

CABINET – 10 JULY 2003

**DISPOSAL OF LAND FOR AFFORDABLE HOUSING:
FAIRCROSS CLOSE, HOLBURY AND BURNT HOUSE LANE,
SOPLEY FOR AFFORDABLE HOUSING, AND;**

**THE ALLOCATION OF LOCAL AUTHORITY SOCIAL HOUSING
GRANT**

1. INTRODUCTION

- 1.1 The purpose of this report is to consider the disposal of land at Faircross Close to Hyde Housing Association and Burnt House Lane to Hampshire Voluntary Housing Society (HVHS) (site plans attached – Appendices 1 and 2), and the allocation of Local Authority Social Housing Grant (LASHG)
- 1.2 The proposal is to develop 4 affordable homes at Faircross Close and 3 dwellings at Burnt House Lane. The properties would be allocated to applicants from the Council's Homesearch register.

2. BACKGROUND

- 2.1 The Faircross site was originally planned as a garaging and parking area but garages were never built and the site appears not to have been used formally for parking and is currently mainly under grass.
- 2.2 The land at Burnt House Lane is currently used as a garage site with 7 garages of which 2 are rented, 2 used for storage by the Council's Housing Management section and the remaining 3 are unoccupied.
- 2.3 Planning Development Control Committee have resolved to grant planning permission for the redevelopment of both sites.
- 2.4 The number of households in housing need on the District's Homesearch Register has increased to over 2,800 households.

3. FINANCIAL IMPLICATIONS

- 3.1 The Housing Corporation has allocated capital grant funding for both schemes - £193,000 towards Faircross Close (through its Challenge Fund) and £223,000 for Burnt House Lane (through its Approved Development Programme).
- 3.2 The bids by the two Registered Social Landlords (RSL) to the Housing Corporation took account of the historic practice of transferring Council land to RSLs at a discounted value (typically £2,000 to £5,000 per

plot). This approach has been adopted in the past in order to minimise grant requirements and maximise the number of affordable dwellings. In these cases sale of the land at a significant discount would mean that no LASHG would be needed to further subsidise the scheme.

- 3.3 However, following recent Government changes in how the Council treats housing land capital receipts it is necessary to review this historic practice. The requirement to set aside 50% of the receipt has been removed if the receipt is utilised to fund new affordable housing. The receipt can therefore, with Cabinet approval, be recycled to pay for any additional grant requirement incurred as a result of increased land value, and, as described in Section 6 below, leave surplus capital remaining.
- 3.4 In appropriate circumstances, therefore, it is beneficial to dispose of land at the higher value. The Housing Corporation has, however, indicated that in the case of Faircross Close a change in the scheme costs as a result in an increased land value may prejudice the original grant allocation. The grant bid would need to be resubmitted and there can be no guarantee it would be successful. They have not made similar comments in respect of Burnt House Lane. The different approaches taken by the Housing Corporation is most likely to be due to the two different funding streams involved.
- 3.5 Members will be aware that the Government has recently removed the reimbursement process for LASHG. Any grant paid by the Council is no longer reimbursed from the Housing Corporation. Any new schemes approved in 2003/4 using the Council's remaining spending power will need to be funded from its own resources.
- 3.6 The Government has set aside resources to reimburse local authorities for lost interest as a result of the payment of grant in 2003/4. This is subject to the total resources available from Government being sufficient to cover all the claims submitted by local authorities throughout the country. From 2004/5 there will be no refund of lost interest.
- 3.7 Further financial details are set out in Section 6 below.

4. OPTIONS AND CONSIDERATIONS

- 4.1 In both cases a "do nothing" option would be to not develop the sites. An opportunity to develop affordable housing would, however, be lost as a result along with Housing Corporation funding and a capital receipt.
- 4.2 There are several other options for these sites:

4.3 **Option appraisal for Faircross Close:**

OPTION	TOTAL GRANT REQUIREMENT INCLUDING LASHG	CAPITAL RECEIPT	LASHG REQUIREMENT	SURPLUS CAPITAL RECEIPT
1	£193,000	£8,000	£0	£8,000
2	£283,000	£120,000	£91,000	£29,000
3	Could not proceed as affordable housing	£130,000	N/A	£130,000

4.4 The valuations were based on the following assumptions:

- **Option 1** is based on the value of the site if sold with a covenant stating that the land must be used for affordable housing. All grant funding would be provided by the Housing Corporation.
- **Option 2** is slightly below the unconstrained open market value for the site. However due to constraints placed on RSLs to ensure dwellings remain affordable, it would not be possible to proceed with the development if land costs were higher. The additional LASHG requirement could be funded from the capital receipt leaving a surplus to spend on other capital projects. Importantly, however, as explained in paragraph 3.4 the RSL would need to re-bid for Housing Corporation grant with no guarantee of success.
- **Option 3** based on the full market value of the site. The RSL would be unable to proceed on this basis. The site could be offered for sale on the open market, however, the opportunity to develop affordable housing for households in housing need would be lost along with Housing Corporation and surplus funding. Additionally 50% of the capital receipt would have to be set aside.

4.5 It is considered that Option 1 offers the best way forward for Faircross Close. Option 1 would generate a capital receipt of £8,000. Although option 2 may potentially achieve a higher capital receipts adopting this approach would be a high-risk option as it requires the RSL to re-bid to the Housing Corporation for funding. If the bid were unsuccessful not only would their £193,000 be lost, but also the opportunity to provide affordable dwellings on the site in the short term.

4.6 **Option appraisal for Burnt House Lane:**

OPTION	TOTAL GRANT REQUIREMENT INCLUDING LASHG	CAPITAL RECEIPT	LASHG REQUIREMENT	SURPLUS CAPITAL RECEIPT
1	£223,000	£15,000	£0	£15,000
2	£330,000	£160,000	£107,000	£53,000

4.7 The valuations were based on the following assumptions:

- **Option 1** valuation based on the value of the land if sold with a covenant stating that the land must be used for affordable housing. All grant funding would be provided by the Housing Corporation.
- **Option 2** based on the full open market value of the site. The additional LASHG requirement could be funded from the capital receipt leaving a surplus to spend on other capital projects.

4.8 It is considered that Option 2 for offers the best way forward for Burnt House Lane in terms of providing affordable homes and producing a surplus capital receipt. Option 1 would generate a capital receipt of £15,000. Option 2 in contrast achieves an additional surplus capital receipt to the Council of £53,000.

4.9 The use of the Council's spending power for affordable housing does not have any worse financial impact than the use of the spending power for any other capital investment. The benefit of using it for affordable housing purposes would be that the Council could take advantage of the transitional LASHG arrangements and may get the interest costs for the first year of the reimbursed.

5. CONSULTATIONS

5.1 The Portfolio Holder for Housing supports the recommendation on Burnt House Lane. Comments on Faircross Close will be reported orally at the meeting. He has expressed concern that Government's recently imposed changes to grant funding have impacted on the resources available locally and are prejudicial to the delivery of new affordable housing.

5.2 Ward Members have been consulted on the disposals and allocation of grant. No comments have been received.

6. ENVIRONMENTAL AND CRIME AND DISORDER IMPLICATIONS

- 6.1 The local planning authority has considered the implications of developing affordable housing on these sites and planning permission has been granted.
- 6.2 Housing Contract Services have installed a barrier and improved the boundary of the garage site in Burnt House Lane to prevent abandoned cars being left and vandalised, which was a reoccurring problem on this site. Security of the site would be improved should housing be developed on this site.

7. CONCLUSIONS

- 7.1 The proposed schemes will make a valuable contribution towards meeting local housing needs by providing homes for households on the Homeseach register. It is recommended that land is disposed of and grant allocated as set out in the recommendation.

8 RECOMMENDATIONS

- 8.1 The land at Faircross Close is transferred to Hyde HA for £8,000 for affordable housing.
- 8.2 The land at Burnt House Lane is transferred to HVHS at £160,000 with £107,000 recycled as LASHG to facilitate the development of the affordable housing on the site. The additional monies received, £53,000, be allocated to fund additional affordable homes elsewhere in the District.

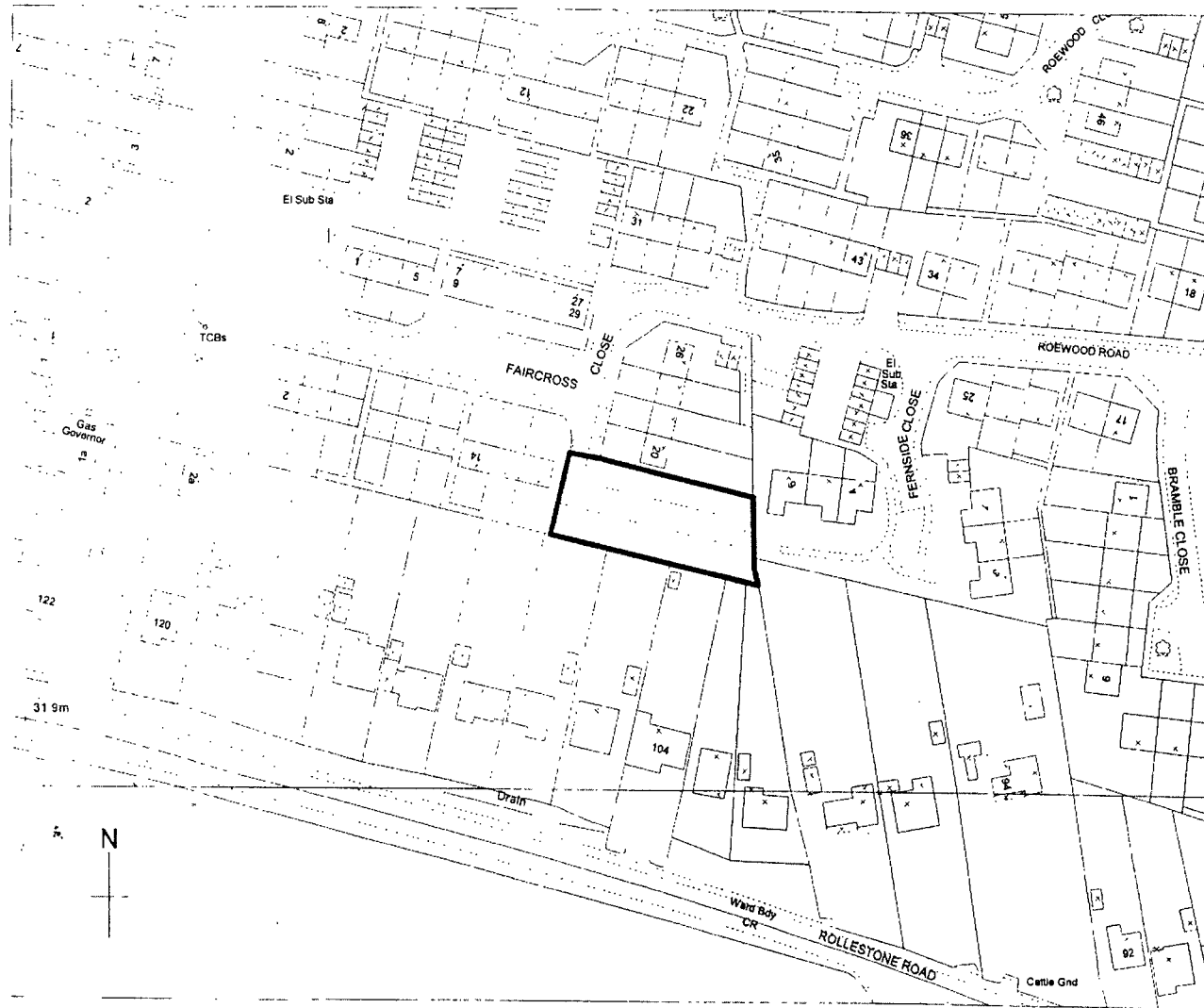
Further information:

Simon Maggs
Housing Development Manager
02380 285122
simon.maggs@nfdc.gov.uk

Kathy Blatchford
Housing Development Officer
023 80285111
kathy.blatchford@nfdc.gov.uk

Background Papers:

Faircross and Burnt House Lane files (contains some exempt information.)



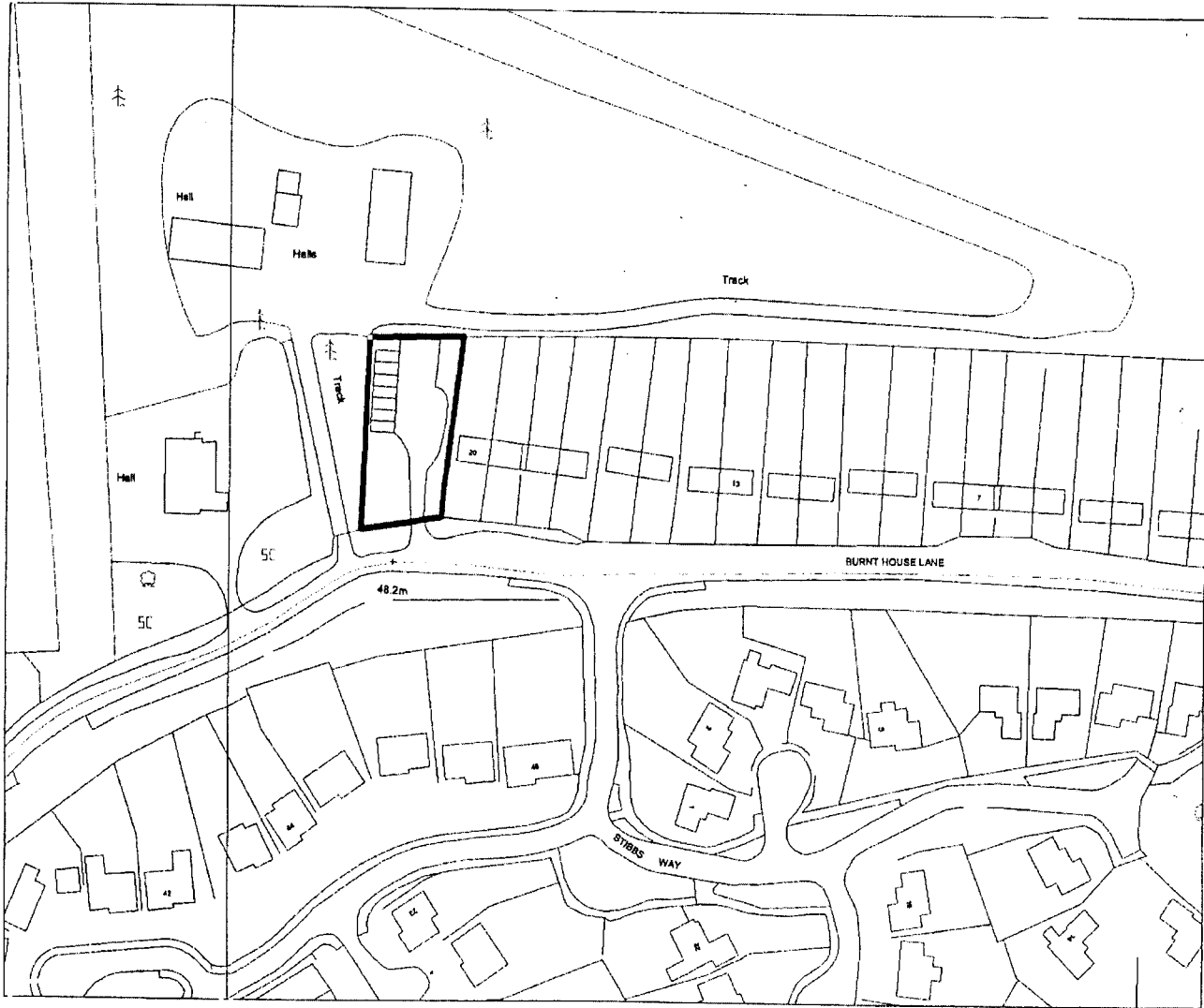
Elizabeth Malcolm
 Director of Environment Services
 New Forest District Council
 Environment Services
 Appletree Court
 Lyndhurst
 SO43 7AB
 Tel: 023 8028 5000
 Fax: 023 8028 5223

**Planning Development
 Control Committee
 February 2001**

Item No: B47
 Land between
 18 & 20 Faircross Close
 Holbury Fawley
 App No 70861
 SU4303

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Elizabeth Malcolm
Director of Environment Services
New Forest District Council
Environment Services
Appletree Court
Lyndhurst
SO43 7PA
Tel: 023 8028 6000
Fax: 023 8028 5223

Planning Development
Control Committee
May 2002

Item No: B3
Former garage court
adj 20 Burnt House Lane
Sopley
App No 73597
SZ1998

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