

Report To:	CABINET	Date:	21 JULY 2020
Heading:	AFFORDABLE HOUSING DEVELOPMENTS – SUTTON IN ASHFIELD		
Portfolio Holder:	COUNCILLOR TOM HOLLIS – PORTFOLIO HOLDER FOR HOUSING AND ASSETS		
Ward/s:	CENTRAL AND NEW CROSS; SKEGBY		
Key Decision:	YES		
Subject to Call-In:	YES		

Purpose of Report

To advise Members about the opportunity to develop a small number of Council owned sites within Sutton in Ashfield for the purpose of affordable housing and to seek approval of the development proposals.

The sites in question are as follows;

1. Stoney Street Car Park, Stoney Street, Sutton in Ashfield
2. Beeches Community Centre, The Beeches, Skegby
3. Poplars Community Centre, Charles Street, Sutton in Ashfield

A plan of each site along with site photographs are included within the background papers.

Recommendation(s)

The following would be subject to Planning consent and confirmation of Homes England funding.

1. To approve the demolition of two community centres, namely The Beeches and The Poplars, for the purpose of redeveloping the land for much needed adapted housing let on an affordable rent basis.
2. To declare that the Stoney Street car park is no longer required for the purposes of car parking and to approve its future use as family housing let on an affordable rent basis.
3. To grant delegated authority to the Director of Housing and Assets, in conjunction with the Director of Legal and Governance and the Chief financial Officer, to agree the appropriation of the Stoney Street site from the General fund to the Housing Revenue Account based upon best consideration of the land value, lost car park revenue and the parameters of the social housing viability model.
4. To recommend that the Council approves the use of Housing Revenue Account reserves to fund the site clearances and the development of circa 9 new Council Homes. If approved, the project will be added to the Capital Programme.
5. To grant delegated authority to the Director of Housing and Assets, in conjunction with the Director of Legal and Governance and the Chief Financial Officer, to negotiate and formalise fees, scheme costs, specification, delivery and any other aspects of the proposed development.
6. To grant delegated authority to the Director of Housing and Assets, in conjunction with the Director of Legal and Governance and the Chief Financial Officer, to procure and appoint a contractor to develop the three sites as a single package.
7. To grant delegated authority to the Director of Housing and Assets to contract, on behalf of the Council, with Homes England, for the purposes of receiving subsidy to ensure that developments are viable and fall within the Councils' 30 year business plan model.

Reasons for Recommendation(s)

To enable a project that will increase Ashfield District Council's housing stock in order to meet significant levels of demand for affordable rented properties within the district, and to provide much needed adapted homes for the District's elderly and vulnerable residents.

Alternative Options Considered

An alternative is to do nothing, i.e keep the car park and the community centres as is. This is not recommended as both are under-utilised and can be re-purposed for much needed affordable housing.

A second option would be to sell the sites. However the viability of the sites as a development opportunity for outside parties is very low given the likely capital receipt. Affordable housing would not be delivered on the sites.

Detailed Information

The Corporate Plan sets out the Council's ambition to ensure there is sufficient good quality, affordable housing for the residents of Ashfield. To achieve this the Council cannot rely upon Registered Providers and private house builders alone; it is important that the Council looks at the opportunities to develop new affordable housing on sites it owns.

The Housing Strategy, in keeping with Government policy, has a strong focus on the importance of housing for good health and for helping older and disabled residents to remain independent in their home. The Strategy highlights the importance of prevention and practical action to ensure homes are fit for purpose to keep residents out of hospital and residential care. The Council offers standard forms of housing and it can be a struggle to assist residents whose needs differ from this, in particular those who are wheelchair users. The bungalows will go some way towards helping the Council meet these needs and fulfilling the aims of its Housing Strategy.

An assessment of sites has been conducted with a view to devising an Affordable Housing Development Programme. The first 3 sites that have been identified as being suitable for development include;

Stoney Street Car Park – currently a small pay and display car park within a residential and commercial setting. Site use is low, typically generating a gross income of circa £2500 and incurring costs of £3000 in NDR (Non Domestic Rates) per annum.

Beeches Community Centre – located within a residential setting. Low usage levels from both paid sources and community groups. The Centre requires long term investment and is currently running at a net loss. Alternative local centres are available for user groups.

Poplars Community Centre – located within a residential setting. Very low level use from local community groups. The Centre requires long term investment and is currently operating at a net loss. Alternative local centres are available for user groups.

Both Community Centres will require significant levels of ongoing investment if they are to be retained and remain fit for purpose in future.

There are family homes adjacent to Stoney Street Car Park and subject to Planning consent the intention would be to continue the current street scene by developing 3 x 3 bedroom homes and 2 x 2 bedroom homes on the site, all with designated off-street parking. Demand for family homes in the area is high, currently each vacant Council house in the Central Sutton and Skegby areas attracts between 70-100 bids when advertised through the Homefinder Lettings Service and there are currently 3900 applicants in total on the Housing Register.

In respect of the Community Centres, the intention would be to demolish the existing buildings and develop much needed adapted bungalows. On each site the proposal is to build 2 x 2 bedroom bungalows. The units would be suitable for local residents with disabilities, a group of residents whose needs the Council struggles to meet from the existing stock of properties. Options for 3 bedroom bungalows are also being explored. Demand from applicants on the housing Register is high with a 2 bedroom Council bungalow in Sutton in Ashfield typically attracting 50-60 bids.

The Community Centres both sit within the Housing Revenue Account (HRA) whereas Stoney Street car park is a General Fund site. As such, as part of the pre-development process Stoney Street would need to be appropriated into the HRA and the General Fund compensated accordingly.

The development, in addition to delivering much needed affordable housing would bring in extra Council Tax revenue and may, subject to potential changes to Government funding arrangements, also generate New Homes Bonus funding.

The viability of the development is dependent upon the Council receiving Homes England funding. Should the application for funding be unsuccessful the scheme would not proceed as the payback period, which is the time it would take the Council to recover the financial outlay from the rental income received would be prohibitive.

In keeping with other council housing, at least some of the units will be eligible for the Right to Buy. However, the Council is entitled to receive the full cost of the building if sold within the first 15 years of completion, thus negating this risk at least in part.

Scheme costs

The development on the 3 sites will be funded through HRA reserves and Homes England (HE) funding. HE funding is not a given, but we are confident the development will be supported. Typically HE funding is circa £40,000 per plot of build costs.

The plans and the procurement of contractors are at an early stage. Our initial assessment is that the total cost of the development is in the region of £1.46 million, the cost net of HE funding is circa £1.10 million. This equates to an average of £122,222 per unit, or a value for the 3 beds of £131,000 and the 2 beds £117,000.

The properties would be made available on an affordable rent basis (80% of market rent) as this is a requirement of receiving funding from Homes England. The time taken to pay back the Council's financial outlay, assuming HE funding at £40,000 per unit, is 34 years, which is within the Council's parameters. If HE funding was not received the payback period stretches beyond 40 years and so is considered not financially viable.

The appropriation of surplus car park land from the General Fund to the Housing Revenue Account is permissible under Section 19 of the Housing Act 1985.

Contract and procurement

The intention would be to work the Nottingham City Council's Procurement Unit to identify a contractor for the works and other specialist consultants needed to deliver the development.

In all likelihood the Council would enter into contract with the preferred contractor selected through the Pagabo framework. The contract terms would be agreed between the Council and the contractor. In addition to the main contractor the Council will need to appoint a third party, an employer's agent, to manage the build process, to act as quantity surveyor for payment stages, and sign off the completed works.

The Council will expect the successful contractor to bring added social value to the area in the form of employing local labour or utilising local suppliers.

Timescales

Subject to Members approval the intention would be to move forward with the development at the earliest opportunity. There are a number of pre-development processes to complete, the most obvious being Planning consent. If Planning approval is achieved in late summer there is a strong likelihood that works could start on site in late 2020 with completion in summer 2021.

Implications

Corporate Plan:

The Corporate Plan identifies a need to ensure there is sufficient housing available in the district of the right size, type and quality, ensuring an adequate supply of affordable housing.

Legal:

Legal advice and support will be provided throughout the process.

Contract Procedure Rules allow procurement through framework agreements.

Appropriation to HRA

Section 122 of the Local Government Act 1972 empowers a Local Authority to appropriate land for any purpose for which the Council is authorised by the 1972 Act (or any other enactment) to acquire land by agreement and which is surplus to the Council's requirements. With regard to the former, the Council is able to acquire land for housing purposes under section 17(1) of the Housing Act 1985 by agreement or otherwise. Appropriation under section 122 is expressly made subject to the rights of other persons in respect of the land concerned.

Section 19 (1) of the Housing Act 1985 states that a Local Authority may appropriate for the purposes of housing any land for the time being vested in them or at their disposal and the authority shall have the same powers in relation to the land appropriated as they have in relation to land acquired by them for the purposes of housing.

If land is transferred between the HRA and the General Fund, an adjustment to the HRA will be required (paragraph 5, Part III of Schedule 4 to the Local Government and Housing Act 1989 and Part VI section 74). The appropriation of assets between the General Fund and the HRA will require the transfer of debt of the appropriated asset. Adjustments are required to reflect the change in the HRA capital financing requirement.

Finance:

The Community Centres are currently running at a net loss.

The Poplars annual running costs are circa £15,000 per annum, against an income of £9,000. Ongoing maintenance and investment means that the projected net loss will increase to circa £11,000 per annum.

Annual running costs for the Beeches are broadly similar but this centre only generates around £1000 in income each year. With maintenance and investment costs set to increase the current £14,000 net loss is likely to increase to a deficit of £19,000 per year.

Budget Area	Implication
-------------	-------------

General Fund – Revenue Budget	Loss of ADC's share of NDR income on the carpark which would be offset by additional Council Tax and potentially New Homes Bonus. Reduction in Capital Charges due to reduction in Capital Financing Requirement due to the appropriation of land to HRA
General Fund – Capital Programme	None
Housing Revenue Account – Revenue Budget	Additional annual rent of £55,200.00 some of which will be used to meet ongoing maintenance costs on the new Council Houses. Increase in Capital Charges due to reduction in Capital Financing Requirement due to the appropriation of land to HRA
Housing Revenue Account – Capital Programme	Circa £1.1m build costs

Risk:

Risk	Mitigation
Land proves unsuitable without significant remediation	Topographical and ground surveys produced before contract commitment
Unexpected costs	Risks to be minimised through contract
Material and / or building supply delays	Risks with contractor, offset through a Longstop clause
Potential asbestos removal from Community centres	Check against specific register, instruct type 2 survey if required.

Human Resources:

No implications

Environmental/Sustainability:

All new properties to be built to current environmental regulations, with lowest achievable u value.

Equalities:

An Equalities Impact Assessment Screening Form has been completed and attached. There are no significant issues.

Other Implications:

(if applicable)

Reason(s) for Urgency

(if applicable)

Reason(s) for Exemption

The report contains commercially sensitive information

Background Papers

Site plans

Report Author and Contact Officer

Andy Kirkland
Housing Development Lead Officer
a.d.kirkland@ashfield.gov.uk