

Report To:	CABINET	Date:	15th SEPTEMBER 2020
Heading:	HUCKNALL INFILL SITES – AFFORDABLE HOUSING DEVELOPMENT		
Portfolio Holder:	COUNCILLOR TOM HOLLIS		
Ward/s:	HUCKNALL NORTH, HUCKNALL SOUTH, HUCKNALL CENTRAL		
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 Hucknall for the purpose of affordable housing and to seek approval of the development proposals.

The sites in question are as follows;

1. Barbara Square garage site, Barbara Square, Hucknall
2. Hawthorne Avenue garage plot site, Hawthorne Avenue, Hucknall
3. Chestnut Grove garage plot site, Chestnut Grove, Hucknall
4. Chatsworth Drive garage site, Chatsworth Drive, Hucknall

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

Recommendation(s)

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

- 1. To declare that the 4 garage plot sites on Barbara Square, Hawthorne Avenue, Chatsworth Drive and Chestnut Grove are no longer required for this purpose and to approve their future use as sites for family housing let on an affordable rent basis.**
- 2. To recommend that the Council approves the use of Housing Revenue Account reserves to fund the site clearances and the development of circa 15 new Council Homes on the 4 named sites. If approved, the project will be added to the Capital Programme.**
- 3. To grant delegated authority to the Director of Housing and Assets, in conjunction with the Portfolio Holder for Housing, 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.**
- 4. To grant delegated authority to the Director of Housing and Assets, in conjunction with the Portfolio Holder for Housing, Director of Legal and Governance and the Chief Financial Officer, to procure and appoint a contractor to develop the four sites as a single package.**
- 5. To grant delegated authority to the Director of Housing and Assets to contract, on behalf of the Council, with Homes England, for the purpose of receiving subsidy to ensure that the 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 a significant demand for affordable rented properties within the District.

Alternative Options Considered

An alternative is to do nothing, i.e keep the garages sites as they are. This is not recommended as they are under-utilised and can be re-purposed for much needed affordable housing. In due course the sites will need capital investment to ensure their long term viability. As well as this, underutilised garage sites are often subjected to anti-social behaviour.

A second option would be to sell the sites for the purpose of affordable housing development. 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. Not recommended.

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.

An assessment of sites has been conducted with a view to devising an Affordable Housing Development Programme. These 4 sites constitute the second phase of development. There will be further phases as other under-utilised assets are re-purposed for affordable housing.

The sites include:

Barbara Square Garages – The site, consisting of a dozen garages is currently secured and the garages unused. The site was used as an office and storage area by a contractor undertaking decent homes work on Council homes but has remained unused now for a number of years. The site is potentially suitable for circa 5 family homes, 3 two bedroom and 2 four bedroom houses.

Hawthorne Avenue – The site is a garage plot site meaning tenants rent a plot of land and erect their own garage. The site has 16 plots of which only 2 are occupied. The site is of a reasonable size and is potentially suitable for 2 three bedroom homes. Alternative garage plot sites are available and discussions will be held with the occupants about other local sites.

Chestnut Grove – Like Hawthorne Avenue, this is a garage plot site. The site contains 31 plots of which only 1 is let. The site could accommodate 4 family homes, typically 2 two and 2 three bed homes. Alternative garage plot sites are available and discussions will be held with the occupants about other local sites.

Chatsworth Drive – The site, at the end of a residential street currently contains 5 garages. The properties adjacent to the site are maisonettes and there is an option to continue the street scene by developing on the site a block of 4 maisonettes, each containing 2 bedrooms. There is plenty of on street parking available, and as such the loss of a parking amenity would be negligible.

Demand for family homes in the area is high and the supply is low. During the 12 months up to 1st August 2020 only 3 two bedroom and 13 three bedroom Council homes in Hucknall became available to applicants on the Housing Register. Each vacancy attracted between 65 and 136 bids from interested applicants. In the current economic climate demand is likely to increase.

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

We have obtained provisional costs for 3 of the sites, Chatsworth Drive was a late addition and so costs are pending. Development costs for the 3 sites. Barbara Square, Hawthorne Avenue and Chestnut Grove total £1.75m, this figures falls to £1.41m when HE funding is deducted. Looking at different properties, 2 bed homes will cost in the region of 94k per unit net of HE funding, 3 bed homes will £131k (net) and 4 bed units £151k (net). In respect of the time taken to repay the investment, 2 bed homes are repaid within 24 years, 3 beds in 34 years and 4 beds in 27 years. Each of these acceptable repayment periods.

The development costs for Chatsworth Drive will be scrutinised once received and the same viability criteria will be applied. If the costs do not fall within acceptable parameters the development of this site is unlikely to proceed.

All new homes will be made available on an affordable rent basis (80% of market rent) as this is a requirement of receiving funding from Homes England.

The garage sites sit within the Housing Revenue Account and so costs associated with appropriation of the sites is not applicable.

Contract and procurement

The intention is to work with 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 and an application for Homes England funding. If Planning approval is achieved in late 2020 there is a strong likelihood that works could start on site in early 2021. The Council should have received the outcome of the Homes England application by then.

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.

The sites are within the HRA and so there are no legal issues regarding the appropriation of the sites.

Finance:

The garage sites as they are can be considered to be relatively cost neutral. Expenditure on each site in the form of repairs, maintenance and general upkeep is low but so too is income received. Zero income is received for the Barbara Square site, very little from the remaining sites. Two of the sites are plot sites whereby the Council receives only £1 per week from each tenant. In due course, without development of the sites, investment will be needed in each of the sites to ensure they remain fit for purpose.

Budget Area	Implication
General Fund – Revenue Budget	Additional Council tax income and potentially, New Homes Bonus income
General Fund – Capital Programme	None
Housing Revenue Account – Revenue Budget	Additional dwelling rent income. Lost garage rent income.
Housing Revenue Account – Capital Programme	Build costs.

Risk:

Risk	Mitigation
Homes England Funding is not secured	None. Development will not go ahead.
Planning permission is not granted.	None. Development will not go ahead.
Land proves unsuitable without significant remediation	Topographical and ground surveys produced before contract commitment.
Unexpected costs	Risks to be minimised through robust contractual arrangements
Material and/or building supply delays	Risk sits with contractor, offset through a longstop clause
Potential asbestos removal from garages	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, further enhancements above that level will be considered as the building specifications, types and costs become clearer.

Equalities:

An Equalities Impact Assessment Screening Form has been completed. There are no significant equality related issues.

Other Implications:

(if applicable)

Reason(s) for Urgency

(if applicable)

Reason(s) for Exemption

(if applicable)

Background Papers

(if applicable)

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