

**Teignbridge District Council
Executive
4th November 2024
Part i**

Teignbridge District Council Housing Development

Purpose of Report

To seek approval to fund the next phase of the development at Sherborne House Car Park, Newton Abbot and to provide Members with an update on progress of the delivery of the Teignbridge 100 housing development programme.

Recommendation

That the Executive resolve to -

- 1 Allocate a capital budget of £142,455 to progress the site at Sherborne House, Car Park, Newton Abbot to a stage where the proposed development can be put out to tender to locate a suitable development partner to deliver 23 truly affordable council homes.

Financial Implications

The most significant financial risk is the commitment of £142,455 to work up the next phase of the development and the scheme not being viable and costs would have to be written off to the revenue budget and thus creating a revenue budget pressure.

The Risk Assessment is contained as Appendix A

Martin Flitcroft
Chief Finance Officer and Director of Corporate Resources
Email: martin.flitcroft@teignbridge.gov.uk

Legal Implications

Following the granting of Planning Permission, the site currently has a different land designation and will require appropriation either under the Local Government Act 1972 or Town and Country Planning Act 1990. This will form the subject of a future report to the Executive Committee.

Paul Woodhead
Head of Legal and Democratic Services and Monitoring Officer.
Email: paul.woodhead@teignbridge.gov.uk

Risk Assessment

The Risk Assessment is contained as Appendix A

Executive
Date of meeting – 4th November 2024

The most significant risks are the potential revenue budget pressure and staffing capacity across Housing, Finance, Estates, Legal and Assets to drive the Teignbridge 100 programme forward.

Graham Davey, Housing Enabling and Development Manager
Email: graham.davey@teignbridge.gov.uk

Environmental/ Climate Change Implications

These implications are taken into consideration with this development to ensure compliance with the Council's Carbon Reduction Plan. This development is intended to be constructed to a very high environmental standard, known as Passivhaus to ensure minimal energy use and minimal energy bills for the end user. The scheme due to its town centre location has the ability to be a car free scheme.

Report Author

Graham Davey, Housing Enabling and Development Manager
Email: graham.davey@teignbridge.gov.uk

Executive Member

Councillor Richard Buscombe, Portfolio Holder for the Teignbridge 100.

1. Background.

1.1 On 5th July 2021 the Executive resolved that the Teignbridge 100 housing development project be progressed to increase the delivery of social and affordable housing across Teignbridge to meet the evidenced need of the district, including within the Dartmoor National Park. On 3rd May 2022 Members were advised that the commencement of the Teignbridge 100 housing development pipeline has produced our first new Council Homes for many years.

1.2 Teignbridge now has a portfolio of 67 properties ranging across general needs housing, temporary accommodation, former rough sleeper accommodation, refugee homes and a gypsy and traveller site. The Commercial Property Investment Board in August 2024 approved adding funds of £519,000 to support a successful Local Authority Housing Fund bid of £645,000 to secure a further four properties for refugees and temporary accommodation purposes in Teignbridge.

1.3. To compliment the programme, the Executive approved on 4th October 2022 the Council entering into agreement with Teign Housing for the disposal of land owned by the Council at £10,000 per plot to deliver a second phase of a rural exception site in Christow to deliver 8 rural social rented homes. The proposed development has received positive pre application advice from the Dartmoor National Park Authority and the submission of a planning application is expected shortly.

Executive

Date of meeting – 4th November 2024

1.4 Council land is also facilitating three affordable custom build homes at Howton Field, Newton Abbot which have planning consent and marketing has secured 3 potential purchasers of these innovative self-finish 3 bedroomed watertight shells for the custom builder to complete internally.

1.5 When the existing 67 properties are complemented with the Howton Field (3) and Christow (8) schemes the Sherborne House development will lift the Council enabled stock to over one hundred.

1.6 Members do however need to be aware that despite two Officer led on line training events in May 2024, take up from Town and Parish Councils in respect of engaging with the Rural 5 initiative has been slow.

1.7 Equally, further housing development beyond the schemes listed above is dependent on achieving viable business cases using the available funding. Due to technical requirements from funders such as Homes England, it is not always possible to use capital receipts in conjunction with grant. Funding profiles will need to be considered on a case by case basis.

2. Next Phase.

2.1 In the meantime, the next phase of the pipeline is to progress the site at Sherborne House Car Park, Newton Abbot. On 29th November 2022, Full Council approved a budget of £260,000 to progress the site to a submitted planning application. This was achieved on 17th November 2023 and planning consent was granted by Planning Committee on 23rd August 2024.

2.2 During the intervening period several discussions have taken place with Homes England with regards to grant funding to make the scheme viable. Homes England are supportive of the scheme for the reasons mentioned below and welcome a funding bid from the Council when the scheme has been tendered and exact costs are known. Indications are that Homes England will grant fund in the region of 40% of the total scheme costs. There is a provisional budget of £6.8 million in the Council's capital programme for the delivery stage of the project. This will return to Full Council for approval once costs and funding are more firmly established.

2.3 Reasons for Homes England support –

- Brownfield site.
- Social rent.
- Sustainable location.
- Good access to public facilities and public transport,
- Low Carbon development.
- Includes adapted homes with electric car charging spaces.
- Offers a downsizer initiative to free up existing social housing.

2.4 During this period and prior to planning consent being secured, a bid for Brownfield Land Release Funding, (held up by the general election), was made which was sadly unsuccessful. Officers are seeking feedback on the bid and information is awaited

whether a further funding round will be available. If so the bid can be updated and resubmitted. An update will be provided to Executive if available.

2.5 The next stage of the project is to carry out further works to enable the Council to arrange the procurement of a contractor. These costs total £251,500 excluding VAT and are detailed in **Appendix B**. The costs cover all expenditure to be incurred, including contingency to get from planning stage to tender / building contract stage. These costs also include all Employers Agent and Principal Designed fee up until Practical Completion. These fees are up to date as compiled on 4th October by Kirkham Board who are the Project and Cost Management, Building, Quantity Surveyors and Designers working for the Council on this project.

2.6 Members will be pleased to note that the costs so far have an underspend of £109,045 in relation to the original budget of £260,000 approved by Full Council on 29th November 2022, this has been deducted from the indicative budget in Appendix A to leave £142,455 expenditure requiring Executive approval.

- Original budget for First Phase £260,000
- Expenditure to date £150,955
- Residue funds £109,045

- Budget for Phase Two £251,500
- Less residue of funds for First Phase £109,045

- Budget requirement to procure a contractor £142,455

2.7 The current net cost projections, (assuming Homes England grant and hopefully Brownfield Land Release Funding) for the whole project are within the current capital budget. £500k for the provision of a further unit of temporary accommodation to complement Albany House, Newton Abbot and Luscombe Terrace, Dawlish and 3 further refugee properties is included within the Local Authority Housing Fund (2) below.

3. Capital Funding available and or attributed to the Teignbridge 100 Programme

Source	Value	Comments
Budgeted for Sherborne House		
Section 106 offsite affordable housing contributions	£0.3m	As per current provisional TDC100 budget
Assumed Homes England Grant	£2.4m	As per current provisional TDC100 budget. Estimate for 23 units
Borrowing	£4.1m	As per current provisional TDC100 budget
Other sums available		
Section 106 offsite affordable housing contributions	£0.4m	Based on latest forecast information – not yet included in provisional TDC100 budget.

Executive

Date of meeting – 4th November 2024

Housing capital receipts	£3.5m	Not yet budgeted due to grant provider funding restrictions.
Other sums allocated		
MHCLG grant	£0.3m	Local Authority Housing Fund (1)
Borrowing	£0.6M	Local Authority Housing Fund (1)
MHCLG grant	£0.6m	Local Authority Housing Fund (2)
Borrowing	£0.5m	Local Authority Housing Fund (2)
Total	£12.7m	

Revenue Funding available and or attributed to the Teignbridge 100 Programme

Revenue funding available	
Amount	Comments
£23,260	Held in AL3 120 2018

Appendix A

Teignbridge 100 Risk Register - Risk Score Index

Areas of increased risk have been highlighted.

LIKELIHOOD	IMPACT	RATING		RATING	TOTAL
NOT AT ALL	NONE	1	x	1	1
UNLIKELY	MINOR	2	x	2	4
POSSIBLE	SERIOUS	3	x	3	9
OCCASIONAL	MAJOR	4	x	4	16
FREQUENT	SEVERE	5	x	5	25

Sherborne House Specific Risk	Likelihood Score 1 to 5	Impact Score 1 to 5	Current Total (Likelihood x Impact)	Mitigation
Significant rise in the cost of borrowing via the Public Works Loan Board (PWLB)	4	4	16	Decision to proceed will be based on the financial viability and risk associated with the interest rate available at the time. Option to “bank” planning consent and delay until more favourable market conditions can be taken.
Significant rise in building costs affect viability.	5	3	15	Decision to proceed or amend individual schemes to be re-evaluated at tender stage if tenders significantly above expectations.

Executive

Date of meeting – 4th November 2024

Government introduces a rent freeze having an adverse effect on future financial income	3	2	6	Increase rents from commencement to compensate.
Labour and material availability	4	3	12	Early engagement with local builders (SMEs) and Housing Association partners to obtain market intelligence and provide advanced notification of our intention to tender works, grouping sites where possible.
Failure to secure land appropriation for the purpose of affordable housing on TDC land.	2	1	2	Early engagement with Monitoring officer to ensure legal compliance
Inability to Terminate existing lease arrangements and relocation of current parking arrangements.	1	3	3	Ensure that the current parking arrangements can be accommodated at an alternative venue to free up development site
Teignbridge 100 Generic Risk	Likelihood Score 1 to 5	Impact Score 1 to 5	Current Total (Likelihood x Impact)	Mitigation
Securing sufficient capital and borrowing within the Council Capital programme to enable a future pipeline to be funded much beyond existing commitments	2	5	10	Members will be required to review the Councils Capital Programme
Development risk arising from site or contractual issues, resulting in cost overrun/reputational damage	2	2	4	Include contingencies. Contract with credible partners.
New homes fail to meet carbon emission standards that emerge in the next few years. Exposure to additional costs to retrofit.	1	2	2	Build to better than current standards, but risk can only be partially mitigated.
Problems with tenants eg anti-social behaviour leading to reputational issues for the Council	2	1	2	Contract with credible management supplier, but risk can only be partially mitigated.
The scheme places an additional cost on the general fund creating the need for additional savings to be made/service reductions	2	2	4	Include a clear VFM criteria before approving a scheme, to exclude more risky projects.

Increases in interest rates before borrowing is complete make the overall scheme unviable.	2	2	4	Use an interest rate that reflects possible increases. Risk can only be partially mitigated.
The policy of maintaining 100 homes in a pipeline is undeliverable due to lack of resources, leading to reputational damage.	2	1	2	Develop clear and credible plans for a future pipeline, or moderate the policy stance to one that is more certain
Government restrict rent rises to below assumed levels making the scheme non-viable and creating increased deficits to be picked up from the general fund.	3	1	3	Little mitigation possible
Management and Maintenance costs index at a higher level than planned making the scheme non-viable and creating increased deficits to be picked up from the general fund.	3	1	3	Little mitigation possible
Loss of properties through Right to Buy (RTB) undermines the policy objective to create rents	2	3	6	Little mitigation possible unless delivery model changed. Levels of RTB could be modelled to assess risk ***
The possible impact of Right to Shared Ownership exposes all properties to falling out of rental	2	2	4	Little mitigation possible, the position is still emerging.
Government requires a greater percentage of Shared Ownership to qualify for grant – Government policy aspires for 50% Shared Ownership. This undermines the policy objective of providing primarily rental units	2	1	2	Little mitigation possible. TDC will be well placed to understand what grant levels can be achieved.
Either an individual risk or a combination of risks comes to fruition and places such a burden on the General Fund that a S114 Notice is required. Major reputational damage and potential loss of control over the Council.	2	4	8	Include a clear VFM criteria before approving a scheme, to exclude more risky projects.

The Council is unsuccessful at attracting grant making some of the individual elements/the whole scheme non-viable.	2	2	4	TDC will need to ensure early engagement with Homes England is maintained.
Additional costs and demands on Officer and Member time emerge as a result of returning to home ownership, leading to increased costs and reduced capacity.	3	2	6	TDC should estimate and plan for this and ensure senior staff and Members are aware.
Officer capacity across the Council but particularly in Housing, Finance, Assets, Legal and Estates to deliver programme without need for additional resources or detrimental effect on other Corporate projects.	6	1	6	TDC should estimate and plan for this and ensure senior staff and Members are aware. This is acknowledged by the decision to deliver next two larger schemes in series rather than in tandem to place more realistic expectations on resources.
Change of Administration resulting in programme being terminated or projects not pursued where costs cannot be recovered.	3	3	9	Managing Director and SLT to ensure regular dialogue with all Party Leaders and regular feedback to Committee's.
Member commitment changes where sites are contentious.	3	2	6	Officers to ensure regular dialogue with Portfolio Holder and Local Ward Member(s)

***Please note that all secure tenants renting property supported by Homes England Grant funding have the Right to Buy. However regulation known as the "cost floor rule" means that despite discount entitlement, properties cannot be sold for a figure below the cost of its development for the first 10 years of its life.