

TELFORD & WREKIN COUNCIL

**CABINET - 18 SEPTEMBER 2014
COUNCIL - 27 NOVEMBER 2014**

EXTENSION TO THE GYPSY & TRAVELLER SITE AT LODGE ROAD, DONNINGTON WOOD

REPORT OF ASSISTANT DIRECTOR: DEVELOPMENT, BUSINESS & EMPLOYMENT

LEAD CABINET MEMBER: CLLR CHARLES SMITH

PART A – SUMMARY REPORT

1. SUMMARY OF MAIN PROPOSALS

- 1.1 On 25 July 2013, Cabinet approved:
- The acquisition of land from the Homes & Communities Agency (HCA) to facilitate the extension of the existing permanent gypsy and traveller site at Lodge Road, Donnington Wood
 - The acquisition of a site from HCA at Snedshill for the creation of a temporary transit site to help tackle the number of illegal encampments in the Borough.
 - The submission of an application for external traveller funding from the HCA to facilitate the extension of the Lodge Road site. On 19 July 2013, confirmation was received that £1.75m of grant funding had been awarded.
- 1.2 Since then officers have been developing the scheme for the extension to the Lodge Road site but abnormal costs of development have arisen as a direct result of the poor quality ground conditions as well as the stringent requirements placed on the specification of the accommodation provided, which is a condition of the HCA funding agreement.
- 1.3 Despite considerable work being undertaken to reduce costs through modifications to the design, dividing work packages into groundwork and modular build, value engineering and competitive tendering, the scheme remains circa £775k over budget.
- 1.4 This report sets out proposals to meet this budget shortfall and outlines the potential implications of not delivering the extension to the Lodge Road site.

2. RECOMMENDATIONS

- 2.1 **That Cabinet recommend to Council that short term Prudential Borrowing of £775,000 as detailed in this report be approved.**
- 2.2 **That Cabinet recommend to Council that the capital receipt realised from the sale of land at Snedshill for employment purposes is used to repay the short term borrowing as detailed in this report.**
- 2.3 **That the award of contracts to the preferred contractors be approved, subject to commitments and spend being retained within existing approvals pending consideration of the recommendations above by Full Council.**

3. SUMMARY IMPACT ASSESSMENT

COMMUNITY IMPACT	Do these proposals contribute to specific Priority Plan objective(s)?	
	Yes	The proposals within this report directly contribute towards the following priorities: • Protecting and supporting our vulnerable children and adults • Ensuring that neighbourhoods are safe, clean and well maintained • Regenerating those neighbourhoods in need and work to ensure that local people have access to suitable housing • Protecting and creating jobs as part of a Business Supporting, Business Winning Council.
	Will the proposals impact on specific groups of people?	
	Yes	The report will ensure that the council meets its statutory duty to manage and accommodate gypsies and travellers
TARGET COMPLETION/ DELIVERY DATE	Award Enabling Works Contract: Immediately Award Main Contract: 18 September 2014 Complete Works: April 2015	
FINANCIAL/ VALUE FOR MONEY IMPACT	Yes	Proposals detailed within this report recommend temporary prudential borrowing of £775,000 for a period of 5 years until the capital receipt from the sale of the Snedshill site for employment purposes is realised. The revenue cost of this temporary borrowing will be offset against the additional New Homes Bonus and Council Tax income which will be received from the new units at Lodge Road, as shown at 4.10. For clarity, the additional rental income from both the Snedshill and Lodge Road sites is earmarked to offset the borrowing costs associated with the purchase of the Snedshill site as detailed within the Cabinet report on the 25th July 2013. As detailed within this report, should approval not be given to this temporary borrowing the Authority will forego HCA grant funding of £1.75m, and costs incurred to date of £60,000 will be abortive and will become a pressure on the revenue budget. In addition, it is estimated that potential costs of £20,000 per annum may be incurred in managing illegal encampments should sufficient permanent facilities not be available within the Borough. JAC 280814
LEGAL ISSUES	Yes	The Council has a duty to provide gypsy and traveller sites within the Borough in accordance with S225 of the Housing Act 2004. The proposed extension seeks to fulfil this duty.
OTHER IMPACTS, RISKS & OPPORTUNITIES	Yes	Failure to approve this funding may mean that: • HCA funding would be lost. The likelihood of successfully securing funding for gypsy and traveller sites in future rounds is limited due to the changing nature of the bidding process. As such the full costs of providing alternative accommodation would need to be met by the Council. • The Council would be unable to meet its statutory duty to manage and accommodate gypsies and travellers • The gypsy and traveller family currently occupying the Snedshill site, and due to be relocated to the Lodge Road site, would become effectively “homeless” when the planning permission on the Snedshill site expires. • The number of illegal encampments would increase with

		associated financial and reputational implications. Other risks associated with this proposals are that: • The £800k receipt associated with the Snedshill site will not be realised.
IMPACT ON SPECIFIC WARDS	Yes	The Lodge Road extension site is within the Muxton ward.

PART B – ADDITIONAL INFORMATION

4. INFORMATION

- 4.1 In July 2013, Cabinet approved the acquisition of 3 acres of land off Lodge Road, Donnington Wood to facilitate the extension of the existing permanent gypsy and traveller site to accommodate a further 12 units. The extension to the site was considered essential to ensure that the council is able to fulfil its statutory duty towards a gypsy and traveller family within the Borough who have residential rights here, but are currently being accommodated on a transit site at Snedshill.
- 4.2 The transit site at Snedshill was created following the acquisition of 31.7 acres of land from the HCA in 2013. The land has temporary planning permission for a transit site and on expiry of the planning permission the council will look to market part of the site for development. An alternative transit site is currently being identified to replace the Snedshill provision.
- 4.3 In July 2013, Cabinet also approved the submission of a funding bid to HCA for the upgrade of existing accommodation for gypsy and travellers at Lodge Road as well as the extension and new provision. On 19 July 2013, the council received confirmation that their application for £1.75m of funding had been successful.
- 4.4 In February 2014 planning permission was secured for the extension to Lodge Road and since then officers have been working to develop the design to allow a tender process to proceed. The project consists of the following elements:
- Site clearance and groundworks on which the site will be extended
 - Installation of hardstanding in and around the site
 - Installation of 25 new amenity buildings and 1 communal building and play area. All buildings are fabricated pods, built off site to meet specification requirements.
 - Demolition of 13 existing amenity buildings.
- 4.5 Detailed costings prepared following cabinet approval identified that the cost of the scheme was likely to exceed the available budget with this being a result of:
- Ground investigation revealing poor quality ground conditions which added to the abnormal costs associated with the development.
 - The HCA funding agreement requiring the accommodation to be built to a higher than anticipated specification, on the basis that the HCA want to protect their long investment in the scheme.
- 4.6 In response to this the project team looked at a number of alternative site layouts as well as alternative sites to try and reduce costs. In addition, the project was developed as two discreet packages for groundworks and prefabricated pods as well as a single package to see if the former approach could drive out any further savings, accepting that these were distinct specialisms.

- 4.7 Whilst a tender process would have provided cost certainty, this was delayed because a commercial opportunity arose which had implications for the Lodge Road proposals, with a local company looking to expand operations on the land adjacent to the Lodge Road extension site. Despite a number of high level meetings with the company to explore this opportunity, the proposition did not proceed.
- 4.8 Following numerous attempts to reduce costs, the preferred package was tendered with tender returns confirming that costs were still circa £775k over budget, this being after a further £190k of saving have been agreed with the preferred contractor.
- 4.9 Failure to secure a deliverable scheme will mean that:
- The HCA funding will be lost. Funding needs to be spent by the end of March 2015 or it will be clawed back.
 - Costs incurred to date, amounting to £60,000 will be abortive.
 - The likelihood of securing future HCA funding will be significantly reduced as future funding rounds are more generic, with a reduced focus on gypsy and travellers meaning the Council will have to fund an accommodation solution in full.
 - The Council would be unable to meet its statutory duty to accommodate the gypsy and traveller family currently located on Snedshill.
 - We will see an increase in the number of illegal encampments within the borough with the associated costs and reputational damage. If the Council can not find alternative accommodation for the travellers currently located on the Snedshill site, before the planning permission expires in December 2015 then they will effectively become "homeless". The lack of an available site for the travellers was the main reason for the number of illegal encampments in 2013. The number of illegal encampments has significantly reduced from on average 22 per year on Council land to almost nil since the Snedshill site was brought into use. Costs associated with these illegal encampments amounted to circa £20,000 per year in court fees, legal fees and clean up costs.
- 4.10 It is considered essential that the project proceeds and in response to this a possible funding solution has been identified which uses Council Tax and New Homes Bonus payable on the new units on Lodge Road to fund short term borrowing of £775k to bridge the budgetary shortfall. The borrowing will ultimately be repaid utilising the capital receipt from the sale of the Snedshill in 2019. This capital receipt is currently not accounted for in the Council's budget strategy. The funding solution is summarised below:

	£
Total costs of borrowing for 5years (2014 to 2019)	134,280
Income from NHB - 6 years	-94,608
Income from council tax - 5 years *	-58,014
	-152,622
Net Position	-18,342

* Council tax income from the site will provide ongoing revenue to the Authority beyond the 5 year repayment period (subject to resetting of council tax base).

- 4.11 The report seeks approval to proceed with the award of contract to our preferred contractors, Fitzgerald and Rollalong, immediately following Cabinet approval and prior to Council approval on the basis that:
- Overall spend and commitments will not exceed the £1.75m budget envelope for which approval has already been granted.
 - The order to Rollalong is a standalone contract for pod units and can be contained within the existing £1.75m envelope
 - The contract placed with Fitzgerald will be phased to contain spend within the existing approval until the report for additional funding can be considered.

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