
A separate report is submitted in the private part of the agenda in respect of this item, as it contains details of financial information required to be kept private in accordance with Schedule 12A of the Local Government Act 1972. The grounds for privacy are that it refers to the identity, financial and business affairs of an organisation and the amount of expenditure proposed to be incurred by the Council under a particular contract for the supply of goods or services.

Cabinet

26th November 2015

Name of Cabinet Member:

Cabinet Member for Business, Enterprise and Employment – Councillor Maton

Director Approving Submission of the report:

Executive Director of Place

Ward(s) affected:

City Wide

Title:

Partnership working with Whitefriars Housing Group Limited

Is this a key decision?

Yes – as the proposals within the report have financial implications in excess of £1m and could have a significant impact on businesses or residents living in more than two wards within the City.

Executive Summary:

The report sets out proposals to dispose of land interests to the Whitefriars Housing Group Limited “Whitefriars” for the development of up to 131 houses.

The identified Council land adjoins existing Whitefriars holdings and the amalgamation of these interests will see the delivery of affordable housing.

The Council will receive Market Value for the land in accordance with Section 123 of the Local Government Act 1972 and all development costs for the 131 houses will be incurred by Whitefriars.

In a parallel to the proposal, Whitefriars have identified garage infill sites within their portfolio that potentially could accommodate up to 120 houses.

The venture will secure a commercial return for the Council for its land interests, the development of up to 251 new homes which will in the main be affordable housing, the stimulation of economic activity in the local areas and through Whitefriars, apprenticeships and training opportunities

Recommendations:

Cabinet is recommended to:

- (1) Agree the principle and purpose of contractual arrangements with Whitefriars Housing Group Limited and delegate authority to Executive Director of Resources and Executive Director of Place, in consultation with the Cabinet Member for Business, Enterprise and Employment and Cabinet Member for Strategic Finance and Resources for any subsequent variation in terms or new requirements to give effect to the disposals.
- (2) Approve that the identified Council sites be released for the benefit of the project subject to securing Market Value for the land.
- (3) Encourage the development of family houses on garage infill land with a subsidy subject to Whitefriars securing HCA funding.

List of Appendices included:

Appendix 1 -Option table

Appendix 2 – Matrix timetable

Other useful background papers:

None

Has it been or will it be considered by Scrutiny?

No

Has it been or will it be considered by any other Council Committee, Advisory Panel or other body?

No

Will this report go to Council?

No

1. Context (or background)

- 1.1 A press article was published in the Coventry Telegraph on the 29th November 2014 which reported that the Council may allocate up to £15million to create new affordable housing. In January 2015, officers were requested to explore options for the delivery of new housing development to address the shortfall of affordable family homes.
- 1.2 The Council no longer has any housing stock since Whitefriars was formed in 2000 and the housing stock was transferred and therefore cannot directly intervene to resolve local housing needs.
- 1.3 Officers from the Resources and Place Directorates investigated the options and appropriate models for how new housing could be delivered and considered alternatives by other local authorities. The work identified the following broad options:-
- Wholly owned company
 - Community Interest Company
 - Joint Venture/land disposal
 - Private Finance Initiative (PFI)
- 1.4 The advantages and disadvantages of these options are summarised in the table attached at Appendix 1
- 1.5 Officers conducted informal soft market testing with a number of local registered housing providers to assess the appetite for partnership working. The opportunities put forward to the Council identified that the Council could :-
- Subsidise affordable housing in the City through the provision of loans to the partner
 - Use of Council land at a discounted rate or gifted at nil value to enable delivery of new housing
 - Where the registered housing provider has adjoining land interests, the sites could be amalgamated to maximise the delivery of new housing
 - The offer that if the Council were to put sites into a joint arrangement, the other land owner would reciprocate and include their own sites with the Council entitled to receive a future share of any profit/revenue
- 1.6 In light of the current financial climate and the opportunities discussed, certain proposals required significant investment and risk. To minimise risk and ensure that the Council obtained best value under S123 of the Local Government Act 1972, the preferred method to explore was disposal of Council land to the registered housing provider to bring about amalgamation of adjoining land interests in order to maximise the delivery of new housing.
- 1.7 Whitefriars approached the Council and identified a selection of sites which adjoined Council land holdings. It became apparent that to maximise the potential of the selected sites, amalgamation of land ownerships through disposal by the Council would be beneficial.

2. Options considered and recommended proposal

2.1 Land disposal to Whitefriars

2.1.1 From discussions with the market, it became apparent that a land disposal arrangement with Whitefriars would be the most viable option for the Council. Following discussions with Whitefriars it was agreed that they are prepared to undertake the following:-

- to bring forward schemes at their own design, funding and specification to the sites as detailed on the attached Matrix at Appendix 2 to provide up to 131 houses which are mainly affordable over a five year period on sites owned by Whitefriars and Council sites to be sold to Whitefriars.
- All development costs will be incurred by Whitefriars for the development of the 131 houses (with the exception of the garage infill sites).
- The disposal of the Council interests in land will be assessed independently by the District Valuer at a Market Value and in accordance with Section 123 of the Local Government Act 1972.
- Negotiations are currently on-going with Whitefriars to refine and confirm these principal aims and objectives.

2.1.2 In addition to the proposed homes outlined on the attached Matrix, Whitefriars have identified twenty six garage infill sites that potentially could accommodate 120 homes. As these sites are uneconomical to develop due to size and the lack of opportunity for scales of economies regarding cost, Whitefriars has requested that the Council contributes a subsidy however this is subject to Whitefriars securing Homes Communities Agency (HCA) funding.

2.1.3 The financial contribution will be budgeted over a **five** year period but subject to a yearly threshold over the financial year. The funds could be sought from S106 commuted sums, new homes bonus, recycled capital receipts from the land disposals to Whitefriars. This contribution is proposed subject to further legal advice

2.1.4 With regard to the garage infill units developed with a Council contribution, the intention is to target the priority cases as identified in the Homefinder list and allocate these homes for local need.

2.1.5 The sites that have been identified for this project as per the Matrix can only be developed to their full potential through this land disposal programme with Whitefriars, given that some of the projects require land currently owned by Whitefriars in order to be developed. Sites such as Gerard Avenue cannot be developed as Whitefriars have control of the access into the Council's site via a ransom strip

2.1.6 The governance and structure of the proposed arrangement with Whitefriars is to be documented in a Memorandum of Understanding currently being negotiated. It is envisaged that any development proposals will be submitted initially to a Project Board, where officers from both the Council and Whitefriars will sit. The Council and Whitefriars deliberately have equal weighting on the project board, with neither having a casting vote. The aim of the Project Board will be to confirm that the Whitefriars proposal is viable. If an individual proposal is approved by the Project Board, Whitefriars will enter into an option agreement for the relevant site and thereafter submit a planning application. The Market Value of the land is to be agreed and established by the District Valuer. Completion of the sale of the land will generally be conditional on the grant of planning permission however with the disposal of Wisteria Lodge it has been agreed to defer the capital receipt until the homes have been sold.

2.2 Decline the Offer of Collaborative working with Whitefriars

- 2.2.1 If we decline the proposal to dispose of Council land to Whitefriars or are unable to proceed, this opportunity to provide new affordable housing targeting priority need and addressing housing problems will be lost. The Council may be able to dispose of some of its sites for which it does not require Whitefriars adjoining land to develop on an individual basis.
- 2.2.2 If the amalgamated sites were not brought forward, it has been estimated that only 49 homes could be developed without the proposed arrangement with Whitefriars.

2.3 Seek a Partner

- 2.3.1 The Council could approach the marketplace to seek expressions of interest for a housing joint venture. If the Council requires control over the content and delivery of the scheme, that this option is the recommended route in order to comply with EU procurement law. When we previously undertook soft market testing with potential partners, the outcomes stated as per paragraph 1.5, there was substantial financial dependency on the Council through loans, grants and land disposals at nil value. Some of the partners did not have any or lacked substantial land holdings in Coventry that could be brought into a collaborative arrangement. Therefore the Council may have substantial risk and exposure either through funding or land commitments at a discounted or nil value.

2.4 Wholly owned Council Company

- 2.4.1 A Council owned company could be established however as per the disadvantages outlined in appendix 1 there would be cost implications as the Council would have to form a new development/management team to construct and manage the new houses. With the recent Government announcements over Right to Buy purchases the stock/asset would be at an on-going risk of depletion.

2.5 Recommendation

- 2.5.1 It is recommended that the Council enters into land disposal arrangements with Whitefriars Housing Group.

3. Results of consultation undertaken

- 3.1 As part of the planning process, Whitefriars Housing Group will have to submit planning applications for each individual residential scheme as detailed on the Matrix as per Appendix 2. As per the planning process, adjoining occupiers/neighbours will be consulted by the planning department and Whitefriars who will also have to undertake consultation with the local community.

4. Timetable for implementing this decision

- 4.1 Providing Cabinet approval is secured, the indicative timetable shown in the Matrix as per Appendix 2 which outlines key milestones for the project with Whitefriars Housing Association.

5. Comments from Executive Director of Resources

5.1 Financial implications

The land disposals to Whitefriars would seek to build up to 131 homes in Coventry. These houses would require no additional funding from the Council. In addition to these houses Whitefriars have identified twenty six garage infill sites that potentially could accommodate up to 120 further homes. These sites are uneconomical to develop and Whitefriars have requested a Council contribution in addition to the HCA contribution. If the Council contributes, it is expected that these homes will be allocated for family dwellings and allocated for priority cases as identified in the Homefinder list. These would only be progressed if the Council was willing to fund the contribution.

For non-garage sites, the Council will receive a capital receipt. The sites will be independently valued and if the payment of the capital receipt is deferred by Whitefriars, any interest earned, the benefit will be paid to the Council.

Section 106 monies have been identified to contribute towards the development of the garage sites. The total contribution required from the Council will be spread over an agreed period of time, with the section 106 monies being applied first and then deferred capital receipts later if deemed necessary.

The report does not require any additional capital or revenue funds above the agreed sum per house on garage sites which will be generated from either identified Section 106 monies or from deferred capital receipts.

5.2 Legal implications

The Council and Whitefriars will enter into a Memorandum of Understanding. Supporting that document will be a series of option agreements that will be entered into when the Project Board is satisfied with the proposal for each site. This necessary documentation is currently being negotiated and will need to be in satisfactory structure and one that complies with Section 123 of the Local Government Act 1972.

6. Other implications

6.1 How will this contribute to the Council's priorities?

The proposal if implemented by Whitefriars will contribute towards the Council's objectives such as the provision of new affordable housing and capital receipts that will contribute towards corporate resources.

6.2 How is risk being managed?

As part of the proposal, if Whitefriars fail to perform its obligations and reach certain milestones as set out in the matrix (which is currently in negotiation), the Council will have the ability to terminate the Memorandum of Understanding and any option agreements which have been granted, but not exercised.

6.3 What is the impact on the organisation

Officer time in Resources Directorate will be allocated to deal with the preparation and completion of the legal documentation for each identified site.

6.4 Equalities / EIA

An equality impact assessment has not been undertaken by officers as the proposal set out in this report related to the granting of or the creation of a legal interest in the land and does not constitute a change in service delivery policy or the exercise of a public function

6.5 Implications for (or impact on) the environment

The impact will be positive as the dwellings will be designed to current building regulations.

6.6 Implications for partner organisations?

There are no partner implications

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Appendices