

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

16 JULY 2021

REPORT OF THE PORTFOLIO HOLDER FOR HOUSING

A.2 REDEVELOPMENT OF THE HONEYCROFT SITE, LAWFORD

(Report prepared by Tim Clarke)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To update Cabinet on the demolition of the main scheme building at Honeycroft in Lawford and seek agreement for proposals associated with the redevelopment of the site.

EXECUTIVE SUMMARY

Following Cabinet's decision on 23rd March 2018 the main scheme building at Honeycroft was closed. Further to a decision made by Cabinet on 13th July 2018 the main scheme building has now been demolished.

Approval is now sought for an exciting and innovative proposal to redevelop the site with around 20 additional one and two bedroomed bungalows specifically designated for letting to older persons. The proposal will contribute to meeting priorities set out in the Council's Housing Strategy and Corporate Plan and mark a significant step on the journey to increasing the Council's housing stock. The homes will also be built to be as energy efficient as possible, making use of modern methods of construction in order to minimise carbon emissions.

The new properties will meet local housing demand for older persons and provide an opportunity for those in larger houses to downsize whilst remaining in the same community. This will free up larger properties for families.

RECOMMENDATION(S)

It is recommended that Cabinet agrees that:

- 1. The Honeycroft site be redeveloped with bungalows retained within the Council's housing stock and designated for letting to older persons;**
- 2. The Corporate Director (Operations & Delivery), in consultation with the Housing Portfolio Holder, be authorised to make arrangements for a topographical survey of the site and to initiate discussions with a neighbouring land owner over a possible exchange of land;**
- 3. The Corporate Director (Operations & Delivery), in consultation with the Housing Portfolio Holder, be authorised (in accordance with Cabinet decision of 23rd April 2021 that delegated authority to him to continue a process of engagement with the SME sector to deliver Council housing in the district), to invite tenders on the basis of a design and build project to provide around 20 additional bungalows on the site;**
- 4. The Corporate Director (Operations & Delivery), in consultation with the Housing Portfolio Holder, be authorised to submit a funding bid to the Homes England Affordable Homes Programme 2021 – 26 for grant funding towards**

cost of the development; and,

5. A budget of up to £50,000 be allocated from the HRA capital programme 2021-22 to fund necessary site surveys, legal expenses and other ancillary expenses.

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES

The decisions will contribute to the following priorities in the Corporate Plan 2020-2024:

Delivering High Quality Services – The proposals mark a significant step towards the Council's ambitions to add to its housing stock. New, high quality homes will contribute to the delivery of a high quality housing service.

Building Sustainable Communities for the Future – The new development will create a new community on the site and provide facilities that can be used by the wider community in the area.

Community Leadership through Partnerships

The project and the lessons learnt from it will contribute to the overall aims of the Housing Strategy by enabling the delivery of additional Council housing in the district and will help to deliver jobs and infrastructure as well as tackling homelessness and improving the lives of households in need of high quality, sustainable, affordable housing. Working in partnership with the SME sector to deliver new housing conforms with the Council's Back to Business programme.

The decisions will also contribute to the following priorities in the Housing Strategy 2020 - 2025:

Delivering Homes to meet the needs of local people – by directly delivering this housing scheme the Council will contribute to this priority.

Supporting people in their homes and communities – this scheme will deliver accessible properties for older people and those living with disabilities.

The Council also sets out an aspiration in its Housing Strategy to deliver a further 200 homes in the District that this development will directly contribute to.

FINANCE, OTHER RESOURCES AND RISK

Finance and other resources

The proposal will incur costs within the Housing Revenue Account (HRA).

Following the relaxation of borrowing headroom arrangements for the Housing Revenue Account (HRA) (these were the capping rules put in place following the changes to the HRA subsidy system) Councils are now in a position to, in theory, borrow above their previously capped limit.

At present the Council's HRA borrowing headroom is around £20m if the government's business plan methodology is applied and whilst this methodology is fairly conservative in terms of its risk profile, straying too far from that risk profile would not be prudent given the recent record of government intervention in the Council's ability to raise income from rents to repay any loans and the competing costs of maintaining the existing housing stock.

As Members will appreciate, the Council would not borrow capital to acquire existing property or to build out any specific scheme until such time as it was required and as such detailed financial breakdowns would be brought forward as and when decisions are sought on specific building projects as interest rates, income profiles, etc. will change over time as will potentially the source and terms of such loans.

This means that individual reports will come to Members for decision on any proposal to build or acquire homes in any location in advance of any new development or acquisitions coming forward.

There will be some initial costs associated with topographical surveys. These costs are estimated at £3,000. Other costs may be incurred before development commences and agreement is sought to use up to £50,000 from the general refurbishment and maintenance budget within the HRA capital programme 2021-22.

Depending upon the final development design and density, build costs are estimated to be in the region of £4 million. A further report will be brought before Cabinet once a tender exercise has been undertaken for the design and build of the scheme. That report will set out the funding required for the development and seek approval for prudential borrowing within the HRA. £280,000 has been set aside in the HRA budget for 2021/22 to either directly fund housing acquisitions or development or to fund the cost of borrowing where larger scale schemes such as this are brought forward. The final borrowing decision will be made by Full Council following recommendation by Cabinet.

It is anticipated that borrowing / capital investment costs can be reduced by seeking grant from Homes England through the Affordable Homes Programme 2021 - 2026. The Council is eligible to bid through the continuous market engagement strand of the programme and officers will be commencing discussions with Homes England to establish the level of grant subsidy that might be achieved.

Risk

There are risks associated with the proposals:

Financial – the proposed scheme will require investment of around £4 million to complete. This is funding that will need to be borrowed less any grant awarded with the debt repaid via the longer term HRA business plan over a 30 – 40 year period. Rental yield and minimal void periods will be key to servicing the borrowing.

Reputational – as the largest development the Council has undertaken in recent times there is a clear reputational implication that is dependent upon the success of the scheme and quality of the design and final finish.

Right to Buy - One of the complicating factors in considering overall viability of any acquisitions or development projects is the Right to Buy. Whilst the application of the “cost floor” (over the first 15 years after the build the Council can recover the capital cost of building the property) does protect the Council to some extent, if there are no changes to the current discount levels or other scheme parameters the Council will lose capital on every new unit if it is purchased. Right to buy levels and discounts are variables over which we have little control and so the best we can do is to make estimates of sales based on historic rates and projects of house prices utilising analysts such as Savills.

The Government has recently announced additional flexibilities over the spending of Right-to-Buy receipts, including an extension from three to five years on the timeframe for spending receipts and increasing from 30% to 40% the amount that can be used to fund the cost of a new home. Crucially, however, a limit will be placed on the use of receipts to fund acquisitions and therefore placing an emphasis on new build supply.

As it is proposed that these properties will be designated for older person’s accommodation it is anticipated that they may be exempted from the Right to Buy based on current guidance.

LEGAL

The Council has the necessary powers which enable it to build new Council housing and the powers to sell a limited number, currently up to five per year. Part A of the General

Housing Consents Order 2013 provides consent for the disposal of land held for housing purposes within the HA 1985. Under A3.3.1 a local authority may dispose of an unoccupied dwelling house to a person who intends to use it as their only or principal home subject to paragraphs 3.3.2 to 3.3.4

Where a person (a) is not a secure tenant ... the local authority may dispose of the unoccupied dwelling house at a price which is not less than an amount equal to the purchase price defined in section 126 (right to buy purchase price) to which the minimum discount, as provided for by section 129, has been applied.

The commentary to the General Consent provides some further explanation for each part and states at clause 3:

“paragraph 3.3 permits local authorities to dispose of dwellings at discounts equivalent to the Right to Buy discount to existing council tenants and others who, the local authority has decided, need help accessing home ownership in the area (for example, key workers or ex-military personnel, although that is for the local authority to decide).”

If the Council has to acquire land to build new homes Section 17 of the HA 1985 (the 1985 Act) provides the principal power for acquisition of land for housing purposes (as defined in Section 9 of the 1985 Act) including land as a site for the erection of houses.

Section 9 of the Housing Act 1985 states a housing authority may provide accommodation for housing purposes by with erecting or converting buildings into houses, on land acquired by them or by acquiring houses..

Section 12 Local Government Act 2003 empowers the Council to invest if the purpose is relevant to its functions and consistent with the prudent management of its financial affairs.

Future engagement with the SME/small house building sector will follow the appropriate governance arrangements and the outcomes of the design and build tender exercise will require a further Cabinet decision before the project can proceed.

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 – Ward Members from Lawford will be consulted on the proposals as they develop as with Lawford Parish Council.

Consultation - residents of the existing bungalows on site will be consulted and advised on the proposals as will the Tenants' Panel.

Climate Change – the homes will need to be built to as near to a zero carbon emission standard as possible. This is likely to involve the use of modern methods of construction and the use of renewable heat and energy generation options. It is important that the homes are cheap to run, reducing the likelihood of fuel poverty.

Equality and Diversity

The proposal to develop housing that is accessible for households with disabilities contributes to meeting the Council's public sector Equality Act duty. A full equality impact assessment will be undertaken when the final scheme design is submitted to Cabinet for

approval.

Health Inequalities

The delivery of new, affordable, sustainable homes will help to address health inequalities in the District.

PART 3 – SUPPORTING INFORMATION

BACKGROUND

At its meeting on 23rd March 2018 Cabinet took the decision to close both the Honeycroft and Spendells sheltered housing schemes. The main scheme building at Honeycroft has since been demolished in accordance with a decision taken by Cabinet on 13th July 2018. The demolition work was completed in June 2021 and eight bungalows remain fully occupied on the site.

As part of the consultation with residents during 2017 and 2018, prior to the decision to close the scheme, a proposed future use of the site included the redevelopment of the site with further bungalows, designated for occupation by older persons. This is a proposal that seemed to be widely accepted as the best future option.

A development of 20 or so additional one and two bedroomed bungalows would provide much needed accommodation for those seeking to downsize from a larger property and provide an accessible living environment for later life. The properties will be built to as close to a zero emissions standard as possible and meet Building Regulations M4(2) and/or M4(3) standards for accessibility and adaptability.

The Council adopted its Housing Strategy 2020-2025 in September 2020 and one of the key priorities is to deliver additional Council housing in the district for local households. An Acquisitions & Development Policy was adopted in October 2020 to facilitate this delivery. This policy introduced a requirement for all new acquisitions and development proposals to be assessed and scored against a set of criteria. Appendix B provides the scoring undertaken in respect of this proposal and demonstrates that the scheme achieves a sufficiently high score to progress further.

Highlighted in the Housing Strategy is the fact that demand for housing, based on the Housing Register, is clearly weighted towards one bedroom accommodation. Of the 957 households registered for one bedroom accommodation, 507 (53%) are households over the age of 60. This demonstrates that there is a need to address the housing needs of our older population especially as the trend will be for people to live longer and that one bedroom accommodation should be accessible and designed to meet long-term disabilities.

Whilst demand for housing in Manningtree, Mistley and Lawford sits at approximately 7%, lower than most other areas, officers believe that there will be a strong demand for new, high quality bungalows on the Honeycroft site.

Consultation on the proposals will be undertaken with the Tenants' Panel, existing bungalow residents at Honeycroft and with Lawford Parish Council. Local Ward members have already indicated their support and encouragement for the proposal but will be further consulted as more detailed designs emerge.

There is a sense that redevelopment of this nature may prove to be a blueprint for addressing low demand for other sheltered housing schemes in the district where it is becoming increasingly difficult to let accommodation, especially that with shared bathing facilities.

It is not proposed that the new bungalows be designated as sheltered housing. The ability of the Council to fund sheltered housing support is restricted following the withdrawal of housing related support funding several years ago, following which the HRA has subsidised the additional support service provided to some tenants of sheltered housing.

Appendix A shows an indicative site layout upon which the proposal is based. The eastern boundary of the site shows parking spaces associated with and owned by the post office/hairdressers on the corner of Waldegrave Way and Nicolls Close. It is proposed to explore a negotiated land transfer to move these spaces up next to the post office building and thereby improve the usable area of the site.

The Council does not currently have in house capacity to design and build this project. On 21st April 2021 Cabinet agreed to delegate authority to the Corporate Director – Operations & Delivery to continue a process of engagement with the SME builder sector to deliver council housing in the district. It is proposed that this scheme be offered on the basis of design and build as part of a tender opportunity for SME builders. The tender opportunity will specify the type of development the Council is seeking along with a general specification for the quality and energy performance of construction but will encourage innovative design, making use of modern methods of construction and will be scored on the basis of quality of design and price. It is envisaged that a contract will be awarded to a local SME building firm to take on the whole project management following this tender exercise. A planning application will need to be made on the basis of the final scheme design and approval granted prior to any works commencing.

BACKGROUND PAPERS FOR THE DECISION

None

APPENDICES

Appendix A – Indicative site layout.

Appendix B - HOUSING ACQUISITIONS & DEVELOPMENT POLICY, LAND PURCHASE AND DEVELOPMENT CRITERIA

Appendix B

HOUSING ACQUISITIONS & DEVELOPMENT POLICY

LAND PURCHASE AND DEVELOPMENT CRITERIA

SITE ADDRESS: HONEYCROFT, WALDEGRAVE WAY, LAW FORD, CO11 2DX

The following set criteria will be considered in respect of the acquisition of new land for development or development on existing land owned by the Council.

Any land to be acquired or developed should meet all of the minimum criteria set out and achieve an overall risk/reward score of **20** points based on the assessment below:

Criteria	Key Risk(s) Addressed	Minimum	Target/Scoring	Score
There must be a demonstrable need for housing in the location	Lack of demand will lead to extended void periods and rental loss	There must be a minimum of 20 households on the housing register seeking housing of the proposed type in that particular area.	High demand = 5 points Medium demand=3 points Low demand =1 point	5 81 h/holds over 55 on the register needing a 1BB in the area. 13 over 55's seeking 2BB

The proposed development location and configuration is attractive from a rentable perspective.	Lack of demand will lead to extended void periods and rental loss.	The development must be in a risk-free location e.g not in a flood zone and be built to an attractive standard.	High demand location = 5 points Medium demand location = 3 points Low demand location – 1 point	5 Very few risks with the location of the site
The projected rental yield should represent a rational balance between revenue returns and security.	Security of capital invested and providing value for money. The potential for selling some of the homes developed to offset the investment costs will be taken into account.	The possible rental yield (based on purchase price and development costs) should fall within a range consistent with the wider social housing sector and that achieved from the existing stock	Low risk investment = 5 points Medium risk investment = 3 points High risk investment = 0 points	3 Medium risk when balancing cost of borrowing and unforeseen changes in govt. policy
Tenancy management criteria	Ease of management, risks of ASB or other issues in neighbourhood	The development can be designed to reduce these risks to as low as possible – highest score should be achieved.	Low risk property = 5 points Medium risk property = 3 points High risk property = 1 point	5 Over 55's housing will present a lower risk
Permissibility of development	Likelihood of gaining planning consent	Pre-application advice indicates that granting of consent is likely	5 points available if planning consent likely or already granted. 0 points if unlikely	5 Early pre-application planning advice has been favourable
Ease of development	Particular challenges presented by the development site	Site presents either few challenges or the challenges identified can be readily overcome	No particular challenges = 5 points Some challenges that can be overcome = 3 points Challenges are significant = 0 points	3 Topographical survey may highlight some issues. Trees present on site.
				Total = 26