

Key Decision Required:	YES	In the Forward Plan:	YES
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CABINET

27 FEBRUARY 2015

REPORT OF THE LEADER OF THE COUNCIL AND PORTFOLIO HOLDER FOR REGENERATION, INWARD INVESTMENT AND ASSET MANAGEMENT

A.2 ACQUISITION OF A SITE IN THE JAYWICK AREA

(Report prepared by Paul Price)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To consider whether to acquire a site in the Jaywick area, Clacton-on-Sea, with a view to facilitating development or directly developing the site for housing and regeneration stimulation.

EXECUTIVE SUMMARY

- Following changes to the financing of Council housing within the Housing Revenue Account, it is now financially viable for local authorities to add to their existing stock through acquisition or new build;
- Following the decision by the Portfolio Holder in May 2014 to initiate the acquisition process (ref: 2435), officers commenced the process of identification of landholders and landlords.
- Tendring District Council has been in exploratory discussions with several landholders and landlords in the Jaywick area for a number of months and has now purchased some sites and reached provisional agreements subject to the necessary approvals and contracts on other sites.
- A site which was not included in the previous Cabinet report has now become available and negotiations have been completed.
- The Council has recognised that due to the difficult market conditions in the Jaywick area, high quality private sector housing development is potentially not viable and therefore unlikely to take place. The Council, in its Community Leadership and housing provider roles, is seeking to kick-start regeneration of the area by direct housing development to improve housing conditions for local residents and stimulate a change in market conditions. It is also in discussions with Essex County Council with a view to it also facilitating investment in the area;
- Whilst viability of market housing is a concern, the Council can take a longer strategic view in respect of its investment in the area but given the competing offers which are emerging, it requires flexibility in undertaking negotiations with developers and so at this stage, specific details pertaining to this site are only identified in Part B of this report as disclosure prior to negotiations being completed may compromise the Council's position on this site as well as others which may emerge.

RECOMMENDATION(S)

- (a) That Cabinet approves, in principle, the acquisition of the site identified in Part B of the report for the purposes of development and providing housing**

by the Council (all subject to Cabinet's further decision on terms in Part B of this agenda.

(b) That, subject to (a) above, Cabinet authorises the Corporate Directors (Corporate Services) and (Life Opportunities), in consultation with the Leader of the Council, the Council's Section 151 and Monitoring Officers to complete the acquisition of the site on terms set out in the report and on such other terms and conditions that he considers appropriate.

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES

The acquisition of the sites in the Jaywick area could help to meet housing need in Tendring, would help to kick start regeneration and help to achieve one of the Council's objectives of delivering at least five units of council housing accommodation.

Jaywick is the single most significant area of economic and social deprivation in England and addressing the needs of Jaywick is a compelling priority for the Council.

The Council's Corporate Plan makes a commitment to "ensure that all residents live in high quality housing which meets local needs" and to "regenerate the District and improve deprived areas".

Whilst the Council has the option of choosing not to take action the consequences of doing so are the continuation of unacceptable levels of housing and economic and social deprivation.

FINANCE, OTHER RESOURCES AND RISK

Finance and other resources

£1 million has been identified within the Housing Revenue Account (HRA) budget for 2014/15 for the new build and acquisition programme. This includes the purchase of land or property. Further sums have been carried forward from the new build programme from 2013/14 and are also available to spend.

Following changes to the housing subsidy system in 2012 the HRA can borrow such sums as its business plan can support within a total borrowing ceiling set by government when the subsidy system changed and self-financing was introduced. Borrowing will be required to build on the acquired land, the exact detail, design etc. will be determined following the completion of the acquisition programme, completion of the flood risk assessment etc.

Stamp Duty Land Tax – the purchase of site will be subject to SDLT and is payable to HMRC within 30 days of completion, although exemptions might be applicable.

Preliminary discussions with the Homes and Communities Agency suggest that the purchase of this site may be within the scope of the funding a proportion of which remains unspent) which the Council has to bring vacant homes back into use. The scheme allows for vacant commercial units to be used to generate new homes and given the former nature of some of these sites, it appears to fall within the remit of the scheme and so part of the total purchase cost may be met from this government grant, given that the aim is to build residential units. This funding must be used by 31 March 2015 or returned to the Government.

In response to the financial risks that land ownership will bring, £0.170m has been set aside within the HRA to meet any on-going costs of the first phase of the project.

Risk

In considering risk the Council must consider the options which are available including deciding not to continue with the individual acquisitions. In terms of the decision making process, potential risks have been considered at the various stages of taking forward the acquisition of land and forms an integral part of the risk and value for money section of the report in Part B of this agenda.

LEGAL

In coming to decisions in relation to acquisition of land, the Council must act in accordance with its statutory duties and responsibilities. Under case law following Section 120 of Local Government Act 1972, the Council is obliged to ensure that decisions on the acquisition and management of its assets are for the benefit of the district.

Section 17 of the housing Act 1985 provides the principal power for the acquisition of land for housing purposes, including land as a site for the erection of houses, this includes the power to acquire land for the purposes of disposing of the land to a person who intends to provide housing accommodation on it.

Under the Property Dealing Procedure in Part 5 of the Council's Constitution, all investigations must be undertaken and the appropriate steps to negotiate and otherwise agree terms for the potential deal, followed by a report containing the relevant information to record whether to complete the deal on the terms reached.

OTHER IMPLICATIONS

Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.

Crime and Disorder / Equality and Diversity / Health Inequalities / Area or Ward affected / Consultation/Public Engagement.

Area or Ward Affected

Golf Green

PART 3 – SUPPORTING INFORMATION

BACKGROUND AND CURRENT POSITION

Following changes to the financing of Council housing within the Housing Revenue Account (HRA) in April 2012, it is now financially viable for local authorities to add to their existing stock through acquisition or new build. Prior to this date Councils could build and/or acquire property but they may have been financially penalised through the HRA subsidy system if they did so.

If Councils wish to add to their stock with grant there are a number of conditions which they would need to comply with to satisfy the Homes and Communities Agency grant regime, such as adopting the Affordable Rent Regime, but if no grant is required the programme can be undertaken in accordance with the local authorities' own requirements. It is unlikely that the Council would wish to use the Affordable Rent Model for any properties built on any sites which are acquired, but using this model may be considered as the overall development progresses.

Tendring District Council has been in exploratory discussions with several landholders and landlords in the Jaywick area for a number of months and has purchased some sites whilst others are yet to be completed. Normal valuation models do not work in Jaywick

given the viability issues, but values can be determined using a discounted cash-flow methodology. However, such a methodology does rely on various assumptions and therefore, such a methodology has to be viewed over the very long term and a fair degree of caution has to be applied when considering models which run for 20 plus years.

The Council has recognised that due to the difficult market conditions in the Jaywick area high quality private sector housing development is potentially not viable and therefore unlikely to take place. Indeed discussions with potential developers have shown that none are currently envisaging market led development in the foreseeable future. The Council, in its Leadership role and as housing provider, is seeking to kick-start regeneration by direct development of housing in the area to stimulate a change in market conditions. In discussions with both the Council's own valuers and with landholders agents it is clear that market conditions are such that building for sale is not viable at this time and returns on renting need to be considered over a very long term for such development to become viable.

Whilst viability is a concern, the Council can take a longer term view in respect of its investment in the area and take account of non-financial factors, but given the competing offers which are emerging it requires flexibility in undertaking negotiations with developers.

In order to provide a more viable development footprint for one of the sites which is in the acquisition process the purchase of the site detailed in part B to this report is being recommended.

Site surveys and searches are being undertaken to provide the necessary assurances with regards to the acquisition and the outcomes will be considered and assessed by Officers when seeking to agree the final terms and conditions of the acquisition.

BACKGROUND PAPERS FOR THE DECISION

None.

APPENDICES

None
