

<b>Report To:</b>	<b>CABINET</b>	<b>Date:</b>	<b>21 JANUARY 2019</b>
<b>Heading:</b>	<b>HOUSING PROJECT, DAVIES AVENUE, SUTTON-IN-ASHFIELD</b>		
<b>Portfolio Holder:</b>	<b>CABINET MEMBER (OUTWARD FOCUS), COUNCILLOR JOHN WILMOTT</b>		
<b>Ward/s:</b>	<b>CARSIC WARD</b>		
<b>Key Decision:</b>	<b>YES</b>		
<b>Subject to Call-In:</b>	<b>YES</b>		

### **Purpose of Report**

To obtain authorisation to dispose of vacant Housing Revenue Account held land to a Registered Provider of Social Housing (EMH Group) for the purposes of building approximately 26 affordable homes and to enter into an agreement to purchase the development once completed.

### **Recommendation(s)**

**Subject to the authority of Council to seek Secretary of State consent as set out in recommendation 2, Cabinet is asked:**

- 1. To approve the disposal of the vacant Housing Revenue Account held land at Davies Avenue to EMH Group using powers granted under Section 32 of the Housing Act 1985, for the purposes of building approximately 26 affordable homes to meet housing need;**
- 2. To recommend that Council authorises an application to the Secretary of State for Housing, Communities and Local Government for consent under S32 of the 1985 Act to dispose of the land incorporating a pre-emption clause in the sale contract (as required under schedule A8 of Section 32 of the Housing Act 1985) which will grant the Council the right of first refusal when the land and buildings are subsequently sold;**
- 3. To recommend that Council authorises the use of Housing Revenue Account reserves to fund the purchase of approximately 26 new affordable homes up to a total value of £2.87m in the event that the Council decides to exercise the right of first refusal;**
- 4. To grant delegated authority to the Director of Housing and Assets, in conjunction with the Director of Legal and Governance and Chief Finance Officer, to negotiate and formalise final scheme costs, specification, pre-emption clause details, delivery and exercising the pre-emption.**

## **Reasons for Recommendation(s)**

To enable a project that will increase Ashfield District Council's housing stock and provide additional good quality affordable homes that will meet housing need in the district.

To bring back in to use, in an extremely positive and beneficial way, an area of derelict land which currently attracts fly tipping and other anti-social behaviour that is of detriment and concern to local residents.

## **Alternative Options Considered**

The alternative is to do nothing i.e. maintain the land as vacant and not allocate any Housing Revenue Account reserves to house building. This is not considered reasonable given Ashfield as of December 2018 has 4,446 applicants on the housing waiting list. The cost of the build can also be accommodated within Housing Revenue Account balances, and the opportunity provides the potential to regenerate part of the district.

## **Detailed Information**

The Council has previously set out its intention to build and enable affordable housing on Council-owned land. One of the most suitable sites is located on Davies Avenue, Sutton in Ashfield. It is a 0.6ha site which could provide approximately 26 homes, depending on the types of properties that are required (exact numbers may change within a margin once a full assessment of the land has been undertaken).

It has been considered as a potential site since the closure of the Sutton Town Social Club in 2011, and was the subject of a Cabinet report in September 2013. The report included the following recommendations, which were all approved:

- 1) Appropriate the site into the Housing Revenue Account from the General Fund, under Part II of the Housing Act 1985 to allow for a potential future social housing development.
- 2) Purchase the area owned by Rippon Homes for £10,000 (restricted for social housing use only), funded from the Housing Revenue Account, to protect access to the site.
- 3) Allow the tenants to surrender the ground lease.
- 4) Demolish the social club, funded by the Housing Revenue Account.
- 5) Explore the future potential of the site as a social housing scheme.

Due to the Council's other social housing developments, and the cost of development, it has until now not been possible to find a viable affordable housing scheme on Davies Avenue. The Council could tender for a development partner to deliver an affordable housing scheme, but would have to employ consultants to draw up tender specifications, navigate the procurement process, manage the contract and apply for its own Affordable Housing Grant via Homes England. This would significantly add to the contract sum and affect viability by extending the term by which the new homes would pay back through rent receipts.

However, in recent months officers have been discussing a potential partnership with the EMH Group. Formerly known as East Midlands Housing Association, EMH Group is a Registered Provider that has some 20,000 homes across 30 local authority areas in the East Midlands, Lincolnshire and Northamptonshire. They have a very strong presence in Ashfield and have a great deal of experience in working in partnership to deliver new affordable housing schemes as well as acquiring the affordable housing allocation on major sites. They also have their own specification

which meets the required standards but can be amended to suit Ashfield's supply chain and maintenance arrangements. EMH Group are also the only Association within the East Midlands region to be a Strategic Partner of Homes England and as such have secured £30.5m in grant to increase housing in the region. This funding can be directly applied to schemes such as the one proposed at Davies Avenue thus ensuring the viability of the project.

In order to apply this funding EMH Group would need to have an interest in the land – such as outright ownership or a long-term lease. The proposal is that the Council would dispose of the Davies Avenue site to EMH at market value so that they would build a scheme to our requirements (property types, space standards and specification). Once complete, the Council could then buy back the site - complete with all of the affordable homes secured via a pre-emption agreement before the transfer of the land.

A draft scheme has been drawn up using the information that the Council holds on the need and demand for affordable homes in the area and, subject to planning approval, it is anticipated that the site could hold approximately 26 homes. Potentially the mix could be:

- 2 x 3 bedroom fully adapted bungalows
- 8 x 3 bed terrace houses
- 12 x 2 bed terrace houses
- 4 x 2 bedroom apartments

In addition to reflecting the need in the area, the proposed scheme also provides a sustainable mixture of household types. The inclusion of the 3 bedroom bungalows also provides much needed housing for families who have one or more members with a disability. This type of property is in great demand so their inclusion will reduce waiting times, mean that fewer substantial alterations are required under the Disabled Facilities Grant scheme, and allow more families to receive assistance. Equally the Authority can set out a Local Lettings Policy to determine who the properties are let to e.g. the ground floor apartments could be exclusively for over 55's.

Another benefit to the Council would be the additional revenue from Council Tax and potentially additional New Homes Bonus that is applied to affordable homes providing the minimum percentage growth of dwellings is achieved (currently 0.4%).

Although Right to Buy will always be an issue on any new properties built for social housing, the property values themselves are protected by what is known as the 'cost floor'. This means via legislation that the Authority will receive the full cost of the building for the first 15 years of its completion. As such it is immaterial how many years right to buy discount the tenant may have they will still need to pay the Authority the full cost of the build if purchased during the first 15 years.

## Cost

The plans are at an early stage and site investigations are yet to be commissioned. However, work has been done to establish provisional costs although they may change if there are any major issues requiring remediation. It is anticipated that a scheme of this size would cost the Council in the region of £2.87m. This represents an approximate reduction of circa £30k to £40k per property from the total scheme cost which is covered by Homes England grant. In order to produce better value for the Council it is recommended that the scheme is funded by a mixture of Housing Revenue Account reserves and the utilisation of commuted sum payments that the Council has received from developers as part of their planning obligations. The specific costings, and the requirement for commuted sums, are yet to be determined until the full cost of the development is known. The deployment of commuted sums will be handled through the parameters set out in the financial regulations and council constitution.

## Disposal of the land

The disposal of vacant land is permissible under Section 32 of the Housing Act 1985 and ordinarily we would not need to seek Secretary of State consent to do so. However, due to the nature of the proposed agreement with EMH Group, the transfer contract should include a pre-emption agreement which ensures that the council has the right of first refusal on the land when it is sold upon completion of the development. The inclusion of such a clause will require Secretary of State consent (schedule A8 of section 32 of the Housing Act 1985). If the recommendations of this report are approved, the necessary application would be made and a decision expected within 6 weeks as per recent conversation with MHCLG.

## Contract

The Council would only be party to a contract with the EMH Group for the transfer of the land with the pre-emption clause included. The terms of the contract will be agreed between the Council's legal section and those representing EMH Group. Once this is done EMH Group will select a developer partner through a procurement framework and will contract with them directly. They will also lead on the planning application. Under this arrangement design and specification will be agreed between the Council and EMH Ltd before commencement.

## Timescale

It is estimated that the pre-construction phase will take up to 12 months from start to finish. This phase will include preparing and agreeing the brief, agreeing specification and design and the planning process.

The construction phase will take in the region of 18 months from start on site to practical completion.

The site can be prepared immediately following approval to demonstrate commitment and intent to local residents who are keen to see the land put back in to use rather than remain a derelict site attracting anti-social behaviour and actions.

## **Implications**

### **Corporate Plan:**

Influence housing provision to ensure that there is sufficient housing available in the district of the right size, type and quality, ensuring an adequate supply of affordable housing

Increase overall supply of affordable and appropriate homes in the district

Develop a long term sustainable business plan to enhance and expand existing Council owned housing stock

### **Legal:**

Legal issues are set out in the report and legal advice and support will be provided throughout the process.

**Finance:**

Budget Area	Implication
General Fund – Revenue Budget	On completion of the development and transfer to the Council – additional Council Tax and potentially New Homes Bonus funding
General Fund – Capital Programme	N/A
Housing Revenue Account – Revenue Budget	On transfer of the land - £60k HRA capital receipt and on completion of the development and transfer to the Council – additional rent income
Housing Revenue Account – Capital Programme	On completion and transfer to the Council – payment of up to £2.87m for the purchase of the properties

**Risk:**

Risk	Mitigation
Land proves unsuitable without significant remediation	Topological and ground surveys to be undertaken before agreement signed
ADC and EMH cannot agree terms	Both committed to delivery of affordable housing (EMH is the regional strategic partner for such)
Unexpected costs	Viability will be tested ahead of the agreement. Commuted sums are available as internal subsidy to meet reasonable additional cost.
Unforeseen building industry issues (materials, labour, financial stability of developer)	Due to nature of agreement these will be issues for EMH to resolve. (ADC may however suffer delay on delivery)

**Human Resources:**

No HR implications contained in the report

**Equalities:**

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

**Other Implications:**

*(if applicable)*

**Reason(s) for Urgency**

*(if applicable)*

**Reason(s) for Exemption**

*(if applicable)*

The report contains commercially sensitive information

## **Background Papers**

Site plan

### **Report Author and Contact Officer**

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