

North Lanarkshire Council Report

Communities and Housing Committee

approval noting

Ref PH/TM

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Proposal to pilot a Housing Development Pathfinder approach

From Pamela Humphries, Head of Planning and Regeneration

Email mallaghant@northlan.gov.uk **Telephone** Tony Mallaghan, Housing Development Manager, 01236 632866

Executive Summary

We have a shared ambition for inclusive growth and prosperity for all of the people and communities of North Lanarkshire. This includes an ambition to ensure our future housing mix supports social inclusion and economic growth.

This report sets out and seeks approval for a proposal to pilot a 'development pathfinder' approach. This approach has the potential to deliver new and affordable homes, stimulate private sector development and to create mixed tenure communities.

Under the development pathfinder approach, the council would engage with developers to potentially purchase homes on an 'off-the-shelf' basis. The pilot will initially focus on potential developments within Airdrie, Coatbridge, Bellshill and Motherwell housing areas.

Recommendations

It is recommended that the Committee:

- 1) Approves the proposed pilot approach to potentially acquiring housing on an 'off the shelf' basis as set out in section 2 of this report.
- 2) Note that the outcome of the pilot will be reported to committee in 12 months.

The Plan for North Lanarkshire

Priority Improve economic opportunities and outcomes

Ambition statement (1) Ensure a housing mix that supports social inclusion and economic growth

1. Background

- 1.1 *The Plan for North Lanarkshire* outlines how the council will deliver on our shared ambition for inclusive growth and prosperity for all of the people and communities of North Lanarkshire. It commits to ensuring ‘a housing mix that support social inclusion and economic growth’.
 - 1.2 The modified Local Development Plan supports this ambition by identifying sufficient land for delivering almost 21,000 new homes on 330 sites across North Lanarkshire. Only around 1 in 10 of these planned new homes are on sites which the private sector has ‘committed’ to (i.e. they are on site and building homes).
 - 1.3 The council also has plans to deliver 5,000 affordable homes by 2035, the majority of which will be new build homes. The scale of the programme brings challenges in obtaining (and remediating) land and procuring new homes but the programme also has huge potential to support economic growth, stimulate private sector development and create mixed tenure communities.
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2. Report

- 2.1 This report sets out a proposal to pilot an innovative new ‘development pathfinder’ approach for purchasing new affordable homes for affordable housing in North Lanarkshire. This approach also has the potential to stimulate private sector housing delivery and to create mixed tenure communities.
- 2.2 The scale of the ambitious new build programme presents a number of delivery challenges, not least in procuring enough homes that meet the required standard and which can be delivered in a cost-effective and timely way. Therefore in addition to the traditional design and build approach to procurement it is proposed to expand the use of ‘off the shelf’ acquisitions of completed homes from private developers.
- 2.3 The council already acquires completed homes from developers on private sector sites as part of developers’ affordable housing policy obligations in the Cumbernauld Housing market Area and in Ravenscraig. So far, 72 homes have been purchased in this way with agreement for a further 115 to be purchased in future.
- 2.4 A ‘development pathfinder’ approach is proposed, whereby the council would proactively engage with developers about bringing forward private sector housing sites, on which we may be able to purchase properties. This approach may bring forward additional affordable homes and reduce both costs and risks associated with the new build programme. It may also be attractive to developers as it could de-risk their investments (by providing a guaranteed buyer for at least some of the homes on a site) and secure their supply chains. It may also enable the development of alternative tenures, including mid-market rent and shared equity. The approach could therefore help stimulate private sector delivery, attracting new jobs and residents into North Lanarkshire
- 2.5 Under the development pathfinder approach, the council would not issue a tender specifying its requirements for a particular site. Instead, the Council would engage directly with the market, providing outline guidance on its ambitions on the location, site mix etc. for acquisition of units in particular geographical areas. This guidance would include requirements that any proposals brought forward by developers must:

- Be for sites designated as suitable for housing in the current or emerging Local Development Plan;
 - Be of the right type and in the right location to meet housing needs
 - Be for homes which meet the required accessibility and sustainability standards for new social homes (or their industry standard equivalents);
- 2.6 The council would, in asking developers to come forward with proposed sites, be under no obligation to purchase homes. The council would, on a case by case basis, have to satisfy itself that it is acting within its powers, reflecting on its obligations under procurement legislation. Any proposals received would be evaluated to ensure value for money can be demonstrated. This approach would by necessity result in less control being exercised by the council in respect of the design of homes which may be built and the pace of development, relative to those projects where the Council acts as employer in a traditional works contract. Any agreements made with developers will be subject to a 'longstop' set out in missives, enabling the council to break the agreement should the development not be delivered within the required timescales.
- 2.7 As this is a new approach the level of potential interest is unknown. To ensure that we can effectively engage with interested parties and efficiently consider and respond to any enquiries and proposals made we will pilot this approach in Airdrie, Bellshill, Coatbridge and Motherwell where there is higher demand and/or a significant re-provisioning programme. As outlined above private housing sites in the Cumbernauld Housing Market area are already subject to obligations in respect of the Affordable Housing Policy which can result in the council, or a housing association, purchasing homes from developers.
- 2.8 The process for engagement with the market for this initiative is as follows:
- An advert will be prepared and placed on the Public Contract Scotland portal stating that North Lanarkshire Council are looking for set numbers of certain sizes of homes within designated Council housing areas. This advert will inform interested parties the parameters the homes must meet and to put their proposals to a dedicated email address (newhousingsites@northlan.gov.uk)
 - All proposals submitted will be evaluated to determine if the proposals meet the council's requirements in terms of cost, quality and type of housing
 - Following this negotiations will proceed with the seller and Estates team to agree a price that is value for money. The Council would be seeking to secure a bulk purchase discount that would be negotiated in a site by site basis.
 - Missives would be agreed between the seller and the Council.
 - Payment method would be agreed between the seller and the Council with methods such as turnkey purchases or payment at agreed stages being considered on a site by site basis.

3. Equality and Diversity

- 3.1 Fairer Scotland Duty
This proposal has the potential to deliver more affordable homes which will reduce inequalities of income caused by socio-economic disadvantage.
- 3.2 Equality Impact Assessment
There are no equality impacts connected with this proposal.

4. Implications

4.1 Financial Impact

The cost of acquiring any homes would be met from the HRA New Supply Programme budget.

4.2 HR/Policy/Legislative Impact

There are no new HR/Policy/Legislative impacts.

4.3 Environmental Impact

Homes will only be purchased on sites already designated as suitable for housing in the Local Development Plan, which has been subject to an extensive Strategic Environmental Assessment. Homes purchased will also meet minimum energy efficiency specifications and this approach may stimulate more sustainable building methods (for example, off-site manufacture using sustainable materials with reduced waste).

4.4 Risk Impact

There are risks associated with housing development including title complications, adverse ground conditions etc. Under this proposal, these risks would be transferred to participating developers with the council only obligated to purchase completed units for a pre agreed price.

Committee should also be aware of the risk of procurement challenge associated with the proposal. This will require to be assessed on a case by case basis before any agreement is entered into in respect of particular developments.

5. Measures of success

- 5.1 That the development pathfinder approach helps the council deliver its ambitious new supply programme and helps accelerate housing development and supports the local economy.

6. Supporting documents

None



Pamela Humphries
Head of Planning and Regeneration