

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO: Leader and Cabinet
AUTHOR: Development Services Director

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DISPOSAL OF LAND FOR AFFORDABLE HOUSING AT OAKINGTON ROAD, COTTENHAM

Purpose

1. To seek approval for the disposal of land in the Council's ownership at Oakington Road, Cottenham to Nene Housing Society in order to provide 6 affordable homes to meet identified local housing needs.

Effect on Corporate Objectives

2.	Quality, Accessible Services	By making best use of existing resources the Council can contribute to meeting the identified housing needs of the district.
	Village Life	The provision of additional affordable housing will help sustain existing village communities.
	Sustainability	
	Partnership	The Council is working in partnership with Registered Social Landlords to achieve its affordable housing targets.

Background

3. The site in question is at the rear of existing houses located on the junction of Oakington Road and Rampton Road in Cottenham. A site plan is attached as an **Appendix** to this report for identification and information purposes.
4. The potential of the site for affordable housing has been under investigation since 1999. The delays in bringing forward a formal proposal have been due to issues over access and objections from neighbouring residents to any, but particularly two storey, development.
5. However, the access issue has now been resolved and the objections from residents have now been taken into account as far as possible. For example the scheme has been revised to include a bungalow nearest to the boundary with existing bungalows in Ellis Close to minimise the impact on their homes. However, further objections are expected and these would need to be addressed as part of the planning process once an application has been submitted.
6. The current proposal will provide 4 two bedroom houses and 1 three bedroom house in addition to a two bedroom bungalow and this is considered the best match to meet the housing needs of Cottenham as demonstrated by the most recent parish housing needs survey and Housing Register information.

Considerations

7. A bid for the Housing Corporation's National Affordable Housing Programme (NAHP) 2006-08 has been successful based on a proposed tenure mix of 2 shared ownership units and 4 rented units. The bid was submitted on the basis that land would be made available for a nominal £1.

8. In order that the scheme can be progressed, subject to the necessary planning consents, the land will need to be transferred to Nene Housing Society. It is suggested that the disposal be at a discounted purchase price that will enable the scheme to proceed either based on the proposed tenure mix or a variation thereof..
9. However, it should be noted that that any land costs between £1 and £100,000 will result in a higher proportion of shared ownership units than currently proposed in order to provide the necessary finance for the overall scheme and cross-subsidy for any rented units that could still be achieved. Should land acquisition costs exceed £100,000 then it is likely that any scheme will need to include some open market sales to ensure scheme viability in financial terms. This will reduce the overall % of affordable housing achieved accordingly.

Options

10. The available options are as follows:
 - a) retain the land in the Council's ownership
 - b) sell the land on open market
 - c) transfer the land to a Registered Social Landlord for affordable housing purposes at an appropriate valuation for this purpose
 - d) provide free land to an RSL to enable the provision of affordable housing on the basis of a 125 year lease
11. There is no advantage to the Council of retaining the land since there are limited capital resources to enable the Council to develop the site for Council housing and there are competing priorities for available capital finance eg to meet Decent Homes Standard. Further there are ongoing revenue costs related to grounds maintenance which could be avoided with the sale of the land.
12. The land is within the village framework and the valuation reflects that, in principle, it could be considered for residential development. Any development of the land for residential purposes would not be subject to an affordable housing contribution in accordance with the adopted Local Plan as there is a threshold of >10 dwellings in villages of 3,000 population or more. The major advantage, therefore, of the second option is financial since the Council would maximise the capital receipt from such a disposal albeit at the expense of 6 additional affordable housing units.
13. An RSL could acquire the land at a discounted valuation at or near to the site valuation for affordable housing purposes. The possible schemes that could be achieved at a discounted valuation are set out below:
14. The Regional Housing Strategy states that there will be an expectation on all local authorities to make available free land for affordable housing purposes and the Housing Corporation Value for Money assessment for the National Affordable Housing Programme (NAHP) includes within its criteria the level of other public subsidy being made available.
15. The fourth option has the disadvantage of no capital receipt accruing to the Council, at least in the foreseeable future. However, the grant of a 125 year lease at nil premium would mean the Council retains the freehold interest in addition to enabling an affordable housing scheme to be delivered that maximises the number of rented units (which is the tenure identified that will best met our housing needs). A term within the lease would enable the RSL to purchase the freehold interest at any time at an open market valuation based on existing use ie for affordable housing purposes as determined by a mutually acceptable independent Valuer.

16. Given the available options and having assessed each in terms of their contribution to meeting corporate priorities and also value for money it is considered that the option of disposal to an RSL at a discounted valuation based on use of the site for affordable housing purposes only best meets both criteria. This option would result in a capital receipt of for the Council and provide 6 affordable housing units at an average cost of between £33,333 and £36,667 per unit.

Financial Implications

17. The maximum capital receipt that could accrue to the Council is the open market valuation which has been estimated as £300,000 by the Council's retained independent Valuer Messrs Pocock & Shaw. The valuation reflects its potential for market housing and also site specific factors as follows:
- (a) provision of a long access road and additional service runs to reach the site which are disproportionate in cost terms to the number of units to be developed
 - (b) additional maintenance costs should the road not be adopted
 - (c) re-siting of the electricity sub-station on land not owned by the Council and,
 - (d) the purchase a strip of land from the occupier of 1 Oakington Road to facilitate the access road
18. The valuation of the land for 100% affordable housing purposes has been determined at £80,000.
19. In the event of the disposal of the site to an RSL at a discounted price that would still enable a 100% affordable housing scheme then the Council will receive a capital receipt approximately £200k to £220k lower than if the land were sold on the open market.
20. However, the receipts from the sale of housing land is ring-fenced for housing purposes in order to avoid the capital receipts pooling requirements which would otherwise apply and so the impact of a lower capital receipt being attained is primarily on the housing capital programme.
21. The Council will incur legal costs in disposing of the site which are usually deducted from capital receipts accruing from such disposals. However, if a disposal at nil cost or at a discounted valuation should be agreed then it is suggested that the RSL purchaser meet these associated costs.

Legal Implications

22. The General Housing Consents 2005: Section 25 of the Local Government Act 1988 for the Disposal of Land to Registered Social Landlords 2005 enables local authorities to provide financial assistance or any gratuitous benefit to RSL's including disposing of land for development as housing accommodation. This general consent is subject to the following conditions:
- a) that any housing accommodation on the land when the disposal is completed is vacant and will be demolished after the disposal without being used again as housing accommodation and,
 - b) the disposal by the local authority is by transfer of the leasehold, assignment of a lease with an unexpired term of 99 years or more and
 - c) that the development of housing accommodation on the land will be normally completed not later than 3 years after the disposal and,

- d) that any housing accommodation to be provided will be let on a periodic tenancy or a shared ownership lease or on a lease for the elderly or hostel or will be occupied mainly or wholly by persons who, on account of mental illness or disability, are receiving supervision or guidance from a local social services authority and,
- e) the local authority is not entitled to manage or maintain any housing accommodation to be provided on the land and,
- f) any right reserved for the local authority to nominate tenants for housing accommodation on the land shall not, in respect of vacancies which arise after the initial letting of the accommodation, exceed 75% of vacancies (to exclude those arising by virtue of internal transfers).

23. Also it should be noted that the aggregate value of the financial assistance or gratuitous benefits provided by a local authority in any given year under this consent shall not exceed £10m.

24. If agreed the transfer of the land will not be effected until April 2006 and, in any event, it is not expected that the total value of gratuitous benefits consisting of disposals to RSL's in that financial year will be exceeded. However, should the land be sold at a discounted price of £132,000 or more and this results in the inclusion of open market sales then the Council would need to seek specific consent from the Secretary of State.

Staffing Implications

25. None.

Risk Management Implications

26. In the event that a transfer at or less than £100,000 cannot be approved then it is likely that a 100% affordable housing scheme could not be achieved.

Consultations

27. There have been a number of consultation events regarding the development proposals for this site held with neighbouring residents and the Parish Council and Local Members have been involved in this process since 1999. The most recent consultation with affected residents was carried out on 27 April 2005.

29. In addition the 3 Local Members have been consulted on the site disposal options although no responses have been received to date.

Conclusions/Summary

30. By making available land at a discounted price the proposed 6 unit affordable housing scheme can proceed.

31. Any additional land costs would increase the percentage of shared ownership units and above £100k is likely to require inclusion of open market sale units to provide the cross subsidy required to deliver the affordable housing element of the scheme. The scheme has grant allocation from the Housing Corporation. The preferred scheme is 4 rented units and 2 shared ownership units but this relies on both free land as well as the grant funding.

32.

Whilst the land is within the village framework its value is affected by site specific factors relating to access to the site and is reflected in the valuations provided by the Council's retained Valuer.

33. In the event that the land were offered for sale on the open market any purchaser would not need to provide any affordable housing on the site as the proposed scheme of 6 units is below the Local Plan threshold of >10 units in villages with a population of 3,000 or more.
34. Given the relatively high valuation of the land as a consequence of its location within the village framework and there being currently no planning policy affordable housing obligation for schemes of 10 or fewer dwellings in our larger villages a scheme comprising 3 rented and 3 shared ownership units is proposed through a discounted land value of £100,000.
35. By making available land on a discounted basis the Council will be able to directly contribute towards meeting its own affordable housing targets as set out in the Performance Plan and demonstrate its commitment, through targeting of resources, to delivering corporate priorities. The level of investment in the form of gratuitous benefit will total £200,000 equivalent to £33,333 per unit.
36. Any capital receipts that accrue to the Council from sale of housing land is ring-fenced for housing purposes in order to retain 100% of such receipts and avoid the capital receipts pooling requirements. However, capital receipts are, with the MRA, the primary source of funding for planned works/improvements to Council properties and providing discounted land may therefore have an impact on the HRA Business Plan.

Recommendations

37. Cabinet is recommended to
 - (a) approve the disposal for affordable housing purposes to Nene Housing Society land in the Council's ownership at Oakington Road, Cottenham for £100,000 to facilitate the provision of 6 new affordable homes to meet identified local needs.

The terms of the disposal be agreed as follows:

 - (i) that Nene Housing Society will meet any legal costs incurred by the Council,
 - (ii) that the Council will be entitled to receive nomination rights of 100% of initial lets and 75% of subsequent lettings of all the social rented units,
 - (iii) that the Council will receive 100% nomination rights in perpetuity to any shared ownership and/or other intermediate tenures provided and,
 - (iv) that the site will be used for affordable housing purposes only.
 - (b) that, if necessary, an application be made to the Secretary of State for consent to dispose of the site at less than best consideration to Nene Housing Society as our preferred partner Registered Social Landlord partner on the above terms.

Background Papers: the following background papers were used in the preparation of this report: None.

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