



**CABINET**

**14<sup>TH</sup> FEBRUARY 2019**

**AGENDA ITEM (8)**

**LAND AT STATION ROAD, KEMBLE**

<b>Accountable Member</b>	Councillor NJW Parsons Deputy Leader and Cabinet Member for Forward Planning
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<b>Purpose of Report</b>	To consider housing options for residential development on part of Land at Station Road, Kemble.
<b>Recommendation(s)</b>	<b>That Cabinet:-</b> <b>(a) agrees the appropriate housing option(s) to be considered and the development of appropriate business case(s);</b> <b>(b) approves funding of up to £20,000 from the Council Priorities Fund to fund the specialist advice necessary to support the content of the business case(s).</b>
<b>Reason(s) for Recommendation(s)</b>	To consider housing options and methods of disposal so that officers can progress with detailed work and the planning application for future housing development on land within the Council's ownership known as Land at Station Road, Kemble.
<b>Ward(s) Affected</b>	Kemble
<b>Key Decision</b>	Yes
<b>Recommendation to Council</b>	No
<b>Financial Implications</b>	This report seeks a steer from Cabinet on the type of housing development for the site. Some options will require specialist legal and financial advice to be commissioned. Funding of up to £20,000 is requested from the Council Priorities Fund to fund the specialist advice necessary.  The detailed financial implications will be contained within a future business case for the Cabinet and Council to consider.

<b>Legal and Human Rights Implications</b>	Legal documentation associated with the disposal of the site and possible options for rental and community-led housing will need to be considered and, depending on which option is chosen, may require specialist external legal advice.
<b>Environmental and Sustainability Implications</b>	This will be considered as part of the planning application for the proposed development.
<b>Human Resource Implications</b>	Depending on whether this Council chooses to develop the land itself will dictate whether there is an impact on existing officer resources. The management of the development would require additional property and legal resource.  These costs would be included within a detailed business case to be considered by Cabinet and Council.  A simple sale could be managed within existing resources.
<b>Key Risks</b>	(i) Failure to obtain planning permission for the preferred development.  (ii) Without progressing the development for housing on the site, any decision to transfer local green spaces will not be achieved in line with current resolution.
<b>Equalities Analysis</b>	N/A

<b>Related Decisions</b>	(i) Cabinet - 14th September 2017 - Exempt Agenda Item 16. (ii) Delegated Authority was given to renew the lease for Land at Station Road, Kemble to Kemble & Ewen Parish Council. (iii) Cabinet - 19 <sup>th</sup> January 2017 - Agenda Item 10 - Community Led Housing Fund.
<b>Background Documents</b>	None
<b>Appendices</b>	<b>Appendix 'A'</b> - Freehold ownership plan <b>Appendix 'B'</b> - Site plan indicating Council land allocated for housing development and Local Green Space allocation. <b>Appendix 'C'</b> - Statement of Common Ground <b>Appendix 'D'</b> - Undervalue and State Aid

<b>Performance Management Follow Up</b>	(i) implement Cabinet decision(s) - and use the steer from Cabinet to develop detailed business case(s) as appropriate. (ii) Progress will be included within the Council's quarterly performance reporting updates.
<b>Options for Joint Working</b>	An option to progress a joint working arrangement with the Parish Council could be explored subject to the preferred option being suitable.

## Background Information

1. The Council is the freehold owner of Land at Station Road, Kemble (the Land) outlined red at **Appendix 'A'**. The Land has been let to Kemble & Ewen Parish Council (the Parish Council) under a short-term cultivation lease agreement since 2012.
2. Following the Parish Council's application to designate the site as a whole to a Local Green Space, Cabinet, at its Meeting on 14th September 2017, resolved to the split of the Land into a local green space and residential development, and agreed that upon completion of the residential development (which will be the subject of a Planning Application) the freehold of the local green space would be transferred to the Parish Council.
3. It was also agreed that the approved plan indicating the proposed split of the site between residential and Local Green Space be submitted to the Local Plan Examination and that Officers progress and submit further appropriate representations to the Forward Planning Team to support the split of the site at Station Road, Kemble.
4. Due to representations made to the Local Plan Inspector by the Parish Council, and others, relating to the submitted plan for this site, it was apparent from the Inspector's comments that there was a risk that a split of the site would not be supported if agreement could not be reached between the parties and the size of housing site reduced. This could have resulted in the whole site being designated as Local Green Space. Following detailed discussions with the Parish Council and the Local Community, further work was carried out to agree a plan which all parties could support.
5. The area edged blue on the Plan at **Appendix 'B'** is the agreed part of the site for housing development. This was included in the Statement of Common Ground prepared by the Forward Planning Team which all parties agreed to. A copy of the Statement of Common Ground is attached at **Appendix 'C'**. This document seeks to ensure future development is progressed in conjunction with the Parish Council and the Local Community and sets out some of their desired outcomes. The result has been a reduced development area (giving rise to a reduction in the number of housing units from 12 to 8), whilst retaining the majority of the site for Local Green Space. The area shown blue at **Appendix 'B'** is now included as site K2 in the adopted Local Plan for residential development.
6. Cabinet also resolved that Officers be authorised to progress a planning application and a review of housing options with associated funding, and report back to Cabinet. In order to proceed with the planning application, agreement on housing options is required, to inform and enable Officers to progress the planning application and appoint the necessary consultants. Some work has already been progressed on necessary reports and surveys.
7. Paragraph 6 (h) of the Statement of Common Ground states that it is the intention of all parties to provide housing that helps to meet local needs identified by the Parish Council, thereby enhancing the provision within the village and helping retain local people in the area. A detailed proposal will be worked up in consultation with the Parish Council. Housing options to be considered include self-build option and community housing scheme.
8. The site has a number of issues to be considered as part of the design, including protected species (slow worms) and existing rights of access and egress.

## 9. The Development

9.1 As the split of land between housing and Local Green Space has been determined, further progression of the residential site development can now be pursued. Affordable housing options have been put forward in discussion with the Council's Strategic Housing team.

9.2 The site is centrally located in the village and offers a suitable location to deliver small scale development in a sustainable location. The site proposal is for up to eight new dwellings. The development will adjoin the Local Green Space and will retain the existing key wooded and scrub

areas within the site to help conserve identified wildlife. It is essential that the housing development complements the Local Green Space and the design must work with the adjoining site.

9.3 The Parish Council have confirmed that they are keen to have close involvement in all aspects of this development, from determining the purpose of the accommodation through design and ultimately management. They have suggested that, in terms of management, they are not experienced in Community Housing Schemes and involvement would need to recognise limitations in their administrative capacity. Given this constraint, however, the Parish Council have advised they are committed to making the fullest possible contribution for the general benefit of their village and its residents.

#### 10. Review of Housing/Disposal Options - Land Valuations

10.1 Officers have considered the following options available for housing on the site:

- Disposal of land at open market land value
- Disposal of land at affordable housing land value
- Disposal of land for self-build
- Develop and rent - open market rent levels
- Develop and rent - affordable housing rents

10.2 The Council has a statutory obligation to achieve best value for the disposals of its land assets. In certain circumstances the Council can dispose of its assets at less than best consideration (an undervalue). The Local Government Act 1972 General Disposal Consent (England) 2003, considers the sale of land for less than best consideration. This requires the Council to provide a restricted sale value (allowing for all the conditions which the Council has placed on the sale) and an unrestricted sale value, with no restrictions on the sale.

10.3 Secretary of State approval is required for land disposal at an undervalue, except where the disposal promotes improvement to economic well-being, social well-being and/or environmental well-being and the difference between the unrestricted value and the consideration does not exceed £2 million. In these circumstances, the Council is required to satisfy itself that State Aid is not applicable. Officers are of the view that the provision of affordable housing is likely to meet the undervalue test set out for social benefit. Specialist legal advice will be necessary prior to any offer for the housing land being accepted. The decision to dispose of the land at an undervalue would require a decision of the full Council and would be subject to a subsequent report.

10.4 Details of undervalue and state aid issues are set out at **Appendix 'D'**.

10.5 The adopted Local Plan 2011 - 2031 states that all housing developments that provide 11 or more new dwellings (net) or have a combined gross floor space of over 1,000sqm will be expected to contribute towards affordable housing provision to meet the identified need in the District and address the Council's strategic objectives on affordable housing. This site would therefore not be required to provide affordable housing in line with the Local Plan requirements. However, affordable housing is considered to be desirable on this site.

#### 10.6 Option 1: Open Market Value

10.6.1 Due to number of units being limited to eight, there is potential to provide 100% open market development on the site, subject to planning permission. The actual unit size, i.e. two-bed/four-bed will need to be reviewed further as part of the design process.

#### 10.7 Option 2: Affordable Housing

10.7.1 The Housing Register Report shows the local property need for Kemble as:-

- 1-Bed - 47
- 2-Bed - 23

- 3-Bed - 2
- 4-Bed - 4

10.7.2 There are a number of options to provide affordable housing, and the following brief overview has been provided by the Strategic Housing Team:-

- i. **Traditional Registered Provider affordable housing scheme** - The Registered Provider buys the site, develops it and then owns and manages the housing. The site can be sold on a freehold or leasehold basis. The lease would need to be 125 years minimum but this limits the Registered Providers that would be interested. Grant funding is available to Registered Providers from Homes England, or the Council could grant fund the scheme from commuted sums (or a mixture of both).
- ii. **Discount Sale** - Properties could be developed by/on behalf of the Council then sold on a freehold basis (or leasehold for flats) to eligible individuals at a discount on the open market value. Discount would range from 30-50% depending on the size of the property. The property has a restriction on the title, whereby the owner, when selling the property on, is required to do so at the same discount. There is a limited market for this type of housing due to high property values -v- low incomes locally and the limited availability of mortgages for this type of development (only about two mortgage companies offer a mortgage on such properties and they usually spread their risk by only offering a % of mortgages on any development). The Strategic Housing team would not recommend that all eight properties be offered as Discount Sale as there would not be enough eligible buyers locally.
- iii. **Community-Led Housing** - more detail is provided at section 10.8 below.

10.7.3 There may be other affordable options, which can be investigated further by Officers.

## 10.8 Community-led scheme

10.8.1 The Council received a substantial grant from the then Department for Communities and Local Government for Community-Led Housing. Grants are also available from Homes England for Community-Led housing organisations, through bid rounds. A report was considered at Cabinet on 19<sup>th</sup> January 2017 which provides good background on this type of development. This report includes the following statement:-

*Community-led housing can bring significant benefits to the Council. These include:-*

- *developing mutual support for elderly and vulnerable residents;*
- *the delivery of truly affordable housing in perpetuity;*
- *promoting community cohesion and resilience.*

10.8.2 There are various models for community-led organisations, capable of developing diverse housing initiatives, and different sorts of models can attract different sorts of funding. Some of the most common Community-Led Housing (CLH) models are:-

- **Community Land Trusts (CLTs)** - community-led organisations with a local membership structure. CLT's can deliver homes, owning and managing them, holding the assets in trust for the benefit of the community and providing a long-term income stream.
- **Co-housing** - a concept that brings individuals and families together in groups to share common aims and activities while having their own self-contained accommodation and personal space. Co-housing communities are set up and run by their members for mutual benefit. It can be developed for home ownership, shared ownership or both affordable and market rent.
- **Co-operative Housing** - a housing organisation that is controlled, managed and owned by its members, the most common being 'ownership' housing co-ops, where the community owns

all the homes and rents them to tenant members. Most are 'fully mutual', meaning that all of their tenants are required to be members of the co-op and their governance structures consist entirely of tenant members.

10.8.3 Community-Led Housing (CLH) schemes can also be supported by Housing Associations and Registered Providers. Possible roles include:-

- Conceptualising the scheme, possibly in partnership with the Local Authority;
- Recruiting founder members and facilitating the development of a community group;
- Supporting the community group to determine how they will lead the CLH scheme;
- Designing the scheme and achieving planning permission;
- Development of the homes;
- Arranging loan and any grant finance;
- Scheme ownership with legal agreements with the CLH group;
- Delivery of some housing management services.

10.8.4 The balance of how much any of these functions are roles for the association and roles for the CLH group itself will differ dependent on the objectives and type of CLH scheme being set up and how it has been initiated.

10.8.5 Where a scheme is being set up, particularly in rural areas, and so that local people can have a say on what gets built and who lives in the homes, it may be the case that scheme ownership will remain with the CLH group and a long-term lease will be granted to the housing association to enable them to raise finance and build the scheme. In these circumstances, it is likely that only small numbers of homes will be built and so future management is likely to be done by the housing association. The housing association would charge the CLH fees for development and other services.

10.8.6 Any CLH organisation that receives grant funding from Government (either directly or through a partner organisation) has to comply with Homes England defined Regulatory Standards such as how new co-operative and community-led homes are governed, who can live in the homes built, what rent levels can be charged, and what service standards are expected.

10.8.7 Behind Government regulator registration lies the important principle that publicly-subsidised homes should be available for people who most need them. Given housing need is an important principle for a Local Authority, it should be an important principle for any CLH scheme that is developed with public funding. Some public funding may be grant funding which does not have to be repaid (unless the homes are sold on the open market). Some may be low cost loan funding, primarily for low cost home ownership options, which has to be repaid. It may be possible to cross subsidise a CLH scheme from using some parts of a site for market sale or through some other method to raise income.

10.8.8 Should a Community-Led Scheme be pursued, this Council would need to consider whether disposal would be at a reasonable reduced market value (typically £10,000-£15,000 per plot), with grant funding going directly to the Community Land Trust. Alternative options of disposal are at a nil cost with a lower cash grant being provided. Typical grant funding is in the region of £40,000 per unit, as per current schemes in the area.

10.8.9 Up-front infrastructure grants may be available from Homes England for Community-led projects such as this. Further investigation on the amount of grant available would be required should this option be pursued.

10.8.10 If this Council is minded to choose one of the affordable housing options, a further report will be required to provide detailed options.

### 10.9 Option 3: Self-build

10.9.1 This is an option to provide individual self-build plots which could be made available at open

market value on this site. The Council would be required to construct access to the public highway and provide services to each plot boundary.

10.9.2 The Council has a statutory duty under the Housing and Planning Act 2016 to grant sufficient planning consents to meet the demand on the Council's Self & Custom Build Register. This site could contribute to the performance of that duty.

10.19.3 Local authorities are required to grant planning permissions to meet the demand on the register within 3 years of the base period in which those applicants were approved onto the register. The first Base Period was calculated from 1<sup>st</sup> April 2016 to the date the Self-build and Custom Housebuilding Regulations 2016 came into force, i.e. on 31<sup>st</sup> October 2016. This means that the Council is required to permission 'serviced plots' to meet the 66 applications approved during this period by 31<sup>st</sup> October 2019. The Council has granted numerous single plot planning consents during this period; however, until the Community Infrastructure Levy (CIL) is introduced (self-build plots will be CIL exempt), we do not have a resource-efficient system in place to capture whether single plot applications were for self-build. The Council is due to introduce CIL during 2019/20.

10.9.4 Self and custom build housing creates an opportunity for local residents to be involved in the design and construction of their own homes - this includes building it from scratch right through to customising elements (e.g. bathroom, kitchen, layout) before moving in. By offering this option to residents, it will benefit the Local Authority by providing a greater variety of homes and enabling households who would have great difficulty through existing alternatives to get onto the housing ladder. Currently, the availability of plots in this District is greatly limited.

10.9.5 The site could also be sold for a group or community self-build - plots sold collectively to co-operatives usually working in partnership with a housing association. There is little appetite for this amongst local housing associations as it is extremely resource intensive. However, this could have potential as part of a Community-Led Housing Scheme or Joint Venture arrangement with this Council and the Parish.

10.9.6 Infrastructure costs have been estimated to be in the region of £200,000.

#### 10.10 Option 4 - Retention and development of land

10.10.1 An option which is available to the Council is to agree the type of housing to be provided and carry out the development itself or as part of a Joint Venture with the Parish Council/Community Land Trust, and seek a revenue return. This option has more risk but would provide a revenue return rather than capital receipt.

10.10.2 Moving forward with this option would require the production of a business case which would include issues such as right to buy, legal set up of a joint venture company, cost of the development and set up the company, risks and the potential revenue return.

#### 10.11 Disposal Options

10.11.1 The various housing options have different methods of disposal which can include freehold or leasehold disposal, with or without planning. Should the Council develop the site, this will entail either freehold or leasehold disposals, joint ventures etc. Further business cases will need to be developed on preferred options.

10.11.2 Disposal with planning permission - the Council has already approved £100,000 funding to apply for planning permission.

10.11.3 The Council could seek to obtain planning permission itself or offer the property to the market on a conditional 'subject to planning' basis - this would allow for mitigation of costs by transferring to the preferred bidder, whilst maximising capital receipts. The end result is likely to be similar as the conditional contract would usually allow for costs to be deducted from land value.

10.11.4 Disposal without planning permission - The Council would not have to incur the cost of obtaining planning permission and would only incur marketing and disposal costs; however, valuer advice is that an unconditional sale prior to planning consent is likely to be heavily discounted (typically between 20% and 50% below market value depending on risk perception).

#### 11. Lease

The Parish Council currently holds a temporary lease that runs until the end of February which includes the area outlined blue at **Appendix 'B'**. A new lease is currently being negotiated, to run from the beginning of March, which omits the area to be developed outlined blue at **Appendix 'B'**. This area will subsequently be fenced off to protect the Council's land and allow surveys and work to progress for the development. There is a need to fence the areas which are not demised to the Parish Council to ensure rights are not acquired.

#### 12. Summary/next steps

12.1 There are a number of options available and in order for Officers to progress the Council needs to identify how it would like to proceed in terms of land sale, retain and develop and the type of housing, market or affordable, self-build etc.

12.2 Officers are looking for initial guidance so that discussions can progress with the Parish Council and work can be carried out to provide a more detailed business case if required. A detailed business case would be required if Council is minded to consider retain and develop options including joint venture or affordable housing options (including community-led housing).

12.3 This will allow Officers to progress design work and obtain pre-application planning advice to provide further detail on the development, which will allow more detailed costing to be prepared. Legal input will also be required as part of any business case.

12.4 A planning application can be progressed once the type of housing is known and a report can then be brought back to Cabinet on business case options in consultation with the Parish Council and to agree any necessary funding for development. If self-build is the preferred option, then outline planning may be the most appropriate way forward.

#### 12.5 Key considerations are:-

1. Does the Council wish to obtain a capital receipt or revenue income if this can be achieved?
2. Does the Council wish to maximise the capital receipt for the site only or seek to provide affordable/community-led housing opportunity whilst maximising its capital receipt for this option type? Consideration must be given to under value detailed at **Appendix 'D'**.
3. Does the Council wish to consider develop and retain option and to allow potential revenue income and, if so, what housing type would be the preference? This will then allow Officers to progress with a review of how this may be achieved, considering potential partnership with the Parish Council and the risk on retention of the units due to Housing legislation. If so, then £20,000 will need to be allocated from the Councils Priorities Fund to consider this option and report back to Cabinet.
4. Does the Council wish to maintain any control over the site for its own benefit or for the benefit of the adjoining local green space to ensure that both uses work together and continue to do so into the future? This could be obtained by long lease options for disposal of plots, provision of rental properties only or a joint venture.
5. Does the Council wish Officers to work with the Parish Council to seek to obtain the most suitable option and delivery of the site and housing units?

(END)