



## CABINET REPORT

<b>Report Title</b>	<b>DELIVERY OF NEW SOCIAL HOUSING</b>
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**AGENDA STATUS: PRIVATE**

<b>Cabinet Meeting Date:</b>	7 <sup>th</sup> December 2016
<b>Key Decision:</b>	Yes
<b>Within Policy:</b>	Yes
<b>Policy Document:</b>	NO
<b>Directorate:</b>	Housing
<b>Accountable Cabinet Member:</b>	Cllr Stephen J Hibbert
<b>Ward(s)</b>	Various

### 1. Purpose

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- 1.1 The Cabinet have previously approved a strategy to develop 100 new affordable homes on Council land at Dallington. This is funded primarily through an extension to the Housing Revenue Account (HRA) debt cap as a result of a successful bid to the “Local Growth Fund scheme” (LGF) for £8.6 million. Additional funding was planned to come from Section 106 agreements and a proposed land transfer from the General Fund to the HRA.
- 1.2 The LGF scheme’s successful bid required the expenditure to be completed by March 2017. The Department of Communities and Local Government (DCLG) have agreed to roll forward the completion date of the project until March 2018. However, due to the pace at which the Dallington development is proceeding, it is unlikely that the delivery of the houses will be within that timescale.
- 1.3 The purpose of this report is to seek the authority of Cabinet to substitute the funding allocated for the 100 homes at Dallington to alternative sites, subject to the Council receiving DCLG and treasury approval. Advice has been sought from DCLG on the possibility of substitution and in principle the Council have been advised that this will be favourably considered, subject to a revised

submission. Detailed proposals will be submitted for cabinet approval for each site once full terms have been agreed.

## **2. Recommendations**

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- 2.1 Cabinet is requested, subject to DCLG consent, and the successful conclusion of negotiations with developers and owners, to approve the reallocation of the funding allocated for the 100 homes at Dallington to alternative sites
- 2.2 That Cabinet delegates to the Chief Executive Director of Enterprise Regeneration and Planning and Chief Finance Officer in consultation with the Cabinet Member for Housing and Wellbeing the authority to negotiate terms and conditions for that reallocation with DCLG and Treasury subject to the submission of the proposed reallocation to Cabinet for approval.
- 2.4 That Cabinet delegates to the Chief Executive, Director of Enterprise Regeneration and Planning and Chief Finance Officer the authority to negotiate the detail for each scheme including contractual agreements for construction and any consequential legal agreements necessary to bring each scheme forward. This is subject in each case to the scheme remaining within approved budgets and the submission of individual schemes to cabinet for approval once full terms are confirmed
- 2.5 Cabinet authorises the acquisition by the Council of the leasehold interest in the Tanners public house in Thorplands in accordance with paragraph 3.4 of this report.
- 2.6 That Cabinet approves in principle the transfer of the Tanners public house site from the General Fund into the Housing Revenue Fund at market value for housing development land.

## **3. Issues and Choices**

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### **3.1 Report Background**

- 3.1.1 At the Cabinet meeting held on 16<sup>th</sup> October 2006 the Cabinet approved the principle of exploring the strategic option to work with landowners and option-holders on developing land at Dallington.
- 3.1.2 The Dallington site is identified as a key site for delivering between 3,000 and 3,500 homes, with additional employment uses, new schools and provision of public open space.
- 3.1.3 A key aspect of the scheme is to work in partnership through contributing the Councils' land. This element of control will ensure a well-integrated development and the best financial result for the Council will be achieved.
- 3.1.4 A key part of the scheme is the construction on the Councils' land of 100 homes for affordable housing. To fund this application was made to DCLG

under the “Local Growth Fund” (LGF) scheme to secure an increase to the HRA “debt Cap” of £8.6m.

- 3.1.5 There are strict LGF rules forming the agreement, one of which is the requirement to deliver the scheme and associated spend by 31<sup>st</sup> March 2017. The pace of the Dallington Development means that this initial deadline will not be met. An application was made to DCLG in May 2016 to extend the deadline date. This extension however required Treasury approval.

Treasury approval was subsequently confirmed in October 2016 extending the deadline for completion to 31<sup>st</sup> March 2018. However, it remains unlikely that the Dallington development will have reached a significantly advanced stage as to be able to bring that site forward in this revised timescale.

## **3.2 Issues**

- 3.2.1 This report seeks to highlight the issues and provide the Cabinet with options moving forward which have the potential to safeguard the LGF increase in available borrowing.
- 3.2.2 There is no guarantee that the substitute scheme/s will be approved by DCLG and members should note that even if approval is forthcoming delivery is still going to require the overcoming of a number of hurdles. This proposal however places the Council in the strongest position to secure the additional borrowing capability and deliver the houses.

## **3.3 Choices (Options)**

- 3.3.1 The Council has 3 options

1. Not to accept the extension to the timescale to March 2018 for the LGF additional borrowing permission and withdraw from the LGF scheme. Effectively recognising that the scheme cannot be achieved within the timescale and the opportunity to fund via the HRA is therefore lost, unless there are significant concessions to the delivery timeframe of the Northampton Standard and/ or re-phasing of necessary capital works on existing stock.

There is no money to be repaid but the £8.6m increase to the HRA borrowing cap is removed.

The opportunity to build 100 new homes via the HRA is lost in the short term.

2. Accept the borrowing extended timescale and still seek to have the 100 homes built at Dallington. This will either be secured by the current development consortium or by the Council itself. This is unlikely to succeed given current progress of the overall Dallington Grange scheme and the lead-in timescale required.

The development consortium have advised that they plan to commence the main site development from the North and they would not look to

develop this part of the site until the later stages of work in around 5 years' time. It would therefore be necessary to bring infrastructure and services to the site significantly earlier than the Consortium's development programme envisages.

Given the timescale deadline for completing the development of March 2018, there is insufficient time for the Council to develop a scheme; to bring infrastructure to the site; obtain planning consent; tender and let a contract; and build the site out within the deadline.

3. Accept the borrowing extended timescale and substitute Dallington with alternative sites.

DCLG have previously indicated that they would consider substituting the Dallington site with an alternative site(s). DCLG however require Treasury approval to agree to this.

For DCLG to approve a substitution, the Council will have to provide evidence that all 100 homes are deliverable and that they could be built out on alternative sites at no additional borrowing cost within the revised timescale.

This is the recommended option for the required outcome.

- 3.3.2 Of the 3 options, the simplest and the one with least risk is option1. This will not however deliver much needed additional affordable housing. Option 3 is the most viable delivery option and therefore is the recommended option.

- 3.3.3 It should be recognised that each option carries with it significant risks to manage. In agreeing to a particular course of action there is a risk that project delivery still cannot be guaranteed.

### 3.3 **Acquisition of Tanners PH**

- 3.4.1 In order to deliver 13 of the homes detailed in this report for the Tanners Public House, the Council will need to gain control of the site.

- 3.4.2 The freehold is held by the Council but the site is currently let to The Pub Estate Company trading as Trust Inns on a ground lease ending in 2074 at £5,000 per annum.

- 3.4.3 The property which formally traded as a public House is unoccupied and is being marketed for sale and the Council are seeking to buy the leasehold interest from the tenant to gain control of the site for redevelopment.

- 3.4.4 Agreement has been reached to purchase this leasehold and a valuation from an independent chartered surveyor has been obtained which supports an acquisition at the agreed price.

- 3.4.5 It is recommended therefore that Cabinet approve the acquisition of this property and subsequent transfer of the asset into the Housing Revenue Account at market value.

## **4. Implications (including financial implications)**

### **4.1 Policy**

- 4.1.1 The proposed development of these schemes in the locations identified would be consistent with the advanced draft Joint Core Strategy for West Northamptonshire and with the 1997 Northampton Local Plan (saved policies).

### **4.2 Resources and Risk**

Whilst early indicative costings would indicate that alternative schemes would be deliverable it should be noted that it is assumed that the 141 capital receipt part of the funding will be allowable under the LGF scheme. If it is not then the scheme total schemes will be unaffordable unless there is a redirection of existing capital programme priorities. There will be a need for a smaller transfer of assets at market value for development land between the General fund and HRA for the Tanners Public House which is a General Fund asset.

- 4.2.1 Right to Buy 141 Capital Receipts – one of the funding streams envisaged for the investment in new council houses on this project is the use of Right to Buy capital receipts. This will ensure there is a clear and transparent link between the proceeds of sales from the Council’s existing housing stock and re-investment in new council houses in the Borough. It must be noted that under the current LGF bud rules these 141 receipts are not allowed and that the Council will be discussing their inclusion with DCLG on submission of the revised programme. Other Councils have been successful in negotiating the inclusion of s141 Right to Buy receipts in their bids but this is not guaranteed.

- 4.2.2 **Revenue** –. The creation of new homes would generate additional council tax income and under current financial mechanisms additional “New Homes Bonus” payments from Central Government. The development of new Council owned homes to rent would generate a new revenue income stream, which could service some of the costs of their construction, as well as provide a return on investment to the HRA.

The income of £5,000 from the ground lease on the Tanners public house site currently received by the general Fund will be extinguished on the acquisition of the ground leasehold interest and will be a cost to the General Fund.

### **4.3 Legal**

- 4.3.1 Reallocating funding to bring forward affordable housing on sites other than Dallington does not breach any obligation contained in the Council’s current option agreement with the development consortium of that site. Discussion will be needed in due course about the future of the land which might otherwise have been allocated to affordable housing.

- 4.3.2 Substitute sites carry with them the requirement for the completion of appropriate legal procedures. Legal advice will be sought on each at the appropriate stage.

#### **4.4 Equality and Health**

4.4.1 There are no adverse impacts at this stage but will be considered in accordance with the Council policy when appropriate.

#### **4.5 Consultees (Internal and External)**

4.5.1 This report has been discussed with LGSS Legal, LGSS Finance and NPH.

#### **4.6 How the Proposals deliver Priority Outcomes**

4.6.1 The promotion of planned extensions to the town is important in increasing the supply of different types of homes in Northampton. The creation of new Council owned homes for rent, at an early date, would help to meet a key corporate priority.

#### **4.7 Other Implications**

There are none specifically.

### **5. Background Papers**

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#### **5.1 Cabinet Reports:**

October 16<sup>th</sup> 2006 – Asset Disposal Plan: Dallington Heath

February 5<sup>th</sup> 2007 – Dallington Grange: Progress of Potential Agreement

April 3<sup>rd</sup> 2007 – Disposal of land at Dallington Grange

July 30<sup>th</sup> 2007 – Dallington Grange

March 12<sup>th</sup> 2014 – Disposal of Land at Dallington Grange

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