

CYNGOR SIR POWYS COUNTY COUNCIL.

**CABINET EXECUTIVE
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REPORT TITLE: Transfer of assets to the Housing Service to enable the provision of affordable housing in Powys

REPORT FOR: Decision

1. Purpose

- 1.1 The purpose of this report is to gain approval to transfer assets to the Housing Service to enable the provision of affordable housing in Powys.
- 1.2 Powys County Council, through its various rationalisation programmes, has a number of surplus property assets which have, or soon will be, declared surplus to requirements. A list of these sites, which have potential for residential development, is attached at Appendix 1, with each identified throughout this report by the number attributed to them in said Appendix.

2. Background

- 2.1 The Council's Housing Service is progressing a New Build programme which will see the Council building its first new Council homes for around 40 years. Construction work on the first schemes is expected to start early in 2020. The Service has identified the assets listed in Appendix 1 as being in areas in which an evidenced need for affordable housing has already been established.
- 2.2 In consequence of the above, the Head of Housing and Community Development has approached the Head of Property, Planning and Public Protection and expressed an interest in acquiring the freehold of the sites listed in Appendix 1, indicating that the Housing Service would be willing and able to pay Market Value for the sites.

- 2.3 Subject to approval, it is proposed that the sites listed are transferred to the Housing Service prior to 31st March 2020. Transfer of these sites and the associated payments by the Housing Service will secure capital receipts for the Council of £3.745m by transferring the assets from the property team (core budget) to the Housing Service (ring fenced housing budget).
- 2.4 The transfer will also help the Housing Service fulfil the Council's Vision 2025 objective of providing up to 250 new homes by 2023 to meet the growing need for affordable housing and bolster the sustainability of the Council's role as the provider of one in ten of all homes in Powys.

3. Advice

- 3.1 It is recommended that the sites identified in Appendix 1 are transferred to the Housing Service at Market Value. This is with the exception of Site 9 which will need to be transferred at slightly under Market Value due to the considerable abnormal development costs inherent in the site.
- 3.2 Acting on instructions from Housing Service colleagues, Property officers have commissioned District Valuer Services (DVS) to provide independent Valuation Reports on each of the identified sites. The Market Value attributed to each of those sites is also set out in Appendix 1.
- 3.3 The Housing Service will develop the sites for affordable housing with any unutilised land disposed of on the open market and reinvested in the Housing Service.
- 3.4 The proposal outlined above aligns with Vision 2025 and supports the Council's stated priority to develop a vibrant economy, particularly with regard to the construction industry and the drive to increase the number of new homes to meet the Council's needs. The proposal also helps to ensure that the Council's capital income targets are met.
- 3.5 In reaching the above recommendation the following options were considered.
 - 3.5.1 Option 1: Transferring to the Council's Housing Service at Market Value. By transferring to the Housing Service, the County Council will be ensuring timely development of the various sites to assist it in meeting its housing priorities rather than to private developers who may simply "bank" the land and defer development until market conditions are more favourable. This option also ensures that the Council will receive timely, agreed capital receipts at Market Value for its assets, with no lengthy marketing period, saving internal resources and costs.
 - 3.5.2 Option 2: Placing the land on the open market for general sale. This option takes away the exclusive opportunity provided for the Council's Housing Service in Option 1 above, to secure sites in

advance of general marketing but at Market Value. This option may mean sites remain on the market for some time before sales are agreed, that values are less than recommended in this report and it may also mean that developers will acquire the sites and opt to “land-bank” them, frustrating the supply of new housing in areas where it is needed most urgently.

- 3.5.3 Option 1 is the preferred option, which will ensure Market Value is obtained at the earliest possible opportunity and, as an internal Transfer at Value that receipts are obtained in a timely manner. This option will also ensure that the Council is able to fully align itself with Vision 2025, and in particular the objective of providing up to 250 new homes to meet the county’s housing needs.

4. Resource Implications

- 4.1 Purchase of the sites detailed in Appendix 1 will be funded from the Housing Services’ New Build budget, part of the Housing Revenue Account (HRA). Funding of the capital elements of HRA Business Plan, which includes new build homes, is made up of a mix of borrowing, capital receipts and accumulated reserves.
- 4.2 The total cost to the HRA of the transfers is £3.745m. This will be funded by prudential borrowing. The available budget for the New Build programme is £3.875m in 2019/20. A payment of £3.745m will leave £0.130m for the remainder of the year which is not sufficient to cover remaining expenditure on the New Build Programme in 2019/20, with works on-site expected to start in March. It is therefore recommended that £1m is re-profiled from 2020/21 to provide the necessary financial capacity in 2019/20 to avoid the risk of delays to the start of construction work. This will also cover the expenditure required for a number of existing properties which the Housing Service wishes to purchase.
- 4.3 The costs and income of the New Build programme, taking into account not only the cost of construction but also ongoing maintenance and the rent that will be generated by the new properties, are included within individual scheme appraisals undertaken by Housing Service and Finance Team colleagues for each development. These appraisals also take into account the full cost of sites acquired to allow schemes to progress to completion.
- 4.4. Taken together as part of the overall New Build programme, developing the sites included in this report is viable and sustainable within the overall financial scope of the HRA Business Plan. This includes the innovative schemes within the programme which are taking forward new technologies to reduce domestic energy needs.
- 4.5 The cost of the transfer of assets recommended in this report has therefore been accounted for in the calculations made as part of the work to complete the next iteration of the Thirty Year HRA Business Plan. This

will be completed before 31st March 2020 and will cover the thirty year period commencing in 2020/21. The Business Plan is submitted at the end of March each year to the Welsh Government for review, providing an additional measure of reassurance about its viability and sustainability.

- 4.6 Project Officers will make applications to the Welsh Government at the appropriate stages to secure the grant funding requested and expected within the current rules governing the payment of such support. This provides further financial reassurance about the sustainability of New Build programme and, in turn, the HRA.
- 4.7 Each scheme will be reviewed once the tender prices are received. If a scheme faces viability challenges between the acquisition or the transfer of assets and construction then the scheme will be subject to a range of actions to reduce costs and increase income and so return the overall scheme to viability. These include intensive value engineering, review of design and specifications, review of the property types being constructed, amended tenure mix to include market properties to allow for cross subsidy of affordable homes and re-tendering. If it is not possible to make a scheme viable, any assets acquired will be disposed of on the open market and the income so generated returned to the HRA. This will allow scope to promptly take advantage of any future development opportunities that may arise which will allow the Council to meet the housing needs of Powys.
- 4.8 The Head of Finance, Section 151 Officer notes the information provided in Section 4 of the report and can support the proposal based on its content.

5. Legal implications

- 5.1 Legal Services comment: “having reviewed the titles and conducted local searches as against each of the relevant properties, provided the matters highlighted in the individual business cases for each of the properties as detailed at Appendix 1 herein have been addressed, then there is nothing further to add as far as the legal ramifications of the transfers are concerned. Regard has been had to the Land Transaction Tax implications and it is noted that such transactions should be exempt on the basis that they are property transfers that are intra-public sector body transfers. Advice should be sought from an external advisor if this requires further consideration.”
- 5.2 The Head of Legal and Democratic Services (Monitoring Officer) has commented as follows: “I note the legal comment and have nothing to add to the report”.

6. Comment from local member(s)

6.1 The proposed transfer impacts directly on nine electoral divisions, and the local member for each of those wards has been contacted for a comment regarding the proposal. Their comments are summarised below:-

6.1.1 Site 1: Cllr Jon Williams – I would support the transfer of the land to the rear of Arlais Day Centre to Housing as long as any development would meet the needs of the town and would not impact on the day centre building or area.

6.1.2 Site 2: Cllr Kath Roberts-Jones – supports the transfer of land to enable development of affordable housing.

6.1.3 Site 3: Cllr Lucy Roberts – supports the transfer of land to enable development of affordable housing.

6.1.4 Site 4: Cllr Michael Jones – *comment requested*.

6.1.5 Site 5: Cllr Karen Laurie-Parry – I do approve and support truly affordable and social housing in Bronllys, but with the provisos I have previously outlined.

6.1.6 Site 6: Cllr William Powell – I support the transfer of the site of the former Talgarth CP School, including School Field and the Victorian School, (also known as the former Youth and Community Centre) to the PCC Housing Service.

6.1.7 Site 7: Cllr John Morris – I am 100% supportive of the transfer and future development of housing.

6.1.8 Site 8: Cllr James Evans – has been informed of the proposed transfer of land but declined to comment due to his position as a cabinet member and decision-maker.

6.1.9 Site 9: Cllr David Selby – I confirm that I believe that the Robert Owen site is suitable for affordable housing and support the transfer of land.

7. Integrated Impact Assessment

7.1 An Impact Assessment is not required.

8. Impact on Other Services

8.1 The recommendation will impact on the Property, Planning and Public Protection Service: County Farm Estate – Sites 2, 3, 4, and 7.

- 8.2 The Farm Estate Manager comments that the inclusion of the land at sites 2, 3 & 4 will mean the Council sees a reduction in annual revenue income of approximately £1,000. The loss of the land will not generally impact on the viability of the retained holdings the land will be taken from, although new housing development on site 4 will complicate the future of the retained holding as a working farm.
- 8.3 With regard to site 7, the County Farm Estate will see an annual revenue reduction of approximately £650, but clearly its transfer to the Housing Service will generate a significant capital receipt for the Council in this period of continuing austerity. It is also noted that the Portfolio Holder for Farms and Council Leader Cllr Rosemarie Harris has confirmed her agreement for the land to be declared surplus in order to enable the identified Housing need to be met.

9. Recommendation

- 9.1 It is recommended that the sites listed in Appendix 1 are transferred to the Housing Revenue Account at Market Value, such value having been determined by the independent District Valuer Services (DVS).
- 9.2 The New Build budget profile is amended to increase the budget in 2019/20 by £1m.
- 9.3 The reason for the recommendation is to ensure that the Housing Service is able to progress its objective of delivering new affordable housing to residents of Powys in a timely manner, in accordance with the Vision 2025.
- 9.4 The transfer of the sites at the independently assessed Market Value will ensure that the Council is receiving maximum value for its land holdings without the need for lengthy marketing to be undertaken.

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