

Report For:	Cabinet
Date of Meeting:	Cabinet 4 February 2019
Part:	Part 1 - Open Report with Part 2 Appendices
If Part 2, reason:	Para 3 - Information about the financial or business affairs of any particular person (including the authority holding that information).

SUMMARY	
Title of Report:	Ashwells Infrastructure and Disposal as Serviced Sites
Cabinet Member: Officer Contact: Direct Dial: Email:	Councillor Steve Broadbent Charles Brocklehurst 01494 421280 charles.brocklehurst@wycombe.gov.uk
Ward affected:	Tylers Green & Loudwater
Reason for the Decision:	<p>The Cabinet approval for the Ashwells project, dated 18th December 2017, recommended validation of assumptions in the Outline Business Case before committing to invest. The proposed scheme has reached this 'gateway'.</p> <p>Approval is required to enter into a Grant Agreement with Homes England; to release the allocation in the Capital Programme to fund infrastructure works; and to provide delegation to enter into infrastructure construction contracts.</p>
Proposed Decision:	<p>That Cabinet agree:</p> <ul style="list-style-type: none"> (i) to accept the Local Authority Accelerated Construction ('LAAC') grant offer from Homes England; (ii) to implement on-site infrastructure; (iii) to dispose of serviced sites, including custom-build and self-build plots; (iv) to undertake off-site road improvements; and (v) to procure and enter into construction contracts for (ii) and (iv); and (vi) to delegate authority to the Corporate Director, in consultation with the Head of Finance and the Major Projects Executive, to agree terms for and enter into contracts for (iii), (iv) and (v) above.

<p>Sustainable Community Strategy/Council Priorities - Implications</p>	<p>Risk: Until the planning application is determined and Sn 106 is agreed there remains a planning risk. Infrastructure works carry some construction cost risk and are subject to ground investigation and utilities survey (medium pressure gas main depth an issue). End sales values and take up of serviced sites are subject to the state of the residential market.</p> <p>Health & Safety: The project team includes a Principal Designer with responsibility for Health & Safety requirements.</p>
<p>Monitoring Officer/ S.151 Officer Comments</p>	<p>Monitoring Officer: Legal comments have been set out within the report.</p> <p>S.151 Officer: The recommendations within the report and the proposed realisable values are consistent with the anticipated capital receipt included within the 2019/20 budget proposals.</p>
<p>Consultees:</p>	<p>Public consultation took place prior to the planning application being submitted.</p>
<p>Options:</p>	<p>The December 2017 Cabinet report set out three options:</p> <ol style="list-style-type: none"> 1. To dispose as a whole, conditional upon planning consent 2. To dispose as a whole, with planning consent 3. To sub-divide the site, by constructing on-site infrastructure <p>Cabinet approved the third option – the projected sum of the parts being more than the whole, net of infrastructure costs. This should have the added benefit of speeding up the delivery of new homes (multiple builders with a variety of house types / tenure mix boosting ‘absorption rate’) and better quality of control over design (as landowner, a design guide can be implemented). It will also enable some self-build and custom-build plots.</p> <p>However, it is now clear that the uplift in value of off-siting some of the affordable housing requirement will result in diminution of value of the off-site housing scheme (Bellfield). This is because Bellfield will be largely ‘Section 106 conditioned affordable’, so whatever housing association is secured to undertake the Bellfield scheme will be unlikely to secure Homes England Affordable Housing Programme Grant (because they</p>

	<p>expect the landowner to subsidise the affordable housing, by reduced land value, when it is planning conditioned). Hence the separate Cabinet report on a proposed below market value disposal of the Bellfield site.</p> <p>The diminution in the value of Bellfield is estimated to be less than the uplift in value of Ashwells (Bellfield will also provide 'additionality 'and affordable housing more relevant to housing need).</p>
Next Steps:	Conclude planning negotiations and obtain a planning consent / Sn. 106 Agreement. Meantime, progress detailed re-design of on-site infrastructure and procure the works. Complete a legal agreement with Homes England for their LAAC grant. Commence market testing for development partners.
Background Papers:	<p>Previous Cabinet reports</p> <p>Final Business Case held by Financial Services</p>
Abbreviations:	LAAC – Local Authority Accelerated Construction

Exempt appendices to this report are as follows:

- Exempt Appendix A - 18 December 2017 Cabinet Report
- Exempt Appendix B - Projected costs and returns spreadsheet

Detailed Report

1. In December 2017, Cabinet approved the proposed sub-division of the Ashwells site into serviced plots to maximise value, speed delivery and control quality. However, it was accepted that a Final Business Case would need to be reviewed once planning for the proposals had been progressed (because of property market and infrastructure cost uncertainties). Subsequently, a new project manager/QS was appointed, to refine estimated infrastructure costs. The principle of taking part of the scheme's affordable housing requirement off-site to gain additionality and more accessible homes, has been resolved, in principle. Determination of an outline planning application for the masterplan is awaited.

Background & Issues

2. The previous Cabinet report (see Appendices) approved the progression of a scheme to obtain planning permission with the intention of constructing on-site and off-site infrastructure, enabling the disposal of serviced sites (including some custom-build and self-build plots).

3. A planning application for 102 homes was submitted in January 2018, along with an application to Homes England for Accelerated Construction Fund monies. In August 2018, an offer was received as set out in Exempt Appendix B. It is conditional upon:
 - (i) Clawback, triggered when an agreed site realisation value is exceeded
 - (ii) Using 'Modern Methods of Construction'
 - (iii) Disposals structured to ensure compliance with (ii)
4. The sum for (i) has yet to be agreed, but for reasons of valuation imprecision, it is likely to be less than the full net realisation value, meaning that Homes England monies (now renamed Local Authority Accelerated Construction – 'LAAC') will be, in effect, a loan not a grant. Even so, better to use their monies to fund infrastructure than the Council's, for if the housing market were to stall, it will be Homes England monies locked up in the site, not the Council's cash. So the proposal is to conclude a formal LAAC agreement with Homes England.
5. There was uncertainty at the time of the December 2017 Cabinet report over the accuracy of the then estimated infrastructure costs. The original project manager / cost consultants have been replaced and a revised cost estimate is substantially less, as set out in Exempt Appendix B. However, the extent of on-site infrastructure to be constructed by the Council (as against that included within individual serviced sites) has yet to be determined, the aim being to further reduce the investment required.
6. The reduction in infrastructure costs goes some way towards mitigating a significant reduction in end sales values, as a result of the housing market dipping over the past 12 months and an uncertain outlook ahead. New external valuers (Knight Frank) re-appraised the Ashwells scheme in August 2018, attributing a lower value, than the internal estimate in November 2017, which at the time was considered to be optimistic, hence the previous recommendation to seek external assessment.
7. However, planning negotiations have now resulted in the proposed scheme now not being 'nil on site affordable'. This is because not all the affordable requirements can be accommodated within the Bellfield scheme, as was originally proposed (because it has to provide its own affordable element) – see separate Cabinet report.
8. As a result, about half of the Ashwells affordable requirement will now be provided on site. To mitigate the resultant diminution in land value, the opportunity has been taken to capitalise upon the Government's new requirement for at least 10% of affordable housing to be 'affordable for sale' (known as Discount Market Value – 'DMV'). In addition, proposed self-build and custom-build plots are to be counted as DMV (enabling larger households to acquire homes at cost rather than value). These units are not subject to affordable provision and neither they, nor the on-site affordable, will be subject to CIL. The effect on projected realisation value is therefore difficult to assess. An estimate is included in the Exempt Appendices.