

Agenda Item 6

Cabinet Member: Councillor Elizabeth Daly

Strategic Leadership Team Lead: Rachel O'Reilly

Author: Alison Wilks

Telephone: 01306 870645

Email: Alison.wilks@molevalley.gov.uk

Date: 24 November 2020

Ward(s) affected: Leatherhead North

Key Decision: Yes

SUBJECT: Kingston House Gardens, Leatherhead

Recommendation

Cabinet is recommended to approve the investment of £1,440,000 towards the development by Clarion Housing, to provide 16 affordable homes for social rent at Kingston House Gardens, Leatherhead.

The Cabinet has the authority to determine the Recommendation

Council Strategy Priority Outcomes

Community Wellbeing

Active communities and support for those who need it

- Support individuals and families by taking all reasonable steps to prevent them from becoming homeless, seeking to minimise disruption to education and employment.

The development of new affordable homes for social rent contributes to the Council's ongoing work to prevent and tackle homelessness and to the outcomes of the Homelessness Strategy 2015 to 2020 and Affordable Housing Strategy 2020 to 2025.

Environment

A highly attractive area with housing that meets local need

- Promote sustainable development that takes into account social, economic and environmental factors, including protection of the Green Belt.
- Encourage the creation of affordable housing to meet local needs and explore innovative methods of delivery.

Kingston House Gardens is a brownfield site and the redevelopment will achieve: efficient use of the land; provide homes built to a sustainability standard that results in a reduction in site-wide CO2 emissions of approximately 15% when measured against Part L2A 2013 Building Regulations; contribute to the local economy during the construction phase; and when completed accommodate local residents and workers on low incomes with homes for social rent and shared ownership.

The redevelopment will directly contribute to the Council's priority to develop affordable homes and the objective of the Affordable Housing Strategy to achieve an annual average of 50 affordable homes and where possible that these be for a cheaper social rent, making them available to a wider range of households on low incomes. Once the homes are completed households will be nominated from the Council's Housing Register.

Prosperity

A vibrant local economy with thriving towns and villages

Kingston House Gardens is adjacent to Leatherhead town centre and the redevelopment will contribute to the prosperity of the town and the Transform Leatherhead Strategy, both in the long term and during the construction phase as well as supporting the economic recovery following the pandemic.

Efficient land use will be achieved and instead of accommodating 50 people on the site the redevelopment will house up to 133 people, who will contribute to the economic prosperity of the town centre.

1.0 Background

- 1.1** Kingston House Gardens is an affordable housing scheme primarily for single people. It comprises of 40 units that can house a maximum of 50 people and predominantly provides studios for single people and a few one and two bedroom flats and bungalows.
- 1.2** The scheme was formerly owned by the Council and was originally designed for older people, but was changed to general needs housing before the development was sold to Clarion Housing's predecessor Housing Association through the Large Scale Voluntary Transfer in 2007.
- 1.3** Clarion has identified that this early 1960's development is of poor quality construction and as there were problems in letting vacancies, it decided that the site should be redeveloped. It has moved the majority of the tenants who were living at the scheme to better quality homes and provided them with the option to return, however, all tenants have chosen to move on a permanent basis.
- 1.4** On 14 June 2018, the Development Management Committee (MO/2018/0638) approved, subject to the completion of the section 106 agreement, the redevelopment of the site to replace the 40 poor quality units with a 100% affordable housing development, made up of 36 homes that will accommodate up to 133 people in homes for affordable rent and shared ownership. In keeping with the Council's planning policies 40% of the 36 (15) homes will be protected, once it is completed, by the section 106 agreement.
- 1.5** The breakdown of homes is given below.

Affordable Homes for Rent

8 x 3 bed house

2 x 2 bed flats

6 x 1 bed flats

16 Total

Shared ownership

8 x 3 bed houses

11 x 2 bed flats

1 x 1 bed flats

20 Total

- 1.6** The Council will have 100% nomination rights to the first let of the above homes and 75% thereafter. Nominations will be made to households on the Council's Housing Register that have been assessed as having a housing need and local connection to Mole Valley under the Council's published and approved Housing Allocations Scheme.
- 1.7** It was Clarion's intention to provide the rented homes for 'affordable rent' (an affordable rent is typically 80% of the market rent) and is able to fund these units and the shared ownership units without public subsidy. Clarion's funding will come from their capital reserves and by drawing down from their long term borrowing arrangements.
- 1.8** Homes England (the government agency providing public capital subsidy to housing associations) has confirmed that it will not allocate funding for the scheme to Clarion because there is not a net gain in the overall number of units on the redeveloped site.
- 1.9** Clarion has confirmed that it can provide the 16 rented units for 'social rent' (a social rent is typically cheaper at 60% of the market rent) in perpetuity if the Council is able to contribute a capital subsidy of £90,000 per unit. Grant is usually provided by this Council to housing association partners at between £60,000 and £90,000 per unit depending on the location and mix of property size to be made available for social rent. Clarion has explained, following negotiation, that the higher-end rate is required for this development. This is in order to achieve the long-term viability of the social rents (which are calculated over 30 years), for the 16 units which include 8 x 3 bedroom houses within this development, and due to the central Leatherhead location and higher than usual build costs because of the tight access and the sloping nature of the site.
- 1.10** Mole Valley District Council's grant would be made in order that these 16 units can remain at a social rent in perpetuity; it constitutes a subsidy to Clarion to reduce the rents from affordable rent (80% of market rent) to social rent (60% of market rent) so affording a further reduction of around 20% for the tenants. The total amount of grant required to provide 16 homes for social rent is £1,440,000 and can be met from the Council's ring-fenced capital budget for affordable homes.
- 1.11** Attached at Appendix 1 is the Affordable Housing Programme 2020 Onwards, which shows existing financial commitments for other affordable housing schemes.

2.0 Financial Implications

- 2.1** The £1.4m investment can be met from the Council's capital budget for affordable housing. Ring fenced capital from commuted sums for affordable housing collected from generally small site and retirement housing planning applications will be applied. These contributions must be spent within five years as required by the associated planning agreements. Taking account of this proposed investment and other approved capital commitments towards affordable housing shown in Appendix 1, a balance of £100,000 will remain in the pot and will be added to as new payments are

made from planning agreements of which there is about £1m to be paid over the next 12 months.

- 2.2** The grant would not be paid until practical completion of the scheme and as the scheme is yet to start on site this is not likely to occur until 2022/23 or 2023/24.

3.0 Legal Implications

- 3.1** The grant will be made available using the powers under Sections 24 and 25 of the Local Government Act 1988 and benefits from the European Commission's exemption for services of a general economic interest. It is not therefore subject to challenge under the regulations relating to State Aid.

- 3.2** The investment will be secured for the long term by a capital grant agreement and nominations agreement. Forty per cent of the affordable housing will be protected by the section 106 agreement attached to the planning application (once completed).

4.0 Risk Implications

- 4.1** Should the Cabinet decide not to fund the units for social rent at Kingston House Gardens, Clarion Housing intends to redevelop the site as a 100% affordable housing scheme providing shared ownership and affordable rented homes. The key risk is the lost opportunity to provide homes for social rent and achieve the objectives of the recently approved Affordable Housing Strategy 2020 to 2025.

5.0 Options

- 5.1** There are two options that the Cabinet is asked to consider

Option 1

Approve the investment of £1.4m with Clarion Housing towards the development of 16 affordable homes for social rent at Kingston House Gardens, Leatherhead.

Option 2

Do not approve the investment of £1.4m with Clarion Housing towards the development of 16 affordable homes for social rent at Kingston House Gardens, Leatherhead and Clarion will develop the units for affordable rent.

6.0 Corporate Implications

6.1 Monitoring Officer Commentary

The Monitoring confirms that all relevant legal implications have been taken into account.

7.0 S151 Officer Commentary

- 7.1** The S151 Officer confirms that all relevant financial implications have been taken into account.

8.0 Equalities Implications

- 8.1** The provision of social rented homes will ensure that they will be affordable and available to a larger number of people on low incomes. Homes at affordable rents

can be difficult to afford for those who are employed on a low wage if the rent allowance of their welfare benefit contribution does not cover their full rent.

9.0 Employment and Resource Implications

9.1 There are no employment or resource implications to this report.

10.0 Sustainability Issues

The Energy and Sustainability Statement submitted with Clarion's planning application for the scheme states that: CO2 emission savings are sought throughout the development and a low carbon approach for the design of the building's fabric and associated engineering system has been used to minimise energy use; high efficient gas fired combination boilers with flue gas heat recovery will provide the apartments with space heating and hot water; 12.5 kWp of roof mounted Photovoltaic (PV) panels will be provided to incorporate additional CO2 savings; and these measures result in a reduction in site-wide CO2 emissions of approximately 15% when measured against Part L2A 2013 Building Regulations.

11.0 Consultation

11.1 This report was considered by the Scrutiny Committee on 10 November 2020.

12.0 Communications

12.1 A press release had been prepared on this report.

13.0 Background Papers

- Affordable Housing Strategy 2020 to 2025
- Homelessness Strategy 2015 to 2020
- Transform Leatherhead <https://www.transformleatherhead.com/>
- Planning Application MO/2018/0638 Kingston House Gardens, Leatherhead, Surrey, KT22 7HL
- Email correspondence with Clarion Housing regarding the proposed capital grant funding for Kingston House Gardens.
- Energy and Sustainability Statement, Kingston House Gardens, November 2018 - Mendick Waring Ltd

Agenda Item 4, Appendix 1

MVDC Affordable Housing Development Programme from 2020/21 and Onwards

Registered Provider of Social Housing	Scheme Location	Number & Type of Units	Section 106 Site	MVDC Capital Grant	Progress
Clarion Housing	Middlemead Bookham	Phase 3 36 units - 2 social rent for returnee tenants. 14 x 2 bed houses, 2 x 3 bed houses and 4 x 4 bed houses affordable rent 10 x 3 bed houses and 4 x 2 bed houses shared ownership	No	No	46 post war Orlit non traditional construction houses that were not cost effective to refurbish were demolished to create the development site. Phases 1 and 2 are complete and provided 43 units. On site Completion November 2020 2 completed September 2020
Mount Green	Preston Cross Farm Bookham	10 units 2 x 2 bed houses, 1 x 1 bed house, 2 x 1 bed flats (one which is a mobility unit) for social rent 1 x 2 bed flat and 4 x 1 bed flats for shared ownership	Yes	£315,000	Completed April 2020
Heylo	Harpers House Challenge Court Leatherhead	6 units 6 x 2 bed flats for shared ownership	Yes	No	Completed October 2020 final sale

Mount Green	Tanners Meadow, Strood Green, Brockham	12 units 8 x 2 bed houses (2 x social rent and 6 x for shared ownership) 3 x 3 bed houses for social rent 1 x 4 bed house for social rent	Yes	£535,000	Start on site to be confirmed
Clarion Housing	Kingston House Gardens, Leatherhead	36 units 7 x 1 bed flats, 13 x 2 bedroom flats and 16 x 3 bedroom houses – 17 social rented homes and 19 shared ownership homes (detail tbc)	No	tbc	Start on site to be confirmed <i>The site currently has 40 units that accommodates 50 people and these units will be demolished in order for the new scheme to be built for 36 units that will accommodate 133 people</i>
Transform Housing and Support	Dorking & Leatherhead	2 x 1 bedroom flats existing property acquisitions – social rent	No	£80,000	Move on accommodation to free up spaces in supported accommodation. Acquisition also supported by Homes England Move On Fund. 1 x completed April 2020
Poland Trust	Wellhouse Lane, Brockham	12 units for social rent 4 x 1bed flats, 2 x 1bed houses, 5 x 2 bed houses and 1 x 3 bed house 5 x homes open market discounted sale	No	£720,000	Start on site planned for November 2020 Rural Exception Site
Gross Total		114 units from 2020/21 onwards		£1,650,000	