

Report to the Cabinet

Report reference: C-047-2010/11
Date of meeting: 6 December 2010



Portfolio: Housing

Subject: Millfield, High Ongar – Straw Bales Affordable Housing Development

Responsible Officer: Alan Hall (01992 564004)

Democratic Services Officer: Gary Woodhall (01992 564470).

Recommendations/Decisions Required:

- (1) That the Cabinet’s previous decision in principle - that the vacant Council-owned land to the rear of 25-29 Millfield, High Ongar be developed for affordable housing - be confirmed;**
- (2) That the site be developed to provide around four affordable rented houses by Hastoe Housing Association, in the form of a small, innovative, energy efficient and eco-friendly, “exemplar” affordable housing scheme constructed from straw bales;**
- (3) That other sustainable construction measures be explored by Hastoe Housing Association as part of the development design, including rain water harvesting, ground source heat pumps and “green roofs”;**
- (4) That an “open book” approach be adopted to Hastoe Housing Association’s development costs and income, and that any residual land value be paid to the Council in the form of a capital receipt, once the buildings have been constructed (possibly with the provision of advanced stage payment(s) during the construction process);**
- (5) That the Housing Portfolio Holder be authorised to agree:**
 - (a) the detailed arrangements for the development, including the mix, tenure, rent levels and sustainability measures, once the national housing policy and any planning issues relating to the proposed development are clearer; and**
 - (b) on completion, the residual land value;**
- (6) That, subject to the receipt of planning permission, the Council-owned land be leased to Hastoe Housing Association for 125 years, with the Council receiving nomination rights in accordance with the District-wide Nominations Agreement with Hastoe Housing Association;**
- (7) That any capital receipt received by the Council be utilised to provide local authority social housing grant to a housing association to facilitate the provision of affordable housing on another site, or to provide additional funding for the Council’s new Open Market Shared Ownership Scheme, and that the Housing Portfolio Holder be**

authorised to approve its most appropriate use; and

(8) That the Director of Housing be authorised to implement a Local Lettings Plan for the development, in accordance with the Council's Housing Allocations Scheme, on the basis that applicants are primarily selected having regard to their housing need and their choice, but also having regard to the need for occupants to be: fully supportive of the environmental objectives; able to obtain the greatest benefit from the energy efficiency measures; and willing to accommodate visits from other interested organisations in the future.

Executive Summary:

The Cabinet has previously agreed to the principle of developing the Council-owned land to the rear of 25-29 Millfield, High Ongar by a housing association for affordable rented housing.

It is proposed that the Council works in partnership with Hastoe Housing Association to develop the site in the form of straw bales construction, which would be extremely environmentally friendly, with heating consumption/costs reduced by up to 85% and CO2 emissions reduced by around 60%, whilst costing around the same amount as conventional housing to build.

Some of the costs, likely rental income and grant availability is unknown, so it is proposed that an "open book" approach is adopted to the development. There is also currently lots of uncertainty around the implementation of the Government's recently-announced national housing policies, so it is proposed that the Housing Portfolio Holder agrees the final details of the scheme.

Reasons for Proposed Decision:

To enable the Council-owned land to be developed for affordable housing, in the form of straw bales construction.

Other Options for Action:

- (a) Not to develop the site, or to develop the site for an alternative use;
- (b) Not to develop the site for affordable housing by a housing association;
- (c) To work with another housing association to develop the site;
- (c) To sell the land on the open market;
- (d) To hold the development of the site in abeyance, for the Council to consider the possibility of developing the site itself at some time in the future, if the detrimental financial effects on the Council's General Fund can be overcome;
- (e) To construct the houses with conventional building materials;
- (f) To lease the land for a different period, or to sell the freehold;
- (g) Not to adopt an "open book" approach to the development, but to adopt some other approach;
- (h) Not to authorise the Housing Portfolio Holder to agree the detailed arrangements, but that they be agreed by the Cabinet or the Director of Housing;
- (i) That any capital receipt be utilised for another purpose; and
- (j) That a Local Lettings Plan is not formulated, with nominations made strictly in accordance with the Council's Housing Allocations Scheme.

Report:

1. In February 2006, the Housing Portfolio Holder presented a report to the Cabinet on the proposed development of 10 small Council-owned housing sites throughout the District

for affordable housing. One of the Council's Preferred Housing Association Partners (Home Housing) had previously been requested to produce development proposals for each of the sites, on the basis that the Council would provide its land free of charge and up to £210,000 of Social Housing Grant.

2. The Cabinet agreed that the sites should be developed, that the Housing Portfolio Holder should be authorised to consider and agree the subsequent detailed development proposals, and that the Council's land should be provided to the Housing Association on a long lease (125 years), free of charge, in return for the Council receiving 100% nomination rights on initial letting and 75% subsequently. The Cabinet also agreed that ward members should not be consulted by the Housing Portfolio Holder for their views on the development proposals, in order to avoid them fettering their discretion if/when any subsequent planning applications were considered by the relevant Area Plans Sub Committees.

3. Subsequent to this decision, in 2008, following the former Government making grant available and encouraging local authorities to develop affordable housing themselves, the Cabinet agreed, in principle, to consider the re-commencement of a social house-building programme by the Council. However, this approach was not viable at the time, and continues to be unviable, due to the detrimental effect it would currently have on the Council's General Fund, due to national local government finance rules.

4. In view of the Cabinet's decision, it was agreed with Home Housing that they should not pursue the development of these sites, in case the Council was able to develop the sites itself at some time in the future.

5. In the event, the current Government has withdrawn the specific funding for local authorities to develop affordable housing themselves, but has also announced its intention to replace the Housing Revenue Account (HRA) subsidy system with a self financing regime, which is likely to overcome the detrimental effect on the General Fund of the Council developing affordable housing itself. Therefore, the viability and ability of local authorities to develop affordable housing themselves is currently very unclear and uncertain. For this reason, the development of these sites – and others that have been identified since – is being held in abeyance, until the national picture is clearer. If, in the future, it appears that development by the Council itself may be viable, a robust feasibility study and development appraisal will be undertaken and reported to members.

Millfield, High Ongar

6. One of the 10 Council-owned sites, previously agreed in principle as being suitable for development, is vacant, overgrown land to the rear of 25-29 Millfield, High Ongar, which could be developed to provide four houses.

7. The Director of Housing and another of the Council's Preferred Housing Association Partners, Hastoe Housing Association (which specialises in the development of affordable housing in rural areas), have been in discussions about the possibility of working in partnership to develop a small "exemplar" energy efficient, eco-friendly affordable housing scheme constructed from straw bales, and it is considered that Millfield would be an ideal site for such an exemplar scheme.

Straw Bales Housing

8. "Straw bales housing" are houses constructed from pre-fabricated straw bale panels, sometimes within timber frames, that look and generally operate like conventional housing. This form of building material is extremely environmentally-friendly, since it captures renewable energy and the straw bales are a by-product of farming. Due to the fact that, as

the straw is being grown (prior to being baled), it absorbs carbon dioxide, it is generally accepted that buildings constructed from straw bales have a low, zero or even negative carbon footprint.

9. Also, due to their exceptionally high insulating properties, buildings constructed of straw bales need almost no conventional heating (just supplementary heating), enabling energy costs to be kept very low and minimising environmental impact. Insulation values are nearly three times higher than current Building Regulation requirements.

10. Indeed, recent studies have identified that heating consumption and associated bills can be reduced by up to 85% (which would be of particular benefit to council and housing association tenants, especially those on low incomes) and that CO2 emissions can be reduced by around 60%, through using this form of construction.

11. Recent tests by the University of Bath have established that straw bales homes are strong enough to withstand hurricane force winds up to 120mph, and are as fire resistant as houses built of conventional building materials. Indeed, recent tests have shown that they have a fire rating at least double the current Building Regulations requirement.

12. It is also proposed that other sustainable construction measures are explored as part of the development design, including rain water harvesting, ground source heat pumps and “green roofs” (which reduce heat loss in winter; provide cooling in summer; offer excellent sustainable water management; remove air pollution and filter pollutants from rain water; and can require less maintenance than conventional roofs).

13. The Director of Housing and representatives from Hastoe Housing Association have undertaken a visit to North Kesteven District Council, which is believed to be the first local authority in the country to develop affordable homes from straw bales, and were very impressed with the aesthetical appearance, what can be achieved, and the development’s high environmentally-friendly credentials. In particular, it was established that the construction costs for North Kesteven’s straw bales housing were similar to the costs of using conventional building materials, and could possibly be less, taking advantage of lessons learnt.

14. Hastoe Housing Association has stated its interest and commitment to undertake a small straw bales affordable housing development, which would be its first and which it could replicate in other areas. It has therefore expressed an interest in working in partnership with the Council and has put forward a proposal for such a development at Millfield. Once constructed, the Council and Hastoe would be one of the first councils and housing associations in the country, and it is believed the first in the East of England, to have worked in partnership to provide such an innovative development. The development would also demonstrate the Council’s wider commitment to the use of natural resources, in a creative way.

The Proposal and Delivery

15. The development that has been worked up by Hastoe HA and officers would provide 2 X 2 bedroom houses and 2 X 3 bedroom houses in the form of affordable housing for rent, although it may be necessary to change this mix through the planning process. It is felt that the project does not lend itself to shared ownership, especially since applicants could have difficulties in obtaining mortgages. The proposal has been discussed with planning officers who have been helpful and have raised no objections.

16. Although the estimated construction costs are similar to those if conventional building materials were used, due to the small scale nature of the development and the site’s

characteristics (being at the end of a long access road that would need to be constructed), the unit costs are relatively high. Furthermore, detailed site investigations have not yet been carried out.

17. Hastoe HA has undertaken a development appraisal, estimating the construction and ongoing costs and the potential long term rental income and grant. The intention is for the “residual land value” of the scheme (i.e. any positive difference between the anticipated costs and income) to be provided to the Council as a capital receipt for the transfer of land. However, there are lots of uncertainties in terms of costs (i.e. unknown development costs) and income. The greatest uncertainty is the likelihood of any social housing grant being provided by the Homes and Communities Agency (HCA), in the light of its budget being reduced by over 50% through the recent Comprehensive Spending Review (CSR). However, to give some idea of what the residual land value could be, if grant of around £50,000 per property could be obtained from the HCA, based on current estimates, the Council could receive a capital receipt of around £25,000. However, grant of less than £42,000 per property would result in a “nil” residual land value (and therefore no capital receipt for the Council).

18. Another important uncertainty, following other announcements as part of the CSR, is the form of tenure. To date, all rented affordable housing nationally has been in the form of assured tenancies (providing security of tenure) with “social rents” – far lower than market rents, and similar to Council rents. However, the Government has recently announced its intention that new housing association homes should have “affordable rents” (at around 80% of market rents), possibly with tenancy reviews every few years to determine if the tenants are still in need of affordable housing. This form of tenure would also have an effect on the residual land value, and any potential capital receipt for the Council, since “affordable rents” would generate greater rental income and an increased residual value.

19. Although these headline national housing policy statements have been made, the detail has not yet been forthcoming, and it is not possible to confirm in this report the eventual form of rented tenure that would be provided.

20. In view of these uncertainties, it is proposed that:

(a) an “open book” approach is adopted, whereby all of Hastoe HA’s costs, assumptions and associated evidence are made available to Council officers to scrutinise and, if necessary challenge, and that any payment to the Council for the land is calculated as the residual land value, once the buildings have been constructed (perhaps with prior, advanced stage payment(s)); and

(b) the Housing Portfolio Holder is authorised to agree the detailed arrangements for the development, including the mix, tenure, rent levels and sustainability measures, once the national housing policy and any planning issues are clearer and, on completion, the residual land value.

21. The Council already has a District-wide Nominations Agreement with Hastoe HA, which provides the Council with 100% nomination rights on initial letting and 75% for subsequent re-lets – although, in reality, it is likely that the Council will have 100% nominations to re-lets too. It is suggested that any capital receipt received by the Council from the residual land value is used to provide local authority social housing grant to a housing association to help facilitate the provision of affordable housing on another site, or to provide additional funding for the Council’s Open Market Shared Ownership Scheme.

22. In view of the innovative nature of the development, and the need for the occupants to:

- be fully supportive of the environmental objectives;
- understand the concepts;
- be able to obtain the greatest benefit from the energy efficiency; and
- be willing to accommodate visits from other interested organisations, and talk about their experience of living in the accommodation;

23. It is proposed that the Director of Housing be authorised to implement a Local Lettings Plan for the development, as permitted under the Council's Housing Allocations Scheme. The basis of the Plan would be that the applicants are primarily selected on the basis of housing need and their choice, through the choice based lettings scheme, but would also be selected having regard to the "skills" and willingness required for the above, through an interview process.

Resource Implications:

125 year lease of Council-owned land.
 No budget provision required
 Potential grant provision for the development from the Homes and Communities Agency
 Potential capital receipt for the Council

Legal and Governance Implications:

Housing Act 1985

Safer, Cleaner and Greener Implications:

The proposed development would improve a local eyesore, and includes many "green" elements, as set out in detail in the main report.

Consultation Undertaken:

Hastoe Housing Association has been fully consulted on the proposals, and the Cabinet has previously considered and agreed the principle of development

Background Papers:

Housing Policy File H882

Impact Assessments:

Risk Management

Since the development will be undertaken by Hastoe Housing Association, the risks to the Council are limited. The main risk is that the development results in a nil or negative residual value, the latter of which may result in a request from Hastoe Housing Association for some capital grant from the Council. However, the report to the Housing Portfolio Holder will set out the detailed arrangements for the scheme, once the uncertainties are clearer, with the objective of minimising any capital funding from the Council.

Equality and Diversity:

Did the initial assessment of the proposals contained in this report for relevance to the Council's general equality duties, reveal any potentially adverse equality implications? No

Where equality implications were identified through the initial assessment process, has a formal Equality Impact Assessment been undertaken? N/A.

What equality implications were identified through the Equality Impact Assessment process?
N/A.

How have the equality implications identified through the Equality Impact Assessment been addressed in this report in order to avoid discrimination against any particular group?
N/A.