

PROPOSAL FOR DELIVERING AFFORDABLE HOUSING ON LOCAL AUTHORITY LAND ACROSS HEREFORDSHIRE

REPORT BY DIRECTOR FOR PLACES & COMMUNITIES

**REPORT TO CABINET MEMBERS FOR ENVIRONMENT, HOUSING & PLANNING AND
CORPORATE SERVICES & EDUCATION**

DATE REPORT CONSIDERED AND DECIDED BY CABINET MEMBER: 25 OCTOBER 2011

DATE DECISION CAN BE IMPLEMENTED: 31 OCTOBER 2011

CLASSIFICATION: Open

Wards Affected

County-wide

Purpose

To seek approval to release Council owned land for affordable housing provision and to agree a preferred delivery partner.

Key Decision

This is a Key Decision because it is likely to result in the Council incurring expenditure which is, or the making of savings which are, significant having regard to the Council's budget for the service or function to which the decision relates;

It was included in the Forward Plan.

Recommendations

THAT:

- (a) the land identified in Appendix 1 be released for delivery of affordable housing at nil cost;**
- (b) WM Housing (Kemble Housing Ltd) be selected as the preferred housing partner;**
- (c) The Director for Places and Communities be given delegated authority to finalise contractual arrangements in consultation with the appropriate Cabinet Members**

Key Points Summary

- In March 2009 Cabinet confirmed support for the evaluation of 14 sites in ownership of the

Council to be considered for the delivery of new affordable homes.

- Officers have been working with 3 preferred housing association development partners, who had expressed an interest, to provide proposals with associated costs to assist in the evaluation process.
- Changes in Central Government have seen a significant reduction in funding available from the Homes and Communities Agency (HCA) and more innovative ways of delivery to achieve better value for money are being sought.
- There is a strong indication from both the Department for Communities and Local Government (DCLG) and the HCA that where public bodies are in ownership of land suitable for affordable housing, that this should be made available to meet local housing need, at nil cost.
- The land identified has been referenced within the Herefordshire Local Investment Plan (LIP) as leverage for additional external funding towards development in the county.
- The HCA have undergone a bidding process through their Affordable Homes Programme 2011-2015 for allocating capital funding from central government.
- As part of this process, the HCA sought to support bids from partners who can demonstrate that resources have been maximised, including provision through nil grant S106 delivery, local authority land, private sector funding and increased revenue from rent increases across existing stock.
- The outcome of the Affordable Homes Programme has been announced and WM housing (as a lead investor) has been awarded grant funding to deliver new housing across the country, including Herefordshire.

Alternative Options

Consideration has been given to the alternative options as follows

1. Sell the land on the open market

This would provide the council with a capital receipt with the flexibility to transfer the resources received, to deliver other identified key priorities. It should be noted that where sites are significantly large enough negotiations would take place to secure the relevant % of affordable housing under the current planning policies with nil grant being available. However, it should also be recognised that the delivery through planning gain by a private developer would see an overall reduction in the total number of units delivered, impacting significantly on the number of affordable units being provided.

It should be noted that where sites are limited in size and 100% affordable housing would be acceptable in planning terms, the preferred housing partners will not be in a position to secure the land at the open market valuation without significant grant input. This approach is unlikely to be supported by the HCA as previously mentioned.

The open market values of the sites are detailed in Appendix 2.

2. Retain the land in the local authority's ownership.

The land identified could continue to be utilised by the council for alternative uses where appropriate.

3. Sell the land to the preferred housing partners at less than the open market value

The evaluations process indicated that preferred partners could offer to purchase the land at below open market value. Whilst this would provide a reduced element of capital receipt, this approach would not be supported favourably by the HCA for funding purposes and would not attract support through the Affordable Homes Programme, impacting on wider development opportunities across the county.

4. Dispose of the land on a 125 year lease at nil cost, with a nominal ground rental

This could be an accepted compromise position, disposing at nil cost, but continuing to safeguard the council's assets in the long term. However, the state of the current financial market can prove problematic when securing loans enabling the private finance to be available to deliver affordable homes. Freehold disposal is more attractive to lenders to secure the necessary private finance required, not only for the construction of these homes, but also for shared ownership purchasers.

Reasons for Recommendations

5. To enable the delivery of affordable housing to meet identified local housing need, whilst seeking to achieve value for money.
6. Current housing market conditions mean the delivery of affordable housing is significantly constrained.
7. The HCA are requiring local authorities and their development partners to maximise the range of resources available, including through the release of local authority land. The provision of the identified Council-owned land, at nil cost, would represent a capital contribution from Herefordshire Council to enable the development.
8. Through a selection process, WM Housing provided options to deliver a range of housing solutions and demonstrated value for money together with a commitment to deliver.

Introduction and Background

9. Cabinet confirmed support on 19th March 2009 for officers to investigate the viability of delivering affordable housing on a number of sites in the ownership of the council, that were potentially to become surplus to requirements.
10. Property Services have been involved throughout by identifying the initial sites for consideration, providing valuations and also discussing options for alternative usage.
11. Where alternative uses have been identified, these sites have been excluded.
12. To seek value for money, the council's 7 preferred housing partners were asked to express their interest by providing estimated costs associated with the delivery of affordable homes on the identified sites.
13. Three partners, namely Festival Housing Group, Sanctuary Housing Group and West Mercia

Housing (now known as WM Housing) expressed an interest and provided scheme proposals and associated costs. WM Housing operates as the parent company to Kemble Housing Ltd which operates locally in Herefordshire.

14. Following the receipt of submissions from the preferred development partners, changes in the economic climate saw a downturn in the levels of affordable housing provision and resources to support delivery. Significantly, the HCA confirmed that funding for affordable housing development for the financial years 2010/11 and 2011/12 had been exhausted.
15. As the evaluation has progressed, the sites available for consideration by partners have decreased to 4 sites. Sites have been rejected for several reasons including planning considerations, site limitations and asset management grounds.
16. Revised costs were requested on the basis of the revised site list and submissions were received from the 3 partners with reference to HCA's Affordable Homes Programme prospectus, taking into account that nil value disposal for LA land would be the option that would be supported for funding.
17. The submissions were assessed and scored using published criteria which considered financial modelling & value for money, construction, deliverability, allocation and management, additional benefits and presentation.
18. WM housing scored highest and therefore is recommended for approval as the selected partner for the land identified.
19. On 14th February, the HCA launched their Affordable Homes Programme 2011-15 which seeks the funding required by preferred partners, to deliver key local priorities as identified in the Herefordshire Local Investment Plan (LIP).
20. WM Housing had been asked to incorporate their proposals within their wider bid package, at risk, subject to securing HCA funding and formal approval from the local authority to dispose of the sites. The HCA will only support development of properties for renting under the new 'Affordable Rent' model introduced by the Coalition Government, at 80% of open market rents, (which continues to be within the Local Housing Allowance, provided through housing benefits).
21. The bid round closed on 3rd May, and following detailed assessment and negotiation of submissions a final announcement was made during w/c 4th July which confirmed that WM Housing have an allocation of funding to deliver a range of options over the 4 year period across the country.

Key Considerations

22. The housing register remains circa 5,000 applications, with the average number of bids per property ranging from 21 – 33 bids of interest.
23. The Housing Solutions Team is currently reporting a high number of homelessness enquiries.
24. Affordability remains a issue for the county with median house prices at £190,000 and median earnings at £19,850, indicating that when considering the lower quartile earnings and a house price at the bottom end of the market, a cost of 9.23 times their annual earnings, being the worst ratio out of the 14 West Midlands authorities
25. Supporting independence of vulnerable households e.g. those with learning disabilities or

mental health is a key priority for the council, including meeting the needs of the growing older population. Some properties could be “earmarked” where the location is appropriate to support vulnerable households.

26. The planning system has seen a significant decrease during the downturn in delivering affordable housing provision, with limited sites becoming available for 100% affordable housing development due to the hope value associated with the emerging Local Development Framework (LDF) policies.

Community Impact

27. The delivery of affordable housing has an important part to play in ensuring sustainable communities and the development of new homes will assist in balancing the housing market whilst meeting identified local housing need. The level of need for the areas affected are detailed in Appendix 1.

Financial Implications

28. The table in Appendix 2 provides an indication of open market value (as at June 2010) which the local authority could have expected to receive if the sites were sold on the open market. It should be noted that these are now estimated values due to the time lapse of the valuation and the current financial climate.
29. If the identified sites were not disposed of at nil value to the housing partner, the scheme, as proposed would not be deliverable.
30. It is likely, that conditional contracts would be considered so that WM housing would become responsible for the security aspects of the identified sites, whilst they seek planning permission. This would reduce the revenue costs to the council in maintaining site security in the interim. There would be an end date to this arrangement to ensure that sites are built out.
31. Any decision to support disposal at nil value does not constitute a blanket policy for the disposal of future Council-owned land.
32. Agreement to support the recommendation would be in accordance with the Council's Corporate Plan priority to promote self-reliant communities by achieving a balanced housing market to meet resident's needs.

Legal Implications

33. Legal services will be instructed to dispose of the sites in liaison with property services.
34. Legal have advised that if agreed, these sites can be transferred at nil cost to a Housing Association because of the social-wellbeing benefit, and they fall under the threshold value of the Secretary of State approval.

Risk Management

35. The HCA have supported WM housing's proposals to incorporate the sites identified within their overall bid package through the Affordable Homes Programme, at their own risk. Therefore, should Cabinet not support the disposal of the sites identified, WM housing would seek alternative development opportunities to deliver affordable housing.

36. Should Cabinet approve the disposal of sites identified, ongoing dialogue with the selected partners will ensure that the sites are progressed through to completion.
37. This process does not represent a blanket policy on the future disposal of Council-owned sites which remain subject to the overarching capital Strategy.
38. The risk is recorded within the Homes and Communities Division Risk Register and is monitored on a regular basis.

Consultees

39. Planning Services, Transportation and Conservation have been consulted in terms of ensuring that the sites identified for affordable housing can reasonably be delivered.
40. Property Services have also been consulted throughout the evaluation and are keen for the sites to be disposed of as and when they become available.
41. The Homes and Communities Agency have been consulted with regards to the funding options
42. Legal Services have been consulted regarding the disposal of sites at nil cost and the necessity for Secretary of State Approval.

Appendices

Appendix 1 Updated list of potential sites

Appendix 2 Open market valuations (as at 10 June 2010)

Background Papers

Cabinet non key decision 19 March 2009

Local Investment Plan 2011-2026

Appendix 1

Sites available for development of affordable housing.

Location	Site Address	Estimated No. of Units	Local Housing Need (Homepoint data)	Potential Availability	Property Services views on future use & likelihood of it selling on OM.
Hereford**	Land at Belmont Brownfield site, Former use garage forecourt	9	1748	Immediately available*	Minimal cost to the council in terms of security, out goings. No current alternative use by the council. Could be sold for open market housing
Leominster	Bramleys, Worcester Road Brownfield site, Former workshops for Adult social care	12	228	Immediately available* (being cleared out – expected to be completed end September 11)	This is high risk cost site to retain, need to dispose of within 3 months of being vacated. On going costs of security (or consequent vandalism to building will reduce value), empty property rates and other outgoings burden on the council.
Ross-on-Wye	Station Road Depot Brownfield site, Former highways depot	15	262	Immediately Available*	As Bramleys site above
Kingstone	Land at Church Lane Greenfield site Recreational space	6	23	Immediately Available*	Land only – low risk
Estimated no of units		42			

* immediately available – this is subject to securing vacant possession and also any planning permissions and associated works.

** WM housing have advised that there is an opportunity to redevelop the adjoining garage site to provide A limited number of additional units.

Appendix 2

Open market Valuations for potential sites (as at 10 June 2010)

Site	Open market Value as at June 2010 £
Belmont Avenue Hereford	105,000
Station Road Depot, Ross on Wye	300,000
Bramleys Leominster	200,000
Church Lane Kingstone	195,000
Total potential receipt	800,000