

SLOUGH BOROUGH COUNCIL

REPORT TO Cabinet **DATE:** 20 January 2014
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PART I **KEY DECISION**

OPTIONS APPRAISAL **FUTURE USE OF GURNEY HOUSE SITE**

1 Purpose of Report

- 1.1 This update report advises members of the progress made on the feasibility study and site evaluation for the land formerly occupied by Gurney House and recommends a clear future use for the site.

2 Recommendation

Cabinet is requested to resolve:

- a. That approval is given to retain the site of the former Gurney House in order to construct high quality family homes; and that
- b. That subject to 2(a) above, that approval is given for the Strategic Director of Regeneration, Housing & Resources to complete the detailed feasibility study to develop proposals for a residential scheme determining
 - i. The size, number and layout of the new homes.
 - ii. The final tenure or mix of tenures on site and
 - iii. The delivery mechanism to be used in order to limit risk to an acceptable level while maximising the speed and rate of capital or revenue return to the council.
- c. That the Strategic Director of Regeneration, Housing & Resources reports back to Cabinet in March 2014 on the proposed tenure mix, marketing and financial modelling for the proposed scheme.

3 The Slough Joint Wellbeing Strategy, the JSNA and the Corporate Plan

3a. Slough Joint Wellbeing Strategy Priorities

Priorities:

- Economy and Skills
- Health and Wellbeing
- Regeneration and Environment
- Housing
- Safer Communities

Replacing a disused facility and potentially derelict site with high quality family housing for which there is a constant demand can assist with meeting the aims of all the sustainable community strategy priorities

3b. **Slough Joint Wellbeing Strategy: Cross-Cutting themes - Improving the image of the town**

Demolition of a redundant unit and the subsequent construction of aesthetically pleasing family housing will improve the image of the town both visually and in terms of its perception by demonstrating that good quality homes are available and that aspiring households can find homes within the borough avoiding the need to move to adjoining areas.

3c. **Joint Strategic Needs Assessment (JSNA)**

Closure of a former care home when there is an identified and ongoing level of unmet need would appear to be an act in contradiction of the JSNA data however, existing facilities and sites can only be maintained where they are proven to be financially viable and meeting the needs of the JSNA must only be done while continuing to accord with the Council's overall financial obligations. The provision of additional, good quality family housing also contributes to the identified priorities of the JSNA.

3d **Corporate Plan 2012/13**

The Plan's objectives are:

1. *Improve customer experience*
2. *Deliver high quality services to meet local needs*
3. *Develop new ways of working*
4. *Deliver local and national change*
5. *Achieve value for money*

This project has resulted from the discontinued use of a former care home, decommissioned because of a desire and legislative requirement to improve the quality of care accommodation and deliver services to more vulnerable residents within their own homes. The future use of the site will enhance the environment within the local area and ensure that capital and revenue income is maximised.

4 **Other Implications**

(a) **Financial**

The feasibility study has and will continue to examine all aspects of the financial viability of developing the site to maximise the rate of return in either capital or revenue receipts. The final delivery mechanism and tenure has yet to be concluded but the work to date clearly demonstrates that retention of the site and development results in a greater return to the council than simply selling the current site with vacant possession.

(b) Risk Management

Risk	Mitigating action	Opportunities
Legal – The local authority can only act as permitted by legislation which may limit some more creative solutions.	The feasibility study will include a full legal appraisal and authorisation of the recommended course of action.	
Property Retention of a vacant building risks break-ins, vandalism and/or squatters	The building currently has 24 hr on-site security, however this is at a cost to the Council of £5476.80 per month	Demolition work has been tendered and is due to commence this month
Human Rights Since the property is now vacant there are no human rights issues.		
Health and Safety As a vacant site the Council has a legal duty to secure the site and prevent access which could lead to accidents and injury	Demolition of the building will reduce obligations and liabilities, while demolition is underway the site security will be the responsibility of the appointed contractor and subject to regular checks.	
Employment Issues Since the property is now vacant there are no employment issues.		Subject to preferred option, an opportunity to create new jobs and training places via new build development exists.
Equalities Issues Since the property is now vacant there are no equalities issues.		

<p>Community Support Potential complaints from adjoining residents to the preferred alternative use for the site.</p>	<p>Any alternative use will be subject to Development Control legislation and adjoining residents will be able to express any concerns during that process.</p>	
<p>Communication Adverse reaction to development proposals</p>	<p>The study is proposing the construction of high quality homes which should positively contribute to the local environment and reflect well on the adjoining properties.</p>	
<p>Community Safety Vacant and derelict properties together with cleared sites can attract a variety of anti-social behaviour activities</p>	<p>The feasibility study will be completed expeditiously, limiting the remaining lifespan of the property and then the vacant site.</p> <p>Colleagues in Neighbourhood Enforcement will be advised to maintain a watching brief on the site to deal promptly to any issues.</p>	
<p>Financial Ongoing costs associated with site security will continue until the site is cleared.</p> <p>The anticipated revenue and capital savings/ income are not realised.</p>	<p>imminent demolition will end any revenue costs of maintaining the current site.</p> <p>Undertaking a detailed financial modelling of preferred options will include the necessary risk rating as to the certainty of financial predictions.</p>	<p>Depending upon the final delivery option agreed, construction could begin in late Spring with completion leading to a revenue income to the Council.</p>

<p>Timetable for delivery Indecision or ongoing delays continue the revenue expenditure of maintaining the building and delay receipt of projected capital receipts and/or revenue income</p>	<p>The feasibility assessment is making good progress although as a first time venture for the council subsequent projects of a similar nature will benefit from lessons learned and be delivered more swiftly.</p>	
<p>Project Capacity The feasibility study is delayed by staffing resources being allocated to other projects</p>	<p>Determining the future of the Gurney House site has been identified as an imminent workstream for some time and resources are already provisionally allocated to the project.</p>	
<p>Other</p>		

(c) **Human Rights Act and Other Legal Implications**

There are no Human Rights Act Implications and other legal implications are identified in the supplementary report appearing in Part II of the cabinet agenda.

(d) **Equalities Impact Assessment**

in terms of this report and the recommendation to construct new homes, no equalities impact assessment is necessary.

(e) The Public Services (Social Value) Act 2012 an impact assessment of the social and economic value of the proposal as part of the commissioning process.

6. Supporting Information

Background

6.1 Following the report to Cabinet in September 2013 which approved the demolition of Gurney House, officers within Housing, Asset Management and Finance services have met regularly to evaluate the options available to develop the site. The considerations have covered the following aspects

- Size, type and density of homes to be constructed
- Tenure of final product; market sale, market rent, shared ownership or social rent

- Funding streams, capital programme, HRA, S106 contributions, prudential borrowing and
- Delivery mechanism; direct council procurement, subsidiary housing company, Slough regeneration Partnership.

6.2 The ability of a local authority to build council homes has not been widely available for almost a generation while the flexibilities and freedoms introduced by the Localism Act are new and untried so considerations of HRA self financing, prudential borrowing, equity investors, subsidiary housing companies and the LABV all necessitate investigation from first principles. While the evaluation has yet to conclude with a view on each of these issues, officers can confirm the following.

Density, style and design of the site.

6.3 From the initial evaluation which suggested a design of twelve, 3 and 4 bedroom, terraced and semi-detached properties further work has confirmed that a reduced density of ten, 4 bedroom semi-detached homes will provide a more favourable scheme and increase desirability of the individual units.



6.4 The new outline scheme allows for the retention of the existing front boundary wall and creates a shared private driveway with adequate parking for residents as well as some visitor parking. By limiting the design to semi-detached properties each maintains a private access to both front and rear gardens enhancing the desirability and functionality of each home.

Tenure

6.5 Development and market sale of the homes is the quickest and potentially simplest use of the site resulting in capital receipts of, say, £2.1M which could be utilised across the council for other projects. Using these funds instead of borrowing would make a consequential saving on revenue costs.

6.6 However to maximise the impact through ongoing revenue income, the properties could be developed for market renting as 'executive homes'. With rents of circa

£1,500 per month there is the potential to generate income after deductions of, say, £150,000 per annum in perpetuity.

- 6.7 In the longer term this option could be the most financially rewarding however it would be dependent upon the creation of a subsidiary housing company in order to operate as a profit making business. This is not particularly onerous and a number of authorities are starting to embark upon this path and indeed Slough was ahead of the game some 25 years ago in the formation of DISH. Clearly much more work would need to be done to evaluate this option but this could be done in parallel to the construction procurement process and the resulting scheme delivery not delayed unduly.
- 6.8 Through HRA self financing, sufficient funds are available to develop the site for social housing while still making a suitable rate of return through rental income to sustain the 30 year business plan. However ten large family units in a confined space would not be without potential management issues and should the HRA acquire the site from the General Fund the land purchase value would be less than that on the open market thereby depriving the general fund of the much needed capital receipt. Accordingly this option has been discounted.
- 6.9 Some sub-market, but still affordable renting units would be a viable option because while the income to the council in terms of rent would be reduced, the use of existing S106 receipts would mean that construction could be funded without any associated borrowing costs. Legal opinion suggests that a niche market of sub-market renting could be managed directly by the council and negate the costs of setting up the subsidiary company.

Delivery vehicle

- 6.10 Legal advice has been sought and this has concluded that it would be possible for the council to use Slough Regeneration Partnership (the LABV) as a development partner without formally moving the land into SRP 'ownership'. This would mean that all profits were retained by the Council rather than be shared with the LABV partners and the SRP would simply provide a supply chain and delivery mechanism which would remove the need to follow a full procurement process.
- 6.11 This would clearly be of interest as it would accelerate delivery by between six and nine months but before committing to such a route, the council would need to be assured that it was evidencing value for money without the LABV making excessive profits.

7 Conclusion

- 7.1 Much work has been done to deliver a financially beneficial development of new family homes on the Gurney House site. Rather than simply dispose of the site as would have been the case in previous years, officers can give sufficient assurance that it would be in the Council's financial interests to retain the site and commission the development of family homes while continuing to evaluate the best tenure mix to create a rate of return while limiting associated risk.

8 Appendices Attached

None.

9 Background Papers

None.