

Report

Report to:	Housing and Technical Resources Committee
Date of Report:	15 March 2023
Report by:	Executive Director (Housing and Technical Resources)

Subject:	Revision of Costs Associated with the Acquisition of Houses at Former Phillips Factory Site, Wellhall Road, Hamilton - Section 75 Planning Reference PL/21/1697
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1. Purpose of Report

1.1. The purpose of the report is to:-

- ♦ advise on action taken, in terms of Standing Order No 37(c) because of the timescales involved, by the Executive Director (Housing and Technical Resources), in consultation with the Chair and an ex officio member, to conclude the contract with Lovell Homes

2. Recommendation(s)

2.1. The Committee is asked to approve the following recommendation(s):-

- (1) that the following action taken, in terms of Standing Order No 37(c) by the Executive Director (Housing and Technical Resources), in consultation with the Chair and an ex officio member, be noted; and
- (2) that authority was granted to the Executive Director (Housing and Technical Resources), in conjunction with the Head of Legal Services, to conclude matters and to enter into the necessary legal agreements on terms which are in the best interests of the Council, be noted.

3. Background

- 3.1. The site at the former Philips factory, Wellhall Road in Hamilton, is identified within the Council's Strategic Housing Investment Plan as a priority site in delivering the Council's target of 1,300 additional homes by 2027.
- 3.2. The application for the development at Wellhall Road, Hamilton was approved by the Planning Committee on 15 February 2022. The approval was granted for the erection of 163 dwellings to Lovell Homes and includes an obligation for an on-site provision of up to 40 affordable homes.
- 3.3. The Council entered into discussions with Lovell Homes to provide its planning obligation for new affordable homes via a turnkey arrangement with the Council only paying the full amount due on completion of each house. The proposal provided by Lovell Homes has been assessed by the Council's Technical and Commercial Team as presenting value for money.

4. Proposal

- 4.1. In the report approved at Housing and Technical Resources Committee on 14 December 2022 (agenda item 8), the Executive Director (Housing and Technical Resources) was authorised to acquire 40 completed affordable homes from Lovell Homes for a total price not in excess of £7 million (which includes the cost of land), to fulfil the planning obligations associated with the residential development of the site.
- 4.2. Through further contractual discussions, on 1 December 2023 Lovell Homes intimated their intention to charge VAT on the land transaction aspect of the purchase, resulting in a revision in the total costs required to acquire the properties.
- 4.3. The Council has been advised that Lovell Homes' decision to charge VAT on the land transaction stems from a requirement for them to pay VAT on their own land purchase as a consequence of the former land owner opting to tax.
- 4.4. As such, an additional £188,139.51 will now be required to complete the transaction and authority is requested by the Executive Director (Housing and Technical Resources) to acquire 40 completed affordable homes at the revised cost which will not be in excess of £7,188,139.51.

5. Employee Implications

- 5.1. There are no employee implications associated with this report.

6. Financial Implications

- 6.1. In line with the Home+ Programme, including the new target established at Executive Committee on 30 November 2022, acquisition of the plots will be funded through a combination of Scottish Government grant funding, Housing Revenue Account capital investment and Council borrowing.
- 6.2. Should expected levels of Scottish Government grant be received and average costs for borrowing and capital contributions continue, it is expected the new build aspect of the Home+ programme and in particular the acquisitions of these plots, would have a neutral impact to the Housing Revenue Account Business Plan over a 40-year period. This means that over the 40-year period, the net cost of the additional borrowing and all other costs can be met from the additional rental income received.
- 6.3. Whilst there is a neutral impact on the Housing Revenue Account Business Plan over a 40-year period, there are initial construction and purchase costs at the start of the programme which impact on the cash flow in the early years of the programme. The estimated costs have been included in the Business Plan in respect of the rent uplift projections for 2023/2024.
- 6.4. The increase in costs detailed at 4.4, as a result of Lovell Homes' intention to charge VAT on the land transaction, will have no impact on the financial implications associated with the acquisition. The Council will re-claim the VAT it pays under the special rules for recovery for local authorities.

7. Climate Change, Sustainability and Environmental Implications

- 7.1. There are no climate change, sustainability or environmental implications arising from this proposal.

8. Other Implications

- 8.1. There are no other implications associated with this report.

- 8.2. There are no significant risks associated with this report.
- 8.3. Normal Council protocols to ensure that there are no conflicts of interest apply to this scheme.
- 9. Equality Impact Assessment and Consultation Arrangements**
- 9.1. This report does not introduce a new policy, function or strategy and therefore no separate impact assessment is required.
- 9.2. No formal consultation process was required in terms of the recommendation contained in this report.

Stephen Gibson
Executive Director (Housing and Technical Resources)

13 February 2023

Link(s) to Council Values/Priorities/Objectives

- ◆ Good quality, suitable and sustainable places to live

Previous References

- ◆ Planning Committee 15 February 2022
- ◆ Executive Committee 30 November 2022
- ◆ Housing and Technical Resources Committee, 14 December 2022, Acquisition of Houses at Former Phillips Factory Site Wellhall Road, Hamilton - Section 75 Planning Reference PL/21/1697

List of Background Papers

- ◆ None

Contact for Further Information

If you would like to inspect the background papers or require further information, please contact:-

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