

# CHESHIRE EAST COUNCIL

## Cabinet

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<b>Date of Meeting:</b>	20 <sup>th</sup> August 2012
<b>Report of:</b>	Strategic Director Places & Organisational Capacity
<b>Subject/Title:</b>	Affordable Housing Programme – Phase Two
<b>Portfolio Holder:</b>	Councillor J Macrae

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### 1.0 Report Summary

- 1.1 In March 2011 Cabinet gave approval for the disposal of eleven Cheshire East owned sites for the provision of affordable housing. Of the eleven initial sites, four were taken through a pilot OJEU procurement exercise to establish whether this was the best route for disposal and whether financial objectives and social return could be secured from the programme.
- 1.2 Following on from the success of the initial first phase pilot the Affordable Housing Working Group are now in the process of progressing Phase 2, which was to include the remaining seven sites. Two sites are no longer available for the provision of affordable housing and this report seeks permission to replace these sites.

### 2.0 Decision Requested

- 2.1 Approval is sought to dispose of the following sites for the provision of affordable housing, at
- Birtles Road, Macclesfield
  - Redsands, Nantwich - for the potential development of a mixed use site to include both affordable housing and accommodation for residents with support needs.
- 2.2 Approval is sought to seek Secretary of State consent for the disposal of the former Lodgefields School site in Crewe.
- 2.3 Approval is sought to allow for the provision of up to 50% market housing in conjunction with 50% affordable housing on the Lodgefields School site in Crewe to ensure that the site is financially viable and to encourage further interest following the poor response to the Westview site in Crewe within phase 1.

### **3.0 Reasons for Recommendations**

- 3.1 One of the key priorities identified within Cheshire East's Housing Strategy is the delivery of both market and affordable housing. There is a significant need for affordable housing across Cheshire East, demonstrated in the 2010 Strategic Housing Market Assessment, which identified an annual need for 1243 homes. The low level of housing developments and the reduction of public subsidy are impacting on our ability to bring forward affordable housing. This situation places additional onus on the Council to find new and innovative ways of meeting its affordable housing needs. The use of Council owned assets is a means of achieving this.

### **4.0 Wards Affected**

Broken Cross and Upton Ward  
Willaston and Rope

### **5.0 Local Ward Members**

- 5.1 Councillor L Brown  
Councillor M Hardy  
Councillor B Silvester

### **6.0 Policy Implications including - Carbon reduction - Health**

- 6.1 Housing is fundamental to the well being and prosperity of the Borough. There are direct connections between the quality of the housing stock and health, educational attainment, carbon reduction and care for older people. Providing sufficient housing is essential to maintain economic growth and vitality – and access to housing is a key issue in rural areas.

### **7.0 Financial Implications (Authorised by the Director of Finance and Business Services)**

- 7.1 Capital receipts generated through the sale of Council owned assets are an increasingly important feature of the Capital Programme, and the Business Plan sets the challenging target of £10m in capital receipts for the current 2012/13 financial year and £5m in both 2013/14 and 2014/15. There will be a need to take into consideration the Council's wider financial requirements when determining the rationale around the disposal of assets.
- 7.2 Phase 1 of the affordable housing programme however demonstrated that not only were we able to secure the provision of approximately 50 units (subject to Planning Permission) of affordable housing but we were able to retain ownership of the land (125 year lease) and receive an annual revenue stream for the duration of the lease which increases in line with RPI annually.
- 7.3 The development of new affordable homes will bring in the New Homes Bonus, which is based on the National average Council Tax and is

payable for six years. In addition Affordable Homes attract a further £350 per affordable home and is also paid for six years for example

1 unit of market housing, average council tax A over a six year period = £5,754

1 unit of affordable housing, average council tax A over a six year period = £7,854

## **8.0 Legal Implications (Authorised by the Borough Solicitor)**

8.1 Due to the value of the assets to the housing providers the Council will need to procure its partners in compliance with EU procurement rules.

8.2 Preliminary title reviews in respect of the properties, in respect of which title details are awaited, have revealed the presence of some covenants, rights over or in respect of the properties and other matters which could adversely affect development.

Consideration will be given to the means, if any, of securing releases of or insurance covering the risk of any such matters which could impede development.

8.3 From 1<sup>st</sup> February 2012 the consent of the Secretary of State is required for the sale of all land which was used as a school in the last eight years. Disposal of the former Lodgefields School will therefore require the Secretary of State's consents under Schedule 1 of the Academies Act 2010 as inserted by Section 63 of the Education Act 2011.

## **9.0 Risk Management**

9.1 The OJEU procurement process is a resource intensive process which requires the input from a number of officers to ensure that it is carried out in accordance with the regulations and we do not face future challenge. To ensure an effective use of our resources we need to optimise the number of sites included in the second phase which will ensure that we receive sufficient interest from the market.

9.2 The former Lodgefields School site which has approval for disposal for affordable housing will now require Secretary of State consent for disposal. The process could preclude the site from inclusion in the second phase of the programme and there is a risk that the Secretary of State could transfer the land to an academy or free school if it feels there is a need in the area.

## **10.0 Background and Options**

10.1 In March 2011 a report was submitted to Cabinet which included the use of a number of council owned assets for the provision of affordable housing. These sites included:

### **Phase 1**

Oakdene Court, Wilmslow  
Churchside Cottages, Macclesfield  
The Moss 4 and 6 Congleton Road, Macclesfield  
Westview, Crewe.

### **Phase 2**

20 Priory Lane, Macclesfield  
Cypress House, Handforth  
Former Lodgefields School, Crewe  
Lodmore Lane, Burleydam  
Green Street, Macclesfield  
Hurdsfield Community Centre, Macclesfield  
Former Primary School, Church Lawton

- 10.2 The contract for Phase 1 was awarded in March 2012 and the successful contractors are now progressing the developments through the planning process. Phase 1 demonstrated that there is interest from the market to develop affordable housing. The approach taken to lease the land on a 125 year lease agreement also enabled us to retain the land asset and secure an annual ground rent.

Whilst we received significant interest for the sites in Macclesfield, there was less interest for the Westview site in Crewe. We asked those who had not submitted bids the reason why they had declined and this was attributed to the land value and the ability to provide 100% affordable housing on any site in the Crewe area as it was not considered financially viable. This has been taken into account for Phase 2 and the Working Group would therefore like the option to consider variable bids which include up to 50% market housing in order to subsidise the development of the affordable units in the Crewe area.

- 10.3 The Affordable Housing Project Working Group which consists of representatives from Assets, Housing, Procurement, Legal and Planning are now progressing Phase 2 of the project through the same OJEU procurement route. The intention was to bring the remaining seven sites to the market.
- 10.4 During the first stage of the process two sites were identified for alternative uses and were removed from the programme.
- Former Primary School, Church Lawton – approval was given to develop a special school for Autistic pupils
  - Hurdsfield Community Centre, Macclesfield – The Hurdsfield Residents are developing a proposal to form a Community Group to take over the running of the Community Centre.
- 10.5 We are now seeking to replace the two sites to ensure that there are sufficient sites to generate interest from the market. There are a number of sites which have been considered and the following have been established as potential sites following discussion with both Assets and Planning.

## **Birtles Rd, Macclesfield – Appendix 1**

Information on site detail for Birtles Rd including a plan of the site and housing need is outlined within Appendix 2

This site would be suitable for a mix of 2, 3 and 4 bed houses. In addition a small number of bungalows maybe appropriate Flats would not be considered suitable as there has already been considerable development of flats in this area.

There is currently a derelict building on the site which has locally listed status. In accordance with Council guidance on this subject retention of a locally listed building should be investigated and retained where practicable. Normally, loss of the building will only be permitted if Cheshire East Council is satisfied it is beyond reasonable repair. If this is the only option officers should ensure elements of the Locally Listed Building are incorporated into any new design proposal.

Where retention proves impracticable, the council will require that a photographic record of the building is made prior to demolition and submitted to the Council for record purposes.

## **Redsands Willaston- Appendix 2**

Cabinet made a previous decision on 19<sup>th</sup> January 2010 in relation to disposal of this land. At that time Cabinet resolved that approval be given to procure a development partner for the Redsands site to provide supported living facilities for adults with a learning disability. Adult Services no longer wish to pursue the development of this type of accommodation, but would be receptive to a mixed development of both affordable and supported accommodation.

### **11.0 Financial considerations: When considering the disposal of the sites for the provision of affordable homes consideration should be taken on the following points:**

- The target for the 2012/13 financial year is £10,000,000 and the Council has already agreed sales of £6,000,000 i.e. for commercial sites (sold subject to contract) and a further £6,300,500, identified from the Councils Farms Estate.
- The Asset Management Service anticipates a combined capital receipt in excess of £620,000 if the sites (listed in 2.1) were disposed of on the open market. The combined holding cost associated with the properties is in the region of £51,100 per annum as outlined below.

Proposed Site	Open Market Value	Holding Costs	Social Benefits
Birtles Road, Macclesfield	£220,000	£1,100 per annum	Increased provision of affordable housing for first time buyers.
Redsands, Williston	£400,000	£50,000 per annum	The ability to bring forward a mixed development site to meet the needs of those seeking affordable housing and supported accommodation.

- If the sites were included within the Strategic Housing Project, the Council would receive an annual income (by way of a ground rent) over the 125 year period of the lease.
- The Council will be eligible for the new homes bonus payments for the first 6 years, once the units have been developed plus a bonus of £350 per affordable unit.

## 12.0 Access to Information

The background papers relating to this report can be inspected by contacting the report writer:

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