

Selby District Council



Agenda

Meeting: **Special Executive**
Date: **18 December 2014**
Time: **9.30am**
Venue: **Committee Room**
To: Councillor Mark Crane, Councillor Mrs Gillian Ivey, Councillor Cliff Lunn, Councillor John Mackman and Councillor Chris Metcalfe

1. Apologies for absence

To receive apologies for absence.

2. Disclosures of Interest

A copy of the Register of Interest for each Selby District Councillor is available for inspection at www.selby.gov.uk.

Councillors should declare to the meeting any disclosable pecuniary interest in any item of business on this agenda which is not already entered in their Register of Interests.

Councillors should leave the meeting and take no part in the consideration, discussion or vote on any matter in which they have a disclosable pecuniary interest.

Councillors should also declare any other interests. Having made the declaration, provided the other interest is not a disclosable pecuniary interest, the Councillor may stay in the meeting, speak and vote on that item of business.

If in doubt, Councillors are advised to seek advice from the Monitoring Officer.

3. St Joseph Street, Tadcaster

Report E/14/56 asks the Executive to consider the report. Pages 1 to 7 attached.

**Mary Weastell
Chief Executive**

Dates of next meetings
8 January 2015 Executive
15 January 2015 – Executive Briefing

Enquiries relating to this agenda, please contact Glenn Shelley on:

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Selby District Council

REPORT

Reference: E/14/56

Public



To:	The Executive
Date:	18 December 2014
Status:	Non Key Decision
Report Published:	10/12/2014
Author:	Sally Rawlings, Housing Development Manager
Executive Member:	Councillor M Crane – Leader
Lead Officer:	Karen Iveson – Executive Director (and s151)

Title: St Josephs St – Selby and District Housing Trust Development

Summary:

This report presents an update on the affordable housing scheme at St Josephs Street, Tadcaster and a request for additional funding on behalf of Selby and District Housing Trust.

A revised business case for the scheme was considered and approved by the Executive in March 2014, and a development offer made to the Housing Trust.

The Housing Trust accepted the offer subject to contract and has since tendered the scheme. The winning (and lowest) tender is in excess of the estimated cost contained in the revised business case and having considered a range of options (including applying for HCA grant), the Trust is now formally requesting additional financial support from the Council to allow the scheme to proceed as planned.

The revised business case included a market sale property to subsidise two affordable homes. The sale was also anticipated to provide a capital receipt of £11k for Selby District Council. The remaining £220k funding for the affordable homes was offered by the Council as an annuity loan for 30 years at prevailing Public Works Loan Board rates plus 1%.

The financial appraisal model has been updated to reflect the tendered costs and shows a funding shortfall of £31k allowing for the full sale proceeds to be offset against the affordable homes and providing for a temporary

overdraft facility for the market property.

The impact on the Council is an overall increase in cash support of £42k (£31k grant plus loss £11k of capital receipt).

The legal agreements are currently being finalised although there remains in place a licence to access the site by an adjoining neighbour. Notice has been served and the licence will be terminated in May 2015. To enable the sale to the Trust to proceed and work to commence on site the licence has been restricted to a small part of the site, however we await confirmation from the Trust that this arrangement is acceptable to them.

Recommendations:

It is recommended that:

- i) Selby District Council provide grant funding of up to £31k and forego the anticipated £11k capital receipt from the sale of the market home, by way of contribution towards the costs of the affordable homes to be constructed by Selby and District Housing Trust at St Josephs Street, Tadcaster.**
- ii) The grant be funded from the Programme for Growth (strategic sites budget).**
- iii) The loan rate be set at 4.2% (PWLB certainty rate at 10th December 2014)**
- iv) Approval be given for an overdraft facility to fund the development of the market sale unit until sold.**

Reasons for recommendations

To allow the affordable homes scheme to proceed as planned.

1. Introduction and background

- 1.1. This report presents an update on the affordable housing scheme at St Josephs Street, Tadcaster and a request for additional funding on behalf of Selby and District Housing Trust.
- 1.2 A revised business case for the scheme was considered and approved by the Executive in March 2014, and a development offer made to the Housing Trust (subject to contract).
- 1.3 The Housing Trust accepted the offer subject to contract and has since tendered the scheme. The winning (and lowest) tender is in excess of the estimated cost contained in the revised business case and having considered a range of options (including applying for HCA grant), the Trust is now formally requesting additional financial support from the Council to allow the scheme to proceed as planned.

2. The Report

2.1 Following Selby and District Housing Trust's tender of the construction work for the three properties at St Josephs Street, the revised estimate for the scheme is £427k against the revised approved business case of £379k.

2.2 Costings in revised business case 6th March 2014

Land Cost	=	£Nil
Estimated Construction – 3 houses	=	£310,362
Development Costs	=	£27,933
Trust legal fees/feasibility/contingency	=	£21,518
No VAT on fees as Design & Build	=	£0
Capitalised interest	=	<u>£19,272</u>
Estimated total scheme cost		£379,085

Financed by

Sale proceeds	=	£164,937
Loan	=	<u>£214,148</u>
		£379,085

2.3 Revised costings following tender

Land Cost	=	£Nil
Estimated Construction – 3 houses	=	£359,375
Development Costs	=	£27,933
Trust legal fees/feasibility/contingency	=	£21,518
VAT on Capital works	=	£0
VAT on fees	=	£6,387
Capitalised interest	=	£8,196
Overdraft interest on Market sale unit	=	<u>£3,500</u>
Estimated total scheme cost		£426,909

Financed by

Sale proceeds	=	£176,351
Loan	=	£219,558
Grant from SDC	=	<u>£31,000</u>
		£426,909

2.4 Options to reduce or negate additional funding support from the Council have been considered – the revised business case included the provision of a garage for the market home but this will be removed from the scheme to reduce overall cost – market advice suggests that this will not impact on the value of the property but may delay its sale.

2.5 There is the potential for the Trust to apply for HCA funding but as they are not yet registered there is a risk that this would not be achievable and in any event this would impact significantly on the programme – delaying start on by at least a further 3 months.

- 2.6 In order to receive the capital receipts from the market property, the construction must first be funded (£138.5k). It is proposed that this is done by way of a short term overdraft facility provided to the Trust at the same rate as the development loan. To be repaid in full on sale of the property.

3. Legal/Financial Controls and other Policy matters

Legal Issues

- 3.1 The legal agreements are currently being finalised and on track for sign-off late December/early January (subject to this decision report) although there remains in place a licence to access the site by an adjoining neighbour.
- 3.2 Officers have met with the person concerned but recent correspondence has not been responded to. Notice has been served and the licence will be terminated in May 2015. To enable the sale to the Trust to proceed and work to commence on site the licence has been restricted to a small part of the site, however we await confirmation from the Trust that this arrangement is acceptable to them.

Financial Issues

- 3.3 The revised business case included a market sale property to subsidise two affordable homes. The sale was also anticipated to provide a capital receipt of £11k for Selby District Council. The remaining £220k funding for the affordable homes was offered by the Council as an annuity loan for 30 years at prevailing Public Works Loan Board rates plus 1%.
- 3.4 The financial appraisal model has been updated to reflect the tendered costs and shows a funding shortfall of £31k allowing for the full sale proceeds to be offset against the affordable homes.
- 3.5 The impact on the Council is an overall increase in cash support of £42k (£31k grant plus loss £11k of capital receipt). This will allow the scheme to achieve the required viability output tests – see Appendix A.
- 3.6 The interest rate used for the loan between the Council and the trust is set at PWLB annuity certainty rate plus 1% at the date of contract signing. However to provide more certainty around the grant required for this development, it is proposed that the loan rate be set as at 10th December 2014. The rate at this date is 4.2%.

Impact Assessment

Impact on community

- 3.7 The redevelopment of this site is part of a wider strategic opportunity to regenerate the Council's under-utilised holdings and to tackle the 'tough stuff' around the District, including in Tadcaster.
- 3.8 The developed properties will provide family housing in the centre of Tadcaster.
- 3.9 The current licence holder who has access to the site has been served with a notice of termination and a notice of variation

Impact on environment

- 3.10 This scheme has a neutral impact on the environment as this is a brown field site, and is outside the usual flood risk area – only being at risk in the event of an extreme flood. The scheme will have no impact on the underlying aquifers.

4. Conclusion

- 4.1 The tender exercise undertaken by Selby and District Housing Trust for the construction of market and two affordable homes has resulted in a cost increase for the scheme. Steps have been taken to minimise the cost but there remains a funding gap and the Trust have requested that the Council waive the capital receipt from the sale property and in addition provide a grant of up to £31k.
- 4.2 There remains an outstanding legal issue concerning a licence to occupy the site. Council officers have minimised its impact to enable the land transfer to proceed but confirmation from the Housing Trust that this is acceptable is awaited.

5. Background Documents

Executive report – 6 March 2014 - St Joseph's Street Revised Business Case

http://www.selby.gov.uk/upload/Executive_Agenda_6.3.14.pdf

Contact Officer:

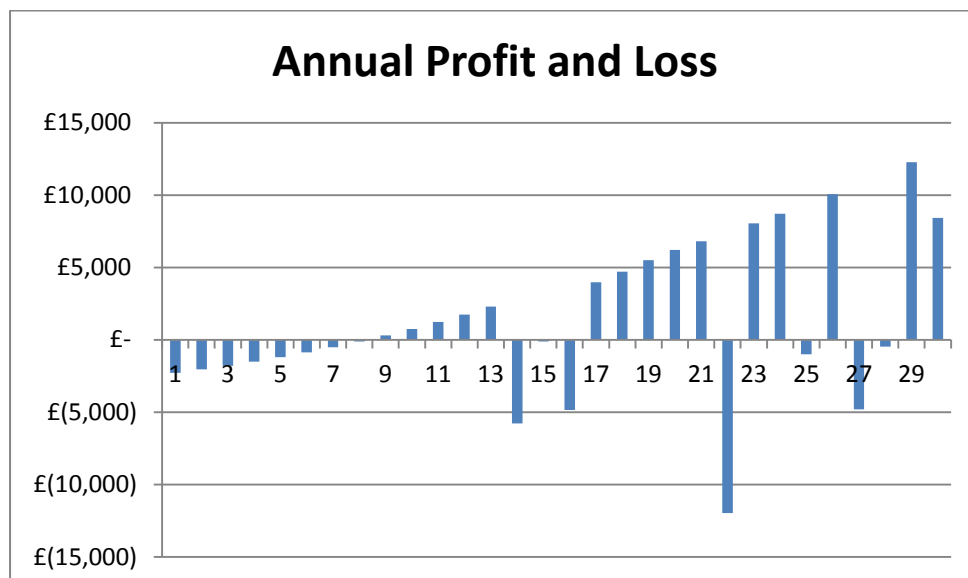
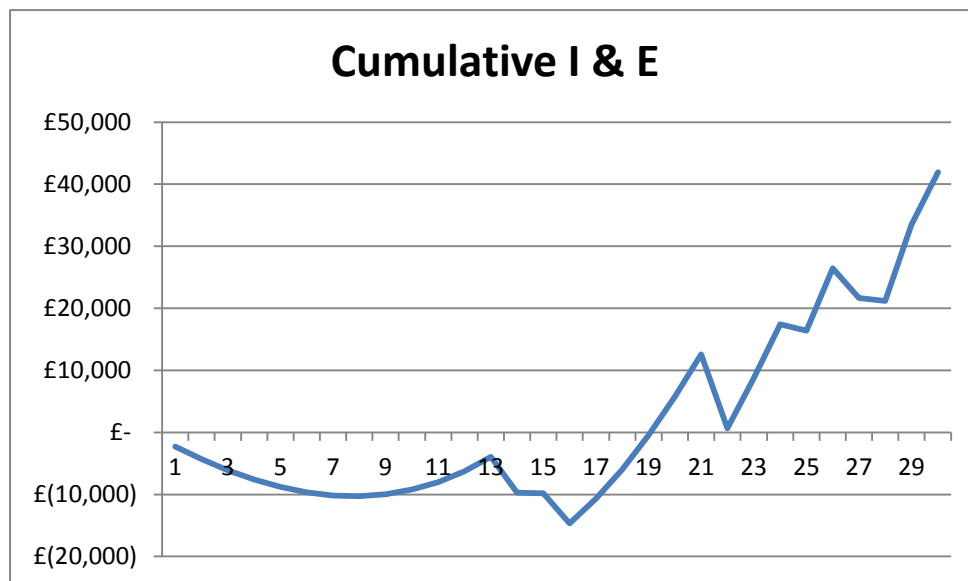
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Appendices:

Appendix A – Revised financial appraisal output
Appendix B – Updated potential timeline

Appendix A - Revised financial appraisal output

	Output	Benchmark	Test	Pass/Fail
30 Year Net Present Value (£)	121.26	0	Output>Benchmark	PASS
60 Year Net Present Value (£)	136,760.98	0	Output>Benchmark	PASS
Payback Year	30	30	Output<Benchmark	PASS
30 Year IRR%	4.70%	4.70%	Output>Benchmark	PASS
60 Year IRR%	7.02%	4.70%	Output>Benchmark	PASS



Appendix B - Updated potential timeline

Activity	2014										2015												
	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	
Revised business case	■																						
Offer to SDHT	■																						
SDHT procure consultants		■	■																				
Site & archaeological investigations		■	■									■	■	■									
Tender process (and specification preparation)			■	■	■	■	■	■	■	■													
Pre-contract/lead in time				■	■	■						■	■										
Contract signed							■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
Stone lead in time							■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
Start on site										■	■	■	■	■	■	■	■	■	■	■	■	■	■
Construction period											■	■	■	■	■	■	■	■	■	■	■	■	■
Snagging																				■	■	■	■
Practical completion																				■	■	■	■
Handover																				■	■	■	■

Key

■	Original potential timescale
■	Current potential timescale