

EAST AYRSHIRE COUNCIL

CABINET – 27 AUGUST 2008

LAND AT CESSNOCK GARDENS, HURLFORD

Report by the Executive Head of Finance and Asset Management

1. PURPOSE OF THE REPORT

- 1.1** To request that Cabinet agree to provide financial assistance to Shire Housing Association Limited to meet Extraordinary Development Costs identified by the Association relative to their proposed housing development at Cessnock Gardens, Hurlford.

2. BACKGROUND

- 2.1** In order to facilitate the development of extra care housing for social rent in the Hurlford area, the Emergency Powers Committee of 21st December 2006, agreed to declare surplus land extending to 5,698 sq.m. or thereby and 3,646 sq.m. or thereby held in the General Services Account and Housing Revenue Account respectively, for the purpose of a disposal to Shire Housing Association Ltd; referred the matter to the Acting Executive Director of Development and Property Services to finalise negotiations; and approved the demolition of the existing buildings on site.
- 2.2** The Emergency Powers Committee of 20th March 2007 thereafter authorised disposal of the site at the price of £693,000 and on the remaining terms and conditions negotiated by the Acting Executive Director of Development and Property Services.
- 2.3** Given the funding deadlines of Community Scotland and the requirement to finalise the disposal by the end of the Financial Year, it was not possible to quantify all extraordinary development costs prior to completion of the sale. It was agreed that in the event of such costs later being identified and not being funded by Community Scotland then the Council could give consideration to providing financial assistance to the Housing Association in lieu of the extra-ordinary development costs which, had they been known at the time would have resulted in a reduction in the purchase price.

3. CURRENT POSITION

- 3.1** The sale to Shire Housing Association Limited concluded on 30th March 2007 and the concluded missives provide that in the event of Shire identifying and the Council agreeing the existence of extraordinary development costs during the period 31st March 2007 to 31st March 2009, the Council acting reasonably will give consideration to providing but will not be obliged to provide financial assistance to the Housing Association to meet the agreed costs which would, if known, have resulted in a reduction in the purchase price.
- 3.2** Following site investigations it was determined that there were extraordinary development costs in connection with various items including the requirement for trench fill foundations and other works relating to poor ground conditions and the provision of an off-site surface water outfall. The total cost of the works identified by Shire's consultants is £301,305.28
- 3.3** These costs and related technical reports have been assessed by consultants on behalf of the Council to be fair and reasonable and it is proposed that a sum of £282,716.58 be provided to Shire Housing Association, in accordance with the terms of the missives of sale as detailed in paragraph 3.1 hereof as being reasonable and would have been taken into account in arriving at the land value had they been known at the time of the negotiations for the sale of the site.

4. FINANCIAL IMPLICATIONS

- 4.1** The income received from this sale was split between the General Services Account and the Housing Capital Account based on the areas of land declared surplus.
- 4.2** Accordingly the funding for the extra-ordinary development costs will be split with General Services Capital Account being responsible for £172,716.58 and the Housing Capital Account for £110,259.47.

5. LEGAL IMPLICATIONS

- 5.1** The proposed payment can be properly made in terms of the concluded missives of sale as detailed in paragraph 3.1 hereof.

6. POLICY IMPLICATIONS

- 6.1** It is Council practice to include a clause within the missives for disposals of ground to allow for consideration to be given to eligible abnormal development costs, where all statutory consents and site investigations have not been secured at acquisition stage.

6.2 The housing development works at Cessnock Gardens, Hurlford respond to the themes of the East Ayrshire Community Plan 2003-2015 of Improving Opportunities and Improving the Environment.

7. CONCLUSIONS

7.1 Local authorities have a duty to carry out an assessment of housing needs and provision in their area, and to develop Local Housing Strategies to respond to identified need. The disposal of this site and its development are assisting in facilitating the aims and objectives proposals set out in the Action Plan for the Local Housing Strategy Implementation Plan which extends to five years.

8. RECOMMENDATIONS

8.1 The Cabinet are recommended to approve payment to Shire Housing Association Limited to contribute to the extraordinary development costs associated with the development of their site at Cessnock Gardens, Hurlford as detailed in 3.3 of this Report.

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AMcP/AMG

14 August 2008

BACKGROUND PAPERS - Nil

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