

**Name of meeting:** Cabinet

**Date:** 5<sup>th</sup> July 2022

**Title of report:** Registered Providers Clusters Programme – Update and Land Disposals

**Purpose of report:** To provide an update on the Registered Providers Clusters Programme and seek approval for a proposed approach to disposal of sites to the Council's partner in this programme

<b>Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?</b>	<b>Yes/ no or Not Applicable</b>  If yes give the reason why  2 or more electoral wards affected
<b>Key Decision - Is it in the <u>Council's Forward Plan (key decisions and private reports)?</u></b>	<b>Key Decision – Yes</b>  <b>Private Report/Private Appendix – No</b>
<b>The Decision - Is it eligible for call in by Scrutiny?</b>	<b>Yes</b>
<b>Date signed off by <u>Strategic Director</u> &amp; name</b>  <b>Is it also signed off by the Service Director for Finance?</b>  <b>Is it also signed off by the Service Director for Legal Governance and Commissioning?</b>	<b>David Shepherd – 14<sup>th</sup> June 2022</b>  <b>Eamonn Croston - 14<sup>th</sup> June 2022</b>  <b>Julie Muscroft – 17<sup>th</sup> June 2022</b>
<b>Cabinet member <a href="#">portfolio</a></b>	<b>Give name of Portfolio Holder/s</b>  Cllr Graham Turner

**Electoral wards affected:** Ashbrow, Batley East, Cleckheaton, Dewsbury West, Golcar

**Ward councillors consulted:**

Ashbrow – Cllr. Fran Perry, Cllr. James Homewood, Cllr. Amanda Pinnock  
 Batley East - Cllr. Adam Zaman, Cllr. Habiban Zaman, Cllr. Fazila Loonat

Cleckheaton- Cllr. John Lawson, Cllr. Andrew Pinnock, Cllr. Kath Pinnock  
Dewsbury West - Cllr. Ammar Anwar, Cllr. Darren O'Donovan, Cllr. Mussarat Pervaiz  
Golcar - Cllr. Graham Turner, Cllr. Andrew Marchington, Cllr. Elizabeth Reynolds

**Public or private:** Public

**Has GDPR been considered?** Yes – there are no GDPR implications to this report

## **1.0 Summary**

This report updates the position on the Registered Provider Clusters Programme and seeks authority to dispose of five sites at less than best consideration in order to deliver affordable housing.

The amount of any discount would be based on viability appraisals for the development of each individual site.

## **2.0 Information required to take a decision**

### **2.1 Background**

The Registered Provider Cluster programme (RPCP) is a project to bring forward high quality, affordable and sustainable homes on five sites across the district. The Council's preferred partner is Thirteen Group, who are a strategic partner of Homes England, as part of Home's England's programme which supports registered providers (housing associations) to deliver more affordable homes. Thirteen Group were appointed by the Council following a competitive land sale exercise.

The sites in the programme are located across the district at:

- Highmoor Lane, Hartshead
- Main Avenue, Cowlersley
- Mayman Lane, Batley
- Heckmondwike Road, Dewsbury
- Netheroyd Hill, Fixby

Plans are included at appendix 1.

The sites are allocated for Housing Development in the Local Plan. Approval was given at Cabinet on 29<sup>th</sup> August 2018 for these sites to be included in a programme of housing development.

### **2.2 The RP Clusters Programme**

As set out in 2.1 above, strategic registered provider Thirteen Group were appointed following a competitive land sale exercise to deliver housing development on the five sites referred to in 2.1 above.

The principles of the land sale exercise were that a registered provider would produce designs for the sites and secure planning permission at its own risk, buy the sites from the Council and then construct the homes. Once constructed, the registered provider is required to participate in the Council's scheme to secure nomination rights for tenants to the properties.

The sites will be taken forward for development using a staged approach, whereby individual sites will be taken forward for planning and subsequent development at intervals during the overall programme.

Thirteen Group are a registered provider with a strong reputation and are of robust financial standing. Based in the north east, they are currently actively expanding their operations in to Yorkshire and the Humber.

Their proposals for the sites have the following key features:

- A strong emphasis on delivering affordable homes across a range of tenures – across the five sites, they propose a mix of shared ownership, intermediate rent and affordable rent homes alongside a limited number of market sale properties. Overall, their initial proposals for the sites indicate that 85% of the properties they build will be affordable homes in some form, with 15% for market sale.
- Delivering high levels of energy efficiency in the new homes, with a focus on achieving zero carbon ready homes where possible on sites (given geographical restrictions of some sites). The options which Thirteen Group are looking at include use of modern methods of construction, low carbon heating, heat recovery systems, use of photo voltaic cells, provision of electric vehicle charging, and low energy light circuits.
- Delivery of additional benefits to the local economy, through employment and apprentice opportunities, utilisation of Kirklees and wider West Yorkshire supply chain, and creation of a “Kirklees Community Fund” for the RPCP sites, with a minimum contribution of £10,000 per site to be focussed on benefiting the communities around each site.

The provision of a high number of affordable homes on the sites, alongside high energy efficiency standards will result in Thirteen Group making less profit from the sites than a volume housebuilder would make, as a volume housebuilder would provide 20% affordable housing in line with the Local Plan policy and would take a more standard approach to energy efficiency. It will not therefore, be viable for Thirteen Group to buy the sites at the value which a volume housebuilder would pay.

To enable the scheme to come forward, it is likely that the Council will be required to dispose of the sites at ‘less than best consideration’.

The General Disposal Content (England) 2003 allows the Council to dispose of land at an undervalue not exceeding £2 million where the disposal will help secure the promotion or improvement of the economic, social or environmental well-being of an area. The provision of energy efficient, market and affordable housing is considered to fall within this definition.

## **2.3 Options**

The Council has 2 options:

(a) Withdraw the sites from the RPCP and seek a disposal on the open market

The Council could put the sites for sale on the open market. This may secure higher capital receipts for the Council as market housing with only policy compliant provision of affordable homes would be more profitable. However, this will not guarantee house building, nor provide affordable housing which brings with it additional value as outlined below.

(b) Dispose of the sites at less than best consideration (Recommended Option)

This option requires the Council to provide financial assistance to the scheme by disposing of the sites at a purchase price below best consideration.

This option is recommended because it will:

- Create around 200 new homes, with a focus on delivering affordable homes across a variety of tenures, significantly in excess of planning policy requirements
- Secure nomination rights for the Council to nominate residents on its housing waiting list
- Bring around £31m of GVA to the local economy,
- Create around 700 direct jobs and around 400 indirect jobs
- Assist the council in meeting its housing targets under the Local Plan

The proposed approach is that Thirteen Group will supply to the Council a site cost analysis and this information would be assessed by officers to identify the shortfall in funding on each site and determine the amount by which, if any, the best consideration price would be reduced. Should the actual build costs be less than those shown in the site cost analysis the Council will be able to seek repayment of the difference from Thirteen Group. This will ensure that the Council is not giving financial assistance over and above what is necessary to make the schemes happen.

Programme delivery risk will be managed both in the delivery and funding accountability to Homes England as the principal public funding body, and through the Council's scrutiny of Thirteen Group through the ongoing project management structure which was put in place following Thirteen Group's appointment.

### **3.0 Implications for the Council**

#### **3.1 Working with People**

The proposed approach to this programme of housing development will bring much needed affordable housing to the district across a range of affordable tenures, including affordable rent and shared ownership. There is a need for 1,730 new homes per year in Kirklees, of which 1,049 need to be affordable. This project will provide affordable housing that meets the needs of local people.

#### **3.2 Working with Partners**

Thirteen Group are a registered provider (housing association) of strong financial standing and a strategic partner of Homes England, having secured £191 million of investment from Homes England. They are experienced in building and managing affordable housing, and will bring much needed resources to the Kirklees district, as part of the Council's wider programme of housing growth. They will also bring vital resources to the support the council in housing delivery, at a time when resources are stretched and staff with expertise in the housing delivery and wider development field are difficult to secure.

#### **3.3 Place Based Working**

Thirteen Group have developed initial design proposals focussed on the physical characteristics of individual sites, and have proposed an approach to the mix of tenures on each site taking account of the specific housing needs which exist in areas in which the sites are located.

#### **3.4 Climate Change and Air Quality**

As set out in 2.2 above, the homes will be built to high energy efficiency standards, with an aspiration to achieve zero carbon ready homes.

The options which Thirteen Group are looking at include use of modern methods of construction, low carbon heating, heat recovery systems, use of photo voltaic cells, provision of electric vehicle charging, and low energy light circuits

### **3.5 Improving outcomes for children**

Well designed, energy efficient housing built to nationally described space standards, and with (where applicable to the site) provision of open space on site helps provide children with the best start in life.

### **3.6 Other (eg Legal/Financial or Human Resources) Consultees and their opinions**

#### **Subsidy Control**

Disposal of land at less than best consideration involves the conferring of an economic advantage on Thirteen Group, because the land has an open market value but will be transferred to Thirteen Group at less than this value due to the reasons set out in 2.2 and 2.3 above.

From 31st December 2020, the then existing State Aid law, as it applied to the UK, was repealed and replaced by Subsidy Control, the requirements of which are set out in the UK-EU Trade and Cooperation Agreement. Under State Aid law, aid provided to support certain types of public services are deemed to be “Services in the General Economic Interest” and therefore subject to a far less restrictive regime. The same is true under the new regime of Subsidy Control.

As part of the process of agreeing legal contracts, arrangements will be put in place with Thirteen Group to ensure compliance with the Subsidy Control regime, and to ensure repayment of subsidy in the case of any over compensation.

#### **Disposal of Open Space**

Whilst the sites in the RPCP are allocated for housing, they are considered to be open space. There is a requirement under Section 123 (2A) of the 1972 Local Government Act that local authorities wishing to dispose of any land consisting of or forming part of an open space to advertise their intention to do so for two consecutive weeks in a local newspaper. This process was undertaken in 2021 and no objections were received.

### **3.7 Financial Implications of people living or working in Kirklees**

There are no financial impacts on wider residents of Kirklees. As set out in 2.2, Thirteen Group’s focus in designing the homes is on energy efficiency. This will result in savings on energy costs for tenants and residents living in these homes when compared to other, less energy efficient properties.

### **3.8 Do you need an Integrated Impact Assessment (IIA?)**

No IIA is needed.

### **4.0 Consultees and their opinions**

Each site will be the subject of a planning application and consultation with local residents will take place as part of this. Thirteen Group are working closely with the Council to develop their

proposals for how they engage with local residents prior to the submission of planning applications for all the sites.

## **5.0 Next steps and timelines**

The staged programme of development for the RPCP shows Thirteen Group bringing forward the sites between 2022 (planning stages) and 2025 (completions on site)

As each site is taken forward individually and achieves planning permission, Thirteen Group will supply the Council with a site cost analysis and this information would be assessed by officers to identify the shortfall in funding on each site and determine the amount by which, if any, the market value purchase price would be reduced.

If approved the next steps will be to prepare the land for disposal and will include:-

- both parties agreeing Heads of Terms;
- securing full planning approval (Thirteen Group) for each individual site;
- agreeing valuations and discount post planning consent;
- Thirteen Group securing grant funding from Homes England;
- disposal of the site to Thirteen Group;
- establishing appropriate governance arrangements to oversee the delivery of the project, management of the scheme and achievement of housing outputs.

## **6.0 Officer recommendations and reasons**

6.1 Cabinet approve the disposal of the sites in the RPCP.

6.2 Cabinet give their approval to dispose of the sites at 'less than best consideration' to Thirteen Group in accordance with the General Disposal Consent (England) 2003.

6.3 Cabinet delegate authority to the Strategic Director, Growth and Regeneration to:

- negotiate and agree the terms of disposal for each site with Thirteen Group; and
- determine the appropriate level of discount for each site following a comprehensive assessment of Thirteen Group's development appraisals reflecting the housing mix which receives planning consent (which may be either only affordable housing, or a combination of both affordable and market housing) on each site

6.4 That authority be delegated to the Service Director, Legal, Governance and Commissioning to enter into and execute any agreement and other ancillary documents necessary to dispose of the land in the RPCP to Thirteen Group for use as either affordable housing, or affordable and market housing dependent on the final housing mix for each site.

6.5 The reason for these recommendations is that, as set out in the report, the land within the RPCP will contribute to the delivery of the Council's housing strategy. It will also

contribute to the Green Agenda. Selling the sites within the RPCP to Thirteen at an undervalue will ensure that the schemes are viable.

## **7.0 Cabinet Portfolio Holder's recommendations**

Cllr Graham Turner said "I am really excited about this scheme and to be working with Thirteen Group to provide much needed housing for residents on five sites located across the district. As a strategic partner of Homes England, Thirteen Group bring funding and expertise with them and I look forward to seeing these energy efficient homes starting on site, and I hope that this first scheme with the Thirteen Group is only the start of a strategic partnership, that will continue to bring much needed energy efficient homes to Kirklees, which will help us address the housing shortage we currently have, and will help to reduce our carbon footprint, as well as reducing energy costs for those residents living in these new homes".

Cllr Turner supports the officer recommendations to approve the disposal of the sites in the RPCP:

- 7.1 Cabinet give their approval to dispose of the sites at 'less than best consideration' to Thirteen Group in accordance with the General Disposal Consent (England) 2003.
- 7.2 Cabinet delegate authority to the Strategic Director, Growth and Regeneration to:
  - negotiate and agree the terms of disposal with Thirteen Group; and
  - determine the appropriate level of discount for each site following a comprehensive assessment of Thirteen Group's development appraisals reflecting the housing mix which receives planning consent (which may be either only affordable housing, or a combination of both affordable and market housing) on each site
- 7.3 That authority be delegated to the Service Director, Legal, Governance and Commissioning to enter into and execute any agreement and other ancillary documents necessary to dispose of the land in the RPCP to Thirteen Group for use as either affordable housing, or affordable and market housing dependent on the final housing mix for each site.

## **8.0 Contact officer**

Liz Jefferson

Strategic Partnership Lead  
Housing Growth and Regeneration  
01484 221000

## **9.0 Background Papers and History of Decisions**

29th August 2018 Cabinet report

<https://democracy.kirklees.gov.uk/documents/g5703/Public%20reports%20pack%2029th-Aug-2018%2016.00%20Cabinet.pdf?T=10>

## **10.0 Service Director responsible**

Joanne Bartholomew  
Service Director – Development