



Name of meeting: CABINET
Date: 13th July 2020
Title of report: Small Affordable Housing Sites Programme update: disposal of land at Nabcroft Lane Huddersfield

Purpose of report:

The report is to provide Cabinet with a further update on the Small Affordable Housing Sites Programme and to seek Cabinet approval to dispose of a site at Nabcroft Lane, Huddersfield, varying the terms of the previous Cabinet authority of 29 August 2018 to enable the disposal of the site at less than market value.

Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?	Yes This report deals with land disposal issues where the aggregate of land values in this disposal tranche exceeds £250,000 and where 2 Wards are affected.
Key Decision - Is it in the <u>Council's Forward Plan (key decisions and private reports)?</u>	Key Decision - Yes Public Report
The Decision - Is it eligible for call in by Scrutiny?	Yes
Date signed off by Strategic Director for Economy and Infrastructure	Karl Battersby - 26.06.20
Date signed off by the Service Director for Finance?	Eamonn Croston - 01.07.20
Is it also signed off by the Service Director for Legal Governance and Commissioning?	Julie Muscroft - 26.06.20
Cabinet member portfolio	Cllr Peter McBride - Deputy Leader Regeneration Cllr Cathy Scott - Housing and Democracy Cllr Graham Turner - Corporate

Electoral Wards affected: Crosland Moor and Netherton

Ward councillors consulted: Cllr Erin Hill, Cllr Manisha Roma Kaushik
Cllr Mohammad Sarwar

Public or private: Public

Has GDPR been considered? Yes. There is no personal data contained in this report.

1. Summary

- 1.1 This report updates the position on the Small Affordable Housing Sites Programme, ('SAHS') and seeks authority to dispose of the site at Nabcroft Lane, Huddersfield at less than market value.
- 1.2 The amount of any discount would be based on viability appraisals for the development of the site, which is for 100% affordable housing.

2. Information required to take a decision

Background

- 2.1 The Small Affordable Housing Sites Programme is part of the Housing Growth Programme. It is a pilot programme which brings a portfolio of sites forward for the delivery of affordable homes, using the resources of Registered Providers and Homes England and was approved by Cabinet on 29 August 2018. The programme is designed to enable the whole scheme delivery by spring 2022.
- 2.2 The Council's agreed Preferred Partner is Accent Development Consortium (ADC), a group of Registered Providers working with Homes England to build affordable homes. Part of the consortium, Unity Housing, has applied for planning permission for 19 new affordable homes off Nabcroft Lane on a site which has previously secured outline residential permission. Other land in the programme is being assessed by partners and a further progress report and development proposals will be brought to Cabinet at a later date.

Cabinet authority

- 2.3 On 29th August 2018 Cabinet:-
 - Approved the competitive disposal of a portfolio of 8 sites to a Registered Provider, and for the construction of only affordable housing and the acquisition of sites at market value;
 - Endorsed the issue of statutory notices advertising the disposal of sites, where this is deemed to be public open space;
 - Delegated authority to the Service Directors for Legal, Governance and Commissioning Support, and Economy and Infrastructure, to negotiate and agree terms and complete the sale of sites once planning permissions are granted, unless further authority is required for the disposal where objections are received following the publication of statutory notice;
 - Delegated authority to the Service Director for Legal, Governance and Commissioning Support to enter into and execute any agreement and other ancillary documents necessary to enable the sale and transfer of the sites in the Small Affordable Housing Sites portfolio.
- 2.3.1. On 26 May 2020, Cabinet further delegated authority for the disposal of three sites at Mirfield and Hightown to Johnnie Johnson Housing Trust at less than market value

following the grant of planning permission for 20 affordable bungalows. These are scheduled to be the first units to be constructed in the programme.

Programme progress

2.4 Continuing ADC's commitment to supporting the programme, and recovery from Covid19 issues, Unity Housing submitted a planning application for the development of 19 new affordable homes on this enclosed, disused car park site at Nabcroft Lane. Formerly leased to adjacent manufacturing premises, the site proposals comprise: of (2x) 2 bed bungalows, (6x) 2 bedroom houses and (7x) 3 bedroom houses and (4x) 1 bedroom specialist supported apartments. This development will be delivered jointly by Unity/Chartford.

2.5 In preparation for the disposal of this second phase site in parcels to Unity and Chartford, the Council has instructed external valuers to provide a valuation for each parcel of land at market value, restricted value and unrestricted value in accordance with the technical appendix to the 2003 General Disposal Consent, pursuant to the Local Government Act 1972. These valuations have been shared with the preferred partner.

2.6 As the programme has progressed, site evaluation has raised cost and development challenges. These are due to:

- Physical challenges of the sites around site levels and bedrock which need to be tackled before any homes can be constructed
- Increased costs due to additional drainage requirements and attenuation required

Balanced against the higher than average constructions costs of the schemes is the requirement to set the rent of the new homes at affordable levels, to ensure that the properties are financially accessible and inclusive. This thus reduces the income generated by the homes going forward. Rental income to be generated is also lower than average as the homes to be built are bungalows, as opposed to houses which would command a higher rent. To address this, Homes England are considering providing higher than average grant to support the schemes.

2.7 Despite the high level of grant from Homes England, there is still a shortfall in funding and the sites are not viable should the land be sold at market value, as provided for in the previous Cabinet decision.

2.8 The Council has 2 options:

(a) Withdraw the site from the SAHS Programme and seek a disposal on the open market

2.9 The Council could put the sites for sale on the open market. This may secure higher capital receipts for the Council as higher density market housing could prove financially viable. However, this will not guarantee house building, nor provide social housing which brings with it additional value as outlined below.

(b) Dispose of the sites at less than market value (Recommended Option)

- 2.10 This option requires the Council to provide financial assistance to the scheme by disposing of the sites at a purchase price below market value.
- 2.11 This option is recommended because the construction of housing at Nabcroft Lane under the SAHS Programme would benefit Kirklees by:
- Creating 15 new affordable houses and 4 apartments in a locality where BAME communities and people at risk of becoming homeless can access a safe, warm and affordable home
 - Securing nomination rights for the Council, based on 100% on first lettings, and 50:50 thereafter between the Council and Unity/Chartford/Horton Housing
 - Bringing around £3.1m of inward investment in new homes,
 - Creating jobs; a nationally recognised benchmark (set out in the National Housing Strategy for England) recognises that for each £1m invested in housing, approximately 38 jobs would be created.
 - Assist the council in meeting its housing targets under the Local Plan
- 2.12 The Preferred Partner has supplied to the Council site cost analysis and this information would be assessed by officers to identify the shortfall in funding on each site and determine the amount by which, if any, the market value purchase price would be reduced. Should the actual build costs be less than those shown in the site cost analysis the Council will be able to seek repayment of the difference from the Preferred Partner. This will ensure that the Council is not giving financial assistance over and above what is necessary to make the schemes happen.
- Timescales
- 2.13 Following purchase, Unity intend to proceed with a contractual start on site in October 2020, enabling their first tranche drawdown of Homes England funding. Completion of this site is expected to have occurred by December 2021, in line with the final tranche payments in the Shared Ownership and Affordable Homes Programme.
- Expected impact/ outcomes, benefits & risks (how they will be managed)
- 2.14 The developments will achieve several Council objectives in providing quality affordable homes for an ageing population, and in meeting objectives in the Housing Strategy and Housing Delivery Programme. The bungalows will be able to be adapted to different residents' needs. The bungalows mark an important step to addressing older peoples' needs in established communities.
- 2.15 Programme delivery risk will be managed both in the delivery and funding accountability to Homes England as the principal public funding body, and through continued risk review in the SAHS programme delivery group meetings with Accent Development Consortium.

Evaluation

- 2.16 The investment from partner agencies in the delivery of this development in the Small Affordable Housing Sites Programme far outweighs the loss of full market capital receipt for the land. The investment in affordable homes will help to meet needs and provide quality places that will be constructed for people to live safely and affordably

in their later lives. The scheme will also contribute to overall housing delivery trajectory as set out in the Local Plan.

Sustainability

- 2.17 This parcel of land has previously been assessed by the Council as Local Planning Authority to be sustainable, and has previously secured outline planning permission.

Services & agencies involved

- 2.18 Homes England is a major partner in the Programme. Grant funding from the Shared Ownership and Affordable Homes Programme is expected to contribute to around £975,000 of finance to enable the delivery of these new affordable homes at Nabcroft Lane. The programme is supported by cross-service working between the Council's Housing Growth and Regeneration Team and colleagues from the Planning Service, Adult Social Care, Housing Solutions and Accessible homes, Assets team and Highways.

3. Implications for the Council

Working with People

- 3.1 These developments will provide much needed affordable rented housing for the local community, meeting the needs of families and those who are at risk of becoming homeless, providing quality affordable housing accommodation for those who are unable to access market housing without intervention. The schemes will be managed by Unity and Horton Housing (Chartford is Horton's Registered Provider development arm) and prior to construction, the partners propose to liaise with the community to outline the scheme and opportunities for applying to live in the developments. This is in addition to linking in with the council's Housing Solutions Service to ensure that residents will be supported. The Council will nominate the first tenants (100%) and each partner will nominate on a 50:50 basis thereafter. The properties are expected to be advertised on the 'Choose n Move' system.

Working with Partners

- 3.2 The schemes continue the collaborative work that the Council has been undertaking with Registered Providers in the Accent Development Consortium and Homes England to deliver the Small Affordable Housing Programme, using the external resources, capacity, shared risk and expertise of external partners to deliver the sites.
- Place Based Working
- 3.3 The development of the site is a local response to identified needs within our communities as identified in the Housing Strategy and Strategic Housing Market Assessment. The developments will offer quality, new affordable homes in this locality
- Climate Change and Air Quality
- 3.4 ADC are committed to delivering homes which will achieve high levels of energy efficiency to mitigate any negative impacts on the environment. This will involve the use of building materials with good insulating properties. Other measures aimed at

reducing the impact on the environment include maximising natural sunlight in the design of the homes to reduce artificial light usage and reducing water usage through the use of specific sanitary fittings.

Improving outcomes for children

- 3.5 This scheme will provide much needed affordable rented housing which helps to meet the needs of families with children provide quality affordable housing accommodation for those who are unable to access market housing without intervention.

Other (Legal, Financial or Human Resources)

Legal Powers and Implications

- 3.6 The land to which this report refers is held in the Housing Revenue Account.
- 3.7 The Council has the power to dispose of Housing Revenue Account land by virtue of Section 32 of the Housing Act 1985 and the General Housing Consents 2013 A3.2.
- 3.8 The Council has the power to provide financial assistance for the development of housing accommodation to a Registered Provider under Section 24 of the Local Government Act 1988 and the General Consent for the disposal of land to registered providers of social housing 2010 (as amended). There are conditions under this consent that the development of housing land shall be completed within 3 years of the disposal and that the housing accommodation developed shall be let by the registered provider as social housing and these would be placed upon the recipient via the legal documents.
- 3.9 The disposal of land at below Market Value would constitute State Aid. However, the aid would be exempted as the provision of affordable housing is a Service of General Economic Interest - services of public benefit which are unlikely to be provided to the public at large by the market. As the body giving the State Aid, the Council will inform the recipient (Unity Housing and Chartford Housing) of specific requirements to avoid overcompensation, and the mechanism to repay compensation should the actual build costs be less than the proposed build costs. These matters would be contained in the legal documents.

4. Consultees and their opinions

- 4.1 This update report relates to a programme which was authorised by Cabinet on 29 August 2018 and is thus pursuant to that authority. Crosland Moor and Netherton ward members have been engaged with the proposals.

Cllr Erin Hill
Cllr Manisha Roma Kaushik
Cllr Mohammad Sarwar

5. Next steps and timelines

- 5.1 If Cabinet agree to the recommendations in the report, the disposal of the site at Nabcroft Lane in two parcels to Unity and Chartford under the delegated authority will

be progressed. It is expected that a start on site could be made in October 2020 to enable the drawdown of Homes England funding.

- 5.2 It is expected that the new bungalows referred to in 2.3.1 will be handed over and prepared for first letting in the spring of 2021. JJHT has indicated that pre-development engagement with communities around the sites would be undertaken before the construction phase.

6. Officer recommendations and reasons

- 6.1 Cabinet notes the Programme update as outlined in the report, and the proposed investment of the Preferred Partner and Homes England in enabling the acquisition and development of the second phase site at Nabcroft Lane, Huddersfield
- 6.2 Cabinet approves the disposal of land at Nabcroft Lane, Huddersfield as outlined in this report
- 6.3 Cabinet delegate authority to the Strategic Director, Economy and Infrastructure to negotiate and agree terms and dispose of land at Nabcroft Lane, as outlined in this report
- 6.4 Cabinet delegate authority to the Service Director for Legal Governance and Commissioning to enter such agreements on negotiated and agreed terms for disposal
- 6.5 These recommendations are necessary to enable the delivery of the second phase of the SAHS programme as previously authorised, and to contribute to the delivery of the Council's housing strategy, and Housing Growth plan.

7. Cabinet Portfolio Holder's recommendations

Cllr Peter McBride, Cllr Cathy Scott, Cllr Graham Turner:

- 7.1 The Cabinet Portfolio Holders support the recommendations in this report and ask Cabinet to resolve to agree to the recommendations as outlined in section 6 of the report.

8. Contact officer

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9. Background Papers and History of Decisions

29 August 2018 Cabinet report and Decision to proceed with the Small Affordable Housing Sites Programme. Link to Report and Decision:
<https://democracy.kirklees.gov.uk/documents/s24280/Item%2011.%202018-08-29%20Small%20Affordable%20Housing%20Sites%20Cabinet%20Report%20V5.pdf>

26 May 2020: Cabinet Report and Decision to dispose of land at less than best consideration for the sites at Kitson Hill Crescent, Mirfield, Foxroyd Avenue, Mirfield and Sixth Avenue, Liversedge.

<https://democracy.kirklees.gov.uk/ieDecisionDetails.aspx?AllId=15620>

10 Service Director responsible

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