

Report to the Cabinet

Report reference: C-064-2011/12
Date of meeting: 12 March 2012



Portfolio: Housing

Subject: Use of Potential Capital Receipt - Proposed Affordable Housing Development at Millfield, High Ongar

Responsible Officer: Alan Hall (01992 564004)

Democratic Services Officer: Gary Woodhall (01992 564470)

Recommendation:

(1) That, subject to the receipt of planning permission, the capital receipt from the provision of a 125-year lease to Hastoe Housing Association for the Council-owned site to the rear of 25-29 Millfield, High Ongar be ringfenced for use as a cross-subsidy for the Council's own new Housebuilding Programme, if required, and not be used to provide local authority social housing grant to a housing association as previously agreed.

Executive Summary:

The Cabinet has previously agreed, subject to planning permission, to develop the vacant Council-owned land to the rear of 25-29 Millfield, High Ongar - through the provision of a 125-year lease to Hastoe Housing Association - and the Housing Portfolio Holder has already agreed the key terms of the proposed development and lease.

The Cabinet also previously agreed that any capital receipt received by the Council from the lease of the land should 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.

However, since that time, the Cabinet has agreed that the Council should embark on its own new Housebuilding Programme. It is therefore proposed that the capital receipt be ringfenced for use as a cross-subsidy for the Council's own Housebuilding Programme instead.

Reasons for Proposed Decision:

To agree the use of the potential capital receipt from the lease of Council-owned to Hastoe Housing Association, if planning permission is granted for the development, following the Cabinet's previous decision to seek the development of the site for affordable housing and the Housing Portfolio Holder's subsequent decision on the key terms of the proposed development.

Other Options for Action:

To utilise the resultant capital receipt for other purposes, particularly the provision of 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.

Report:

1. At its meeting held on 6 December 2010, the Cabinet agreed:
 - To develop the vacant Council-owned land to the rear of 25-29 Millfield, High Ongar to provide four affordable rented houses by Hastoe Housing Association, in the form of a small, innovative, environmentally-friendly “exemplar” development, constructed from straw bales;
 - 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;
 - That the Housing Portfolio Holder be authorised to agree the detailed arrangements for the development, including the mix, tenure, rent levels and land value to be paid to the Council; and
 - That, subject to the receipt of planning permission, the land should be leased to Hastoe Housing Association for 125 years, with the Council receiving nomination rights in accordance with the District-wide Nominations Agreement with the Housing Association.
2. Since that time, the Director of Housing submitted a successful bid for £70,000 to the London–Stansted-Harlow Programme of Development (POD) Partnership Board, as part of a wider bid by the West Essex Housing Forum, to help fund the proposed development. The Partnership Board was established a number of years ago to oversee the use of Growth Area Fund (GAF) funding from the Government for the London-Stansted-Harlow area, and the subsequent implementation of projects funded from the GAF.
3. In accordance with the Cabinet’s decision, in January 2012, the Housing Portfolio Holder agreed that, subject to the receipt of planning permission, the key terms of the proposed development and lease between the Council and Hastoe Housing Association, should be as follows:

Mix	2 X 4-person two bedroomed houses 2 X 5-person three bedroomed houses
Tenure	Affordable rented
Rent levels	Two bedroomed houses - £162 p/w Three bedroomed houses - £188 p/w
Residual land value to be paid to the Council	£83,000

4. Furthermore, in order to obtain the POD Partnership Board funding, the Housing Portfolio Holder also authorised the Director of Housing to enter into a standard Funding Agreement with Harlow District Council (on behalf of the POD Partnership Board) to receive the £70,000 grant funding towards the cost of development, on terms agreed by the Director of Housing in consultation with the Director of Corporate Support Services.
5. Following a consultation exercise with local residents and the Parish Council, Hastoe Housing Association has now submitted a detailed planning application for the proposed development, which was scheduled to be determined by the Area Plans Sub-Committee on 8 February 2012 with a

recommendation from planning officers that planning permission be granted. However, the Plans Sub-Committee deferred a decision, to enable members to have a site visit.

Use of the Capital Receipt for the Land

6. The land at Millfield was originally purchased under Housing Act powers and is held in the Housing Revenue Account (HRA). Therefore, under the Government's pooling arrangements for non-Right to Buy capital receipts, although the Council could retain 50% of the capital receipt to use for any Council purpose, it would have to pass the other 50% of the capital receipt to the Government, unless it is used by the Council for "affordable housing or regeneration" purposes.

7. For this reason, at its meeting in December 2010, the Cabinet agreed that any capital receipt received by the Council from the lease of the land to Hastoe should 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.

8. However, since that time, the Cabinet has agreed that the Council should embark on its own new Housebuilding Programme. When agreeing the arrangements for the Housebuilding Programme, the Cabinet recognised that some form of capital "gap funding" is likely to be required on most of the new affordable housing developments within the Programme, in order for the developments to be viable over a 30-year period. The need for, and extent of, such gap funding will be assessed as part of the development appraisals considered by the Cabinet for each development site. The gap funding could come from a variety of sources, including grant funding from the Homes and Communities Agency (HCA), financial contributions from developers under Section 106 Agreements (in lieu of on-site affordable housing provision) or from the sale on the open market of other sites in the Housebuilding Programme in order to provide a cross-subsidy.

9. Since the Cabinet has already agreed in principle that the capital receipt can be used to fund affordable housing on another site, and since the Council's land at Millfield: was purchased under Housing Act Powers; is currently held within the HRA; and it is likely that there will be a need for cross-subsidies to help fund the Council's own new Housebuilding Programme, it is proposed that, instead of the capital receipt being used to provide grant to a housing association, it be ringfenced for use as a cross subsidy for the Council's own Housebuilding Programme.

Resource Implications:

Capital receipt - £83,000 to be utilised as a cross-subsidy for the Council's own new Housebuilding Programme.

Legal and Governance Implications:

Local Government Act 2003.

Safer, Cleaner and Greener Implications:

None.

Consultation Undertaken:

None.

Background Papers:

Housing Policy File H882.

Impact Assessments:

Risk Management

Provided that the capital receipt is used for affordable housing or regeneration purposes, there are no material risks arising from the proposed recommendation.

However, if the capital receipt was not used for affordable housing or regeneration purposes, the Council would lose £41,500 (50%) of the capital receipt to the Government, under its pooling arrangements for non-Right to Buy capital receipts.

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