

# North Lanarkshire Council Report

## Housing and Regeneration Committee

approval  noting

Ref PH/TM

Date 25/11/20

## New Supply Programme - Update on Progress Programme of Work – P013 (1)

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### Executive Summary

The purpose of this report is to update Committee regarding progress with the delivery of the new supply programme which aims to deliver 5,000 new homes by 2035. The report will outline some of the challenges the programme faces, and seek approval for revised targets, including increasing the number of properties to be acquired through the open market purchase scheme.

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### Recommendations

It is recommended that the Committee:

- 1) Note the contents of the report.
- 2) Approve the proposed targets for delivery of the programme, including continuation of the open market purchase scheme.
- 3) Approve the extension of the Development Pathfinder approach to cover all of North Lanarkshire
- 4) Note that an update on overall progress with the delivery of the new supply programme against targets will be reported to committee annually.

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### The Plan for North Lanarkshire

Priority Improve economic opportunities and outcomes

Ambition statement (1) Ensure a housing mix that supports social inclusion and economic growth

## **1. Background**

- 1.1 In May 2018 the Committee approved proposals to increase the new supply programme to deliver 5,000 new homes by 2035. This was specifically linked to the proposals for the potential re-provisioning of all tower blocks (4,600 flats) over 20 years. It was estimated that around 2,300 new homes (50%) would be built on the sites of the tower blocks following their demolition. The target also included an assumption that the council would purchase around 550 homes through an expanded empty homes purchase scheme, which had proved popular and had enabled the council to buy back a number of former council houses.
  - 1.2 In September 2019 the Committee approved proposals to pilot a proposed 'Development Pathfinder' scheme to enable the council to acquire completed housing units from developers 'off the shelf'. The council already acquired units 'off the shelf' from developers in the North area where the Affordable Housing Policy applies, but the committee agreed to extend this approach to the Motherwell, Bellshill, Coatbridge and Airdrie areas. It was noted that this could potentially act as a catalyst to enable private development sites to be brought forward and therefore stimulate investment in these areas and increase new housing provision. An update on the development pathfinder approach is provided later in this report.
  - 1.3 It is recognised that the delivery of a large scale programme presents a number of challenges, including the availability of sites suitable for development and the procurement of contractors to build the houses to the required standard, within the timescale required and at a competitive cost. In addition the programme has been impacted by other external factors, including changes to legislation; capacity of contractors; increased costs; restrictions in connecting to the combined sewer network, and, more recently, the impact of Covid-19.
  - 1.4 This report will provide an update to committee regarding progress with delivery of the new supply programme to date; outline the challenges faced and the proposed mitigation measures to address these issues, and set out proposed targets for the coming years, including the continuation of the open market purchase scheme.
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## **2. Report**

### **2.1 Progress to date**

#### **2.1.1 New Build**

To date 772 new build homes have been completed with 162 on site and 43 of these expected to complete by April 2021. Sites have been identified and are at various stages of progression for a further 1,271 homes across North Lanarkshire, including a number of town centre sites and Phase 1 tower re-provisioning sites. The vast majority of the sites are council owned and are brownfield, which, while bringing its own challenges, also help to support wider place making and regeneration objectives.

The new build homes have also provided much needed accommodation for households affected by disability, including purpose built wheelchair accommodation. The council's specification for its new build homes also includes a higher energy efficiency/sustainability standard than is required by current Building Regulations. Additionally, New Supply homes are also digitally enabled providing pre wired connections for broadband and Cat 5 Digital cabling to all rooms.

A further breakdown of the programme is attached at Appendix 1.

### 2.1.2 Open Market Purchase Scheme

Since 2018/19, 299 homes have been purchased through the Open Market Purchase Scheme (OMPS), and it is estimated this will increase to 400 by end of 2020/21. The OMPS, which is subject to a separate report to this committee, has proved to be very popular, and is providing much needed accommodation to meet identified local need, while also enabling common works to be progressed where the purchase of flats is providing full or majority ownership of blocks of flats. The OMPS also represents good value for money with an average purchase and repair cost in 2019/20 of £81,000. It is therefore proposed to continue to acquire additional supply through the OMPS, beyond the original estimate of 550 homes which was set out in the May 2018 committee report.

### 2.1.3 Off the shelf purchases (Affordable Housing Policy sites)

There have been 78 homes purchased from private developers in the North as part of their Affordable Housing Policy planning obligation, with a further 37 acquisitions in the pipeline. In addition 39 homes have been purchased from developers in Ravenscraig. These acquisitions continue to represent good value for money and are a good option to help deliver much needed housing in an area of high demand.

### 2.1.4 Development Pathfinder

Although no acquisitions have been agreed yet through the development pathfinder approach, there are a number of potential projects being considered with a potential to deliver over 300 homes. There has been a significant number of enquiries from developers from areas out with the four towns in the pilot which shows strong demand in the entire Council area for developments and it is proposed to extend the Development Pathfinder to cover the whole of North Lanarkshire, with every site being assessed on its merits.

## 2.2 Current challenges impacting on programme

### 2.2.1 Availability/suitability of sites

The availability of suitable sites, in areas where there is a demonstrable need for housing remains a challenge. The majority of council owned sites are brownfield sites, the development of which help support sustainable communities and meet localised need, but can be problematic, and in some cases unviable, to develop. This is often due to very poor ground conditions, including contamination and/or high levels of peat or natural gas, which is often only determined following intrusive and lengthy ground investigation. This has resulted in a number of sites having to be removed from the programme including sites at Bon Accord Crescent, Shotts and Old Glasgow Road, Cumbernauld. Sites have also been delayed or removed from the programme for other reasons, including the site of the former Abronhill High School in Cumbernauld which is currently being considered as a potential community hub site, and the Mabel Street site in Motherwell where development is delayed due to the need to reach agreement to relocate the boxing club which currently occupies part of the site.

Approximately half of the current programme assumptions were based on the re-development of sites following demolition of the tower blocks. It was always acknowledged that these assumptions would be subject to on-going review to reflect

the timescales for the availability of the sites, and the proposed mix/ capacity of each site. It is likely that the density of replacement housing will be lower than 50% and therefore alternative sites will require to be identified to support delivery of the programme. The council's wider Ambition programme, including asset rationalisation and town/community hub programmes will also result in sites being released that may be suitable for the new supply programme. Furthermore there are a number of town centre sites that have been identified that will be progressed as part of the new supply programme.

### 2.2.2 Scottish Water Drainage Policy

In the past Scottish Water would accept surface water draining to a combined sewer where no surface water sewer was close by or a viable option. Scottish Water are now strictly enforcing their policy whereby developers must retain as much surface water as possible within the site or connect directly to a surface water sewer or directly to a water course. This policy is causing a significant issue for the New Supply Programme and other development programmes within North Lanarkshire and other Council areas as it is estimated that 90% of the sewer system is a combined sewer. The sites most affected are all brownfield sites. There are ongoing discussions with Scottish Water to find acceptable solutions for the sites which were at an advanced stage of development and which have been delayed due to the strict application of the drainage policy. However this has impacted on timescales and costs for the sites involved, which could amount to £20,000 per property, although the Scottish Government have agreed to consider an increased level of grant funding to cover some of the additional cost.

### 2.2.3 Procurement/ contractor capacity

Due to the level of development activity in recent years by councils and housing associations, as well as a healthy private sector market, there have been issues with contractor capacity and availability of labour. This has also impacted on tender prices as expanded on below. The new supply team have used every available procurement method from direct award and mini competition through frameworks to open tender procedures and all approaches have shown a significant increase in tender bid prices. The procurement process itself is also lengthy and resource intensive.

Going forward it is anticipated that the proposed Enterprise Strategic Commercial Partnership will greatly assist with delivery of the new supply programme by reducing procurement timescales and achieving economies of scale. There is also the potential of partners within the contract being able to provide sites in a form of land led development. It is due to commence in 2023, and in the meantime the new supply team will continue to utilise available frameworks including the Scotland Excel new build framework and the Scottish Procurement Alliance (SPA) new build frameworks.

### 2.2.4 Covid-19

The current ongoing pandemic and lockdown between March and July has inevitably impacted on the new supply programme, as reported to the last committee. When lock down started in March there were 3 projects on site totalling 146 units. All sites are now back up and running but the average delay to the programme for each site is 14 weeks. The potential cost implications have also still to be finalised, both in terms of the projects that were on site, and the projects due to go on site or where contracts will be awarded while the pandemic is ongoing. The new supply programme is still being reviewed and adjusted to take account of the known and estimated impact of Covid-19, based on the current restrictions. Should there be any further restrictions affecting construction then this would inevitably impact further on the programme and costs.

## 2.3 Costs

2.3.1 As outlined above the cost of the new build homes has increased significantly in recent years due to a number of factors including ground remediation/ infrastructure costs; contractor capacity/ shortage of skilled labour and increased standards/specifications. More recently, the impact of measures to satisfy Scottish Water requirements is contributing to significant cost increases.

2.3.2 There are further changes to legislation that will impact on the cost of the new build homes, including:

- From 2024 new build homes cannot be powered by gas and will require an alternative heating system. Alternative options, including a fabric first thermal efficiency approach and the use of air source heat pumps combined with PV Cells and battery storage are currently being piloted and evaluated to assess the most cost effective options for the future, both in terms of installation; maintenance and, crucially running costs. There will inevitably be an increased construction cost per unit.
- Legislation has been proposed to make it a requirement that all new build social rented homes will require to have a sprinkler fitted, at an estimated average cost of £1,500 per property. This legislation had been intended to be put in force in 2021 but given present circumstances this may be delayed.

2.3.3 The increased costs associated with the delivery of the new build programme will continue to be factored in to the HRA 30 Year Business Plan, along with the most up to date assumptions around availability of Scottish Government grant, which has not been confirmed for the period beyond 2021. It is hoped tender costs will start to come down, and that the ESCP will deliver efficiencies of scale in the medium to longer term. In the meantime progressing acquisitions through off the shelf purchases and the open market purchase scheme will continue to offer good value options to augment the traditional new build programme and deliver new supply to meet housing need.

## 2.4 Future Programme Targets

2.4.1 The new supply programme is continually monitored, reviewed and updated but as it currently comprises over 30 approved sites, with further sites still to be identified, it is difficult to establish accurate long term annual targets. In addition the off the shelf acquisitions are difficult to forecast as they are reliant on the private developers' delivery programmes which is out-with the control of the council. However, the current estimated targets for the current year and each of the next four years is set out below, as well as the balance to be delivered by 2035. It should be noted that these forecasts do not take account of any further significant impact to the construction sector as a result of Covid-19:

**Table 1**

<b>Year</b>	<b>New Build - council</b>	<b>New Build - off the shelf</b>	<b>OMPS</b>	<b>Total</b>
2020/21	43		130	173
2021/22	150	22	130	302
2022/23	175	59	130	364
2023/24	200	100	120	420
2024/25	200	100	120	420
2025 – 2035	1250	526	500	2276
<b>Total</b>	2018	807	1130	3955
Completions (to March 2020)	655	117	273	1045
<b>Grand Total</b>	2673	924	1403	5000

- 2.5 The delivery of the new supply programme will be closely monitored and regular updates reported to committee, including an annual update on progress against targets and any adjustments to the programme that may be required.

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### **3. Equality and Diversity**

#### **3.1 Fairer Scotland Duty**

The new build programme has accounted for measures that will reduce inequalities of outcome via a number of activities relating to design parameters including:

- Housing for Varying Needs;
- Secure by Design;
- Achieving the Scottish Government requirements for Greener Homes to reduce the incidence of fuel Poverty;
- The inclusion of design standards relating to access to internet capabilities including 'fibre to the property'.

#### **3.2 Equality Impact Assessment**

An Equality Impact Assessment has been conducted for the New Supply Programme through and its contribution to Local Housing Strategy, Strategic Housing Outcomes.

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### **4. Implications**

#### **4.1 Financial Impact**

4.1.1 The cost of the new build programme has been increasing, and is now on average around £185,000 and can be higher on some more challenging sites, including town centre projects.

4.1.2 The new supply programme is funded through a combination of Prudential Borrowing, Capital Funded from Current Revenue (CFCR), Scottish Government

Funding and Subsidy Income. The affordability of both the new build programme and OMPS are reviewed each year and incorporated into the 30 year business plan. The Scottish Government has contributed £59,000 per new home to the New Supply Programme and £30,000 per home purchased through the OMPS.

#### 4.2 HR/Policy/Legislative Impact

There are no HR/Policy/Legislative impacts.

#### 4.3 Environmental Impact

The new build homes are built to a higher sustainability standard and options to further reduce the carbon emissions of the homes are being explored in order to meet legislative requirements, including the prohibition on gas boilers in new build properties from 2024.

#### 4.4 Risk Impact

- 4.4.1 Risk associated with the New Supply Programme is managed within the New Supply Risk Register process. The risk register has been updated to reflect the impact of Covid-19, including risk associated with contracts due to be awarded which restrictions still on-going and how the risk to the council will be mitigated as far as possible. The council will also undertake detailed ground investigation and other relevant site assessments prior to proceeding with the development of any particular site to help mitigate the risk of unforeseen costs relating to ground conditions, although this risk cannot be eliminated entirely.

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### 5. Measures of success

- 5.1 The measure of success will be the cost effective delivery of the council's new supply programme which aims to deliver 5,000 homes by 2035
- 5.2 The New Supply programme will also contribute to the regeneration of the town centres within North Lanarkshire which is one of the main priorities within the council's Economic Regeneration Delivery Plan

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### 6. Supporting Documents

Appendix 1 – Summary of New Build Programme.



**Pamela Humphries**  
**Head of Planning and Regeneration**

## Appendix 1

### New Build Sites – as at 23 October 2020

Area	Location	Units	Comments
Holytown	Main St	10	Completed (Amenity)
Holytown	Spruce Way	10	Completed
Motherwell	Ravenscraig	18	Completed (off the shelf)
Airdrie	Clarkston PS	19	Completed
Millerston	Coshneuk Rd	11	Completed (Amenity)
Cumbernauld	North Rd	29	Completed
Wishaw	Cambusnethan PS	20	Completed (Amenity)
Viewpark	Laburnum Rd	40	Completed
Moodiesburn	Gartferry Road	50	Completed
Cumbernauld	Westfield Drive,	30	Completed
Airdrie	Former Albert PS	14	Completed
Chryston	Lanrig Rd	27	Completed (Amenity)
Coatbridge	Corsewall St	14	Completed
Bellshill	Former Belvidere PS	20	Completed
Kilsyth	Fisher Ave	30	Completed
Chryston	Old Lindsaybeg Rd	14	Completed (off the shelf)
Motherwell	Glencairn Tower site	25	Completed
Viewpark	Former Tannochside PS	16	Completed
Wishaw	Walkerburn Dr, Coltness	20	Completed
Cumbernauld	Cardowan Drive	30	Completed
Cumbernauld	Kildrum Nursery	16	Completed
Chryston	Station Rd (Persimmon)	30	Completed (off the shelf)
Chapelhall	Former St Aloysius PS	30	Completed
Cumbernauld	Brown Road	20	Completed
New Stevenston	Former New Stevenston PS	15	Completed
Chryston	Greenlea Road	21	Completed
Coatbridge	Old School Court	20	Completed
Airdrie	Former Alexandra PS	14	Completed
Harthill	Former Harthill PS	20	Completed
Motherwell	Cleekhimmin, Ravenscraig (Barratt)	10	Completed (off the shelf)
Coatbridge	Blair Road	40	Completed
Motherwell	Calder PS	30	Completed
Gartcosh	Johnston Rd / Inchnock Ave (Bellway)	16	Completed (off the shelf)
Cumbernauld	Cedar Road Nursery	14	Completed
Chryston	Main Street (Bellway)	18	Completed (off the shelf)

Wishaw	Meadowhead Rd, Ravenscraig (Keepmoat)	11	Completed (off the shelf)
<b>Sub total</b>		<b>772</b>	<b>Completed</b>
Coatbridge	St James PS / Lismore Drive	58	On Site
Wishaw	Dimsdale	61	On Site
Bellshill	Caledonian Avenue	27	On Site
Wishaw	Roberts Street (Belhaven House)	16	On Site
<b>Sub total</b>		<b>162</b>	<b>On site</b>
Cumbernauld	Community Growth Area	50	Design development underway
Chryston	Chilterns Care Home	21	Planning app approved
Glenboig	Marnoch (CGA)	30	Design development underway
Motherwell	Mabel Street	20	Project on hold
Plains	Plains PS	16	Planning app approved
Waterloo	Mossburn St	20	Planning app approved
Glenmavis	McArthur Ave	21	Planning app approved
Coatbridge	Columba High School	100	Design development underway
		30	(Potential 30 Mixed Tenure)
Viewpark	Laburnum Rd	26	Planning app submitted
Coatbridge	Bank Street	9	Planning app approved
Airdrie	Glenacre Drive	15	Design development underway
Chapelhall	Gibb Street	40	Design development underway
Wishaw	Graham Street	18	Design development underway
Coatbridge	Kildonan Street	49	Design development underway
Cumbernauld	Former Cumbernauld Village PS	8	Design development underway
Glenboig	Former Police Station, Main Street	6	Design development underway
Motherwell	Brandon Street	49	Design development underway
Wishaw	King Street	16	Design development underway
<b>Sub total</b>		<b>592</b>	<b>design development underway</b>
Airdrie	Northburn Place	31	Re-provisioning site Planning app approved
Airdrie	Dykehead Rd (Holehills) (Phase 1)	83	Adjacent site to Re-provisioning Planning app approved

Airdrie	Dykehead Rd (Ph2)	56	Re-provisioning site Planning app approved
Airdrie	Dykehead Rd (Ph 3)	11	Re-provisioning site Planning app approved
Coatbridge	Shawhead	111	Re-provisioning site
Wishaw	Gowkthrapple (Ph1)	100	Re-Provisioning site
Coatbridge	Dunbeth	170	Re-provisioning site
Motherwell	Coursington	60	Re-provisioning site
<b>Sub Total</b>		<b>622</b>	
Chryston	Gartferry Road (Allanwater)	22	Off the shelf Purchase approved at Committee
Glenboig	Garnqueen Farm (Muir Homes)	15	Off the shelf Purchase approved at Committee
Airdrie	Former Orrs Building (Wilson)	20	Off the shelf Purchase approved at Committee
<b>Sub total</b>		<b>57</b>	<b>Future off shelf purchases from developers</b>
<b>Total</b>		<b>2205</b>	