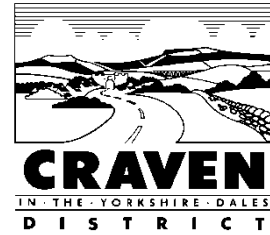


## Policy Committee – 7<sup>th</sup> June 2016

### SHARED OWNERSHIP DEVELOPMENT



Report of Director of Services

Ward(s) affected: All

#### 1 Purpose of the Report

To update members with regard to progress subsequent to the November Policy Committee approval of the delivery of a pilot scheme to develop shared ownership housing, the submission of a funding application to the Homes & Communities Agency and the preparation of a more detailed proposed first phase of a delivery programme .

#### 2 Recommendations

Members are recommended to:

- 2.1 Note the report.
- 2.2 Approve the acceptance of the HCA funding of £72,000 by agreeing to enter into a HCA Grant Agreement

#### 3. Background

- 3.1 As Members are aware government funding to local authorities continues to decline and it is important new sources of income are investigated to offset these reductions.
- 3.2 In 2014 Select Committee reviewed possible opportunities to generate new sources of asset based income streams and deliver the following objectives;
  - Generate at least £100,000 new income per year
  - Income in perpetuity
  - Council's own assets are used as the basis of the income generation
  - Any programme to support the wider flexibility of the housing market.
- 3.3 To achieve these objectives Select Committee recommended the Council progress a Housing based approach to revenue generation by acquiring Section 106 Affordable Homes for intermediate sale and utilising existing Council assets to build four or less houses per site for market rent. This was approved by Policy Committee 22<sup>nd</sup> July 2014 (POL.502).
- 3.4 June 2015 Policy Committee (POL.669) then approved the detailed delivery mechanism, financial and legal implications for the purchase of intermediate sale (shared ownership) dwellings available as part of section 106 agreements on development sites.
- 3.5 Further detailed investigation was undertaken into the viability of the Council utilising its existing assets to build four or less houses per site for market rent and it became apparent developing market rent housing was not viable for the Council and that a more likely viable option was to develop new build dwellings for shared ownership due to the potential Homes

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& Communities Agency capital grant assistance, early disposal to shared owners of a minimum 50% share and potential to subsidise using accumulated commuted sums. This would also provide much needed affordable housing in Craven.

- 3.6 November 2015 Policy Committee (POL.702) approved (1) the detailed delivery mechanism, financial and legal implications of a pilot scheme to develop shared ownership housing on a Council owned site, (2) that a funding application is submitted to the Homes and Communities Agency and (3) that a report is brought back to April 2016 Policy Committee advising on the progress of the pilot together with a detailed proposed first phase of a delivery programme.

## 4. Shared Ownership

- 4.1 As members will recall, shared ownership allows individuals on low to middle incomes to get their foot on the ladder sooner than they may otherwise be able to do so by requiring a much smaller deposit and mortgage than if the property was bought outright. The principle of shared ownership tenure is that occupiers acquire only a share of the property i.e. a 50% share, at open market value (OMV) and pay a rent at a fixed rate for example of 2.75% on the un-acquired share. Shared ownership dwellings also provide the Council with a stable rental income.

The occupiers have the option of acquiring additional shares, known as 'stair-casing', as and when they are able, with a consequent reduction in the rental payment.

- 4.2 The Council would pay the full cost of building the dwellings for shared ownership on its own sites, in addition to selling a share of the property to the occupiers, viability is enhanced, firstly, by the availability of government subsidy, in the form of a Homes and Communities Agency (HCA) grant and, secondly, the possibility of using money for the off-site provision of affordable housing in the form of 'commuted sums' to subsidise development costs.
- 4.3 HCA grant is available on a 'bid' basis as part of a Government Affordable Homes Programme (AHP), at the time of the November 2015 Policy Committee the then 'AHP 2015-18', although there were anecdotal reports that this was to be extended to 2020, as part of a 'continuous market engagement' (CME) process, ie new bids for funding from the balance of monies available from the initial AHP 2015-18 scheme introduction in 2014. The Government subsequently announced that the AHP 2015-18 was to be superseded by a new AHP introduced with effect from April 2016 that would then run to the end of March 2021, although further bids would still be possible under AHP 2015-18 CME until the introduction of the new 2016-21 programme.
- 4.4 The original intention previously reported to members was that tenders would be obtained for the pilot scheme prior to submitting a bid for HCA funding in order that such a bid would be based on known construction tender costs. The outcome of any HCA application would also be known before any construction contract is let. However, following the announcement of the new 2016-21 programme, advice was received from the HCA that the possible introduction of the new 2016-21 programme during the period of the annual 31<sup>st</sup> March-11<sup>th</sup> April shut down of the HCA's online bid system, the 'Investment Management System' (IMS), could result in the abandonment of AHP 2015-18 bids under CME with bids under the new 2016-21 programme not being determined until possibly November 2016. It was decided, therefore, to reverse the intended sequence and submit a bid for HCA funding under the AHP 2015-18 CME process before the IMS 31<sup>st</sup> March shut-down and prior to obtaining tenders for the construction of the pilot scheme.
- 4.5 The submission of a bid for HCA funding involves a number of other procedural matters, namely the notification to the HCA as the registrar of social housing of the Council's intention

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to provide social housing and the submission of an HCA 'Investment Partner Qualification' (IP) application, the latter of which is only considered by the HCA when there is an contemporaneous bid application and, again, both of which were previously intended to be done after receipt of tenders for construction of the pilot scheme.

- 4.6 As a result of the proposed early submission of a bid, notification of the Council's intention to provide social housing was submitted to the HCA and the Council is now a 'Registered Provider' of social housing.
- 4.7 Similarly, a bid for funding under the current AHP 2015-18 CME process, in the amount of £24000 per unit, ie £72000 in total, was submitted prior to the HCA IMS shut-down. Consideration of HCA funding bids is, first, done locally at the HCA Leeds and supported bids are then considered at the HCA in London, generally monthly. The Council's pilot scheme bid was considered by the HCA decision clinic in Leeds on 5<sup>th</sup> April last and by the HCA London decision board on 18<sup>th</sup> April last. It was approved by the HCA in the full bid amount of £72000.
- 4.8 An HCA IP application was also submitted prior to the 31<sup>st</sup> March shut-down of the HCA IMS to accompany the bid application and, following the approval of the Council's funding bid, will now be considered by the HCA. The Council has to both be accepted as an HCA IP and complete a Grant Agreement before it is able to be paid any allocated funding, 50% of which is paid on 'start on site' and 50% of which is paid on completion.
- 4.9 The Government formally introduced the new 2016-21 programme on 13<sup>th</sup> April and, as a result of its wanting to encourage the building of more shared ownership homes, it included specific funding for these and the programme is entitled the 'Shared Ownership and Affordable Homes Programme 2016-21' ('SOAHP 2016-21'). Initial bids for funding under SOAHP 2016-21 are now invited with an initial bids closing date of 2<sup>nd</sup> September 2016. No further bids are now being accepted under AHP 15-18 CME.
- 4.10 The Council has also entered into a Service Agreement with the HCA's NEYH Help to Buy agent, Yorkshire Housing, that will provide services including initial pre-qualification of shared ownership applicants, advertising of the Council's shared ownership properties on its website and access to its database of registered applicants for shared ownership housing. These services will be provided at no cost to the Council as Yorkshire Housing is paid as its agent by the HCA.
- 4.11 At the time of the report to November 2015 Policy Committee it had also been intended to prepare a shared ownership 'sales policy' for members consideration in January 2016. However, subsequent to the November 2015 Policy Committee, the Government announced that in future local authorities would no longer be allowed to restrict the potential purchasers of shared ownership properties by prescribing local connections criteria and such-like. The preparation of a shared ownership sales policy was, therefore, abandoned. The new rules preventing local authorities from imposing their own criteria for potential purchasers became effective on 1<sup>st</sup> April 2016.

## **5 The Pilot Scheme**

- 5.1 Detailed planning permission for the pilot scheme was obtained at the November 2015 meeting of the Planning Committee and this detailed planning permission has formed the basis of the design and build tenders invited for construction of the pilot scheme.
- 5.2 Due to the decision to submit the HCA bid for the pilot scheme funding in advance of obtaining tenders for its construction, it was decided to defer inviting tenders until the outcome of the HCA London decision board on the bid application was known. During the

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period of the bid consideration by the HCA preparation of the tender documents continued to be progressed, including discussions being held with potential tenderers on the appropriate 'Lot' of the YORbuild 2 framework regarding the proposed details of the pilot scheme. In addition, in view of the deferment of obtaining tenders and in order to prevent the possibility of nesting birds delaying the commencement of development, arrangements were made for the felling of a line of immature ash trees on the northern boundary of the site, adjacent to 20 Burnroyd Avenue, and these have now been felled.

- 5.3 The invitations to tender for the pilot scheme were sent out on 26<sup>th</sup> April utilising the YORbuild 2 tender framework and tenders were returned on 27<sup>th</sup> May. There are five contractors on the YORbuild 2 Lot 6 (up to 10 dwellings) and three tenders were received but full evaluation of the tenders has not been completed at the time of preparation of this report. Two contractors declined to tender.
- 5.4 Due to a change in requirements by Yorkshire Water, surface water drainage from the pilot scheme is now to be drained into a surface water drain running through the adjacent Townend Close complex operated by Anchor Housing Association and this in turn requires the Council obtaining an easement for a short 2m or so length of new surface water drain from the pilot scheme site. Anchor has indicated that it is agreeable to the granting of the necessary easement and the easement is now in the course of preparation.
- 5.5 Following the successful outcome of the funding application and subject to the satisfactory evaluation of the tenders received and analysis of the tenderers' programme, the potential start on site for the pilot scheme would be early/mid July 2016 with completion in mid/late-January 2017, in view of the Christmas holiday/construction industry shut down period, and occupation of the properties in mid/late January 2017.

## 6. First Phase of a Development Programme

- 6.1 The likely development programme previously reported to members took account of the then current AHP 2015-18, which required the completion of all schemes under that programme by 31<sup>st</sup> March 2018. This in turn required some overlap of not only the proposed pilot scheme but also any subsequent development phases. In view of the introduction of the new SOAHP 2016-21, it is now possible to propose a more sequential development programme following on from completion of the pilot scheme as bids for funding in respect of the subsequent phases would fall to be considered under SOAHP 2016-21.
- 6.2 Following the initial review of the Council's portfolio of assets to identify potential sites for shared ownership housing, a more detailed review of some of the sites initially identified has now been carried out. As a result of this, additional constraints have been identified for a number of sites and some sites have been considered not to be suitable for development of shared ownership housing by the Council.
- 6.3 It was proposed to carry out detailed consideration of five sites that would provide a total of some 27-30 two bedroom three person shared ownership dwellings to enable the various site constraints to be resolved, where possible, with the intention that a first phase comprising 12-15 dwellings involving between 1 and 3-4 sites may be compiled.
- 6.4 The five sites concerned and their respective constraints are as follows:

Site	Constraint
Overspill car/lorry park, Back Gate, Ingleton	Part on former refuse tip
Garages Site, Colne Road, Glusburn	Allotment leaseholder's rights of way
Vacant land, North Parade, Skipton	Topography/gas main easement
Garages site, South Parade, Skipton	Agricultural right of way

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Vacant land, Harper Grove, Sutton	Geology/historic land slip
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- 6.5 As part of this more detailed consideration, an approach was made to the beneficiaries of the agricultural right of way over the South Parade garages site but they have indicated that they would be unwilling to either relinquish the right of way or even agree to an alteration of its route due to the potential use of the garages site for access/egress to their land to the rear should it obtain planning permission for residential development. In view of the impasse, it may be appropriate to come to a conditional agreement with the beneficiaries of the right of way with the Council agreeing to sell the site for access/egress on receipt of planning permission for a residential development. As a consequence of this, the more detailed consideration will now be of four sites with a development potential of 23-26 two bedroom dwellings but still with a first phase of some 12 dwellings.
- 6.6 As will be seen from the above table, there is evidence that a part of the Ingleton overspill car/lorry park has been constructed on the site of a former refuse tip. A Phase 1 contaminated land 'desk study' has been carried out resulting in the need for a Phase 2 invasive study involving a number of boreholes and the installation and monitoring of a number of 'gas wells', with the subsequent monitoring of the gas wells. An approach has also been made to Glusburn Parish Council, which is the leaseholder of the allotments to the rear/south of the Colne Road garages site, and neither the Parish Council nor the allotment society are opposed to the redevelopment of the garages site subject to satisfactory access and the current extent of parking for allotment holders being maintained .
- 6.7 As part of the more detailed review of potential sites for development for shared ownership housing, a number of sites have been identified that it is felt would not be practicable, cost effective or suitable for development by the Council, some of which may be considered suitable for disposal subject to some with possible 'ransom' value. The sites identified to date and the respective reasons, together with the suggestion for retention/disposal are as follows:

<b>Site</b>	<b>Reason</b>
Banks Way, High Bentham	Maximum of 2 units, physically constrained site, unlikely to be economically viable for development by CDC. Dispose of.
Land at Duke Street, High Bentham	Substandard access constrained by third party properties, possible development with/access from adjacent third party land. Retain.
Harper Grove former garages site, Sutton	Insufficient size for redevelopment for SO housing, overlooking and access constraints. Dispose of.
Bankwell Road garages site, Giggleswick	Third party rights of way and/or parking. Retain
Langcliffe Garth garages site, Kettlewell	Site of two garages and electricity substation – too small for residential development. Dispose of.
Park Crescent garages site, Hellifield	Pair of timber garages but potential ransom value for access to land at rear (if/when allocated for development). Retain
Dale Crescent garages site, Carleton	Potential for development of a single dwelling. Dispose of.
Crag View garages site, Cononley	Public highway & verge within CDC site boundary, garages element unlikely to be sufficient size/proportions for residential development. Retain

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East Castle Street Garages Site, Skipton	Poor access via railway underpass, site and adjacent allotments difficult to access otherwise and non-CDC land surrounded by steel palisade fencing. Retain
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6.7 There are the following, predominantly brownfield, sites that have yet to be considered in more detail:

CDC Site
Former Depot/Victoria Hall site, Kirkgate, Settle
Land at Station Road Hellifield
Agricultural Land, Station Road, Bentham
Garages Site (Plots), Aldersley Avenue, Skipton
Garages site, Bucklar Hill, Farnhill
Garages site, Caxton Garth, Threshfield
Garages site, Collinge Road, Cowling
Garages site, Dalacres Crescent, Embsay
Garages site, Valley View, Glusburn
Garages site, Ingfield Lane, Lower Greenfoot, Settle
Garages site, Mill Close, Settle
Garages site, Whetstone Avenue, Settle
Garages site, Riversdale, Giggleswick

## 7. Next Steps

- 7.1 The successful tenderer would be allowed a period for any completion of the design from acceptance of the tender, during which period it is anticipated that it will also be possible for both demolition of the garages and, subject to a Yorkshire Water timetable, diversion of the water main to be carried out. .
- 7.2 During this pilot scheme tender period, tenders have also been invited for the Phase 2 contaminated land study at the overspill car/lorry park at Ingleton. Following receipt of these, the extent of the Phase 2 site investigation works has been reviewed and revised with a revised quotation being requested. Subject to receipt of a satisfactory revised quotation for the Phase 2 site investigation works, the necessary works will be put in hand as early as possible. They are likely to involve 9 or so boreholes and 6 or so gas wells with monitoring the gas wells for a minimum of three months and possibly up to six months. The Ingleton ward members are aware of the potential refuse tip and the likelihood of invasive site investigations but both they and the Parish Council, whose outdoor tennis courts also appear to be on the site of a former refuse tip, will be advised in advance of any physical site investigation works commencing on site.
- 7.3 Also during the pilot scheme tender period, and once the Ingleton car park works are authorised, during their monitoring period progress will be made on the other three sites. In addition to progressing the Colne Road garages site in Glusburn, further consideration of the physical site characteristics of both the North Parade and Harper Grove vacant land sites will be carried out with a view to sufficient planning applications for a first phase of sites for 12-15 dwellings being submitted for determination by the late summer, with the exception of the Ingleton site, which it is anticipated a planning application could not be submitted before

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November 2016 or thereabouts, subject to the outcome of the Phase 2 site investigations.

- 7.4 On determination of the various planning applications a progress report on the pilot scheme development and a programme for the proposed development of the sites for the first phase, together with an updated programme for the necessary subsequent phases to generate the requisite annual revenue stream of £100,000 from shared ownership will be prepared and brought to Members for consideration by Policy Committee.
- 7.5 Detailed proposals for retention or disposal of individual sites will also be prepared and brought to Members for consideration by Policy Committee.

## **8. Legal implications -**

- 8.1. Following confirmation of a successful IP application the Council will be required to enter into a HCA Grant Agreement prior to receipt of any grant payments. There are no other legal implications additional to those reported to the November 2015 Policy Committee.

## **9. Financial and Value for Money (vfm) implications - tbc**

- 9.1 Following full evaluation of the tenders, the original financial model will be re-visited and compared with the lowest tender and the 'benchmark' scheme and the scheme costings revised as appropriate.

## **10. Contribution to Council Priorities**

This report contributes to 'Financial Resilience' and an 'Enterprising Craven'.

## **11. Author of the Report**

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