

SCRUTINY BOARD

Agenda Item: 09

Ward: ALL

Portfolio: Affordable & Social Housing Delivery Programme

FROM:

Cllr Richard Pinnock

Date: 17th August 2021

SUBJECT: Affordable & Social Housing Delivery Programme Update and Proposed Next Steps

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	Seen by:	Name	Date
Report Sign off	Chief Executive/ Deputy Chief Executive(s)	Stuart Brown	04/08/2021
	Legal	Lesley Dolan	04/08/2021
	Finance	Richard Bates	04/08/2021
	Group Manager	Sara Skirton	04/08/2021
	Portfolio Holder	Richard Pinnock	04/08/2021
	Ward Member(s)	n/a	
	Summary:	<p>This report is subsequent to the statement of intent, approved by Cabinet on 6 July 2020, to initiate a programme to deliver the Council's corporate objective to provide more affordable and social housing in the district.</p> <p>This Programme prioritises the delivery of affordable and social housing on Council owned land. This report provides an update on approved schemes with Aster Housing, as well as proposals for North Parade Car Park, Frome, previously reported to Cabinet in July and November 2020 as being under investigation as a potential housing site. A new proposal at West Shepton, Shepton Mallet is also introduced.</p>	
Recommendation:	<p>Scrutiny Board is asked to:</p> <ul style="list-style-type: none"> • Note the update on the Affordable and Social Housing Programme • Consider the proposals within the report • Endorse the proposed next steps for the Programme, for consideration by Cabinet 		
Direct and/or indirect impact on service delivery to our customers and communities:	<p>There are currently over 1600 households in Mendip registered on Homefinder Somerset with the majority seeking to access housing at social rent. This is a form of housing tenure where rents are substantially below market levels. This report seeks approval to help address part of this demand.</p>		

Contribution to Corporate Priorities:	The actions recommended in this report are intended to advance the Council's priority project to progress affordable and social housing initiatives.
Legal Implications:	Beyond best value considerations, covered in the report, there are no legal issues arising directly from this report. Legal matters in relation to specific sites will be addressed as they are progressed.
Financial Implications:	<p>This part of the Programme is seeking to enable affordable housing to be delivered by housing association partners at social rents. The Council's contribution is primarily in terms of disposal of its land assets at a price which will be significantly lower than open market value. However, the Council has a duty to demonstrate that it has achieved best value, and this will be addressed through independent valuations for each site based on the proposed tenure types.</p> <p>Costs to date have, in respect of North Parade Car Park, been recovered from the Land Release Fund grant that the Council holds for this site.</p> <p>Proposals for the car park will result in some loss of revenue but it is reasonable to assume that this will be recovered through customers using alternative car parks in the town thus negating any potential loss. This is explored further under 'Development Proposals' in this report.</p>
Climate Change Risks and Opportunities:	The Affordable & Social Housing Programme seeks to deliver subsidised housing on Council owned land for Mendip residents. These residents are already living in the District and the Programme presents an opportunity to reduce overcrowding, homelessness, and fuel poverty in Mendip. However, the programme has the potential to adversely impact the local environment through increased traffic generation, consumption of energy, habitat loss, wastewater generation and increased production of waste. These risks are very likely to be major or critical if the Council does not seek to explore ways to minimise the resultant impacts. The risks have been assessed at face value whereby any additional housing poses a threat to the Council's Climate & Ecological Emergency, as the programme is yet to go through the planning process and, therefore, potential opportunities, such as low carbon heating, have not been formalised. As such, the Climate Change & Resilience Officer recommends that the Council explores opportunities to ensure the proposed programme is as environmentally sustainable as possible, for example through the development of low carbon housing, sustainable transport networks, on site renewable generation and positive biodiversity gain.
Impact on Service Plans:	This Priority Project will continue to require significant input from the Property Team and will draw on advice from other service areas including Planning, Finance and Legal. It also requires ongoing support for implementing the communications plan.

Crime and Disorder Implications:	<p>There are no direct crime and disorder implications arising from this report.</p>
Equalities Implications:	<p>The proposals will lead to the loss of part of an underused car park and an unused area designated as recreational space and let to Shepton Mallet Football Club. This needs to be balanced against the key programme objective of making decent and affordable homes accessible to all our residents, in line with the Council's commitment to a Fairer Mendip.</p>
Risk Assessment and Adverse Impact on Corporate Actions:	<p>There are interdependencies between this Programme and other work streams that relate to the use of the Council's assets. As each site is owned by the Council, there will be a cost in change of use to housing involving consideration and decisions by members in terms of relative values of delivery of social housing set against the loss of the existing uses on each site. This has been fully considered as part of the Programme.</p>

INTRODUCTION

This report is subsequent to the statement of intent, approved by Cabinet on 6 July 2020, to initiate a programme to deliver the Council's corporate objective to provide more affordable and social housing in the district.

To date, five potential sites have been proposed for development at Cabinet. Of these, Easthill, Frome has been withdrawn; North Parade Frome is discussed in detail below; Cranhill Car Park, Street is currently on pause pending investigation of an alternative site; and the sale of Cemetery Lane, Street and Norbins Road Car Park, Glastonbury to Aster Housing Group has been approved by Cabinet and is proceeding to exchange of contracts.

This report provides an update on the Aster sites plus a commentary on proposals for North Parade Car Park and a new initiative on land at West Shepton, Shepton Mallet. Proposals for the sites collectively known as the Fair Homes Project, Frome have been withdrawn and are not therefore discussed here.

The delivery of high-quality homes at a tenure with rents substantially below market levels will reduce the level of potential capital receipt for the Council. Members are being asked to balance this consideration with the benefits of addressing an urgent housing need plus reducing both carbon emissions and fuel poverty for future residents.

ASTER SITES UPDATE

Following Cabinet approval for the proposed sale, Aster conducted a 2-month informal consultation with local residents, businesses and Town and Parish Councils. This took place earlier this year and comments received led to Aster changing their proposals at Cemetery Lane Street, principally relocating the site access, and pausing plans for part of Cranhill Car Park while an alternative site in third party ownership is considered.

Contractual negotiations have had to factor in the as yet unknown impact of phosphate mitigation measures required by Natural England as part of any development proposals in this part of the District.

The above factors have inevitably led to delays in progressing the conditional sale, but a satisfactory solution has been agreed between the parties and exchange of contracts for the sale of Norbins Road Car Park and Cemetery Lane is imminent. Both sales are subject to the grant of detailed planning consent for 100% affordable housing (at least 50% at social rent) for 6 and 33 homes, respectively.

Aster has made a contractual commitment to deliver these homes to an Energy Performance Certificate (EPC) B rating as a minimum. This exceeds the current building regulation standard. Proposals will be developed as part of the formal planning application process.

Planning applications on both sites will be submitted by Aster within 2 months of exchange of contracts.

BACKGROUND TO NORTH PARADE & WEST SHEPTON PROPOSALS

The potential for redeveloping North Parade Car Park (in part or full) has been under consideration for several years.

The land at West Shepton is a more recent initiative. This land is part of an area let to Shepton Mallet Football Club. They have identified a need for improved training facilities on land to the west of their stadium and are prepared to give up unutilised land to the east which could then be developed for social housing. Improved facilities for the club would be part of the planning case given the proposed change of use from recreation to housing.

Location Plans are provided at Appendix A and B.

DEVELOPMENT PROPOSALS

North Parade Car Park

The Council received a grant of £112,000 from the Government's Land Release Fund (LRF) in 2018 to explore the feasibility of development on this site. The bulk of this money has been spent on technical and legal due diligence, including a proposal to remodel the existing access resulting in an approved land swap arrangement with Farleigh College next door. The new access would enhance public safety by removing the conflict with the Welshmill Road junction opposite the current access.

The Council has been working with Stonewater Housing, an approved housing association or RP (Registered Provider) to develop plans for a modular housing scheme comprising 18 homes on the rear half of the car park. These homes would respect the sylvan setting of the adjoining Conservation Area and provide an improved gateway to the Millennium Green public park at the rear.

The front half of the car park would be retained by the Council and, after provision of parking for the residents of the new housing, would offer about 30 spaces for public parking. Residents' parking of one dedicated space per new dwelling would be lower than the maximum County standard in recognition of the town centre location and the desire to encourage residents to use a car club to reduce reliance on private cars.

Opportunities will be sought to enable the new homes to be built to very low or zero carbon standard. There are fewer than 100 homes in Mendip that achieve an Energy Performance Certificate rating 'A' which is the objective of the new homes at North Parade. The proposed development and its future use would therefore have the potential to make a positive contribution to the Council's declaration of a Climate and Ecological Emergency and delivering homes at low rents to those most in housing need. A Climate Change Assessment is attached at Appendix C.

Developing part of the car park could result in a loss of revenue of about £25,000 pa. However, the Council's data of car park usage in Frome, based on independent analysis that pre-dates the current pandemic, indicates that North Parade is amongst the least utilised car parks in the town with average use levels at peak times running at just under 20% of capacity. Other car parks nearby perform better but still have sufficient capacity to absorb any customers currently parking at North Parade, thus negating any potential loss. Also, the proposal to retain 25-30 spaces at North Parade represents about 30% of

the current capacity of 87 spaces. This is still above the pre-pandemic take up of under 20%.

Council officers undertook an inspection of all 7 council owned car parks late morning on 28 July 2021. This time and date were chosen as it was market day in Frome and, as lock-down restrictions in respect of the Covid 19 pandemic have now eased, it could reasonably be assumed that the town would be at its busiest. It was noted that there were empty spaces at every car park ranging from 2 at Merchant's Barton to 61 at North Parade. There was also a significant number of available spaces in the privately owned car parks.

The proposals at North Parade are likely to result in the loss of 57 spaces permanently. Whilst the recent inspection is only a 'snapshot' in time, it does indicate that even at busier times, there would still be sufficient capacity for car users in the town centre after developing the rear part of the car park for social housing.

Stonewater has Board approval to proceed. If members support this proposal at Cabinet, then it is anticipated that exchange of contracts, subject to planning consent, would follow within a month. Failure to proceed could result in Mendip repaying the LRF grant to Homes England.

West Shepton

This land extends to about 0.3ha and adjoins the southern end of the football stadium with a frontage onto West Shepton (B3136). It is let to the football club but not used so is currently overgrown with vegetation.

The Council has spoken to several RPs about the potential for social housing here and selected LiveWest to consider development feasibility. They have proposed a scheme for 15 one and two storey homes, suitable for elderly residents with some units adapted for wheelchair use, all at social rent. Access would be directly off West Shepton.

The land is designated as recreational use in the adopted Local Plan (Policy DP16) and this would be a material consideration for any subsequent planning application.

This proposal relies on grant funding from Homes England to deliver a viable scheme. Further work is required to confirm development viability. At this relatively early stage, members are being asked for broad support pending further, more detailed proposals later this year.

BEST VALUE CONSIDERATIONS

Stonewater has been offered an exclusive position on the North Parade site. This organisation is a preferred partner for delivering affordable housing in Mendip and are actively involved in other schemes in Frome. Initial discussions with other RPs did take place but it became apparent that Stonewater has the necessary experience, financial resource, local expertise, and appetite to undertake a project that is challenging from several perspectives.

Exclusivity in negotiations with the Council means that the market has not been tested. In these circumstances, the Council relies on independent valuations to demonstrate that Best Value has been achieved. A valuation will be commissioned if Cabinet approves the

principle of the sale and when due diligence is sufficiently advanced for the RPs to submit a formal offer.

Construction of new low carbon, energy efficient homes at social rent will not generate a significant capital receipt for the Council. Indeed, delivery depends on grant from the Government's Affordable Housing Scheme to bridge the gap between cost of construction and value of the completed development. Stonewater has a good track record of securing grant which is another reason for their selection as a prospective partner.

NEXT STEPS

Following Scrutiny Board's consideration of this report, and subject to Cabinet approval, the proposed next steps are as follows:

1. Exchange subject to planning contract on North Parade with Stonewater by 30 Sept 2021
2. Planning application to be submitted by 31 Dec 2021
3. Application to be determined by 31 March 2022
4. Land sale to be completed by 30 June 2022
5. Construction to start by 31 Aug 2022

OPTIONS CONSIDERED

The Council has been considering development at North Parade for several years following its award of LRF funding. It is an underutilised brownfield site, close to the town centre and provided careful consideration is given to its setting and the impact of development on neighbouring trees, it is a suitable site for new housing development.

However, North Parade is an existing car park that contributes to parking provision in the town, so it is appropriate to consider whether there are better alternatives available for the Council to pursue. The sites in the recently withdrawn Fair Homes Project were identified, in part, as a response to a request from some members to find more sites in Frome as an alternative to the Easthill site. A land search was conducted by officers of the Council's Property Team drawing on the work of Frome Area Community Land Trust plus local knowledge of officers and members of the Town Council. The fact that no suitable sites have been identified other than those owned by the Council is an indication of just how difficult it is to deliver social housing in the town.

One option could be for the Council to compete in the open market to buy land or properties for conversion. However, other agencies such as housing associations are already doing this (at least six are seeking opportunities for affordable housing in Frome) and they have the advantage over the Council of a track record in delivery, access to substantial Government grant, established construction and supply chains, and experienced staff running their operations. By competing in this marketplace, the Council would simply increase land values making it even more difficult for these agencies to deliver their housing. Development also carries considerable risk which is arguably best left to those experienced operators who share the same aims and objectives for social housing.

Some councils in the South-West are building their own housing and subsequently managing and maintaining it, but this is in the larger urban authorities such as Bristol, Exeter and Plymouth where councils have large landholdings and can deliver at a scale that is simply not possible in Mendip.

The site selection process in Frome has considered brownfield land including the 9 sites listed on the Council's own register. Of these, only two, including North Parade Car Park, is owned by the Council. The others are all in private ownership and most have been on the register for at least 3 years, suggesting that there may well be economic reasons for lack of progress. One site, in Vallis Road, has consent for 64 dwellings, only 4 of which are affordable. At least one housing association has considered developing this site but not proceeded due to abnormally high development costs. It would not be prudent for the Council to attempt to develop this site when other, more experienced agencies have rejected the opportunity.

Mendip's brownfields register for Frome is dominated by former industrial sites which invariably require higher build costs due items such as ground contamination relating to their former use, removal of asbestos, and inadequate services and access for a change of use to housing. Higher build costs reduce the capability of a site to deliver even a planning policy compliant level of affordable housing. Also, it is likely that the existing use value will be higher than for a greenfield site beyond the built-up boundary of the town.

Another option to be considered is for the Council to do nothing and leave delivery to the housing market. Analysis of the average rate of delivery of affordable housing in Frome over the last decade indicates that if this, and need for such housing, were to remain constant in the future, it would take 19 years for known demand to be satisfied.

The Council has a duty to manage its resources efficiently and effectively; resources are scarce and directed primarily at performing statutory duties and delivering approved projects. This also applies to our landholdings: we need to make best use of our own assets. The Affordable and Social Housing Programme has identified Council owned land for potential development. However, given the considerations referred to above, the Council's only realistic option for delivery of affordable housing is to partner with an RP to develop its own land.

RECOMMENDATION

Scrutiny Board is asked to:

- Note the update on the Affordable and Social Housing Programme
- Consider the proposals within the report
- Endorse the proposed next steps for the Programme, for consideration by Cabinet

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Background Papers

Mendip Corporate Plan 2020-23

Social Housing Programme: Cabinet Papers 6 July 2020 & 2 November 2020