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**REPORT FOR: CABINET**

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**Date of Meeting:** 19 March 2020

**Subject:** In principle approval for disposal of small Housing Revenue Account (HRA) sites to Community groups for development of Community Led Housing

**Key Decision:** Yes  
  
Decision is likely to be significant in terms of its effects on communities living or working in an area of two or more wards in the Borough

**Responsible Officer:** Nick Powell, Divisional Director of Housing

**Portfolio Holder:** Councillor Philip O'Dell, Portfolio Holder for Housing

**Exempt:** No but Appendix B is exempt - by virtue of paragraph 3 of schedule 12A of the Local Government Act 1972 (as amended) in that it contains financial information

**Decision subject to Call-in:** Yes

**Wards affected:** Edgware, Wealdstone, Harrow-on-the-Hill, Pinner South, Canons.

**Enclosures:** Appendix A – Proposed CLH sites  
Appendix B – exempt information

## **Section 1 – Summary and Recommendations**

This report seeks in principle approval to transfer the freehold or grant a long lease (“Dispose”) of up to 5 small vacant HRA sites at less than market value, including at nil consideration, to community groups to deliver housing via the GLA’s Community Led Housing initiative.

### **Recommendations:**

Cabinet is requested to:

1. Note and approve the criteria for identifying suitable sites for this project set out in Section 2.1.1 – 2.1.5 below.
2. Authorise in principle the disposal of up to five small vacant HRA sites as set out in Appendix A and paragraph 2.2 (or replacement sites identified in accordance with Recommendation 4 below) at less than market value, including at nil consideration, to Community Led Housing groups to deliver housing to contribute to the GLA’s Community Led Housing target.
3. Delegate authority to the Corporate Director of Community to take all appropriate decisions and actions to dispose of, including at less than market value or nil consideration, the sites to approved Community Led Housing groups, following consultation with the Portfolio Holder for Housing (subject to planning approval and appropriate finance and legal arrangements being in place).
4. Authorise the Corporate Director of Community, following consultation with the Portfolio Holder of Housing and ward councillors, to identify further suitable HRA sites for disposal via this method if the sites identified in this report are found to be unsuitable.

### **Reason: (For recommendations)**

To enable local community groups to meet their own housing needs and to support the GLA’s Community Led Housing agenda.

## Section 2 – Report

### Introductory paragraph

- 1.1 These disposals will help the Council to meet its corporate priority of Building a Better Harrow by increasing the supply of quality housing for Harrow residents by enabling the local community to meet its own housing needs.
- 1.2 This report is only seeking an ‘in principal’ decision to dispose of the sites for Community Led Housing at this stage, with delegated authority to negotiate the details of disposal. No actual disposal of land would take place until the council has given approval to the Community Led housing group project i.e. the council is satisfied that planning permission is secured, appropriate legal, financial and governance arrangements are in place and satisfactory community consultation has been carried out .
- 1.3 This report is being presented to Cabinet in March because in principle approval to disposal of these sites for Community Led Housing projects will support funding applications to the GLA’s Community Housing Fund to enable projects to be progressed.

### Options considered

**Option 1.** Do not dispose of these sites and retain for in-house development. This option is rejected as these small sites are uneconomical/not appropriate for in-house development, due to cost of redevelopment and officer time in project management for individual sites. We have limited resources to work on these smaller sites and therefore these sites are unlikely to be developed for housing by the council.

**Option 2.** Do not dispose of these sites and clear the sites for an alternative use. This option is rejected as we have limited resources to clear the sites (including demolition in the case of garages) and reconfigure for an alternative use which is most likely to be for amenity land or parking.

**Option 3.** Dispose of the sites directly on the open market. This is rejected as sale at auction gives limited control over the quality and type of development, does not enable community groups to meet their own housing need and does not support the council’s aspiration to encourage Community Led Housing initiatives.

**Option 4.** Dispose of the sites to Community Led Housing groups. This is the preferred option in order to provide the community with an opportunity to meet its own housing needs (a GLA objective evidenced in their Housing Strategy and respective funding programmes), whilst being aided and supported by the Council and other strategic partners to enable their development goals to be delivered. The Council’s Housing Strategy (2019-24) supports Community Led Housing.

## Background

- 2.1.1 The development opportunities within the HRA estate are regularly reviewed to identify sites for council house building. The sites include vacant land and garage sites. At the present time 78 sites have been reviewed of which 33 are considered to have some development potential ranging from sites only capable of delivering one home to others that can deliver up to thirty or more new homes. . The sites proposed for in principle disposal for community led housing use were selected based on the following criteria (Site selection took a borough wide approach of available sites and not tied to any ward area):
- 2.1.2 Sites suitable for development by the council: 22 Sites which have the potential for viable economic development by the council have been included in the council's Building Council Homes for Londoners programme, some of which have already been completed and others are either on site or schemes in design.
- 2.1.3 11 sites are identified to have some development potential subject to detailed planning and site assessment, but are not economically viable for inclusion in the council's house building programme because they are too small and are not near enough to each other to be developed together. Of these 6 sites, those with the greatest capacity for development were selected for use for Community Led Housing. In the event that further site investigations indicate that one or more of these sites cannot go forward for development, Housing will consider whether another site is available for substitution in its place, in consultation with ward councillors
- 2.1.4 Of the remaining sites with limited development potential, five small sites which only have development potential for one, or possibly two homes in some cases, were selected for disposal via the GLA's Small Sites Small Builders initiative.
- 2.1.5 There remain 11 small sites which are in the process of being reviewed for development potential and 34 small infill sites that have been excluded as having no development potential, based on Planning advice.
- 2.2 The sites proposed for in principle disposal for Community Led Housing use are:

Site description	Postcode	Ward	Site area (acres)	No of garages	No of let garages	Estimated site capacity
Garages <b>Amy Johnson Court</b>	HA8 5JX	Edgware	0.15	15	6	2 houses or 3 / 4 flats
Currently has Storage containers at site at <b>The Middle Way</b>	HA3 7EG	Wealdstone	0.19	n/a	n/a	2 single storey bungalows
Vacant decommissioned playground.	HA1 3RL	Harrow on the Hill	0.082	n/a	n/a	1 house

<b>Hartington Close</b>						
Lock up storage / garage at <b>Ellement Close.</b>	HA5 1ER	Pinner South	0.012	2	2	2 houses or 3 / 4 flats
Garages at <b>Westbere Drive</b>	HA7 4SQ	Canons	0.075	19	3	4 mews houses

- 2.3 The GLA's London Housing Strategy has a target for Community Led Housing, which is also defined in the London Plan. The New London Plan, soon to be published, contains targets (2019/20 -2028/29) for net housing completions on small sites (below 0.25 hectares in size). The average annual target for Harrow is 375 homes, which this project will contribute towards meeting. The GLA also has a Community Housing Fund providing revenue and capital funding to support such schemes. The GLA aims to make more small publicly-owned sites available to community groups through this funding so they can play a bigger role in building the homes they need.
- 2.4 In 2017, the Government granted a small amount of funding for local authorities to use as seed money to work on Community Led Housing projects. The Council ran workshops about Community Led Housing and invited residents and community representatives to attend. The benefits of the initiative were identified and the potential available funding was discussed.
- 2.5 This project aims to enable community groups to take the lead and use these parcels of HRA land which are uneconomical for the Council to develop, to deliver homes that meet their own housing needs, thus providing a beneficial use of the land.
- 2.6 Community-led housing can include co-operatives, co-housing, and community land trusts. Schemes might be developed by Harrow residents who:
- wish to live together as part of a specific self-defined community
  - wish to have more control over how homes are managed
  - or to ensure that the community retains a financial stake in the homes and land
- 2.7 Although the legal form and activities of each community-led housing scheme Differ, schemes that are genuinely community-led all share three common principles.
- meaningful community engagement and consent occurs throughout the development process. Communities do not necessarily have to initiate the conversation, or build homes themselves;
  - there is a presumption that the community group or organisation will take a long-term formal role in the ownership, stewardship, or management of the homes; and
  - the benefits of the scheme to the local area and/or specified community group are clearly defined and legally protected in perpetuity.

2.8 The following possible benefits of a CLH scheme are:

- greater diversity of housing delivery, alongside private developers or housing associations;
- increased housing supply, subject to planning policy, or unlocking of sites that may otherwise be difficult to develop;
- a greater sense of ownership and a more stable and supportive environment, as residents get to know each other, remain in, and care for the area, contributing to healthier and happier places;
- increased confidence and empowerment for residents, with influence over their housing and realisation of a common endeavour;
- a unique understanding of what works for a particular site or particular group of people.

2.9 Following the initial workshops and a subsequent bid process, two community groups were successful in obtaining grant funds from the Council to produce some feasibility work, looking at the supply of housing for their respective communities.

2.10 These two groups are currently building up their proposals for Community Led Housing schemes, based on the potential future disposal of up to 5 HRA owned small sites, identified above and in red edging in Appendix A, which the council does not intend to develop itself. Community Led Housing groups will use a combination of GLA funding and private borrowing to finance their schemes; no direct Council funding is being sought. To allow the scheme to be viable, the groups will assume the land will be made available at less than market value.

2.11 The GLA have established the London Community Led Housing Hub to support community projects at an early stage to develop their capacity, develop their business plans and progress their Project Plans (including detailed support and advice on their Financial, Legal, Development Planning etc. and relevant funding streams). There has been engagement between the Hub and the Housing department to further support Community Led Housing projects, although no council funding is required. In addition, groups will be supported by the Hub to put in place robust governance and constitutional arrangements. These arrangements will be reviewed by the council, as well as the GLA, prior to any disposal. The organisational structures will be required to have strong community/resident involvement. This makes for a robust community led scheme

2.12 Once in principle approval to dispose of these sites for Community Led Housing is in place, the GLA can provide revenue funding to the groups to take forward detailed designs and pre planning application advice in preparation for consulting with the community and then submitting planning applications. The groups can also bid for capital funding from the GLA which, together with borrowing, will fund the build programme. Community Led housing schemes would be built at no cost to the council apart from the sale of the land at less than market value

2.13 The table in Appendix B gives an approximate estimate of the impact on revenue and capital accounts of the four disposal options for these sites. It is not possible at

this stage to estimate the level of any potential capital receipt as this is dependent on GLA funding being made available to Community Led Housing groups for land acquisition. Valuations would be undertaken once the results of the due diligence investigations were known.

- 2.14 There are a total of 36 garages present across three of the sites (Amy Johnson Court, Westbere Drive and Ellement Close). Only 11 of them are currently occupied. There are 6 out of 15 garages occupied at Amy Johnson Court; 2 are let to people living within the estate, 1 to someone living on an adjacent street and 2 to people living in the general vicinity but not in the surrounding streets. The remaining garage is occupied by Housing Services. Of the 19 garages at Westbere Drive, two of the 3 let garages are occupied by the same person living a few roads away and the third garage is let to someone living out of the area (Burnt Oak/Edgware). The 2 garages at Ellement Close are let to someone living on the estate
- 2.15 The Disposal of the sites would be subject to the relevant community groups satisfying the Council's requirements such as consulting with the local community, securing Planning approval, Legal considerations and appropriate funding arrangements being in place.
- 2.16 Community Led Housing groups would nominate people to the new homes. The council will not receive any nominations unless they have void issues, in which case the Council could seek to negotiate to use some of the homes for its own nominees.
- 2.17 Subject to Cabinet's approval in principle to dispose of the HRA sites, the Community groups will be required to conduct early engagement with Planning to confirm capacity of the sites due to their constraints. The current estimation of capacity over all the sites, based on Planning comments, is 11 houses or 8 to 9 flats, although this is subject to pre-application advice for individual schemes when they come to the Local Planning Authority. All sites, including non-garage plots on vacant land / open space land will be assessed by Planning for their appropriateness for development during the pre-application process and views from local residents will also be sought during the consultation process.
- 2.18 Mitigation of risks to the council of a Community Led Housing group becoming insolvent or the scheme stalling after disposal has been discussed in the Risk Management section of the report below.
- 2.19 Residents living near the sites have been written to, to inform them of the proposal to seek in principle approval from Cabinet to dispose of the nearby site to Community Led Housing groups. A group would need to consult with local residents and obtain planning permission for any housing development, giving residents the opportunity to comment on any proposals for the site as part of the consultation and Planning process.

## Why change is needed

- 3.1. The need for affordable housing is clearly set out in the council's Housing Strategy. Disposal of sites that the council is unable to develop, to Community Led Housing groups will enable the supply of additional housing.
- 3.2 The demand for garages has fallen from when they were initially built due to:
  - Cars being better built so able to be left on the road without issues of corroding or poor starting;
  - The relative ratio of the cost of a vehicle to a families' income meaning that they are not viewed as a luxury item to be cherished but a standard item of ownership; and
  - Vehicles becoming larger so less able to fit in older garages.

This low demand plus limited resources to maintain the garages has meant that holding the garages has become less economically viable.
- 3.3. Due to limited resources, there has not been a major investment programme for garages in recent years and currently repairs are only carried out where necessary and where economically viable. In reality this means that only limited repairs are being carried out and garages will deteriorate further as time passes.
- 3.4. The total annual income over the 3 garage sites from the 11 let garages is £8,036. The total annual rental income lost from 25 void garages over the 3 garage sites is £18,265. If the garage sites are sold, the total annual loss of income is £26,301 The cost to repair all 36 garages to bring them up to lettable standard to maintain and encourage lettings is £115,200. The cost to repair only void garages is £80,000. However, it is doubtful if there is sufficient demand to enable full letting of these garages.
- 3.5. Development of non garage sites would provide additional homes for Harrow residents and contribute to meeting the London Plan overall housing target and small sites target. It would also avoid the risk of Anti-Social Behaviour and fly tipping on the vacant land.
- 3.6 None of the five sites are suitable for development by the Council and as such are highly likely to remain undeveloped, with the accompanying risk to the Council of ongoing repair liability for existing garages. In addition, vacant plots and garage sites can attract ASB and vandalism, are subject to misuse and could attract fly tipping. Development by a Community Led Housing group would remove these risks, and improve the immediate area for residents.

## Ward Councillors' comments

Ward Councillors in the following wards were consulted on this proposal by email on the 26th February 2020:.

- Edgware
- Wealdstone
- Harrow-on-the-Hill



- Pinner South
- Canons

Ward councillors raised the following issues:

- The number of homes being proposed for the garage sites in Canons Ward. The proposal is for 3 or 4 family houses to be built on the site.
- Concern were expressed that they had insufficient time to respond before the Cabinet meeting. In future, reports will be circulated to Ward Councillors at an earlier stage.

The Ward Councillor who expressed concerns about timescales has been provided with additional information relating to this report. Another ward councillor has asked for feedback on any comments received from local residents.

Ward Councillors will continue to be consulted on the proposals for the sites in their area as they are developed. This will include requiring Community Led groups to provide updates to Ward Councillors as designs progress, briefing notes on progress and notification of and invitation to resident consultations.

## **Performance Issues**

- 5.1 Working with Community Led Housing projects illustrates the positive outcomes that can be achieved when the local authority and community groups work together towards a shared goal of providing opportunities to deliver much needed housing for local community groups.
- 5.2 Disposal of these small sites will contribute towards meeting the Council's priorities of Building a Better Harrow by increasing the supply of quality housing (Affordable Housing) and keeping Harrow clean. It will eliminate areas of potential Anti-Social Behaviour to enable Harrow to continue to be one of the safest boroughs in London.
- 5.3 Enabling the construction of new homes contributes to meeting the overall housing delivery targets and the small sites target set out for Harrow in the London Plan and would be achieved in partnership with the GLA.

## **Environmental Implications**

- 6.1 New homes developed by or in partnership with the council will have regard for the Council's Climate Change Strategy (2019-2024) and aspiration to promote low-carbon living and minimise future energy costs for residents, together with the Council's Declaration of Climate Emergency and its aim to make the borough Carbon Neutral by 2030. In practice this will mean ensuring new homes have a fabric first approach to minimise energy requirements, installation of heating and hot water systems that maximise use of renewable energy and sustainable drainage systems. Where possible consideration will also be given to the installation of green and brown roofs and improving biodiversity through increased tree planting.

## Data Protection Implications

None

## Risk Management Implications

Risk included on Directorate risk register? No

Separate risk register in place? No

The key risks are as follows:

<b><i>Risk</i></b>	<b><i>Mitigation</i></b>
<i>New homes not easy to let</i>	The business case from a Community Led Housing group will need to cover lettings arrangements. This is not a risk for the council to manage, however may provide an opportunity to the council to receive nominations to any underused units.
<i>Existing residents object to the proposals</i>	Community Led Housing projects will seek pre-application planning advice and consult with local residents through the planning process.
CLH project becomes insolvent during construction and their lenders step in	<p>If development is unable to continue during the construction period, the Council will have reserved rights that will protect its position. These may include the right to get/buy the site back (if desired), and either complete the development itself or find another developer. Alternatively, the agreement to dispose of the site may only require the Council to complete the freehold transfer/grant of a lease after the development has been completed.</p> <p>The Council may also seek to place a restrictive use covenant in the lease, requiring the use to be in line with 100% affordable housing. This may mitigate against the site being sold for any other purposes in the event that a Lender wishes to sell the site.</p>
The quality of completed homes is poor because the council is not designing, specifying or contract managing delivery of the new home	The proposals will be designed in accordance with the London Plan and Harrow planning policy as is required as part of the GLA funding and broader requirements to comply with legislation. Proposals will be reviewed and monitored by all relevant stakeholders and authorities to ensure compliance.
The total construction cost is not affordable	Community Led Housing schemes will be required to provide robust financial modelling for their schemes along with their plans prior to any land disposal.

to the CLH project	
Grant is not made available for the schemes to build their new homes	<p>Community Led Housing schemes will be responsible to confirm and agree Grant availability with the GLA before final Agreements are signed.</p> <p>If grant funding is not available or reduced for the scheme, the scheme financial modelling will be re-worked by the Community group to see how this impacts on the viability of the scheme.</p>
In the case where a CLH group disbands, who will govern the scheme?	<p>A group can seek consent from the Council to transfer governance of the scheme to a comparable alternative third sector organisation to manage the scheme under exactly the same terms previously agreed with the Council.</p> <p>A group can take on new members to ensure there is continuity.</p>
The developments stalls after disposal	<p>There is a risk that the development does not occur after the transfer of the property. Officers will ensure there has been sufficient due diligence on the deliverability of schemes including planning pre-applications and site surveys, before disposing of the freehold or entering into conditional lease agreements, where the long lease will be granted subject to planning permission and development finance being in place. The leases will include a provision for the council to take the sites back if material development has not occurred within an agreed time period. Alternatively, the Council initially may only grant permission to develop the sites and only complete the transfer/grant a lease of the sites after the development has been completed.</p>

## Procurement Implications

There are no procurement issues associated with this proposal for land disposal.

## Legal Implications

S.32 Housing Act 1985 (the Act) gives local authorities power to Dispose of land held for the purposes of Part II of the Act (housing land) with the consent of the Secretary of State. The General Housing Consent 2013 issued by the Secretary of State gives consent to local authorities to Dispose of housing land for a consideration equal to its market value and to Dispose of vacant land. Although the General Housing Consent does not place conditions on the Disposal of vacant housing land, any Disposal of land at less than market

value needs to be for a purpose which is likely to help secure the promotion or improvement of the economic, social or environmental well-being of a local authority's area and that the undervalue should not exceed £2,000,000 (two million pounds). The Council's Constitution requires that any Disposal of land for less than best consideration be authorised by the Cabinet. Any Disposal of land by the Council at less than market value should also comply with state aid rules. In addition, if any of the sites consists or forms part of an open space, the Council will need to advertise and consider any objections to the Disposal.

## Financial Implications

- Based on current estimates and assumptions it is not cost effective or in the Council's interest to repair the garages to a standard which would make them lettable as the rental income is unlikely to outweigh the benefit to the Council of higher housing supply from Community Led organisations.
- Disposal at less than market value is permitted, as confirmed in Legal implications, if it is demonstrated this will secure best advantage for the Council; this is considered the case given the investment requirements and relatively low rental yields should the land and garages be retained by the Council.
- Disposal proceeds are not subject to pooling and the capital receipt can be retained in the HRA to fund capital expenditure thereby reducing the requirement to borrow;
- Disposal of sites will be exempt from VAT unless the Council exercises option to tax in which case purchaser will have to pay 20% VAT;
- The Council will exercise option to tax if it incurs significant pre-disposal expenditure on which it needs to recover VAT;
- No incremental revenue savings anticipated as a result of disposal of sites.

## Equalities implications / Public Sector Equality Duty

There is no requirement for an EqIA relating to this land disposal proposal.

## Council Priorities

Please identify how the decision sought delivers these priorities.

1. Building a Better Harrow – provision of additional housing will Increase the supply of quality housing for Harrow residents and help to keep Harrow clean

2. Protecting Vital Public Services – redevelopment of underused garage sites will contribute to ensuring that Harrow continues to be one of the safest boroughs in London

### Section 3 - Statutory Officer Clearance

Name: Tasleem Kazmi	<input checked="" type="checkbox"/>	on behalf of the * Chief Financial Officer
Date: 10/02/2020		
Name: Esayas Kifle	<input checked="" type="checkbox"/>	on behalf of the * Monitoring Officer
Date: 10/02/2020		
Name: Lisa Taylor	<input checked="" type="checkbox"/>	on behalf of the * Head of Procurement
Date: 05/02/2020		
Name: Paul Walker	<input checked="" type="checkbox"/>	Corporate Director
Date: 09/03/2020		
<b>MANDATORY</b>		
<b>Ward Councillors notified:</b>		<b>Yes</b>
<b>EqlA carried out:</b>		<b>NO</b>
<b>EqlA cleared by:</b>		There is no requirement for an EqlA relating to this land disposal proposal.

## **Section 4 - Contact Details and Background Papers**

**Contact:** Sharon Oshunbiyi, Project Manager Enabling. Tel: 0208 424 1899  
ext: 2899. Sharon.oshunbiyi@harrow.gov.uk

**Background papers:** None

<b>Call-In Waived by the Chair of Overview and Scrutiny Committee</b>	<b>NO</b>
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