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# NORTH AYRSHIRE COUNCIL

7 November 2023

## Cabinet

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**Title:** Former St Mary's Primary School, Largs – SHIP social housing development proposal

**Purpose:** To seek approval for the inclusion of the former St Mary's Primary School site, Largs as a 26-unit Council social housing development in the North Ayrshire SHIP 2024-29

**Recommendation:** It is proposed that Cabinet:  
(i) notes the challenges encountered in delivering the Home Ownership Made Easy (HOME) pathfinder project on the site of the former St Mary's Primary School, Largs since its approval by Cabinet in December 2018, and agrees to no longer progress this; (ii) notes the discussions which have taken place with Scottish Government in recent months to identify alternative affordable housing options for the site; (iii) approves the sale of the site by the Council's General Fund to the Housing Revenue Account at the indicative value, pending district valuer valuation and subject to any abnormal costs; and (iv) approves the inclusion of the site as a 26-unit Council social housing development in the North Ayrshire SHIP 2024-29.

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## 1. Executive Summary

- 1.1 Following approval of the project concept by Cabinet on 11 December 2018, officers worked with Scottish Futures Trust (SFT) to develop an innovative pathfinder initiative entitled 'HOME' (Home Ownership Made Easy) on the site of the former St Mary's Primary School in Largs.
- 1.2 The HOME project is designed to help people who are unable to access a housing solution which meets their needs in either the private or social rented sectors. Occupants pay an up-front investment to access a brand-new home, which is managed and maintained by the Council. Occupants then pay an ongoing monthly payment, which should be lower than the equivalent private market rent or typical mortgage. The occupancy payments cover the debt repayments and maintenance and management costs in full, so that the model is financially sustainable.
- 1.3 The HOME project ran into delays during the period 2020 - 2022, primarily due to the COVID-19 pandemic and also the enforcement of Scottish Water policies affecting the site. Consequently, the project team developed a revised draft scheme, which Scottish Water were satisfied with, and which took the development down from 33 units to 26 units. Conditional approval was granted for the planning application in August 2021. All other statutory consents are in place.

- 1.4 Due to increasing construction costs since project inception, the HOME project was assessed in early 2023 as not being financially viable. The Council's Legal Services team also raised concerns about the ability to pursue non-payment of occupancy fees through a standard security, which resulted in the Scottish Futures Trust seeking their own external legal advice. Their advisors confirmed Legal Services' view.
- 1.5 Following the financial and legal assessments, officers have been investigating alternative options to enable affordable housing development to be taken forward on the site, recognising that planning and other statutory approvals are already in place.
- 1.6 Discussions have been taking place with Scottish Government officials since early 2023, leading to a business case being presented to Scottish Government in June 2023 seeking sufficient funding to enable the site to be developed for social housing – initially for people seeking refuge from the war in Ukraine and thereafter for allocation through the North Ayrshire Housing Register - without impacting on the Council's HRA 30-year Business Plan and associated rent levels.
- 1.7 Following extensive negotiations, Scottish Government have confirmed their willingness to fund the project through the Affordable Housing Supply Programme. The £4.0m grant offered is significantly above their normal benchmark level and will enable the project to be delivered and the homes maintained using the rents receivable from the 26 new homes.
- 1.8 Scottish Government have advised that there are no conditions on the funding which require the properties to be allocated to Ukrainian Displaced People, although they have advised that it would be helpful to the Ukraine programme if some support was provided.
- 1.9 The proposed development supports the Council's stated Local Housing Strategy priority of providing high quality homes for affordable rent, with 12 of the 26 (46%) homes suitable for wheelchair users. This compares very favourably to the North Ayrshire Local Housing Strategy all-tenure target of 10%.
- 1.10 Cabinet is asked to note the deliverability challenges encountered in delivering the HOME pathfinder project on the site of the former St Mary's Primary School, Largs since its approval by Cabinet in December 2018 and approve the inclusion of the site as a 26-unit Council social housing development in the North Ayrshire SHIP 2024-29.

## **2. Background**

- 2.1 On 11 December 2018 Cabinet agreed to the implementation of a new housing delivery model, on the site of the former St Mary's Primary School in Largs, to provide an affordable housing solution for those facing challenges securing access to private or social rented housing.
- 2.2 The HOME project is designed to help people who are unable to access a housing solution which meets their needs in either the private or social rented sectors. Occupants pay an up-front investment to access a brand-new home, which is managed and maintained by the Council. Occupants then pay an ongoing monthly payment, which is lower than the equivalent private market rent or typical mortgage. The occupancy payments cover the debt repayments and maintenance and management costs in full, so that the model is financially sustainable.

- 2.3 The two stage HOME Project consultation process undertaken during 2018 comprised of a series of focus groups and a survey which received 698 responses. Whilst the focus of the consultation was to determine the housing needs and aspirations of local people in order to inform the feasibility of the HOME Project model, a significant proportion of respondents advised that what was most important was affordable housing in the right location.
- 2.4 Following the consultation, the Council received 289 expressions of interest in the HOME Project. Should Cabinet approve the development of social rented housing on this site, Council Officers will contact all interested parties to inform them of this.
- 2.5 The HOME project ran into delays during the period 2020 - 2022, primarily related to the COVID-19 pandemic which resulted in the focus of the Housing Strategy and Development team being on projects already on site.
- 2.6 The project also suffered significant delays during 2020/21 due to the enforcement of Scottish Water policies, in which there had previously been some flexibility. Consequently, the project team developed a revised draft scheme, which Scottish Water were satisfied with, and which took the development down from 33 units to 26 units. Conditional approval was granted for the planning application in August 2021. All other statutory consents are in place.
- 2.7 Due to increasing construction costs since project inception, the HOME project was assessed in early 2023 as not being financially viable; the proposed monthly occupancy fees require to be significantly higher than originally anticipated, and also significantly higher than the Local Housing Allowance (LHA).
- 2.8 The Council's Legal Services team also raised concerns about the ability to pursue non-payment of occupancy fees through a standard security, which resulted in the Scottish Futures Trust seeking their own external legal advice. Their advisors confirmed Legal Services' view. The Scottish Government subsequently confirmed it does not recognise the HOME model presented to them by Scottish Futures Trust (SFT) as a shared ownership scheme.
- 2.9 Following the financial and legal assessments, Council officers have been investigating alternative options to enable affordable housing development on the site to be taken forward, recognising that planning and other statutory approvals are already in place.
- 2.10 Discussions have been taking place with Scottish Government officials since early 2023, leading to a business case being presented to Scottish Government in June 2023 seeking sufficient funding to enable the site to be developed for social housing – initially for people seeking refuge from the war in Ukraine and thereafter for allocation through the North Ayrshire Housing Register - without impacting on the Council's HRA 30-year Business Plan and associated rent levels.
- 2.11 The business case confirmed that the site is shovel ready, with planning permission granted, designs complete and a contractor in place through Hub Southwest. It also advised that the works on site could commence within a very short time following Scottish Government funding approval being obtained and the project is anticipated to take one year to complete.

- 2.12 It was stressed that the site cannot be added to the current North Ayrshire SHIP without the full additional Scottish Government funding requested being provided, as the Council's HRA 30-year business plan is already fully financially committed.
- 2.13 It was also highlighted that Largs has already benefitted from a significant allocation of new build homes at various sites through the SHIP to date so, should additional North Ayrshire Housing Revenue Account funding become available, this is likely to be allocated to other priority areas.
- 2.14 Following extensive negotiations and technical assessment of the Council's proposal, Scottish Government have confirmed their willingness to fund the project through their Affordable Housing Supply Programme, recognising the shovel-ready status of the project and its contribution to increasing local and national social housing supply.
- 2.15 The £4.0m grant offered is significantly above the normal benchmark level and will enable the project to be delivered and the 26 homes maintained using the rents receivable over the 50-year period modelled in the business case.
- 2.16 Scottish Government have advised that there are no conditions on the funding which require the properties to be allocated to Ukrainian Displaced People, although they have advised that it would be helpful to the Ukraine long-term resettlement programme if some support was provided.
- 2.17 Should Cabinet accept that the HOME pathfinder project no longer progresses due to the challenges encountered; and agree for the site to be used as a social housing development, then it is proposed that this project be incorporated within the SHIP 2024 – 2029 with no impact on the 30-year HRA business plan or tenants rent levels.
- 2.18 The approved site mix comprises:
- 8 x 2-bed general needs houses
  - 8 x 2-bed amenity flats
  - 4 x 2-bed amenity bungalows
  - 6 x 3-bed general needs houses
- 2.19 The proposed development supports the Council's stated Local Housing Strategy priority of providing high quality homes for affordable rent, with 12 of the 26 (46%) homes suitable for wheelchair users. This compares very favourably to the North Ayrshire all-tenure target of 10%.
- 2.20 As of 30 September 2023, the North Ayrshire Housing register had 1252 housing applicants registered for the Largs area. Of these, 547 are deemed to be in housing need, with 99 requiring accessible housing suitable for wheelchair users and 331 required general needs housing.

- 2.21 The land of the former St Mary's site in Largs currently sits within the Council's general fund. The site was valued in March 2023 by external valuers, Graham and Sibbald, on a Market Value basis at £300,000 gross. In accordance with previous transactions between the HRA and General Fund, a refreshed valuation will be instructed as a matter of urgency by the District Valuer Services on Market Value with Special Assumptions given to the proposed development.
- 2.22 To avoid delays to the proposed project, the HRA will transfer £300,000 to the General Fund based on the current site valuation. The relevant adjustments including abnormal costs will be made following completion of the refreshed valuation by the District Valuer Services.

### **3. Proposals**

3.1 It is proposed that Cabinet

- (i) notes the challenges encountered in delivering the Home Ownership Made Easy (HOME) pathfinder project on the site of the former St Mary's Primary School, Largs since its approval by Cabinet in December 2018; and agrees to no longer progress this;
- (ii) notes the discussions which have taken place with Scottish Government in recent months to identify alternative affordable housing options for the site;
- (iii) approves the sale of the site by the Council's General Fund to the Housing Revenue Account at the indicative value, pending district valuer valuation and subject to any abnormal costs; and
- (iv) approves the inclusion of the site as a 26-unit Council social housing development in the North Ayrshire SHIP 2024-29.

### **4. Implications/Socio-economic Duty**

#### **Financial**

- 4.1 The total cost to build the 26 new houses on the St Marys site including the acquisition of land is £6.4m. Due to the Scottish Government £4.0m grant being significantly above benchmark, the project can be delivered, and the 26 homes maintained using the rents receivable over the 50-year period modelled in the business case.
- 4.2 To avoid delays and pending Cabinet approval, the HRA will transfer to the General Fund the indicative site value of £300,000 and the relevant adjustments will be made following completion of the refreshed valuation by the District Valuer Services. Agreed abnormal costs will be deducted from the updated land valuation.

#### **Human Resources**

4.3 None

## **Legal**

- 4.4 The Town & Country Planning (General Permitted Development) (Scotland) Order 1992, Schedule 1, Part 12, Class 33, as amended, enables local authorities to undertake works, within their district, for the erection of dwellings so long as the development conforms with the Local Development Plan. The Council's House Building Protocol governs the design and consultation processes for such development to ensure that appropriate levels of design scrutiny and consultation are maintained. In 2019, it was agreed that all future Council housing developments progressed as permitted development will be required to obtain a 'Certificate of Lawfulness' from the Council's Planning Service. This will certify that each development site has been considered against the full terms of the adopted Local Development Plan.

## **Equality/Socio-economic**

- 4.4 The provision of 26 new social homes for social rent on the St Mary's site will have a positive impact on those who are seeking family and accessible social housing in the Largs area.

## **Climate Change and Carbon**

- 4.5 The new homes will have a low environmental impact, will reduce fuel use and associated fuel costs for tenants. The proposed housing development will be delivered in accordance with the Building Standards regulations for energy efficiency. The homes will be connected to the communal biomass boiler at the adjacent Flatt Road site, have solar photovoltaic panels and EV charging points installed. New housing is more energy efficient, better ventilated, and has higher levels of thermal comfort, which supports improved health and well-being.

## **Key Priorities**

- 4.6 The proposed development aligns with the Council Plan strategic priorities: 'Wellbeing'; 'Climate Change'; 'A Sustainable Council': and 'Communities and Local Democracy'. It supports the ambitions of the Council's Regeneration Delivery Plan to drive forward development on strategic regeneration sites, including town centres.

## **Community Wealth Building**

- 4.7 The proposal supports the Community Wealth Building strategy through effective use of available land and property. It also supports local businesses and generates employment and training opportunities. Achievement of this is through community benefit clauses within development contracts and working in partnership with Economic Development who support local construction and supply chain companies to bid for this work.

## 5. Consultation

- 5.1 The two stage HOME Project consultation process undertaken during 2018 comprised of a series of focus groups and a survey which received 698 responses. Whilst the focus of the consultation was to determine the housing needs and aspirations of local people in order to inform the feasibility of the HOME Project model, a significant proportion of respondents advised that what was most important was affordable housing in the right location. Following this consultation 289 people have expressed an interest in the HOME project.
- 5.2 Consultation was also undertaken with SFT, Finance, Legal and Estates regarding the HOME project since its inception.

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For further information please contact **Yvonne Baulk, Head of Housing and Public Protection**, on **01294 324542**.

### **Background Papers**

[HOME Cabinet Paper December 2018](#)