

MID SUFFOLK DISTRICT COUNCIL

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| COMMITTEE: CABINET | REPORT NUMBER: MCa/22/27 |
| FROM: Cllr Lavinia Hadingham Cabinet Member for Housing Cllr Peter Gould Cabinet Member for Assets & Investments | DATE OF MEETING: 7 November 2022 |
| OFFICER: Holly Brett Corporate Manager – Councils' Companies | KEY DECISION REF NO. CAB391 |

ELMSWELL EXEMPLAR HOUSING SCHEME

1. PURPOSE OF REPORT

- 1.1 This report provides an update of the work carried out to date to establish whether an exemplar low carbon housing scheme could be delivered on the Housing Revenue Account land at Church Road, Elmswell.
- 1.2 This report reviews the options available at this time to progress the scheme and recommends option 1 is progressed; appointing Mid Suffolk Growth Limited to deliver the scheme on behalf of the Council.
- 1.3 This report seeks agreement to release capital included within the capital programme of the Medium-Term Financial Strategy, to deliver the open market homes element of the scheme.

2. OPTIONS CONSIDERED

The options that have been considered are: -

- 2.1 **Option 1 – Appoint Mid Suffolk Growth Limited (MSGSL) to deliver a market and affordable housing scheme.**

Initial design and feasibility work has been undertaken by the design team within MSGSL to establish whether an exemplar low carbon scheme could be delivered on the site at Church Road in Elmswell. MSGSL were provided with a brief from Housing seeking an updated view on a previous masterplan for the site, to bring the design in line with the Council's aspirations for exemplar low carbon homes and sustainable place making through the Council's own developments.

The initial design work has concluded that an exemplar scheme of circa 50 homes is achievable and would deliver new affordable and market housing that showcases the Council's new design guide and specification, providing high quality sustainable new homes for residents. There is need for affordable homes within Elmswell, this is a large site, so it is appropriate to have a balance of tenures, using affordable rented,

affordable home ownership properties and market homes to deliver a sustainable scheme and community.

By entering into a Development Agreement with MSGL to deliver the scheme the Council will have access to the technical and professional design team required to progress the scheme through design, planning and ultimately to delivery.

The scheme will be funded partly through the General Fund (GF) and partly through the Housing Revenue Account (HRA).

There is £7m within the GF MTFS capital programme for the market housing element of the scheme, and £7m within the HRA capital programme for the affordable homes.

The market homes will be profit generating which will enable those funds to be reinvested across the district, it is anticipated the market homes will deliver circa 5% profit overall.

The affordable homes will be delivered in line with the updated Affordable Housing Strategy.

MSGL was set up to enable the Council to deliver more new housing in line with the aspirations of the Council on the type of new homes they wish to deliver, in this case an exemplar low carbons scheme. Other partners may not wish to develop this scheme to this high standard, favouring a higher profit margin, so MSGL is the preferred delivery option for this scheme.

Appendix A shows the site location

Appendix B shows the artist impression of how the site could look once completed

2.2 Option 2 – Disposal of the Land

This land is owned by the Housing Revenue Account (HRA) and therefore it has a primary function to deliver new homes.

In some circumstances HRA land can be disposed of on the open market, this would have to be approved by the Secretary of State.

Land would have to be defined as being “surplus” meaning that it is not required to deliver more homes or is not capable of delivering homes.

As the land is suitable for housing, and in an area that has demand for new homes, the land is not deemed to be surplus, and therefore it is not appropriate to dispose of the land to be used for other purposes.

Elmswell is a sustainable location for both market and affordable homes with good transport links and local amenities. Part of the design work will be to establish with Strategic Housing an appropriate mix of tenure based on current data available at that time.

2.3 Option 3 – Do Nothing

This is not a viable option. The land can support a low carbon exemplar scheme that will enhance the local area and provide much needed homes as well as offering a unique offer to the market in terms of high-quality low carbon homes with special attention to place making design and integration into the existing settlement

The recommended option to enable housing delivery is Option 1. This will deliver high quality low carbon homes and support the delivery of Mid Suffolk's newly adopted design guide and support further housing delivery within the district

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| <p>3. RECOMMENDATIONS</p> <p>That Cabinet: -</p> <p>3.1 Approves option 1 namely to appoint Mid Suffolk Growth Limited (MSGL) to deliver the scheme on behalf of the Council for the market and affordable units</p> <p>3.2 Delegates the negotiation and conclusion of the Development and Funding Agreements to the Deputy CEO, the Section 151 Officer, and Portfolio Holder for Asset and Investment</p> <p>3.3 Approves delivery of the affordable housing on site in accordance with the Affordable Housing Strategy and in consultation with the Housing Portfolio</p> <p>3.4 Approves the use of the capital funding within the MTFs for the delivery of the market homes</p> |
| <p>REASON FOR DECISION</p> <p>To enable and support the delivery of housing within the district and support the Council's aspiration to deliver low carbon homes to meet the targets set out in the Carbon Reduction Management Plan</p> |
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4. KEY INFORMATION

- 4.1 In 2018 the Council commissioned a high-level masterplan for the land at Church Road, in 2021 MSGL were appointed on a consultancy basis to review the existing masterplan, and establish whether an exemplar sustainable, low carbon scheme could be achieved that was viable.
- 4.2 This work was concluded in early 2022 and demonstrated that a fifty-unit scheme could be delivered that will showcase the Council's low carbon ambitions and would provide market leading new homes in the district that are truly sustainable.

- 4.3 The development will include areas of open space, biodiversity friendly planting areas, increased walking and cycling routes, rainwater collection, community gardens and will seek to integrate into the existing community by utilising the site characteristics and being respectful of the existing homes in the area.
- 4.4 The design will evolve as engagement with the local community, the local planning authority, and other key stakeholders progresses.
- 4.5 Mid Suffolk Growth Limited (MSGSL) was set up in 2019 with the purpose of increasing housing delivery in the district on behalf of the Council.
- 4.6 By entering into a Development Agreement with Mid Suffolk Growth Limited the Council will benefit from the expertise of the design and delivery team that has delivered a successful scheme at the Needham Market, former HQ site. The same structure was used on this scheme and delivered a high-quality market leading scheme that delivered financial returns to the Council, high quality market homes and new affordable housing for the council. The development that has been very well received.

5. LINKS TO JOINT CORPORATE PLAN

- 5.1 The development of land at Church Road supports the joint corporate plan by delivering new homes and supporting the low carbon agenda.

6. FINANCIAL IMPLICATIONS

- 6.1 The delivery of the scheme in terms of design costs and construction cost has been forecast using current rates. Build costs are increasing in the current market so there is the potential for additional funds to be required.
- 6.2 The General Fund will fund market homes and the HRA the affordable homes. The funding for the market homes will take the form of a loan to MSGSL from the Council. The Council will loan the company funds at 2% above the base rate in line with current funding arrangements. The funding has been approved in the capital programme. There will be a Funding Agreement in place for this lending and the peak debt threshold agreed as the scheme progresses to a sufficient level of technical information to inform this.
- 6.3 There is the opportunity to use Right to Buy receipts to fund some of the affordable housing costs. The apportionment of this will be included as part of the iterative viability work as the scheme progresses, in line with the Affordable Homes Strategy.
- 6.4 Potential grant funding opportunities will be investigated should they become available, and if the scheme is eligible the capital funding profile may change.
- 6.5 The delivery of the Elmswell scheme requires total funding of approx. £15.2M over the phasing of the scheme's development. The total anticipated income

for the scheme is c.£16M with an estimated return on investment of c.£800k for MSDC as shareholder of Mid Suffolk Growth.

6.6 Table 1 – Total Development Funding (MID Suffolk Growth)

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| Total Development Funding (estimated) | |
| Income | £16,000,000 |
| Costs * | £15,200,000 |
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| Total return on investment | £800,000 |
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| Shareholder return/land receipt MSDC | £800,000 |
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* Costs include £1.2m contingency and £545k CIL/106 contribution

These costs are subject to design development and tenure being agreed once consultation has been completed, there may be variations to the figures.

6.7 Table 2 – Capital Funding requirement

| Capital Funding | Total |
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| Market Housing Development – total funding required (peak not yet available) | £7 M |
| Affordable Housing | £7 M |
| Total | £14 M |

The market housing will be funded by way of a loan from the Council to MSGL. The Council will benefit from interest payments from MSGL totalling c.£415K over the 2.5yr period. This interest is a development cost and if the scheme fails to make a profit will need to be absorbed by the Council.

As the scheme design progresses and cost certainty is refined the peak debt figure will be agreed with the council meaning that the interest income figure to the council may change. There are also other income benefits to the public purse from the development such as CIL/106 funds, council tax income and new homes bonus

7. LEGAL IMPLICATIONS

7.1 The Council will enter into development and facility agreements with Mid Suffolk Growth Limited. Mid Suffolk Growth Limited is a Joint Venture (Teckal compliant) company between Mid Suffolk District Council and Norse Group whereby 80% of Mid Suffolk Growth Limited's work is for Mid Suffolk Council, which retains strategic influence and control over Mid Suffolk Growth Limited and in which there is no direct private equity.

7.2 The development of the land at Church Road is to be fully funded by Mid Suffolk District Council and any capital receipts will be retained by the Council. The objective of the development agreement is to deliver the

development without incurring any losses. The development agreement can be terminated by the Council subject to all outstanding costs being paid.

8. RISK MANAGEMENT

8.1 Key risks are set out below:

| Risk Description | Likelihood | Impact | Score | Mitigation Measures |
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| If we didn't explore fully the development options for the site, and other sites, the Council may not achieve the best economic, social and financial outcomes. | (2) | (2) | (4) | The recommended option will deliver high quality housing, in the most timely manner now that the scheme is in a position to be progressed |
| Other project risks: | | | | |
| Continued construction cost inflation | (2) | (3) | (6) | Progress scheme in phases and review each phase and market prior to progressing. Phases to be tendered separately. |
| There is a market downturn which means that the viability position is altered for the project. | (2) | (3) | 6 | The Council could consider holding properties for private rent whilst the market recovers if required |
| The scheme may not achieve planning consent to enable the | (2) | (3) | 6 | Thorough engagement with all stakeholders throughout the |

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| delivery of the scheme | | | | design and planning process |
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9. CONSULTATIONS

- 9.1 The progress on the initial design of the scheme and emerging preferred option has been consulted on with the Portfolio Holder for Housing, the Leader, the Shadow Portfolio Holder for Housing, Ward Cllrs, the Portfolio Holder for Asset and Investment and the Parish Council. This is in advance of formal pre planning consultation and engagement with the public.
- 9.2 The approach that is being recommended within this report has been consulted on with the board members of Mid Suffolk Growth Limited.

10. EQUALITY ANALYSIS

- 10.1 Equality Impact Assessment (EIA) is not required as there are no equality issues arising from the contents of this report and the recommendations.

11. ENVIRONMENTAL IMPLICATIONS

- 11.1 The recommended option allows the Council to take control of environmental factors in the design and build of the proposed new housing and development facilities within the district.
- 11.2 The scheme will be delivered to reflect the Councils new design guide and technical specification which is centred on a low carbon approach and ensuring homes are truly affordable and sustainable.
- 11.3 The key design goals of this scheme are:
- People and nature first: Minimising disruptive vehicular routes and maximise pedestrian and cycle routes, approaching the parking stage as something than can be easily adapted in the future
 - Improve green infrastructure: Use existing green space and connect them with “green movement spine” retaining existing trees where possible and links to wider green infrastructure
 - Use orientation and volume wisely: Maximise terraced and semi-detached houses as well as solar gains by using correct orientation. Position larger house types in the centre and smaller units to the edges to minimise impact on the neighbouring properties
 - Respect local neighbours: Position new homes taking into consideration overlooking zones. Where possible position gardens and parking areas to make spaces feel more open for existing neighbours. Offer the use of shared play areas/allotments to neighbouring properties to create a wider community feel

- Respect local architecture and materiality: Take into consideration existing materiality and Elmswell heritage. Prioritise “fabric first” approach; buildings should be functional, healthy and sustainable. Use technologies that could benefit local neighbours; electrical charging points, scoot/bike hire stations
- Future proof: Create a design model that is nature inspired, semi-autonomous and community centric, in the future car parking areas could be modified to create community uses and shared surface access road could become cycle and pedestrian zones.

12. APPENDICES

| Title | Location |
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| (A) Site location plan | In report |
| (B) High Level site visuals | In report |
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APPENDIX A

SITE LOCATION PLAN



APPENDIX B

HIGH LEVEL SITE VISUALS

4.0 PROPOSED DEVELOPMENT

4.8 Street View 1

See page 25 for location



4.8 Street View 2

See page 25 for location



4.8 Street View 3
See page 25 for location

