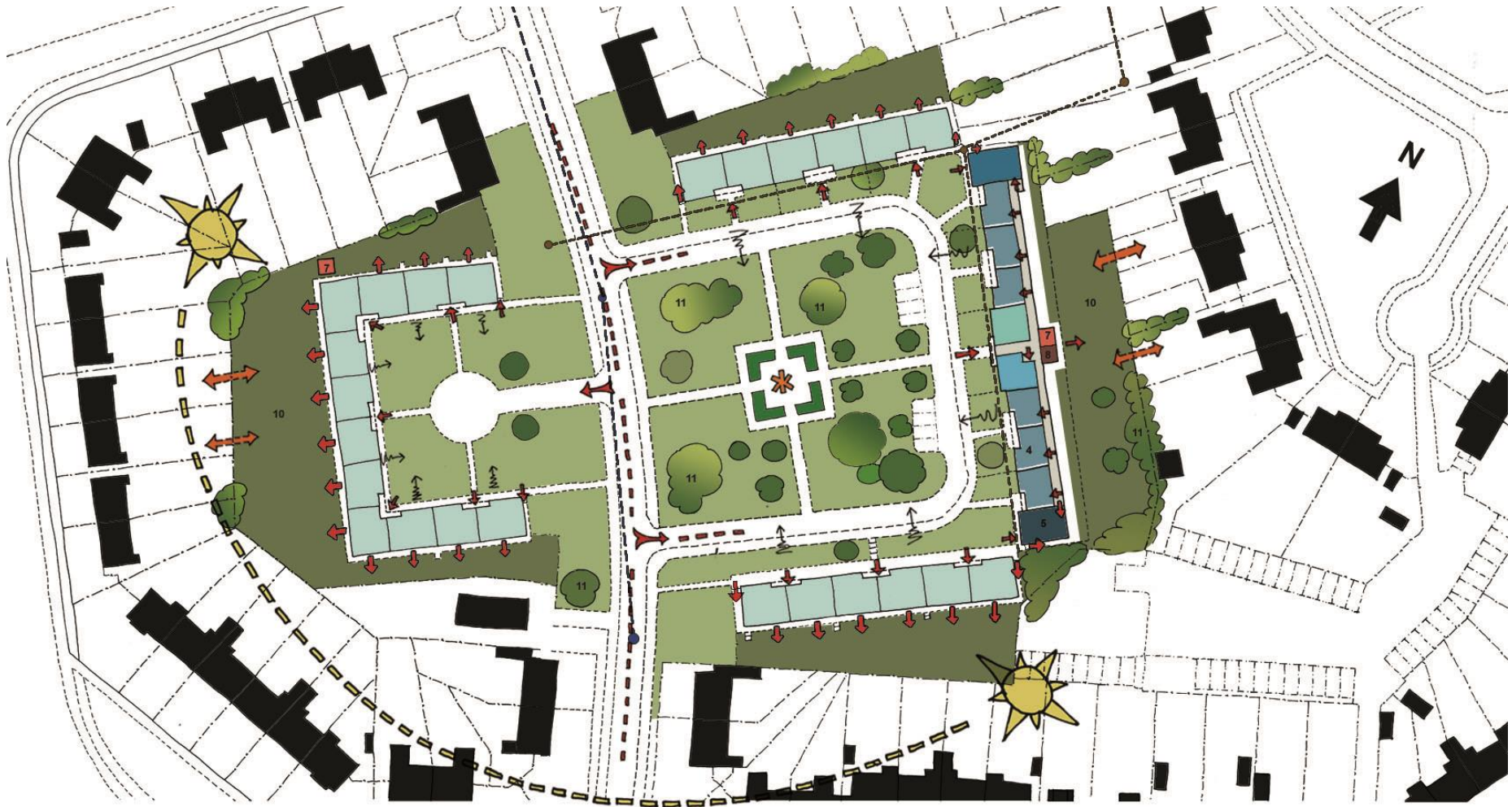
bedsit block hallway



Croft Green Redevelopment

Bedsit Block Typical bedsit - Existing Plan

Not to scale Date: Sept 2009 Drawn by: DI



Key

- | | | | | | |
|-----------------------|---|--------------------------------------|---|----------------------------|--|
| 1. existing buildings |  | 6. main access and garden access |  | 11. existing trees |  |
| 2. Croft Green green |  | 7. plant room |  | 12. access into the site |  |
| 3. bungalows |  | 8. communal kitchen and laundry room |  | 13. surface water sewers |  |
| 4. bedsits |  | 9. communal room |  | 14. foul water sewers |  |
| 5. warden's office |  | 10. communal gardens |  | 15. back to back distances |  |

Croft Green, Dunstable
existing site constraints plan

not to scale

July 2009 drawn by: DI

Croft Green, Dunstable – 26 new flats



Empty homes

- Purchase, repair, return the property to the market as “improved”
- Idea is a £2m recyclable pot of money, so that the pot continues to be replenished from sales receipts (enabling there to be a continuous programme of empty homes)
- Objective – to see the property improved/occupied



Estate Improvement (Pride of Place)

Parking is a major issue on estates where the Council is the dominant landlord.

Many opportunities to achieve impact through works to improve the local environment.

Opportunity to charge residents for parking spaces, to enable the Council to fund the investment to deliver parking schemes to benefit all residents.



Regeneration

(Housing Asset Management Strategy)

Major areas to consider – appraisal work is underway

- Mayfield Road shops, Downside, Dunstable
- Sandland Close, Dunstable
- Union Street, Dunstable
- Broomhills Road, Leighton Buzzard



Garage Sites (regeneration)

Evaluation of the Council's 75 garage sites identified

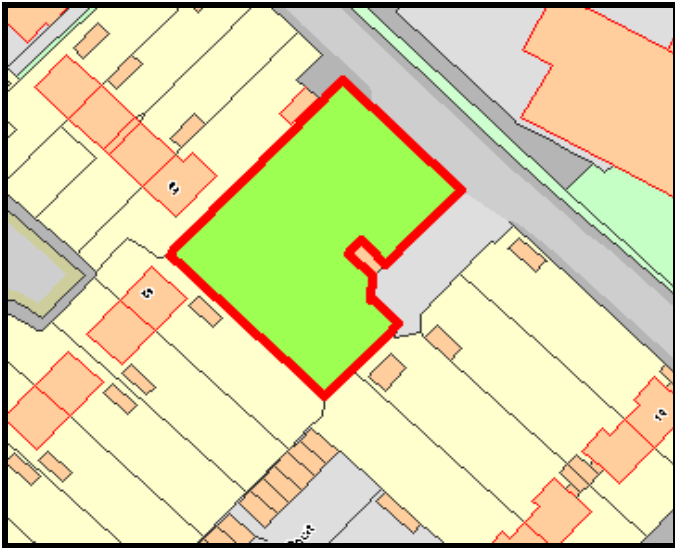
- Development: 17 sites – potential for up to 98 units
- Repair & Maintain : 35 sites – profitable
- Alternative Use: 23 sites – not profitable (further work)

Evaluation criteria for development (seeking maximum overall benefit):

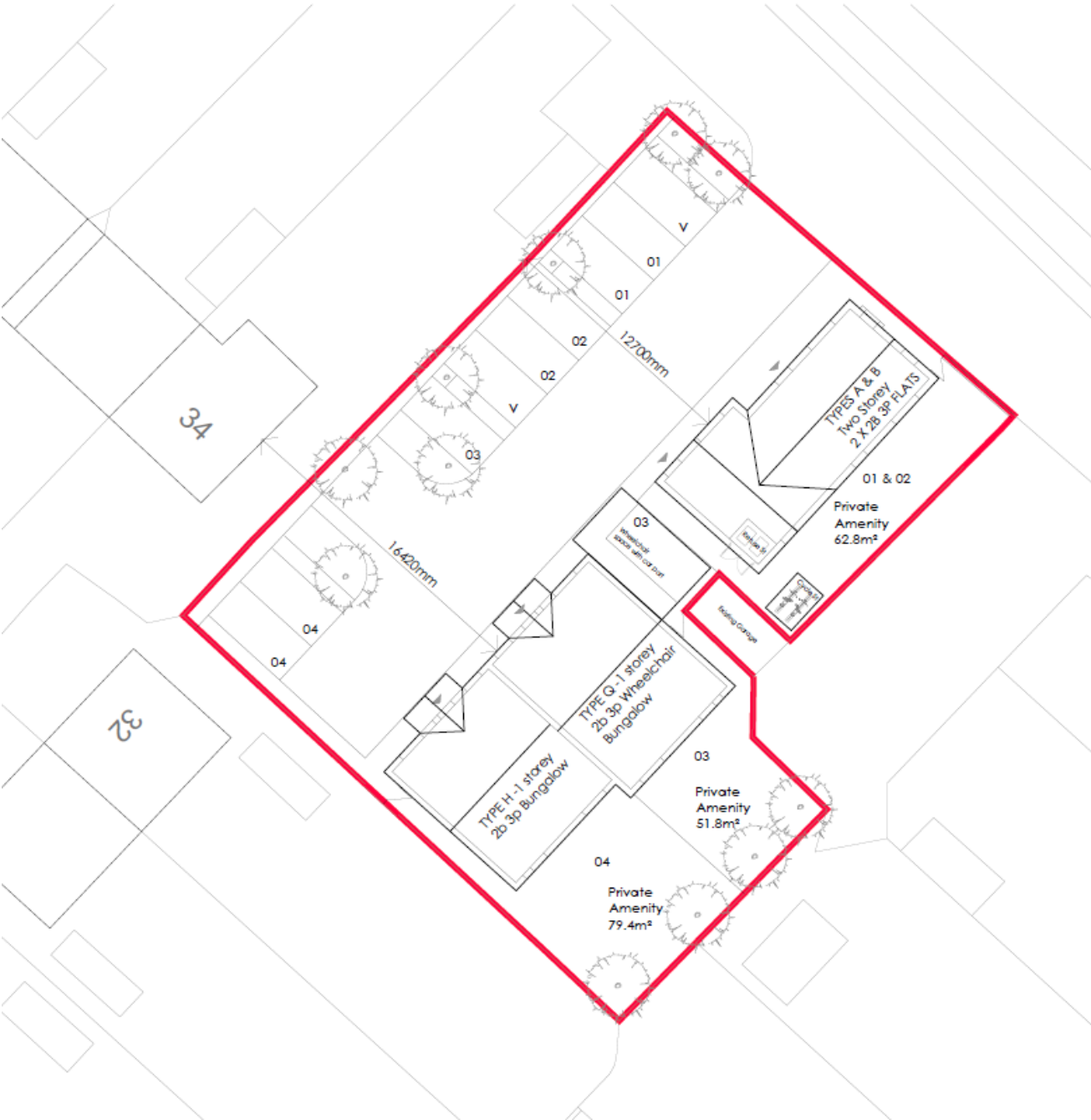
- current occupancy less than 40%,
- maximum of 10 buy backs per site, and
- minimum of 3 new units delivered

Work is part of the Investment Plan. Also part of a Garage/Parking Strategy

Creasey Park Drive, Dunstable



- No ownership constraints
- Capacity for 4 units
- Pre-application completed

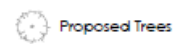


Schedule of Accommodation

| TYPE | BED | SIZE m ² | QUANTITY |
|-------|------------------------------|---------------------|----------|
| A | 2B 3P Flat | 65.9 | 1 |
| B | 2B 3P Flat (walk-up) | 77.1 | 1 |
| H | 2B 3P Bungalow | 61.8 | 1 |
| Q | 2B 3P Bungalow (wheel chair) | 69.4 | 1 |
| TOTAL | | 274.2 | 4 |



— Site Boundary



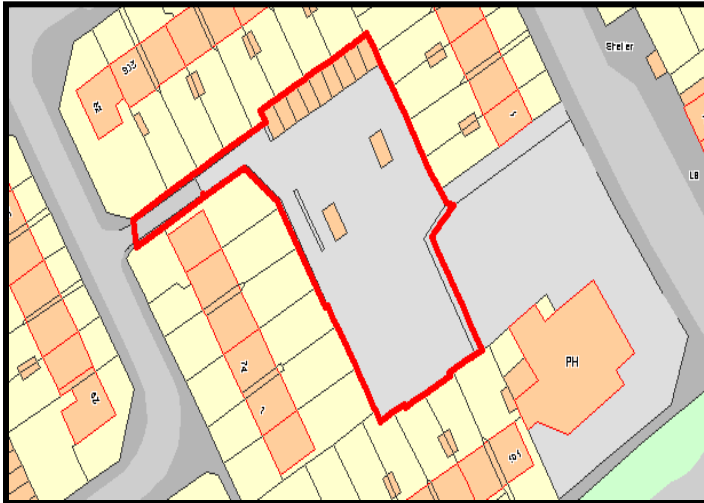
Subject to a full topographical survey and consultation with the LA Development Control

project
Creasey Park Drive
Dunstable
 drawing
Indicative Site Layout
Option 04

| | | | | | | | |
|----------|----------|----------|------------|-------------|-----------|-----------|----------------|
| scale | date | drawn by | checked by | CDM status | 2D number | 3D number | drawing number |
| 1:200@A3 | 22.07.13 | JB | JCS | FEASIBILITY | 52499 | SK404 | |



Sycamore Road, Houghton Regis



- 2 private interests
- Capacity for 6 units
- Opportunity to extend site (adjacent pub)

Brewers Hill Road, Dunstable (1)



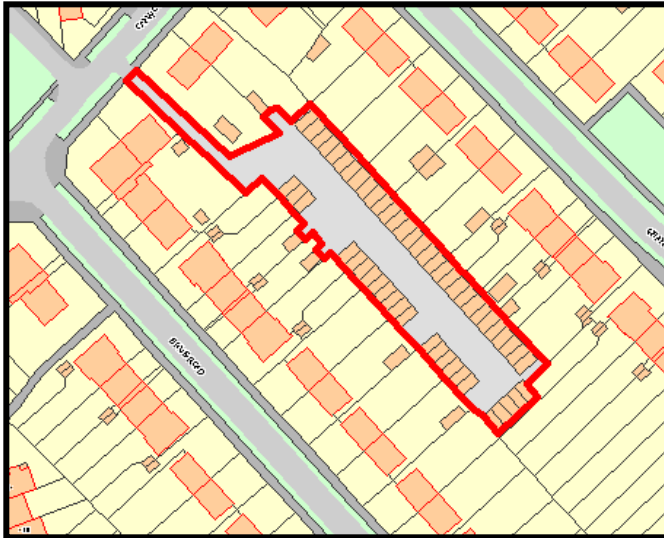
- 9 Private interests
- Capacity for 9 units
- Opportunity to extend site (as part of a wider approach to asset management that includes PRC homes)

Brewers Hill Road, Dunstable (2)



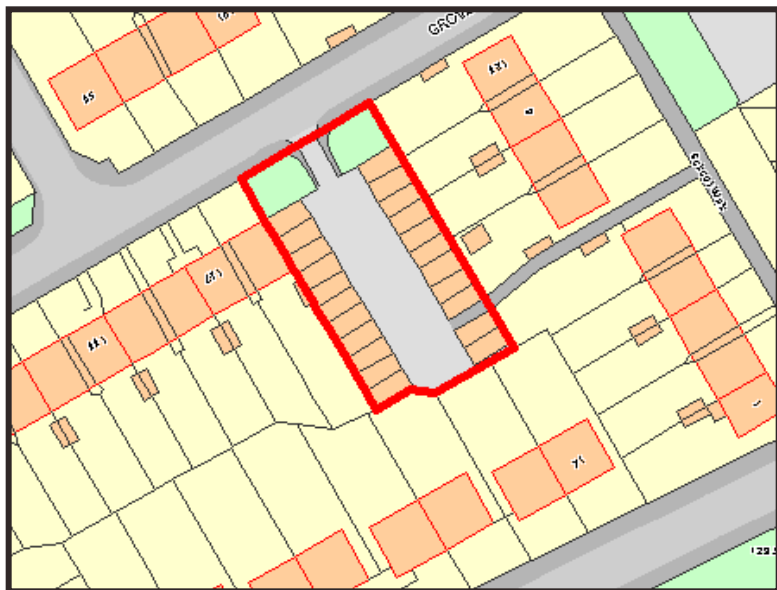
- 8 private interests
- Capacity for 8 units

Oakwood Avenue, Dunstable



- 5 private interests
- Capacity for 8 units
- Likely to require innovative house-types (site constraints)

Grove Road, Houghton Regis

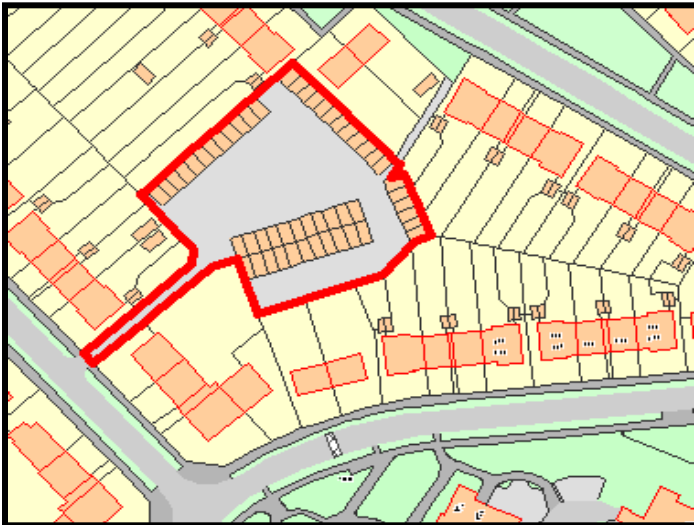


- 5 private interests
- Capacity for 6 units

Brive Road, Dunstable



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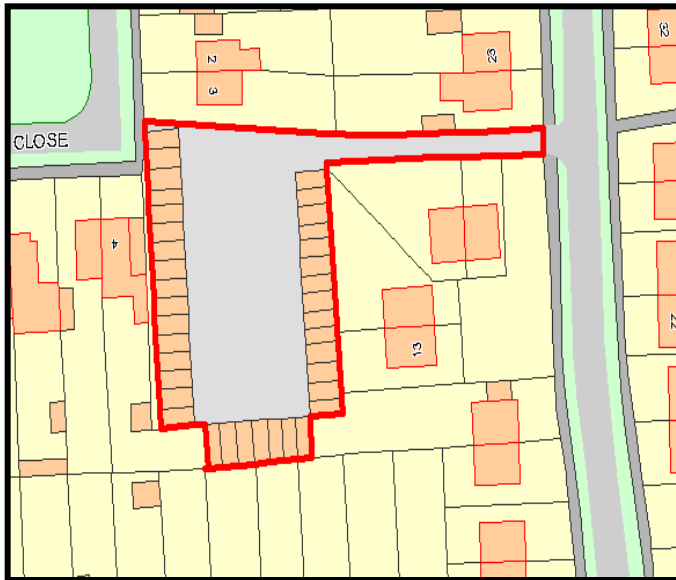
- 8 private interests
- Capacity for 10 units

Northfields, Dunstable



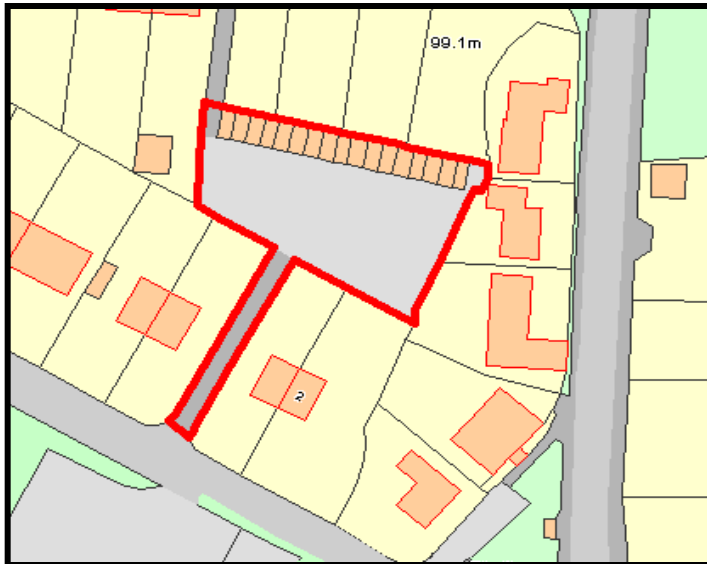
- 3 private interests
- Capacity for 4 units
- Opportunity to extend site
(neighbouring green space)

Osborn Road, Barton le Clay



- 6 private interests
- Capacity for 7 units
- Opportunity to extend site (adjacent properties)

Park Lane, Eaton Bray

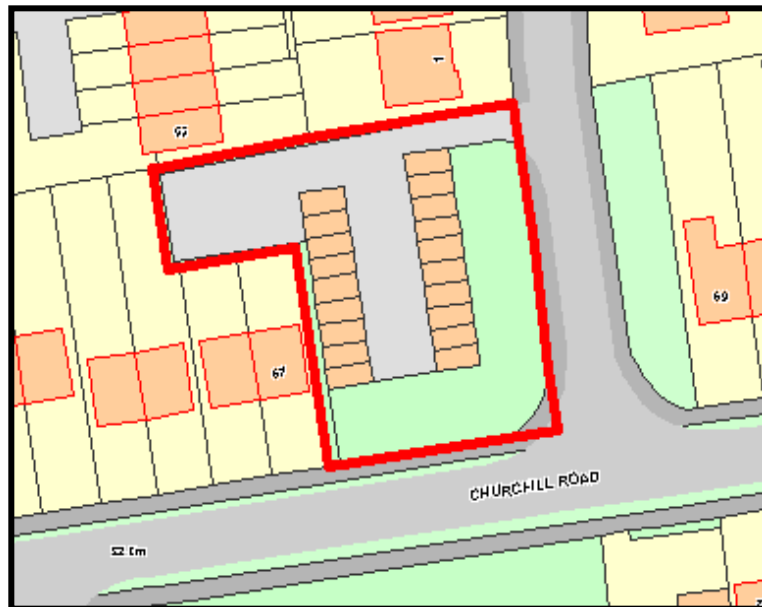


- 6 Private interests
- Capacity for 6 units
- Rights of way issues

Churchill Road, Leighton Buzzard

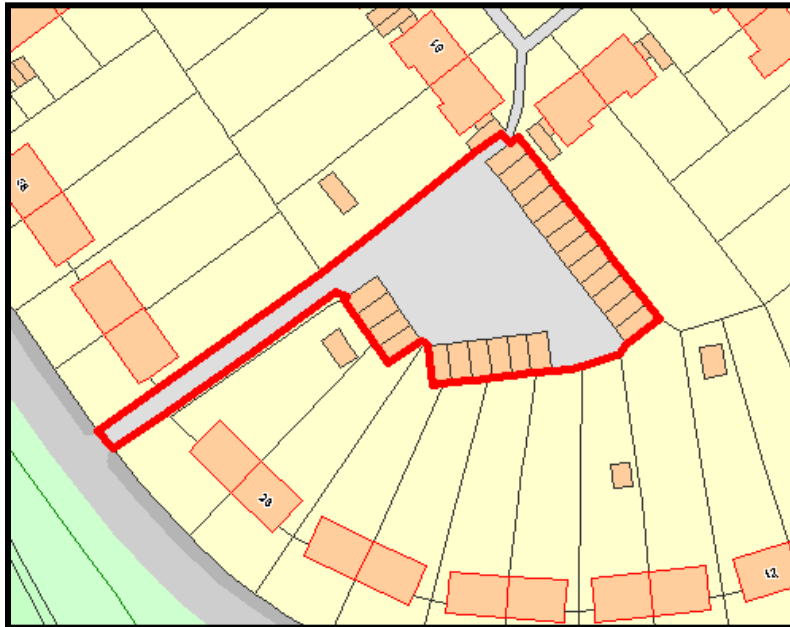


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- 5 Private interests
- Capacity for 4 units
- Neighbours new development

Spinney Crescent, Dunstable



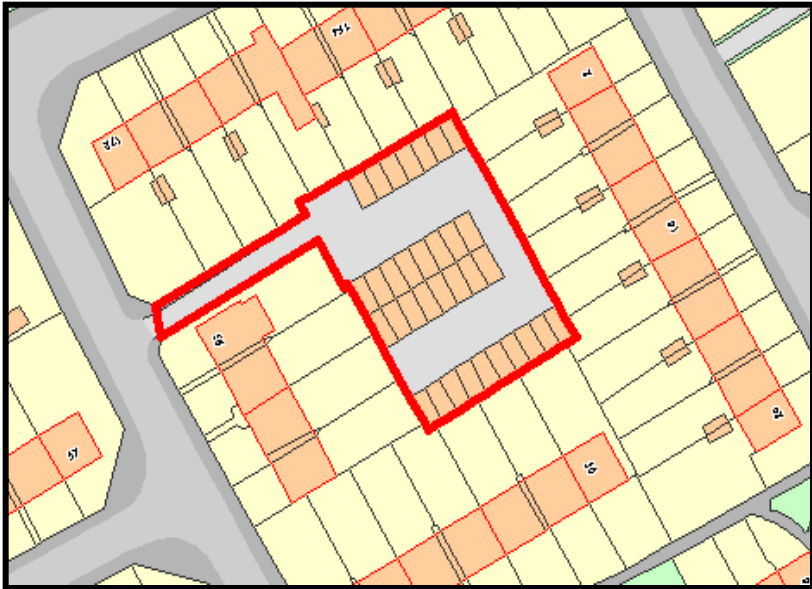
- 5 Private interests
- Capacity for 4 units

Kent Road, Houghton Regis



- 6 Private Interests
- Capacity for 5 units

Recreation Road, Houghton Regis



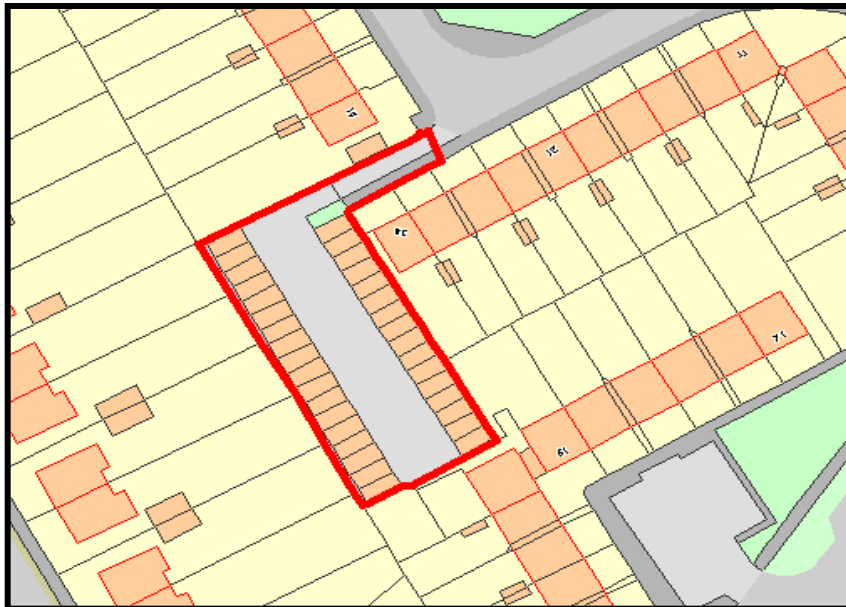
- 5 Private Interests
- Capacity for 4 units

Mountview Avenue, Dunstable



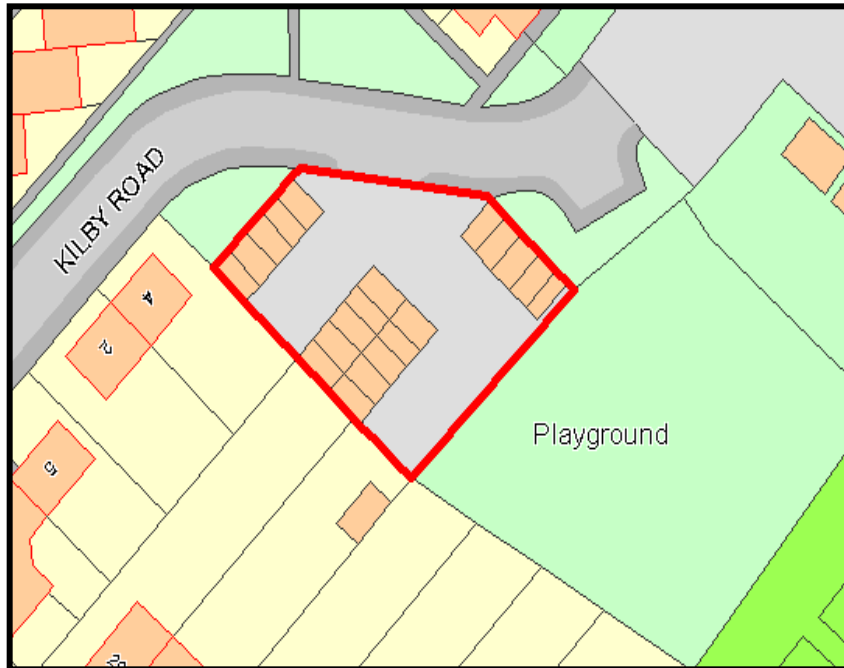
- 9 Private Interests
- Capacity for 6 units

Recreation Road, Houghton Regis (HR19)



- 7 Private Interests
- Capacity for 4 units

Kilby Road, Hockliffe



- 9 Private interests
- Capacity for 3 units
- Opportunity to extend site (adjacent land)

Economic development: cost benefit analysis

We have a choice as to how we construct a garage site development programme, that depends on the tenure mix and whether we take a whole value approach to the economic appraisal of the sites (i.e. value all the benefits)

| Scenario (tenure mix) | Total No. Units Delivered | No. Affordable Units Delivered | Cumulative NPV |
|---|---------------------------|--------------------------------|----------------|
| 35 % Affordable Rent / 65% Shared Ownership | 98 | 98 | -£388,682 |
| 40 % Affordable Rent / 60% Shared Ownership | 98 | 98 | -£1,142,122 |
| 45 % Affordable Rent / 55% Shared Ownership | 98 | 98 | -£1,436,147 |
| 50% Affordable Rent / 50% Shared Ownership | 98 | 98 | -£1,334,700 |
| 33% Affordable Rent / 33% Shared Ownership / 33% Sale | 98 | 64 | -£336,714 |
| 35% Affordable Rent / 65% Sale | 98 | 33 | £180,123 |

Indicative 8 year programme – circa £16.6m (98 homes)

| Year | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
|-----------|----------|------------|------------|------------|------------|------------|------------|------------|
| Cost | £235,568 | £2,966,449 | £2,344,880 | £2,359,595 | £2,530,219 | £2,397,594 | £2,521,378 | £1,202,073 |
| No. Units | | 19 | 14 | 14 | 15 | 14 | 15 | 7 |

- The above is based on being able to acquire private interests in a reasonable time and for the currently assumed values.
- Inflation may lead to costs increasing.
- Sites may move forward or backward in the programme (along with their associated expenditure) depending on progress.
- Aim is to progress Creasey Park during 2014/15
- 19 finished units by end 2015/16 is a challenge

Extra Care housing

3rd and possibly a 4th scheme being progressed (2014/16)

Grant bid to the HCA for a Biggleswade scheme – £16m price tag (HCA grant bid £1.97m)

Preference is that partners deliver the expansion of extra care housing.

Housing Service to deliver where partners are not able to



How might the Investment Plan look? (£56m over 6 years)

Not including HCA grant etc, that could be secured. Or shared ownership sales values.

The proposal below is illustrative and does not neatly fit into a 6 year programme

| | £m | |
|--|------|--------------------|
| • Priory View | 14.0 | |
| • 3 rd extra care scheme | 16.0 | |
| • Empty Homes | 2.0 | (recyclable pot) |
| • Greenfield development (new homes) | 0.0 | |
| • Pride of Place improvements | 1.5 | |
| • Regeneration (new build units, garage sites) | 16.6 | |
| – Future decision as to how units are used | | |
| – E.g. Specialist Young people; LD; MH | | |
| • Sheltered (re-modelling, e.g. Croft Green) | 6.0 | (+ some new units) |

Aim should be to leverage additional investment – e.g. HCA resources

Material points

North of Central Bedfordshire

- opportunity to invest in all Central Bedfordshire wards
- Important to have tenant support
- Important to align with partners' plans and compliment what partners are doing

Balance

- Between short term (getting started) & putting in place a strategic plan
- Balance across the programme (“deliverables”), to make the best of opportunities, whilst working to a strategic plan (responding to strategic drivers)
- Taking the time to put in place an efficient (& ambitious) model for delivery
- Making some progress from which to learn, establish wider understanding, to enable the Housing Service Investment Plan to mature
- Be prepared to review, flex and modify the Investment Plan

Recommendations

Questions – scope for discussion

Scope of the programme as a whole.

Should the Housing Service adopt a balanced approach or be more single focussed in some areas – e.g. New build on green-field sites?

“Golden rules” to guide our investment approach: what do you think?

Opportunities for development within Central Bedfordshire – your views?