

CABINET REPORT

DATE	10/03/2021
REPORT OF	Cllr C Procter: Portfolio Holder for Economic Development, Housing and Tourism
RESPONSIBLE OFFICER	Sharon Wroot Executive Director for Environment, Economy and Resources
SUBJECT	Accelerating Construction Funding – Former Matthew Humberstone playing field site
STATUS	Open with the exception of Appendices A and B which is exempt under paragraph 3 of Schedule 12A to the Local Government Act 1972
FORWARD PLAN REF NO.	CB 01/21/06

CONTRIBUTION TO OUR AIMS

The development of new homes is critical for the delivery of the Council's "Stronger Economy and Stronger Communities" priorities.

The Local Plan outlines the housing needs of local people and how North East Lincolnshire Council (NELC) intend to create employment, supporting the local economy, as well as delivering housing growth. This report underpins these key objectives, evidencing the Council's commitment to projects, that will help the local economy post COVID-19.

A condition of the Accelerated Construction Funding (ACF) grant is to develop the site using a form of Modern Methods of Construction, which will contribute towards carbon reduction and reduce waste materials on site, contributing towards the Council's commitment towards 'Climate Local' commitment.

EXECUTIVE SUMMARY

The Housing Zone project aims to deliver homes on key housing sites owned by the Council. NELC has been successful in securing Homes England Accelerated Construction Funding for £490,600, to support the provision of infrastructure on the former Matthew Humberstone playing field site.

The Accelerated Construction Funding is subject to certain conditions, as laid out in the report.

The value of the enabling works is unlikely to supersede the £490,600. Estimated costs appear in Appendix A.

RECOMMENDATIONS

It is recommended that Cabinet:

1. Authorises the Executive Director for Environment, Economy and Resources in consultation with the Portfolio Holder for Economic Development, Housing and Tourism to accept £490,600 of grant funding from Homes England on behalf of the Council.
2. Delegates authority to the Executive Director for Environment, Economy and Resources, in consultation with the Portfolio Holder for Economic Development, Housing and Tourism to:
 - a) finalise the terms of the funding arrangement with Homes England and receive the funds.
 - b) commence related procurement exercises to deliver projects within the programme in accordance with the Public Contract Regulations 2015 and to make appropriate contract awards.
3. Authorises the Assistant Director Law, Governance and Assets to settle, complete and execute all documentation arising from the above.

REASONS FOR DECISION

A decision is required, as it will enable the Homes England grant funding to be received by the Council and for the construction of the project and provides funding that will reduce financial risk to the Council, subject to meeting the funding criteria and maximise land values.

1. BACKGROUND AND ISSUES

- 1.1 In January 2018, Cabinet gave delegated authority to the Director of Economy and Growth to pursue all relevant Central Government and external funding opportunities to support efforts to accelerate delivery of housing on surplus Council-owned sites. The Council subsequently submitted an Expression of Interest to the Homes England Accelerated Construction Fund programme.
- 1.2 The ACF programme is intended to:
 - Support local authorities to develop their land so that it can be disposed of for housing.
 - See homes built faster on these sites than the market would normally realise and see the use of Modern Methods of Construction (MMC).
 - Encourage diversification through support for low and medium volume house builders, and new entrants.
- 1.3 The Council have worked closely with their partner ENGIE to develop a delivery programme, setting out how the ACF will be spent within the required timescales, including the procurement of a developer partner to commence construction of new homes during 2022. Having taken independent specialist advice, this method maximises the value of the site to the Council and minimises the financial and delivery risks. The Council have already successfully been awarded similar funding for the former Western School and playing field site.

- 1.4 Homes England has made a funding offer based on the construction of 58 homes at the Matthew Humberstone site, with 10% affordable housing (in line with current Local Plan policy). The £490,600 funding proposal will allow enabling works to take place including: construction of an access from Davenport Drive, new utility services up to the site and submission of outline planning permission.
- 1.5 Homes England carried out an independent valuation and feasibility of the site (see Appendix B). The Council will be required to repay, to Homes England, 36% of any combined sales income (value of land and properties sold), over and above the agreed value of the site the amount that Homes England have declared reasonable, similar to an overage agreement. Details of the Homes England valuation and feasibility study can be found in Appendix B, which includes projected costs along with confirmation that the site is viable proposal for housing delivery. Any repayment would be triggered at the end of the project, when the last property is sold.
- 1.6 The conditions of the grant are as follows.
- Outline planning application to be approved by October 2021.
 - Enabling works to be completed before March 2022.
 - The properties are to be built including forms of modern methods of construction, known as sub assembly and components, for example.
 - preformed roof and floor cassettes,
 - pre-assembled wiring looms, and
 - prefabricated plumbing.
 - Development of properties to start on site during 2022.
 - Properties to be completed at a rate of 3.1 per calendar month (47 per calendar year).
- 1.7 The Council will work with their existing regeneration partner, ENGIE to deliver the enabling works.
- 1.8 Homes England expect the Council to deliver the site through a 'build lease' which sets out an obligation for the developer to accept the Homes England conditions to build at a rate of 3.1 units per calendar month, and to include modern methods of construction, whilst building the homes. Acceptance of these conditions mitigates the risk of the Council being in breach of the grant conditions, and ensures that the properties are built at pace, supporting the Council's commitment to delivery of the Local Plan.
- 1.9 The build lease will also enable the Council to accept the capital receipt as a deferred payment. This approach could provide financial support to local developers in these uncertain times. The Council will retain freehold on the land, with the developer paying at agreed intervals based on the properties they sell. This means their capital outlay is for materials and labour, with payment for the land due once a property is sold. This approach supports retaining and creating new jobs in the borough, at a time of economic uncertainty.
- 1.10 Details of the programme of works can be found in the attached Appendix A.
- 1.11 The Clinical Commissioning Group and the Council are already in discussions

to dispose of part of the site to Morgan Sindall, to provide an extra care facility. This part of the site will not be included within the Homes England project.

2. RISKS AND OPPORTUNITIES

- 2.1 The ACF proposal from Homes England requires homes (both for sale on the open market and social rented) to be constructed at 3.1 per calendar month. There is a risk that this may reduce the sales price of homes for the necessary rate of sale to be maintained.
- 2.2 There is a risk that properties may not sell on the open market if there is a further decline in the economy. In the event the housing market fails, the Council can consider marketing properties to registered providers, who can access Homes England Affordable Housing funding to support the purchase price, unlike properties purchased through a planning Section 106 agreement, where registered providers pay a discounted price.
- 2.3 The ACF provides an opportunity for the Council to accelerate delivery of homes on the sites by bringing forward delivery of infrastructure and other enabling works with external funding of £490,600. The funding conditions will drive the pace of these works. The Council will be required to underwrite any overspend.
- 2.4 There is a risk that the Sports Reprovision is delayed. Delays in the sports reprovision site at Clee Fields will mean that the Matthew Humberstone site will only be able to build the Extra Care facility, preventing further development on the site whereby the Council could be in breach of the Homes England funding conditions.
- 2.5 The ACF provides an opportunity to extend the use of more modern methods of construction as outlined in 1.7 above. The use of these methods reduces the risk of construction skill shortages in delivering the Council's housing sites and enable sites to be built out more quickly to help the Council achieve its housing delivery targets.
- 2.6 As part of the conditions associated with the funding agreement, the Council will be committed to use a building lease which may be attractive to developers including SME and larger developers. The build lease will allow developers to pay for the land on a deferred payment and not upfront.

3. OTHER OPTIONS CONSIDERED

- 3.1 Decline the Homes England Funding and do nothing on site – The site would remain undeveloped and there would be no contribution towards the Council's housing growth targets.
- 3.2 Decline the Homes England funding and seek to use capital funding from the Council. This option would increase Council expenditure unnecessarily given the Homes England funding offer that is available.

3.3 Investment in the enabling works by a third party - NELC could use investment through a third party or investment partner. This model would mean the Council would have to accept a reduction in the value of the land would have reduced influence over the development of the site which in turn could reduce the pace of delivery and the use of modern methods of construction.

3.4 Straight disposal of the land - NELC could market this site on the open market. This option would incur minimal cost but likely lead to a lower level of return and provide no control over pace of delivery or construction methods.

3.5 Preferred Option is to accept the ACF from Homes England, progress with housing development and provide joint access to the extra care facility.

4. REPUTATION AND COMMUNICATIONS CONSIDERATIONS

4.1 There are potential positive reputational implications for the Council resulting from the decision as it will provide assurances that progress is being made towards the delivery of new homes on existing Council sites.

4.2 An action plan has been discussed with the Council's communications service which will ensure that a robust, comprehensive communications plan is in place and agreed with Homes England before work commences on site.

5. FINANCIAL CONSIDERATIONS

5.1 The ACF proposal from Homes England includes an offer of £490,600 towards the cost of infrastructure and enabling works for the Matthew Humberstone site. The Homes England feasibility study estimated that the cost of the works would exceed the amount of the grant. The Council will need to confirm to Homes England, that any additional spend will be covered by the Council. Estimates for expenditure appear in Appendix A of the report.

6. CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS

6.1 The proposal will provide a positive addition to the Council's commitment to reduce carbon emissions. Homes England have asked the Council to build to a MMC specification, requiring elements of the construction to be built off site. This method reduces waste on site contributing towards the environment.

6.2 In addition, new homes will benefit from a higher level of energy performance, whereby properties are better insulated and requiring less energy to heat the home, further reducing on going carbon emissions.

7. CONSULTATION WITH SCRUTINY

7.1 There has been no consultation with Scrutiny.

8. FINANCIAL IMPLICATIONS

8.1 Acceptance of the grant funding would facilitate enabling works for housing development with no requirement from the Council if spend remains within the

funding envelope.

- 8.2 The housing development itself will help generate capital receipts that can be reinvested in the Council's Capital Investment Programme, with Homes England being entitled to 36% of any sales income agreed, over and above the agreed value of the site.

9. LEGAL IMPLICATIONS

- 9.1 Immediate legal implications arising will be around the terms and conditions of external grant funding and the completion of funding agreements and ancillary documentation. Legal Services will support this process, ensuring the interests of the Council are protected.
- 9.2 As individual projects arise throughout the delivery phase Legal Services will continue to support colleagues.
- 9.3 The delegations sought are appropriate to an exercise of this nature.

10. HUMAN RESOURCES IMPLICATIONS

- 10.1 There are no direct HR implications arising from the contents of this report.

11. WARD IMPLICATIONS

- 11.1 The Matthew Humberstone site is located within the Croft Baker Ward.

12. BACKGROUND PAPERS

Appendix A (Closed) – Programme timescales and anticipated expenditure.
Appendix B (Closed) – Site Viability (Produced for Homes England)

13. CONTACT OFFICER(S)

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