



CABINET REPORT

Report Title	Development of new affordable rented housing in Southbridge East
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AGENDA STATUS: PUBLIC

Expected date of decision:	16 December 2020
Key Decision:	Yes
Within Policy:	Yes
Policy Document:	No
Directorate:	Housing and Wellbeing
Accountable Cabinet Member:	Councillor Stephen Hibbert
Ward(s)	Delapre and Briar Hill

1. Purpose

- 1.1 The purpose of this report is to ask Cabinet to approve the transfer of a parcel of land in Southbridge East from the General Fund to the Housing Revenue Account and to approve the development of the land for affordable rented housing, as outlined below, and the costs associated with the same.

2. Recommendations

- 2.1 It is **recommended** that Cabinet:

- a) Approves the transfer of ownership of the parcel of land in Trenery Way, Southbridge East (previously known as Area E5 and edged in red on the plan in Appendix A, attached to this report) from the General Fund to the Housing Revenue Account, at a total cost of £1, in order to provide affordable rented housing that will be let to eligible households on the Housing Register;

- b) Approves the use of the Housing Revenue Account Capital Programme to redevelop the transferred parcel of land (edged in red on the plan in Appendix A, attached to this report) to provide 28 affordable rented homes, subject to planning consent;
- c) Delegates to the Director of Housing and Wellbeing, in consultation with the Cabinet Member for Housing and Wellbeing, the Chief Finance Officer and the Borough Secretary, the authority to determine the rent levels and service charges for the new affordable rented homes; and
- d) Delegates to the Director of Housing and Wellbeing, in consultation with the Cabinet Member for Housing and Wellbeing, the Borough Secretary and Northampton Partnership Homes, the authority to develop and approve a Local Lettings Policy that determines how the homes are allocated.

3. Issues and Choices

3.1 Report background

- 3.1.1 On 22 January 2020, in a report entitled "Transfer of Southbridge land to the Council", Cabinet approved the transfer of a parcel of land on Trenery Way, Southbridge East (previously known as Area E5 and edged in red on the plan attached to this report as Appendix A) to the Council.
- 3.1.2 The transfer of the land was made in accordance with the terms of a s106 Agreement, dated 9 August 2002, pursuant to which the Council granted planning permission for a mixed development of houses, flats and a Café bar restaurant, new pedestrian footbridge, road improvements and provision for affordable housing.
- 3.1.3 The s106 Agreement required that the land that was being transferred from the developer to the Council be subject to a restrictive covenant to ensure that the land transferred to the Council is only used for affordable housing.
- 3.1.4 Since the Cabinet decision in January 2020, Northampton Partnership Homes (NPH) has been working closely with the Council's Planning Team and Northampton County Council's Highways Team to design an affordable housing scheme that meets the Planning and Highways requirements for the site.

3.2 Issues

Transfer of the land to the Housing Revenue Account

- 3.2.1 It is proposed that the Council transfers the parcel of land from the General Fund to the Housing Revenue Account (HRA).
- 3.2.2 This will afford the Council the opportunity to subsidise the development of the site, and minimise the amount of borrowing required, by securing grant funding from Homes England or investing Right to Buy receipts.

3.2.3 It is proposed that the land is transferred from the General Fund to the HRA at a total cost of £1. This is because the restrictive covenant on the title of the land means that the land can only be used for affordable housing and the final value of the new properties will be significantly discounted. As part of the 'due diligence' work undertaken in relation to this transfer, a RICS registered market valuation of the site has been completed and this has confirmed that the land has a nil value (see Exempt Appendix C).

Planning and design

3.2.4 Unfortunately, the development options are constrained by the size of the site, the access arrangements, the characteristics of the local area and the fact that the site is situated in a Flood Risk Zone Two.

3.2.5 After completing a pre-application consultation with the Council's Planning Service and the County Council's Highways Service, NPH (in its capacity as the Council's Development Agent) is now proposing a development of 28 affordable rented apartments in keeping with the neighbouring developments:



3.2.6 This development, comprising 19 one-bedroom apartments and 9 two-bedroom apartments, will include undercroft parking – to mitigate the flood risk – and balconies to provide each apartment with private outside amenity space. It will also include bicycle storage and a small communal garden.

3.2.7 If Cabinet approves the transfer of the land from the General Fund to the HRA, NPH will submit a detailed planning application which includes further details in relation to sustainability measures and elevation treatments.

3.2.8 The sustainability measures will ensure that the homes contribute to carbon reduction and that the tenants can afford to heat them. The elevation treatments will ensure that the scheme is attractive and in keeping with neighbouring developments.

Construction

- 3.2.9 It is proposed that the development of the scheme is undertaken by NPH, on behalf of the Council, as the Council's Development Agent.
- 3.2.10 NPH has an in-house team of quantity surveyors, building surveyors and project managers, and a supply chain for design and construction. It will appoint a design team to develop the technical design for the building, including any additional reports (such as fire safety and mechanical and engineering) required. These will address key issues, including fire safety, and include the installation of a fire sprinkler system and appropriate compartmentalisation between floors.
- 3.2.11 After appointing a main contractor to undertake the works, NPH will manage the construction contract, oversee the works and manage the cost, programme and quality. Although an 18-month construction period has been allowed for, it is hoped that this can be reduced. The programme is prudent.
- 3.2.12 The COVID-19 public health emergency has increased the programme and cost risk in relation to construction. This is managed through the contract in order to ensure a fair approach for the contractor and NPH/the Council.
- 3.2.13 The contract will allow for reasonable delays (if there is another lock down, for example, or the materials are restricted) but not for any additional exposure to an increase in cost. This contractual provision is becoming common in many construction contracts due to COVID-19.
- 3.2.14 Throughout the construction, NPH will monitor the programme and the quality of work before making staged payments to the value of the works completed.
- 3.2.15 On completion of the development, the Council will have the benefit of a 12-months defect period and, during this period, regular site visits will be carried out jointly by NPH and the contractor (to deal with any defects as they arise) and the Council will hold a 2.5% retention of the final contract sum until the defect period is complete.
- 3.2.16 The works will be covered by a 10-year NHBC (or similar) warranty. Certain products may have longer warranties which the Council can also benefit from should the need arise.
- 3.2.17 At the end of the defect period, NPH's Maintenance Team will take on the responsibility for all repairs and maintenance.

Local Lettings Policy and affordable rents

- 3.2.18 It is proposed that the 28 apartments are let as permanent affordable rented accommodation as part of a wider initiative to maximise the supply of affordable housing and reduce the use and cost of temporary accommodation.
- 3.2.19 The housing scheme has a useful mixture of one and two-bedroom apartments and is in a good location due to its proximity to local services, employment and public transport. To help establish a mixed and sustainable community it is proposed that a Local Lettings Policy is introduced to determine the way in which the homes are allocated.

- 3.2.20 Like other applicants, new tenants will be provided with Introductory Tenancies for the first year and, as long as they comply with their tenancy conditions, their tenancies will then be converted into secure tenancies.
- 3.2.21 Modelled on other housing schemes (such as Centenary House) the Local Lettings Policy will aim to strike the right balance between existing council tenants, homeless households and other applicants on the Housing Register.
- 3.2.22 It is proposed that the homes will be let at affordable rents (up to 80% of the market rent) but 'capped' at Local Housing Allowance (LHA) rates.

3.3 Choices (Options)

Option 1 (recommended)

- 3.3.1 Cabinet can choose to transfer the land on the east side of Trenerly Way, Southbridge East (edged in red on the plan attached to this report as Appendix A) from the General Fund to the HRA, at nil cost, to enable the site to be developed as affordable rented housing.
- 3.3.2 This option is recommended because the site offers the Council and NPH an excellent opportunity to increase Northampton's supply of affordable rented accommodation – in a sustainable location and within a relatively short timescale – and help to reduce, directly and indirectly, the use and cost of temporary accommodation.

Option 2 (not recommended)

- 3.3.3 Cabinet can choose to do nothing.
- 3.3.4 This option is not recommended because there is an urgent need to increase the supply of affordable rented housing and reduce the use and cost of temporary accommodation.

4. Implications (including financial implications)

4.1 Policy

- 4.1.1 The redevelopment of the land on the east side of Trenerly Way, Southbridge East (edged in red on the plan attached to this report as Appendix A) as affordable rented housing for households on the Housing Register will help the Council to meet its policy objectives of maximising the supply of affordable housing and reducing, directly and indirectly, the use and cost of temporary accommodation.
- 4.1.2 It supports the three strategic priorities in the Corporate Plan 2019 –2021:
- A stronger economy;
 - Resilient communities; and
 - Exceptional services to be proud of.

4.2 Resources and Risk

4.2.1 As reported in Exempt Appendix B, the financial viability of the redevelopment of the transferred land (edged in red on the plan attached to this report as Appendix A) has been appraised by NPH and reviewed by the Council's Finance Team, using the ALMO Appraisal Model and based on current assumptions, considering the following:

- The total scheme costs (detailed in Exempt Appendix B);
- A 30% subsidy provided by Right to Buy receipts or Homes England funding;
- Interest on borrowing;
- Management and maintenance costs; and
- Affordable rents (up to 80% of the market rent, based on an independent valuation) but 'capped' at Local Housing Allowance (LHA) rates.

4.2.2 The appraisal has shown that, over 30 years, the scheme has a negative Net Present Value (NPV) of £35k, excluding the residual asset value. As this falls outside the normal HRA Business Plan financial assessment, a 40 year measure has been conducted. Over 40 years, the scheme has an NPV of £521k.

4.2.3 The development costs are included in the Exempt Appendix B.

4.2.4 Sensitivity analysis on the scheme has been conducted identifying the key variables which affect financial viability of the scheme. The output of this is detailed in the Exempt Appendix B.

4.2.5 As there is a restrictive covenant on this land, it must be used as affordable housing. A RICS valuation (attached to this report as Exempt Appendix C) has confirmed that, as the final value of the new homes will be significantly discounted, the land has a residual valuation of nil. It is for this reason that it is proposed that the land is transferred from the General Fund to the HRA at a cost of £1.

4.3 Legal

4.3.1 Pursuant to s122 (1) of the Local Government Act 1972, a Council may appropriate, by agreement, land which belongs to the Council but is no longer required for the purpose for which it is currently held to enable the land to be used for a different Council purpose.

4.3.2 Cabinet should be aware that the lack of a comprehensive business case which would assist Cabinet to understand the extent of the investment required and issues relating thereto, that Cabinet are being asked to approve may have consequences for the Council in the future. However, notwithstanding that concern, it does not detract from the value the Council may gain from the opportunity to increase the available social rented housing in Northampton.

4.3.3 Cabinet, as part of the decision-making process, has a duty to consider and co-operate with the West Northamptonshire Unitary Council.

4.4 Equality and Health

- 4.4.1 The action proposed in this report will help to improve the housing conditions and life chances of people with protected characteristics, including people with disabilities and families with children. They will therefore have a positive impact on Equality and Diversity.
- 4.4.2 Maximising the supply of new homes is part of the Council's commitment to improving communities and our town as a place to live.
- 4.4.3 When developing the Local Lettings Policy, the Council will have due regard to its Public Sector Duty and will continue to work to tackle discrimination and inequality and help to create a fairer society.

4.5 Consultees (Internal and External)

- 4.5.1 The Senior Management Teams of the Council and NPH have worked collaboratively on the development proposals.
- 4.5.2 Consultation on the development proposal will be undertaken as part of the planning application.

4.6 How the Proposals deliver Priority Outcomes

- 4.6.1 The action proposed in this report will help meet 5 of the priorities in the Council's Corporate Plan 2019 - 2021:
- More homes, better homes
 - Shaping place and driving growth
 - Creating a thriving and vibrant town
 - Spending your money wisely
 - Putting the customer first

4.7 Environmental Implications (including climate change issues)

- 4.7.1 As part of the design development, NPH will endeavour to minimise the environmental impact of the scheme in construction and through the choice of materials and a waste and recycling plan with the contractor.
- 4.7.2 The scheme design will seek to ensure the homes are affordable to heat and contribute to carbon reduction.
- 4.7.3 Although parking spaces are available in the proposed scheme, the site's town centre location is likely to reduce the need for car use and electrical charging points will be included.
- 4.7.4 Secure bicycle storage is to be included in the proposed scheme.
- 4.7.5 NPH will work with the developer to produce a 'new home' pack (which will include energy saving tips for new residents) and encourage recycling in the

recycling provision which will be included as part of the scheme's waste management policy.

4.8 Other Implications

4.8.1 There are no other implications.

5. Background Papers

Corporate Plan 2019 – 2021

Cabinet Report 'Transfer of Southbridge land to the Council', 22 January 2020

6. Appendices

Appendix A: Site Plan of Southbridge East Area E5 (edged in red)

Appendix B: Exempt Appendix (Financial Information and Appraisal)

Appendix C: Exempt Appendix (RICS Valuation of the Southbridge East Site)

7. Next Steps

7.1 If Cabinet approves the transfer of the land from the General Fund to the HRA, NPH will submit a detailed planning application in January 2021.

7.2 When planning approval has been secured, NPH will seek to appoint a main contractor to enable a start on site (subject to planning approval) in 2021.

Phil Harris
Director of Housing and Wellbeing