

EAST AYRSHIRE COUNCIL

CABINET – 4 MARCH 2009

LAND AT LITTLEMILL ROAD, DRONGAN

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 Irvine Housing Association Limited to meet Extraordinary Development Costs identified by the Association relative to their proposed housing development at Littlemill Road, Drongan.

2. BACKGROUND

- 2.1** The Emergency Powers Committee of 17th February 2006 authorised the disposal of a site extending to 0.85 hectares to Irvine Housing Association Ltd for a development of new build affordable housing in the Drongan area at a purchase price of £367,500. Given the funding deadlines of Communities Scotland and the requirement to finalise the disposal by the end of the Financial Year 2005/2006 this made it impossible to quantify all extraordinary development costs prior to completion of the sale. It was, therefore, agreed that in the event of such costs later being identified and not being funded by Communities Scotland then the Council could give consideration to providing financial assistance to the Housing Association.
- 2.2** Following completion of the sale, site investigations were carried out and highlighted the presence of mine workings within an area of the site. Due to the uncertainty of the nature of these works and the level of costs identified for stabilisation works being in the region of £110,000 to £125,000, it was accepted that the area affected by mine workings cannot economically be developed for housing.
- 2.3** Given this and in order to ensure that the proposed development remained viable, the Housing Committee at its meeting on 21 March 2007, agreed to declare surplus an area of ground extending to 0.25 hectares or thereby adjacent the original site and thereafter the Policy and Resources Committee at its meeting on 27 March 2007 approve a refund of £110,000 to Irvine Housing Association Limited to reflect the extraordinary development costs associated with the initial site and agreed to dispose of a site extending to 0.25 Hectares or thereby adjacent to the initial site to Irvine Housing Association Ltd at a price of £110,000 and authorised the Solicitor to the Council to conclude the transaction.

3. CURRENT POSITION

- 3.1** Irvine Housing Association Limited have subsequently advised that following completion of the site appraisal for the combined site and a change in cost parameters by the Scottish Government's Housing Investment Division (formerly Communities Scotland) there is still a funding deficit despite their own cost saving exercise. In this regard, they submitted a claim for extra-ordinary development costs for the sum of £409,181.
- 3.2** These costs and related technical reports have been assessed by appropriate technical staff on behalf of the Council and, have advised that a sum of £40,456 in respect of items relating to retaining walls and provision of a road capping layer, is fair and 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. The allowance for these items is also comparable to extra-ordinary development cost claims agreed with other Registered Social Landlords and developers.
- 3.3** On 11 February 2009, the Scottish Government announced an increase in the level of per-unit subsidy that is to be made available to Registered Social Landlords to facilitate the development of new affordable housing therefore Irvine Housing Association Ltd are able to lever in a greater element of private finance, which in turn, allows the project to meet the cost parameters set by the Scottish Government to enable the proposed new build development.

4. FINANCIAL IMPLICATIONS

- 4.1** The income received from this sale was credited to the Housing Capital Account and accordingly the funding for the extra-ordinary development costs amounting to £40,456 should be met from this account.

5. LEGAL IMPLICATIONS

- 5.1** The proposed payment can be properly made in terms of the concluded missives of sale as detailed in paragraph 2.1 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 Littlemill Road, Drongan 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 Irvine Housing Association Limited to contribute to the extraordinary development costs associated with the development of their site at Littlemill Road, Drongan as detailed in 3.2 of this report.

Alex McPhee
Executive Head of Finance and Asset Management

AMcP/AMG
11 February 2009

BACKGROUND PAPERS - Nil

For further information, please telephone Angela Graham, Senior Estates Surveyor on 01563 503475

Implementation officer – anna.gallagher@east-ayrshire.gov.uk