

Report To:	CABINET	Date:	13 October 2020
Heading:	AFFORDABLE HOUSING DEVELOPMENT – MAUN VIEW, SUTTON IN ASHFIELD		
Portfolio Holder:	CLLR TOM HOLLIS, PORTFOLIO HOLDER FOR HOUSING & ASSETS		
Ward/s:	SUTTON JUNCTION AND HARLOW WOOD		
Key Decision:	YES		
Subject to Call-In:	YES		

Purpose of Report

To advise Members about the opportunity to develop affordable family housing on an undeveloped plot of land at the Council-owned Maun Valley site and to seek approval of said development.

Recommendation(s)

Subject to planning consent and Homes England funding to;

- 1. To approve the use of the undeveloped section of the Council-owned Maun Valley site for family housing let on an affordable rent basis.**
- 2. To grant delegated authority to the Director of Housing and Assets, in conjunction with the Director of Legal and Governance, and the Chief Finance Officer, to agree the appropriation of the Maun Valley site from the General Fund to the Housing Revenue Account based upon best consideration of the land value and the parameters of the social housing viability model.**
- 3. To approve the use of Housing Revenue Account reserves to fund the construction of 17 new affordable homes.**
- 4. To grant delegated authority to the Director of Housing and Assets, in conjunction with the Director of Legal and Governance, and the Chief Finance Officer, to negotiate and formalise final scheme costs, specification and delivery.**
- 5. To grant delegated authority to the Director of Housing and Assets, in conjunction with the Director of Legal and Governance and the Chief Finance Officer, to procure and appoint a contractor to develop the site.**
- 6. 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 Council's 30 year business plan model.**

Reasons for Recommendation(s)

The development will help to achieve the Council's Corporate Plan objective of delivering much needed additional good quality affordable housing in the District.

The development will bring in to use in an extremely positive way an under-used brownfield site.

Alternative Options Considered

Alternatives include;

- Do nothing with the land. This was rejected because the land is not currently being used and has development potential;
- Develop the land for industrial units. This was rejected because of financial viability;
- Sell the land for private housing development. This was rejected because the site is better used to provide much needed affordable housing.

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 undeveloped section of land at the Council-owned Maun Valley site, located off Leander Close (Station Road), Sutton in Ashfield has been identified as being potentially suitable as a site for affordable housing. The area contains a mix of residential and Industrial units.

The attached supporting document includes an indicative plan of what could be achieved on the site. Subject to planning approval it would be our intention to develop circa 17 new homes, including 2 x 2 bed bungalows, 6 x 2 bed houses, 5 x 3 bed houses, and 4 x maisonettes (2 x 2 bed, 2 x 1 bed).

The site adjacent to this has recently been developed by a private contractor into family homes, so conversion of this site would be in keeping with the street scene.

Demand for family homes in the area is high and the supply is low. During the 12 months up to 1st September 2020 vacant 2 bedroom Council houses in the area attracted an average of 92 bids from housing applications per property whereas 3 bedroom houses attracted an average of 107.

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 site currently sits within the Council's General Fund. The site will need to be appropriated into the Housing Revenue Account and the General Fund Capital Financing Requirement counterbalanced accordingly.

The viability of the development is dependent upon the Council receiving Homes England funding or as a fall-back position the use of Right To Buy (RTB) 1-4-1 Capital Receipts.

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.

Cost

The plans and the procurement of contractors is at an early stage; however it is estimated that the development of the site will be around £2,606,000. If Homes England funding of £680,000 is secured and Section 106 monies of £200,000 used, this will bring the estimated cost to the HRA down to £1,726,000. Net of Homes England grant and Section 106 monies the average cost per unit is £126,292 for three beds, paying back in year 37, £95,059 for 2 beds, paying back in year 28, and £71,973 for 1 beds, paying back in year 31. The development falls within the payback parameters used by the Council.

If the Homes England funding application fails the Council could use the Right-To-Buy (RTB) 1-4-1 Capital Receipts funding. The RTB 1-4-1 receipts available to this scheme would amount to £781,800, this will bring the estimated cost to the HRA down to £1,824,200. Net of the RTB 1-4-1 receipts the average cost per unit is £133,478 for three beds, paying back in year 40, £100,467 for 2 beds, paying back in year 31, and £76,068 for 1 beds, paying back in year 33. The development falls within the payback parameters used by the Council.

If the estimated costs change at any point and exceed the payback parameter as set by the Council the scheme will not go ahead.

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.

Finance:

Budget Area	Implication
General Fund – Revenue Budget	Additional Council Tax and potentially New Homes Bonus. Reduction in capital charges due to reduction in General Fund Capital Financing Requirement (CRF) due to the appropriation of land to HRA - the value of which is to be determined.
General Fund – Capital Programme	None
Housing Revenue Account – Revenue Budget	Additional annual rent of £14,000. Increase in Capital Charges due to increase in HRA CFR due to the appropriation of land to HRA or one-off charge to the HRA to fund the increase in CFR as a voluntary revenue provision – Once the value is determined these options will be assessed and the most beneficial option to the HRA business plan will be actioned.
Housing Revenue Account – Capital Programme	As detailed in the body of the report (Cost Section)

Risk:

Risk	Mitigation
Homes England Funding is not secured	Use of RTB 1-4-1 Capital Receipts.
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

Human Resources:

No Implications

Environmental/Sustainability

All new properties to be built to current environmental regulations, with lowest achievable u value. The U value measures Thermal Transmittance, and refers to heat escaping from the home. The lower the U value, the less movement of heat and cold between inside and outside. This compliments the Regulator for Social Housing's proposal that all Social Housing stock will attain a minimum of EPC rating 'C' by 2030 and net-zero carbon by 2050.

Equalities:

An Equalities Impact Assessment Screening Form will be completed and submitted in accordance with the Council's policy.

Other Implications:**Reason(s) for Urgency**

(if applicable)

Reason(s) for Exemption

(if applicable)

Background Papers

(if applicable)

Report Author and Contact Officer

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