

This Report will be made public on 18 January 2022

Report Number **C/21/64**

To: Cabinet
Date: 26 January 2022
Status: Key Decision
Responsible Officer: Andy Blaszkwicz, Director- Housing and Operations
Cabinet Member: Councillor David Godfrey, Cabinet Member for Housing and special projects

SUBJECT: UPDATE ON THE DEVELOPMENT OF THE HIGHVIEW SITE

SUMMARY: Cabinet approved the acquisition of the former Highview School site in Folkestone in April 2017 (minute number 79 applies). The site will enable the development of 30 Council homes for affordable rent and shared ownership purchase. To enable the new homes to be as energy efficient as possible and meet the standard to be zero carbon in use, the current viability assessment for the development shows that the development repayment period is likely to exceed the agreed timescale of 30 years set out in the current HRA Business Plan.

REASONS FOR RECOMMENDATIONS:

1. All homes in the district are required by government to be to the zero carbon in use standard by 2050.
2. To minimise future costs to the Council, it is vital that new homes are delivered to this standard wherever possible.
3. The Council has declared a climate emergency and it is appropriate that the Council seeks to minimise its carbon outputs.
4. The new homes will exceed current building control standards and demonstrate local leadership in going beyond current regulations.
5. The repayment period for the development will exceed the 30 year payback period requirement set out in the Housing Revenue Account Business Plan.
6. The investment will help to address fuel poverty in the district by making these homes highly energy efficient.

RECOMMENDATIONS:

1. To receive and note report C/21/64.
2. To approve the development programme for the Highview site, which will deliver 30 zero carbon in use affordable Council homes for rent and shared ownership purchase.

- 3. To agree that the project will exceed the 30 year break even period, as set out in the current HRA Business Plan, with an anticipated payback period of 34 years according to the RIBA stage 4 cost plan.**
- 4. To approve that Officers apply to the Homes England Affordable Homes programme for funding towards the project and provide delegated authority to the Director, Housing & Operations to accept the grant if the bid is successful.**
- 5. To approve that Officers issue a tender for the Design & Build contract for the delivery of the residential scheme including associated highways and services works, and provide delegated authority to the Director, Housing & Operations to enter into the contract with the successful bidder, and conclude any further actions necessary to deliver the scheme.**

1. BACKGROUND

1.1 Cabinet approved the acquisition of the former Highview School site in Folkestone in April 2017 (minute number 79 applies). The site will enable the delivery of 30 affordable Council homes for affordable rent and shared ownership purchase.

1.2 The site was acquired by the Council in December 2017. Since that time, work has been completed to prepare the site for development. The works to date include:

- The demolition of the former school building on the site.
- The completion of various ecological tasks, including reptile relocation work.
- Ongoing work to purchase additional adjacent land (alleyways) to facilitate the development (Crown land has been purchased and currently negotiating with KCC for their portion of land).
- Ongoing scheme design activity securing Zero Carbon in use.

The acquisition costs and the committed spend to date is reported within appendix 1.

1.3 The original viability assessment for the development specified that the homes would be developed to traditional build standards, and although relatively energy efficient, were due to include gas powered central heating systems, double glazing and insulation values necessary to meet building regulations as set out in 2017. The viability assessment at the time confirmed that the development would be fully repaid within 30 years of completion, in line with the requirements set out in the Council's current Housing Revenue Account Business Plan.

1.4 Following the announcements of the Council's Climate Emergency and the Government's requirement for all homes to be zero carbon in use by 2050, the development proposals for the site have been reviewed. It is proposed that the units should be delivered to a Zero Carbon in Use standard in addition to meeting all other statutory standards and the Council's own design standards.

1.5 The intrusive ground investigation carried out as part of the detailed design works identified difficult ground conditions. This has necessitated more complex foundation designs and more robust road construction.

1.6 Supply chain logistics and material availability during Covid has added further pressure to the cost of the development. The construction industry is also adjusting to Brexit causing further cost uncertainty. Construction industry inflation is being reported to be above that of general inflation and is currently unstable.

1.7 The viability assessment, using RIBA stage 4 cost plan information, has shown that the cost of the development (inclusive of the current external market pressures), results in a scheme repayment period likely to exceed

the 30 year requirement as set out in the current Housing Revenue Account Business Plan.

- 1.8 The viability assessment has a 5% contingency allowance applied to mitigate general development risk. This is held by the development team.
- 1.9 An application to Homes England's Affordable Homes Programme will be made to seek grant funding towards the project. It is anticipated that the Council will submit a bid in the region of £1.5m. If the Council are successful in the grant application it is estimated that this would reduce the payback period by 3 years based on the RIBA stage 4 cost plan.

2.0 PROPOSED STANDARDS FOR THE DEVELOPMENT

- 2.1 The proposed overall development standards for the Highview Scheme are as follows:
 - All properties to exceed current building control standards and performance requirements
 - All properties will have triple rather than double glazing
 - Heating and hot water to be delivered by air source heat pumps
 - Whole house ventilation systems which includes heat recovery to be fitted to all homes
 - Each property will have solar panels and storage batteries
- 2.2 The 30 units will all be delivered as affordable Council homes for rent and shared ownership purchase. It is proposed that up to 5 of the homes be provided for shared ownership purchase, subject to the final scheme viability assessment.

3. The Way Forward

- 3.1 The scheme will go forward for planning consent in February 2022.
- 3.2 The estimated development costs of the scheme are reported in confidential Appendix 1.
- 3.3 The key actions to be taken to progress the delivery of this project have been programmed as follows:
 - Apply to Homes England - Affordable Homes Programme – Jan 2022
 - Procurement of a design and build contractor - Feb to Apr 2022
 - Build contract awarded - May 2022
 - Mobilisation by contractor- May 2022
 - Construction period - Jun 2022 to Oct 2023
- 3.4 It is important to recognise that the delivery of the project is likely to be subject to a number of key challenges over the coming months due to

rising costs caused by labour and materials shortages as well as potential for disruption to the construction programme. The project team will, however, conduct a comprehensive procurement process to ensure value for money and where possible, engage the services of local contractors.

3.5 The site masterplan for the proposed development is set out in Appendix 2.

4. RISK MANAGEMENT ISSUES

4.1 The proposed scheme has an extensive project risk process which is managed by the project team, including the external consultant team.

Perceived risk	Seriousness	Likelihood	Preventative action
Scheme exceeds budget costs	High	Medium	Completion of a comprehensive cost planning and procurement process to ensure value for money. Construction and engineering cost inflation pressures recognised in contingency for the scheme and can be met from the existing overall HRA Business Plan budget provision. Continued Brexit and Covid pressures are the unknown component of this risk.
Scheme delivery delayed	Medium	Medium	Procurement process will evaluate the ability of contractor to complete the project on time.

5. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

5.1 Legal Officer's Comments (NM)

There are no legal implications arising directly from this report.

5.2 Finance Officer's Comments (LW)

The enhanced specification and the cost inflation pressures outlined in the report mean this scheme will cost more than originally anticipated in the HRA Business Plan. The longer payback period for the scheme is a departure the existing policy for the HRA Business Plan and is recognised in the officer recommendations to the report. The HRA Business Plan is

due to be revised during 2022 and the financial impact of the proposed scheme for Highview will be included within it.

5.3 Diversities and Equalities Implications (AH)

In line with the requirements of the Council's HRA Business Plan, where possible all of the homes will be delivered to Improved accessible and adaptable dwelling standards (previously referred to as lifetime homes), so that they can be easily adapted in the future to meet the changing needs of the occupying households. A number of the dwellings will be designed to wheelchair user compliant standards.

5.4 Climate Change Implications (AH/FW)

The development will deliver 30 new affordable homes for rent and shared ownership purchase. All of the homes will be delivered to Zero Carbon in Use standards, including the use of air source heating technology and photo voltaic panels and the provision of charging facilities for electric vehicles. The homes will have vastly reduced carbon outputs due to the heating technology and will also help to prevent incidences of fuel poverty.

6. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

Councillors with any questions arising out of this report should contact the following officer prior to the meeting.

Firas Witwit - HRA Regen & Development Senior Specialist
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The following background documents have been relied upon in the preparation of this report:

None

Appendices:

Appendix 1: Cost Analysis (exempt)
Appendix 2: Proposed Masterplan