

Recommendation for potential sites to progress affordable housing delivery in Herefordshire

Meeting: Cabinet

Meeting date: Thursday 22 July 2021

Report by: Cabinet member housing, regulatory services, and community safety

Classification

Open

Decision type

Key

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 concerned. A threshold of £500,000 is regarded as significant.

This is a key decision because it is likely to be significant having regard to: the strategic nature of the decision; and / or whether the outcome will have an impact, for better or worse, on the amenity of the community or quality of service provided by the authority to a significant number of people living or working in the locality (two or more wards) affected.

Notice has been served in accordance with Part 3, Section 9 (Publicity in Connection with Key Decisions) of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.

Wards affected

(All Wards);

Purpose

This paper seeks agreement to proceed with the outline design of a number of selected council owned sites identified across the county. At Cabinet on 26 November 2020 the decision was taken on how the council would progress the delivery of net carbon zero affordable housing across the county over the coming years.

<http://hc-modgov:9070/ieDecisionDetails.aspx?ID=7360>

Cabinet also approved Phase 2 of this strategic work to develop a pipeline of sites suitable for development as affordable housing to support discussions with key partners including Homes England.

Recommendation(s)

That:

- a) The output of the feasibility work completed on selected council owned sites is noted;**
- b) An outline design for the council site at the former Holme Lacy Primary School is commissioned to allow housing market assessment and for the designs up to and including planning submission for houses on this council owned site;**
- c) An outline design for the council site at The Paddock, Aylestone Hill Ward, is commissioned to allow for the design, submission of planning application and disposal of the site subject to securing planning permission; and**
- d) The Chief Finance Officer is authorised to take all operational decisions with regard the former Holme Lacy Primary School and The Paddock, Aylestone Hill Ward, projects including any potential future land sale of the site within a budget of £400k.**

Alternative options

1. The council could choose not to proceed with the outline design of the sites to assist in the provision of housing in the County and allow the current arrangement of Registered Providers (RPs) and house builders to meet provision. However, the type and scale of development produced via RPs and private house builders in recent times has not kept pace with demand for affordable housing seen as one of the key components of the County's wider economic ambitions. This option was rejected.
2. The council could choose not to proceed with the outline design of the former Holme Lacy Primary School ("the Holme Lacy Site") and The Paddock and explore the potential to work in partnership with third party developers and or the purchase of open market sites which already have full planning permission or are under construction in order to facilitate affordable housing ownership. This option was rejected because these sites represent the most proceedable of the council's owned sites. As such further work is recommended to take these sites forward to outline design and planning application stage.

Key considerations

3. The council commissioned Engie Regeneration Limited to complete a high level feasibility study of selected council owned sites to assess suitability for developing affordable housing within the county. The output of that work is summarised in Appendix 1. All the sites assessed have highlighted the limited amount of developable land on council owned sites which can be utilised immediately to facilitate the delivery of the 2500 affordable houses.

4. From the feasibility work the council owned Holme Lacy Site has been identified as having the potential to provide a suitable location to develop houses. This is shown on the Site Plan edged red included in Appendix 2. However further work would need to be commissioned separately to complete outline design and full site surveys to fully understand the development opportunity.
5. The Holme Lacy Site offers the potential for delivering affordable homes to progress the council's aspiration of delivering 2500 affordable homes. The site also offers the opportunity to be sold on the open market whereby the capital receipt would be used to cross-subsidise alternative developments in other areas of the county. Any potential sale would be with outline planning permission to ensure the council's net carbon zero building standard are delivered by any purchaser.
6. Housing need has been assessed to understand the housing need in Holme Lacy:
 - a. The initial document consulted is the Housing Market Area Needs Assessment, updated July 2021, the assessment provides local level outputs on local housing need for the seven Housing Market Area's (HMA) with an urban/rural distinction between each HMA. The analysis is drawn from a scenario which looks at trends in population growth in each HMA and projects these trends forward.
 - b. Secondly, Home Point data is extracted. Home Point is the waiting list held by the council where applicants in housing need register for all forms of rented affordable housing.
 - c. In addition, all vulnerable assessments are referred to and finally local intelligence of stock and the tenures in the given area are taken into account.
 - d. When all of that information is available an analysis is made and recommendations of dwellings numbers, bed sizes and tenure are given.
7. The housing need assessed for Holme Lacy is:

HMANA Hereford Rural HMA - Rental	80 units per annum
HMANA Hereford Rural HMA - Home Ownership (affordable)	26 units per annum
Home Point data	16 residents registered for rental
Housing Stock in the village	20 properties
Vulnerable need	Zero

8. To assess the viability of the Holme Lacy Site as affordable houses and/or providing the potential for a capital receipt to cross-subsidise other schemes, a third party design team will need to be engaged to complete outline designs, site surveys and complete the planning application submission. The appointment of any contractor to complete this role will be commissioned in accordance with the council's contract procedure rules. The third party resource is required as the council does not have the technical capacity and expertise to complete this work internally.

9. The feasibility work completed has also identified The Paddock (adjacent to Aylestone Hill School) has having the potential to be utilised to help cross-subsidised other more suitable affordable housing developments in the county. Site Plan edged red is included in Appendix 3.
10. The Paddock is a council owned site which may not be viable as an affordable housing scheme due to the existing housing requirements of the area. Nevertheless, the site would offer an opportunity to increase housing in the area whereby the Council could generate a capital receipt following the open market sale as a private homes development. The council would choose to complete an outline design to consider the wider impacts of the area in terms of accessing the site from Aylestone Hill, transport infrastructure, such as school buses and parent/school car parking arrangements that would alleviate a congested area of the school. An agreement would need to be reached with the council owned school to use part of the land adjacent to increase the width of lane to access The Paddock. Subject to an agreement using Council owned school land and achieving Outline Planning approval, the Council would consider selling on the open market. Any potential sale would ensure the council's net carbon zero building standard aspirations are delivered by any purchaser.
11. The Paddock is located in a high value area within the Hereford HMA. Taking into account the site location it may not be viable for a shared ownership development. The shared ownership product is valued on the open market with a minimum of 25% share sold in the property. Average property prices in this area are circa £349k, therefore shared ownership is unaffordable for the applicant when mortgage and rent are combined.
12. To assess the viability of The Paddock to provide a potential capital receipt to cross-subsidise other schemes a third party design team will need to be engaged to complete outline designs, site surveys and complete the planning application submission. The appointment of any contractor to complete this role will be commissioned in accordance with the council's contract procedure rules. The third party resource is required as the council does not have the technical capacity and expertise to complete this work internally.

Community impact

13. The County Plan aims to shape the future of Herefordshire and encourage and strengthen communities whilst creating a thriving local economy and protecting and enhancing the environment to ensure Herefordshire remains a great place to live, visit, work, learn and do business.
14. Delivering housing to help address the shortage of affordable housing in the County is intrinsically linked to the ambitions of the new County Plan 2020 – 2024:
 - Environment – protect and enhance our environment and keep Herefordshire a great place to live
 - Community – strengthen communities to ensure everyone lives well and safely together
 - Economy – support an economy which builds on the County's strengths and resources

15. The council recognises that healthy, connected and vibrant ecosystems strongly support the local economy, improve health and wellbeing and make the County an attractive place to live and to visit. It is vital that we protect and enhance this environment while stewarding it for future generations. Access to green space is vital and this will be a key consideration throughout all developments.
16. The newly published HMANA dated July 2021 has identified a need for all tenures within the county. Increasing the number of available properties will contribute to a balanced community providing additional accommodation of an alternative tenure to meet a wider cohort of residents in the county.

Environmental Impact

17. As the proposals are developed during this stage the council can heavily influence and retain full control of what is ultimately built as part of any scheme. This ensures that all the council's sustainability policies and objectives can be met for the sites to be developed.
18. The proposal for the council to advance housing and have at least an element of control over design helps deliver the council's environmental policy commitments and aligns to the following success measures in the County Plan:
 - Increase flood resilience and reduce levels of phosphate pollution in the County's rivers – by ensuring that new developments take into account opportunities to minimise the impact on the environment including, where appropriate, through grey water capture and other methods.
 - Reduce the council's carbon emissions – seeking high levels of sustainability and energy efficiency in the construction and operating costs of new homes delivered.
 - Work in partnership with others to reduce County carbon emissions – working with partners to minimise our carbon footprint in terms of methods of construction and in seeking the use of local materials and labour wherever possible.
 - Improve the air quality within Herefordshire – supporting the development, where appropriate, of car free schemes in new developments and making provision for safe cycling and walking spaces.
 - Improve residents' access to green space in Herefordshire - ensuring new developments make appropriate provision for green space and the use of appropriate, indigenous planting.
 - Improve energy efficiency of homes and build standards for new housing – good design and high levels of energy efficiency in council-owned or influenced developments will provide a blueprint principle to other developers in Herefordshire.

Equality duty

19. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:
A public authority must, in the exercise of its functions, have due regard to the need to -
 - (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
20. Section 9 of the Housing Act 1985 (the 1985 Act) is the key power for councils to provide housing accommodation. It includes two sets of acquisition provisions: Sections 9(1)(b) and 9(2) - a local housing authority (LHA) may acquire houses – and alter, enlarge, repair or improve a house so acquired; Section 9(3) – a LHA can exercise the Section 9 powers to provide housing accommodation "in relation to" land acquired for the purpose of (a) disposing of houses provided, or to be provided, on the land or (b) disposing of the land to a person who intends to provide housing accommodation on it.
21. Consideration has been given to the types and standard of accommodation required at these sites taking a fabric first approach to building design, maximising the performance of the components and materials. Taking this approach can minimise the need for energy consumption so will be cost beneficial to the occupant, demonstrating the council's commitment to equality and their pro-active approach to ensuring the right properties are available in the right location and built to a high specification to meet the their needs.

Resource implications

22. Capital prudential borrowing will be used to fund this work, allocated in the capital programme approved at Council in February 2021. If either scheme does not progress the costs will need to be charged to the revenue budget, as they can no longer be capitalised.
23. As part of the design stage for the two sites, three planning applications will need to be submitted to assess the option appraisals outlined in the recommendations. Two applications would need to be submitted for Holme Lacy to reflect the affordable houses and the open market sale houses options. There is only one planning application submission required for The Paddock.
24. Following the evaluation of the options for development of the Holme Lacy Site if the agreed approach is to sell the site on the open market it could generate a capital receipt of between £1.2m and £1.4m for the council dependant on final layout and market conditions at time of sale.

25. Subject to achieving planning approval on The Paddock the site sold on the open market could generate a capital receipt of between £1.25m and £1.5m dependant on final layout and market conditions at time of sale.
26. Council set aside £20m in the capital programme for Strategic Housing Development, to date the following approvals have been taken and including this £400k (to complete the outline designs, site surveys and the planning application submission) leaves available funding of £19.091m.
- In order to progress the development pipeline and establish a draft programme for delivery, funding of £71k was allocated from the DRP capital budget in November 2020
 - In order to advise on building housing to maximise the environmental benefits to meet the council's climate emergency responsibilities an independent expert was appointed within a budget of £20k was allocated from the DRP capital budget in November 2020
 - In order to progress with the first proceedable affordable housing scheme, funding of up to £68k to work up outline proposals for Station Approach was allocated from the DRP capital budget in December 2020.
 - In order to progress the development pipeline and consider third party land to establish a draft programme for delivery, funding was allocated of £350k from the Strategic Housing Development capital budget in May 2021
27. The tables below show a summary of costs to complete the work for the 2 sites being recommended:

Capital cost of project	2021/22	2022/23	2023/24	Future Years	Total
	£000	£000	£000	£000	£000
<i>Design Costs</i>	200				200
<i>Fees</i>	150				150
<i>Contingency</i>	50				50
TOTAL	400				400

Funding streams	2021/22	2022/23	2023/24	Future Years	Total
	£000	£000	£000	£000	£000
<i>Prudential Borrowing</i>	400				400
TOTAL	400				400

Legal implications

28. The council has a general power of competence under s1 of the Localism Act 2011 which means that it can undertake any action that an individual generally can do and therefore the council has the power to seek planning permission for the development of council own sites and commission supporting reports and studies.
29. Any sale of a council owned site would be subject to its fiduciary duty and the requirements of s123 (1) of the Local Government Act 1972 which permits the council to dispose of council owned in any manner they wish on the basis that they obtain the best value that they reasonably can.
30. Any disposal would be subject to a separate decision. .

Risk management

31. The key risks associated with the options outlined in the paper are as follows:

Risk / opportunity	Mitigation
The project team are unable to establish developments that could provide value for money for the council	There are a number of potential uses that could be incorporated into schemes and the council will be drawing upon professional commercial expertise to establish a viable scheme
The council's wider sustainability objectives are not adequately incorporated	The existing housing decisions already embeds the wider sustainability objectives and forms the starting point to develop any potential sites
The council does not have the technical capacity and expertise to complete the site surveys and outline design of the selected sites	Procure a third party organisation using council's contract procedure rules to complete the technical design and the site surveys of the selected site
Neither sites have had a full survey so there is a possibility of anomalies being found	Full site survey will be commissioned prior to the commencement of any further design

32. Risks are managed according to the council's risk management framework, aligned with corporate risk strategy and recorded on a service risk register, being escalated to the directorate or corporate risk register according to the significance of the risk.

Consultees

33. Consultations have taken place with the Cabinet Members for Housing, Regulatory Services, and Community Safety; Finance, Corporate Services and planning; Commissioning, Procurement and Assets; and Environment, Economy and Skills.
34. A workshop was held to review options for the delivery of the Pipeline of Sites which included the options of developing sites for open market sale
35. The consultation with political groups resulted in two responses being received. Cllr Andrews had no objections to the proposal. Cllr Summers responded “this site is one of the last one room school houses in the UK and is known to me and many of the villagers as Holme Lacy School not the Robert Owen Academy. I have no doubt that it is common knowledge with officers that I am passionate about what happens with the school. If you go back through the correspondence around the school you will note that I have mentioned on occasion that it is imperative that the Holme Lacy parish council be kept updated on the councils intentions.” No further responses were received.
36. This paper and the recommendations contained within it incorporate comments received during the above consultations

Appendices

- Appendix 1 – Pipeline of Selected Council Owned Sites
- Appendix 2 – Former Holme Lacy School Site Plan
- Appendix 3 – The Paddock Site Plan

Background papers

None identified

Glossary of terms, abbreviations and acronyms used in this report.

- ACV - Asset of Community Value
- AONB - Designated Area of Outstanding Beauty
- NDP - Neighbourhood Development Plan
- NPPF - National Planning Policy Framework
- POS - Public open space
- NPR – New Project Request
- HMA – Housing Market Needs Assessment