

Report subject	Council Newbuild Housing and Acquisition Strategy (CNHAS)- One year update
Meeting date	07 September 2022
Status	Public
	<p>The first CNHAS plan was endorsed at Cabinet in September 2021, approved by full council in November 2021 and reviewed by both in April and May 2022 respectively.</p> <p>It has been a significant success to date, in respect of progressing the direct delivery of housing at pace and scale. The following provides an update and presents some key decisions to continue momentum.</p> <ol style="list-style-type: none"> 1. The report makes 2 recommendations in respect of budget uplift, firstly for the Princess Road scheme due to predominantly, inflationary increases, external funding is also under threat, the numbers are supported by a detailed cost analysis by Kier Construction who have worked on the project for 5 months. This scheme is mixed tenure including affordable housing, private rent and a family hostel. It generates income for the Council in the medium and longer term and will provide cost avoidance from bed and breakfast provision for the council too. Approval to progress this quarter is sought but other options are presented also. 2. The second is in respect of the housing unit profile of the 250 street acquisitions (known as Programme 4a within CNHAS). This has matured since inception to reflect the diverse needs across BCP – particularly temporary accommodation types - several larger family homes are now needed – see item 4.2 below. 3. Specific private rented sector (PRS) opportunities have also evolved - which are ‘income generation ready’ and deliver rent this year! These mitigate the extra budget demands of those larger family homes in homeless accommodation and make the additional overall acquisition investment of the better in the long term. Approval of some block purchases both newbuild and remodelled existing buildings to be integrated into programme 4a, is also requested. 4. In order to secure Homes England capital grants, we should approve the execution of the AHP 21 - 26 Grant Agreement (LA)

<p>Recommendations</p>	<p>It is RECOMMENDED that: Cabinet recommends that Council approves:</p> <ul style="list-style-type: none"> a) The increase to acquisition Programmes 4a's (street acquisitions) budget previously approved by Council in February 2022 from £47.9 million to £68.8 million, subject to confirmation by the Council's Chief Finance Officer in advance of committing sums contractually, that appropriate capital funding has been identified and approved and that the investment demonstrates robust value for money and there is certainty that the investment is an improvement on the current budget's financial performance. b) The expansion/amendment of the types of building and housing units within them that can be purchased through Programme 4a to include - where part of regeneration and/or permitted development activity: - <ul style="list-style-type: none"> i) Newbuild residential units, both as individual acquisitions and ii) Block purchases of multiple units whose total costs exceed £1m but are delivered within the budgetary constraints of programme 4a and have the average individual new unit total scheme cost below £0.5m each. c) Delegation to the Chief Operations Officer, in consultation with Director of Finance, Director of Housing, Monitoring Officer and Portfolio Holders for People & Homes & Development, Growth and Regeneration the approval through an Officer Decision Record process of any purchase of a Block of housing units in b)ii d) Delegation to the Chief Executive to agree a process for securing an independent assessment of value for money relating to any acquisitions where Council officers or elected members have an interest. Refer 10.3 for further explanation. e) BCP Council execute the Homes England Agreement entitled <i>Bournemouth, Christchurch and Poole Council (5069) - AHP 21 - 26 Grant Agreement (LA)</i>. f) An appropriate option (either 1, 2 3 or 4) for the Princess Road development which are presented in a detailed report attached as Confidential Annex 1.
<p>Option</p>	<p>Maintain the significant contribution (10% by 2026 target) to the 15,000 homes within the Big Plan and achieve the 1000+ homes by direct (BCP council) delivery set in the Dynamic places Corporate Strategy in the current and medium-term high inflation marketplace.</p>
<p>Portfolio Holder(s):</p>	<p>Cllr Phil Broadhead, Portfolio Holder for Development, Growth and Regeneration & Cllr Karen Rampton, Portfolio Holder People and Homes.</p>
<p>Corporate Director</p>	<p>Jess Gibbons, Chief Operations Officer</p>
<p>Contributors</p>	<p>Nigel Ingram – Head of Housing Delivery</p>
<p>Wards</p>	<p>Council wide</p>
<p>Classification</p>	<p>For Decision & Recommendation</p>

1.0 Background

Significant progress has been made in CNHAS's inaugural year, reviewed in detail in April and May 2022 at respective Cabinet and Council meetings. The excellent momentum demonstrated can be maintained for those committed budgeted projects but those that have not yet been 'contracted', will need their budgets re-considered at the appropriate time to sustain momentum in the context of increasing market costs.

Acquisition opportunities presented by permitted development has presented several properties across BCP, suitable for PRS. The relevant ones BCP Council have negotiated a position on (non-contractual at this stage) are proposed to sit within Programme 4a & 4b of CNHAS and are referred to in section 4 of this report.

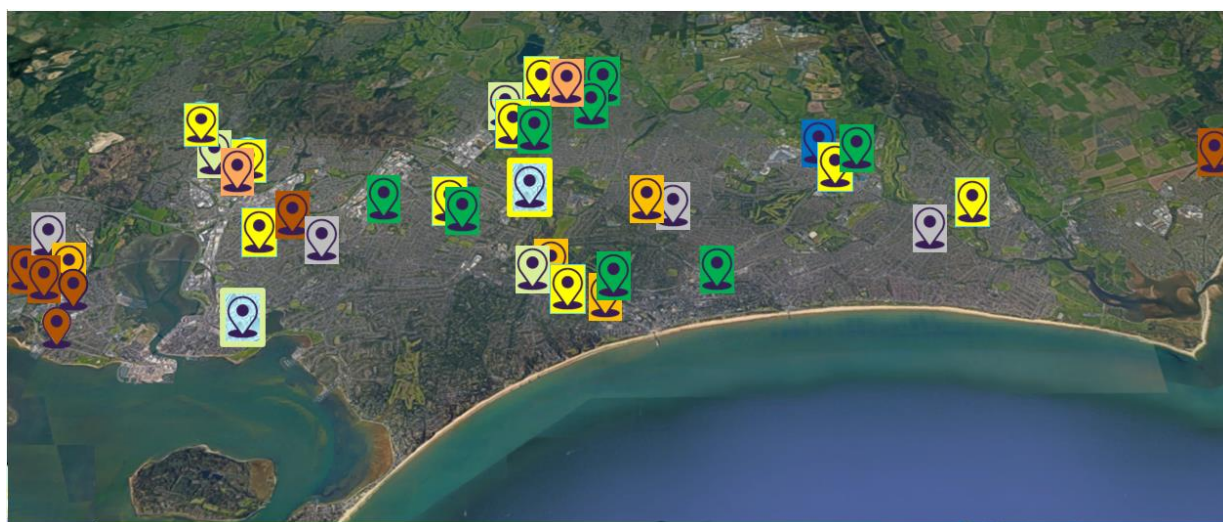
Successful discussions have been ongoing with Homes England, and we have received a shared ownership allocation for Princess Road. To be able to 'draw down' said funding, BCP Council need to enter into a 5-year framework type agreement- which will enable other projects to bid for grant against a pre-approved set of obligations- failure to do so means we do not have access to these funds.

This CNHAS strategy is key to delivering several positive outcomes for BCP. It helps deliver much needed homes across different tenures for BCP residents and therefore helps address the housing targets set out in the BCP Local Plan and the BCP Housing Strategy. CNHAS also helps meet housing need with many of the new homes to be available to those on the housing register, with specific targets for people who are homeless, and care experienced young people.

Importantly, the CNHAS, involving new builds and property acquisitions, also generates a positive financial outturn for the Council and the resulting homes contribute to the MTFP. This positive revenue income helps support other spending priorities for the council. The new homes also provide cost avoidance by providing good quality alternative housing to people who would otherwise be accommodated in bed and breakfast homeless provision. For an average family placed in bed and breakfast, the cost incurred by BCP Council can be approximately £30k per year.

2.0 Summary of development pipeline status of CNHAS programmes 1-3 + 4b

Approximately 37 sites/projects are currently being "worked on" at some stage of their progress along the development pipeline, by BCP Councils small Housing Delivery team – this excludes individual street property acquisitions within programme 4a.



- Dark blue- **completed**- Mountbatten gardens.

- Green sites – **construction underway** – Cynthia, Herbert, Templeman, Moorside, Northbourne, Wilkinson and Craven
- Light green sites- **contractor identified – uncontracted-** Hillbourne, Princess & Duck Ln
- Light blue centre/light green outline- a **new acquisition–uncontracted** PRS site.
- Orange- **planning submitted** – 43 Bingham, Crescent, Surrey Junction rd & Summers.
- Brown sites- **feasibility** – Dale, Lake, Egmont & Redhorn, Roeshott/Nursery.
- Yellow sites – **potential extra care/specialist sites-** including Oakdale,
- Light blue centre/yellow outline- **new acquisition – feasibility extra care** at TVT.
- Grey sites- **on hold/Future Places delivery-** Turlin, Constitution, Alma rd., Beauford Pk

At present, there is excellent progress with 588 homes in the development pipeline (on 24 sites)- excluding Programme 4a's street acquisitions, and a potential 420+ homes on 9 specialist sites.

3.0 Additional Budget requirements for CNHAS programmes 1 - 3

Programme 1 – 3 activities, including capital budget implications, is shown in the table below. In April 2022 Council approved additional £10.6 million budget for 3 new housing developments at Bingham Road, Crescent Road, and Roeshot Hill. This additional development is expected to contribute a further net 44 properties to the CNHAS programme (original 547 units, increased to 591 units in April 2022). The total capital budget approved for programmes 1-3 in April 2022 was increased from £126.9 million to £137.5 million (an increase of £10.6 million).

The table outlines project progress by programme. Market conditions are impacting significantly on projects that have not yet progressed to construction phase. The tender process for the Princess Road development has been completed but will require a further £3.1 million capital budget to be approved if it is to advance to Building Contract this year.

In addition to the Princess Road development, to progress with each approved scheme in CNHAS programmes 1-3 will require a further £8.3m million capital budget to be identified and approved – unless alternative options are explored. **This will be brought back to Cabinet for review at the appropriate time.**

CNHAS general fund schemes				no. of units				capital budget			
prog	project description	project status	Sep 22 change proposed	Feb 22	Apr-22	Sep-22	inc/(dec)	Feb 22	Apr-22	Sep-22	inc/(dec)
4a	4a	250 residential street properties:									
		RSAP	ongoing	40	40	40	0				
		temporary accommodation	ongoing	25	25	37	12				
		private rented sector	ongoing	160	160	160	0	47,900	47,900	68,830	20,930
		CYEP 1 bed flat	ongoing	20	20	20	0				
		HMO	?	5	5	0	(5)				
3	18	Alma Road GP surgery	On hold	20	20	20	0	3,800	3,800	3,800	0
2b	13	Oakdale - potential extra care site	On hold	16	16	16	0	4,370	4,370	4,898	528
2a	12b	Princess Road hostel and PRS	PCSA awarded	57	57	57	0	14,101	14,101	14,808	707
	26	Crescent Road PRS	planning submitted	0	8	8	0	0	1,685	1,912	227
3b	31	Roeshot Hill PRS	feasibility	0	27	27	0	0	6,095	6,705	610
				343	378	385	7	70,171	77,951	100,963	23,002
CNHAS HRA schemes				no. of units				capital budget			
prog	project description	project status	Sep 22 change proposed	Feb 22	Apr-22	Sep-22	inc/(dec)	Feb 22	Apr-22	Sep-22	inc/(dec)
1a	4	Mountbatten Gardens	complete	2	2	2	0	475	475	475	0
1a	1	Cynthia House	construction phase	22	22	22	0	4,134	4,134	TBC	TBC
1a	2	Moorside Road	construction phase	14	14	14	0	3,939	3,939	3,939	0
1a	3	Northbourne Day Centre	construction phase	9	9	9	0	1,791	1,791	1,791	0
1b	5	Craven Court	construction phase	24	24	24	0	5,186	5,186	5,186	0
1b	6	Wilkinson Drive	construction phase	12	12	12	0	2,727	2,727	2,727	0
1b	7	Templeman House	construction phase	27	27	27	0	5,382	5,382	5,382	0
1b	9	Cabbage Patch	construction phase	11	11	11	0	2,290	2,290	2,290	0
2a	10	Herbert Avenue	construction phase	24	24	24	0	3,173	3,173	TBC	TBC
1b	8	Duck Lane	pending contract	12	12	12	0	2,362	2,362	3,084	722
2b	12a	Princess Road (HRA)	pending contract	82	82	82	0	22,444	22,444	24,870	2,426
2b	11	Hillbourne	pending contract	110	110	110	0	24,385	25,133	27,646	2,513
											0
3	19	Egmont Road, Turlin Moor	feasibility stage	9	9	9	0	1,675	1,675	1,801	126
3	20	Redhorn Close, Turlin Moor	feasibility stage	8	8	8	0	2,000	2,000	2,150	150
3	22	Dale Close	feasibility stage	4	4	4	0	651	651	700	49
3	23	Lake Avenue	feasibility stage	6	6	6	0	955	955	1,027	72
3b	31	Roeshot Hill (HRA)	feasibility stage	0	19	19	0	0	4,799	5,279	480
3	17	Surrey Road	planning submitted	8	8	8	0	2,310	2,310	3,289	979
3	21	Junction Road, Turlin Moor	planning submitted	3	3	3	0	739	739	794	55
3	24	Cavan Crescent / Sopars Lane	planning submitted	4	4	4	0	2,020	2,020	2,172	152
3b	25	43 Bingham Road	planning submitted	0	6	6	0	0	1,170	1,523	353
3	15	scheme removed	scheme removed	16	0	0	0	3,960	0	0	0
2b	13	Oakdale - potential extra care site	On hold	47	47	47	0	12,830	12,830	14,092	1,262
				452	461	461	0	104,953	107,710	109,742	9,339
CNHAS programme total				795	839	846	7	175,124	185,661	210,695	32,341

Other Projects key schemes that have not yet reached contract commitment or have yet to be tendered include place shaping schemes, such as Hillbourne and Oakdale. These schemes are still at either post tender or public engagement & initial design stage respectively.

Programme 1b- budgeted, project approved & works tendered	
8	Duck Lane, Bournemouth
Programme 2a - budgeted, project approved & works tendered	
12a	Princess Road/Prince of Wales Road HRA, Bournemouth
12b	Princess Road - Hostel and Private Rented Sector development
Programme 2b - budgeted	
11	Hillbourne School, Poole
13a	Oakdale Adult Ed site GF, Poole
13b	Oakdale Adult Ed HRA site, Poole
Programme 3a - budgeted	
17	Surrey Road, Bournemouth
19	Egmont Road, Turlin Moor
20	Redhorn Close, Turlin Moor
21	Junction Road, Turlin Moor
22	Dale Close
23	Lake Avenue
24	Cavan Crescent/Sopers Lane
Programme 3b - budgeted	
25	43 Bingham rd,
26	Crescent Road, Bournemouth
31a	Nursery Site, Lyndhurst Road (part of CN1 Roeshot Hill Allocation), Christchurch
31b	Nursery Site, Lyndhurst Road HRA (part of CN1 Roeshot Hill Allocation), Christchurch

3.1 The marketplace currently is trying to respond to high inflationary pressures, increasing interest rates, rarity of materials- irrespective of price and appropriate people to construct and engineer. Consequently, the budgets that were allocated in 2021 particularly and spring of 2022 will not enable the progression of those uncontracted projects (listed above) and so BCP Council need to decide which of the options available to us are the most appropriate to take, they include

3.2.1 Increase the budgets of those projects which are yet uncommitted thus enabling the pace and scale of Housing delivery to be maintained. (Option 1)

3.2.2 Re-tender or tender for the first time some projects with different terms to their Building Contract- a Fluctuating rather than Fixed price position. (Option 2)

3.3.3 'Mothball' certain projects until a better economic environment presents itself. (Option 3)

3.3.4. Try and secure a new (material) planning permission- with value engineering factored in and retender (relevant projects) – could potentially be linked to option 3.3.3. (Option 4)

3.2 The Princess Rd project is a critical scheme for consideration against the options outlined above and the officer's recommendation at annex 1 is to proceed this year– as option 1. The Princess Road scheme is an important mixed tenure scheme including 139 homes of affordable housing, private rent and a large family hostel. Most of the increase in cost will fall to the Housing Revenue Account rather than the General Fund due to the tenure mix. The scheme generates essential financial revenue returns to the Council in the medium and longer term and will provide additional cost avoidance within the General Fund from bed and breakfast provision for the council for those who will move into the family hostel.

3.3 Requests for potential increases for those other budgeted schemes but not yet committed to binding contracts are likely to follow in subsequent papers to Cabinet - after further due consideration.

4.0 Summary of development pipeline status of Programme 4a & 4b

Programme 4a – 250 Street Acquisitions- now to include completed newbuild units.

4.1 The property market has continued to experience significant growth and as in section 3, it is necessary to increase the budget for this programme if both momentum is to be maintained, housing needs addressed but also opportunities secured. PRS acquisitions are essential to increase the financial returns that mitigate the extra capital required over the medium term.

4.2 Due to the current cost of living crisis the Housing Options and Partnerships team are experiencing a significant increase in demand and have requested the acquisition of 10 four bed roomed properties and 2 five bed roomed properties to the programme for the increased number of homeless families who have presented as homeless to the Council, in addition to the original allocation. Detailed below is an overview of the anticipated financial consequences of 4.1 & 4.2 above.

	Original Programme	Revised Programme
	£000	£000
Capital Cost	47,900	68,330
Rental Income	8,062	11,786
Return over 5 years	16.83%	17.25%

4.3 The returns have also seen significant increases both in the cash rental received and the percentage return. As with the capital increase this is due in part to market rent rises but also developing the portfolio returns by increasing the property typology of the PRS purchases

The table below presents the information from several units perspective, which is how Cabinet has viewed it previously. The profile going forward is different where numbers will not proportionally increase with additional capital investments but the returns over 5 years, should!

Fund	prog	project description	project status	Sep 22 change proposed	no. of units				capital budget			
Projects already under way					Feb 22	Apr-22	Sep-22	inc/(dec)	Feb 22	Apr-22	Sep-22	inc/(dec)
GF	4a	4a	250 residential street properties:									
			RSAP	ongoing	40	40	40	0				
			temporary accommodation	ongoing	25	25	37	12				
			private rented sector	ongoing	160	160	160	0	47,900	47,900	68,830	20,930
			CYEP 1 bed flat	ongoing	20	20	20	0				
			HMO	?	5	5	0	(5)				
CNHAS programme (250 street properties)					250	250	257	7	47,900	47,900	68,830	20,930

4.4 The PRS & temporary housing acquisition programme provides valuable good quality rentals to BCP residents, a significant number at full market rent to help financially support the wider council's budget but also offering properties to rent to BCP residents who would otherwise be homeless and placed in expensive and inappropriate bed and breakfast provision.

The revised programme 4a (250 street acquisitions) can be summarised as follows –

- RSAP -rough sleepers approved programme (Homes England capital funding for 40 units) - some further purchase to fill in for any failed purchases
 - 21 secured purchases
 - 11 expected offers to be accepted in August/September 22
 - Potential 10-unit remodelling opportunity supported by Homes England.
- Temporary housing – Other temporary accommodation needs; the original target has been increased by 12 properties (10nr beds & 2nr 5 beds). The delivery team are focused on delivering the following in 2022/23

- 4 one beds
- 2 three beds
- 10 four beds
- 2 five beds
- PRS – the acquisition delivery plan (originally a target of 160 homes set over 5 years withing programme 4a) is largely on track, this can be ensured through the following schemes representing multiple unit deals – rather than individual unit acquisitions. Block purchases of newbuild homes enable easier housing management services, better value for money and help pace and scale to secure the financial outcomes from this programme that we need. Because of the cumulative value of each of these block purchases we need approval through Cabinet to delegate (conditionally) future decisions in order to secure these opportunities.
 - **a 6-unit block purchase** - The units have been a redevelopment of an existing site this is a turnkey deal – so the units generate income for BCP this calendar year.
 - **2 x 21 Unit** block purchases -These units will be offered as a 125-year lease and the relevant warranties will be provided as a new build. No remedial works will be required because this is a turnkey deal. One property has been developed under permitted development.
- CYEP – The original plan was to deliver 20 predominantly 1 bed units. After detailed stakeholder engagement with the relevant team's further flexibility can be built into the acquisition plan. This flexible approach will help to deliver the numbers targeted, including-
 - a three-bed shared property- that enables a trial shared experience.
 - 7 flats in one location.
 - Various viewings and offers are in progress, and it's anticipated the target will be achieved for 22/23, 23/24.

5.0 to 9.0 Financial Strategy, Prudential Borrowing & Taxation etc

Annex 1 Princess Road sets out the matters for approval covering these topics.

10 Summary of legal implications (For overall CNHAS Strategy)

- 10.1 Full Council approval must be given to enable the Council to enter into the Homes England 5-year Capital funding agreement to ensure BCP Council secures the funds it has successfully bid for and will bid for in the future. Councillors attention is drawn to the further legal advice set out in annex 2, to this report.
- 10.2 Programme 4a has a set of approvals and budget for residential property acquisitions currently set at £47.9m, it is proposed that this programmes unit types are expanded from existing street properties to include both individual newbuild acquisitions and 'block' purchases as set out in the recommendation b) of this paper.
- 10.3 The CNHAS involves many large-scale & varied projects. To ensure that the Council's interests are properly protected this report proposes an amendment to the strategy. If approved this amendment will delegate authority to the Chief Executive to ensure that in the event of either a member or an officer having a conflict of interest in respect of any acquisition, there is a process for securing an independent assessment of value.

11 Summary of human resources implications (For overall CNHAS Strategy)

No Change from September 2021

12 Summary of DIA impact (For overall CNHAS Strategy)

No Change from September 2021

13 Summary of public health implications

No Change from September 2021

14 Summary of equality implications

No Change from September 2021

15 Summary of risk assessment

Three **additional CNHAS strategy risk** since the 6-month review report of April/May 2022 are as follows: -

- 15.1 Inflationary and housing delivery pressures on the delivery programme as discussed in section 3.
- 15.2 Homes England 5-year Capital funding agreement and particularly their reserving the right to recover the grant monies in specific circumstances.
- 15.3 increased pressures to deliver against the 250 homes target within the street acquisitions programme(4a)- 40 of which have external capital funding, if the typologies (house types- bungalows, apartments, houses, - 1,2,3 4 and 5 bedrooms and block purchase opportunities) are not 'expanded' and enabled as discussed in 4.4 and recommendations a-d sections of this report.

Background Papers- none for this report.

Annexures.

Annex 1: Princess Road project, Bournemouth

Annex 2: Homes England Agreement – BCP Council legal advice