



Not for Publication: Report exempt from Access to Information Procedure Rules under Rule 10.4.3 : **Appendix 1 only**

Report of : The Director of Environment and Neighbourhoods
Executive Board: 9th December 2009
Subject: Council House Building - 25 Properties for the over 55s
Scheme Number : 15726 000 000

Electoral Wards Affected:
Pudsey, Farnley and Wortley

Ward Members consulted
(referred to in report)

Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

Eligible for Call In

Not Eligible for Call In
(Details contained in the report)

EXECUTIVE SUMMARY

This report outlines the progress which has been made in relation to building new council properties further to approval given by Executive Board in April 2008. Authority is sought to inject and use £1,516,424 Section 106 monies and to forego the £500,000 value of land at Waterloo Road Pudsey by its disposal at nil consideration to Keepmoat PLC, the delivery partner, to fund the construction of 25 x 2 bed Council house properties for the over 55s.

Including the current land value this represents an overall cost of £89,056 per property; however as this land is within the remit of the Strategic Affordable Housing Partnership the land receipt would be reduced to £145,000 making the cost to the Council of each unit £60,656.

The report sets out a proposal for the development of three sites, comprising of the former Waterloo Primary School, Evelyn Place Wortley and Silver Royd Hill, Armley. These new properties will be managed by West North West Homes and let at a social rent.

1.0 Purpose Of This Report

1.1 The purpose of the report is to seek approval to spend £1,516,424 of S106 monies collected for the provision of affordable housing and to dispose of land at Waterloo Road at nil consideration. Approval is also sought to appoint Keepmoat PLC who have already been agreed by the Affordable Housing Strategic Partnership Board

as the delivery partner following a development procurement process, to build the new council properties.

2.0 Background Information

- 2.1 There has been a substantial decline in the numbers of council homes over the past two decades, with the numbers falling from over 90,000 to the present figure of 58,000. Although the pace of decline has slowed in the last two years due to a combination of legislative changes and changes in the economy, the pressure on council lettings has continued to increase, expressed in the high number of bids for properties and the waiting times for those in need which have been noted by the relevant Scrutiny Boards who in turn have reported back to Executive Board.
- 2.2 In response to this demand the Council has expressed a commitment to build new council homes alongside the development of other affordable housing solutions. In December 2007 Executive Board received a paper outlining options that should be explored to meet this commitment.
- 2.3 In April 2008 Executive Board received a paper that set out the options to develop 3 sites for council housing and sought approval to dispose of the former Waterloo Primary School site at less than best consideration and use S106 monies to fund the purchase of new council properties.
- 2.4 In March 2009, following a competitive process which had been overseen by the Affordable Housing Strategic Board, an assessment panel made up of representatives from the Local Authority, the Strategic Affordable Housing Partnership Board and the Homes and Communities Agency considered all the submissions and announced that, subject to Executive Board approval, Keepmoat PLC were the successful partner who would deliver the new council properties.

3.0 Main Issues

- 3.1 Three sites have been identified for this council house build project and these are:
- Evelyn Place, Wortley
 - Silver Royd Hill, Armley
 - Waterloo School site, Pudsey
- 3.2 Originally the intention was to deliver 27 new council properties across the three sites. However after detailed discussions with City Development (Planning Services) the overall densities on the three sites were reduced resulting in a pro rata reduction in the council properties to be provided. This equated to 20 council units being delivered pro rata across the 3 sites, representing 45% of the new build.
- 3.3 As this only gives 3 units on the Waterloo site, arrangements are in place, to purchase an additional 5 units from Keepmoat PLC, on the Waterloo Rd Site using S106 monies and purchasing at the open market valuation. This will be subject to an independent valuation on completion. This is outside the original agreement with Keepmoat and therefore cannot be subject to the £520 per sq m agreed for the original transaction. Across the 3 sites, this now gives 55% council housing.
- 3.4 25 new council properties will be delivered by Keepmoat PLC across these three sites and the following mix is proposed:
- Evelyn Place, 11 x 2 bed units for the over 55s

- Silver Royd Hill, 6 x 2 bed units for the over 55s
- Waterloo School Site, 8 x 2 bed units for the over 55s

3.5 Keepmoat will be building a further 21 newbuild properties for outright sale on the Waterloo site.

3.6 Initially it was considered that the construction cost of the 20 council units could be contained within the £520 price, per sqm which is currently used in the Supplementary Planning Guidance (SPG) for affordable units, to be purchased from a developer by a housing association. As outlined in the confidential appendix attached, after allowance has been made for the value of the Waterloo Road land to be transferred, an additional £148,470 is required from S106 funds.

3.7 The additional 5 units at the Waterloo site will have to be purchased not at the £520 per sqm but at the open market valuation (maximum £125,000 per unit to be agreed by an independent valuation on completion)

4.0 The Approach and Financial Considerations

4.1 It is proposed that ownership of the Evelyn Place and Silver Royd Hill sites be retained by the Council and Keepmoat PLC builds the 17 council house units under licence. The 25 completed units (including 8 on the Waterloo Road site) will be funded from Section 106 affordable housing monies and the value of the Waterloo land to be transferred.

4.2 Section 106 affordable housing funds arise from financial contributions from other residential development schemes where the obligation to make on-site affordable housing provision has not been possible. Development Department has confirmed that the criteria for use of such funds on this scheme are satisfied.

4.3 As a means of cross-subsidising the overall project, it is proposed that the Waterloo Road land is sold to Keepmoat PLC at nil consideration. Allowing for the abnormal site development costs of this scheme, the land to be transferred has been valued by the Strategic Asset Management Service at £500,000 in current market conditions.

4.4 Evelyn Place site and Silver Royd Hill have been valued at £60,000 and £150,000 respectively on the same basis and, although they are to be retained by the Council, the opportunity cost to the capital programme of the three sites in terms of current land value on the open market is therefore £710,000.

4.5 However Executive Board has previously agreed for the Waterloo site to be transferred to the Strategic Affordable Housing Partnership land portfolio for the development of affordable housing. In line with the funding agreement with the Homes and Community Agency, such land would normally be sold to a registered social landlord at the subsidised value of £145,000 (29 units at £5,000 per plot). Therefore, on this basis the combined opportunity cost of the three sites is reduced to £355,000 (£210,000 + £145,000).

5.0 Scheme Costs

5.1 The appraisal outlined in the table contained in the attached confidential appendix (**Appendix 1**) has been provided by Keepmoat PLC and is subject to ongoing scrutiny by officers.

- 5.2 The information contained in the Appendix attached to this report relates to the financial or business affairs of a particular person, and of the Council. This information is not publicly available from the statutory registers of information kept in respect of certain companies and charities.
- 5.3 It is considered that since this information was obtained through one to one negotiations for the disposal of the property/land then it is not in the public interest to disclose this information at this point in time. Also it is considered that the release of such information would or would be likely to prejudice the Council's commercial interests in relation to other similar transactions in that prospective purchasers of other similar properties about the nature and level of consideration which may prove acceptable to the Council.
- 5.4 It is considered that whilst there may be a public interest in disclosure, much of this information will be publicly available from the Land Registry following completion of this transaction and consequently the public interest in maintaining the exemption outweighs the public interest in disclosing this information at this point in time. It is therefore considered that this element of the report should be treated as exempt under Rule 10.4.3 of the Access to Information Procedure Rules.
- 5.5 Taking into account the allowance for the value of the Waterloo land which is to be sold to Keepmoat PLC, a shortfall of £148,470 remains beyond the original cost estimate based on the Supplementary Planning Guidance (SPG) rate of £520 per sq m.
- 5.6 The tables in the confidential appendix attached demonstrate the costs and income for the scheme and the level of funding required from S106 monies as summarized in the following table.

Total cost to the Council to purchase the new council properties

| | Silver Royd Hill | Evelyn Place | Waterloo Site | S106 cost |
|-------------------------|------------------|--------------|---|------------|
| Council Properties | 6 | 11 | 3+ 5 | 25 |
| S.106 cost at £520 /sqm | £221,741 | £410,342 | £110,871(3at £520) £625,00(5 at £125k) Total £735,871 | 1,367,954 |
| Additional S106 top-up | | | | 148,470 |
| Total S106 | | | | £1,516,424 |

- 5.3 Therefore, after £500,000 (or £145,000 as affordable housing site) allowance for the transfer of the Waterloo land at nil consideration, the scheme requires an additional £148,470 from S106 monies beyond the £742,954 payment based on the SPG rate of £520 per sqm.
- 5.4 In the Executive Board Report in April 2008 it was envisaged that S106 monies, capital receipts and an element of prudential borrowing would be required to enable the Council to purchase the completed units. However on the basis that £1,516,424 is made available from S106 funds, prudential borrowing will not be required.

5.5 In order to purchase an additional 5 units on the Waterloo Rd site, it will be necessary to use a further £625,000 (maximum) S106 monies in order to purchase 5 x 2bed units at the open market valuation from Keepmoat PLC. This arrangement is outside the original agreement made with Keepmoat PLC and the open market valuation will be agreed by a valuer on completion.

6.0 Option Appraisal

6.1 Option 1, Sell the land at Waterloo on the open market for £500,000 this would deliver 20 open market units and 9 affordable units. The land at Silver Royd and Evelyn Place could be sold on the open market for £210,000 and deliver 17 units and no affordable units as the size of the sites are below the threshold for affordable housing. This option would result in a capital receipt of £710,000 and 9 units of affordable housing. However this would rely on an open market sale which at this moment in time is not likely to occur due to present market conditions, and so would instead, leave all three sites undeveloped for the foreseeable future and no new council properties.

6.2 Option 2, As the Waterloo Site is already in the remit of the Strategic Affordable Housing Partnership Board this could be sold to a Registered Social Landlord (RSL) for a capital receipt of £ £145,000. Subject to receiving grant from the Homes and Community Agency (HCA) this could result in 29 affordable units being delivered by an RSL. The sites at Silver Royd and Evelyn Place being sold on the open market for £210,000 and no affordable housing on those two sites. This option would result in a capital receipt of £355,000 and 29 units of affordable housing to be delivered via an RSL on the Waterloo Rd site. This would be dependant on grant being secured from the HCA and would leave the other two sites undeveloped for the foreseeable future and would result in no new council properties.

6.3 Option 3, Sell the land at Waterloo Rd for nil consideration to Keepmoat PLC and issue a licence to allow Keepmoat PLC to build on the Councils behalf, at Evelyn Place and Silver Royd. Use £1,516,424, S106 monies to purchase 25 completed units across the 3 sites. This option results in no capital receipt for the Council but retained ownership of land at Silver Royd and Evelyn Place and 25 new council properties to be owned by the Council and managed by West North West Homes. This option also ensures that all three sites are developed bringing additional work and confidence to these areas. Across the three sites this would equate to 55% new council housing.

6.4 Option 3 is the preferred option

7.0 Design Quality

7.1 A high quality design brief for the new council properties will be based on the Home and Community Agency's design and quality standards. The units will be built to Lifetime Homes, code level 3.

7.2 This ensures that the properties will be designed and constructed in a sustainable manner, using products and processes that reduce environmental impact and provide the highest thermal efficiency and lower running costs, which is very important when a key objective of the Council is to reduce fuel poverty for its tenants.

7.3 It is expected that if planning permission is granted a start on site could take place in June 2010.

7.4 As the new council properties are all designed for the over 55s, there will be the added benefit of targeting those tenants currently under occupying their own properties, therefore freeing up family sized council houses.

8.0 Consultations

8.1 The lead member for Environment and Neighbourhoods has been consulted and is supportive of using S106 monies to purchase new council properties. The ward members for Farnley/Wortley have been consulted and have expressed a wish that the sites at Evelyn Place and Silver Royd are subject to a local lettings policy that will ensure that there is a local lettings plan for each site which reflects the priorities of the area.

8.2 Discussions with the Pudsey Ward members regarding the mix of units on the Waterloo site are still ongoing.

8.3 The Chief Officer at WNW Homes has also been consulted and is supportive of the initiative.

9.0 Implications for Council Policy and Governance

9.1 By introducing an opportunity for a wider mix of people to live in Leeds, the scheme would help fulfill one of the Strategic Outcomes of the Strategic Plan 2008-11. By bringing 'Improved Quality of Life through mixed neighbourhoods offering good housing options and better access to services and activities'. It will also contribute towards the Strategic Plan Improvement Policy and LAA Target NI 154 'to increase the number of affordable homes across the City.

9.2 The scheme will also comply with Policy H9 of the Unitary Development Plan, which states that the City Council will seek to ensure a balanced provision of size and types of dwellings, including for households on low incomes.

10.0 Council Constitution

10.1 The scheme is not exempt from call-in.

11.0 Legal and Resource Implications

11.1 Section 123 of the Local Government Act 1972 provides that except with the consent of the Secretary of State a Council shall not dispose of land under that Section, otherwise than by way of lease for not more than seven years, for a consideration less than the best that can reasonably be obtained. However the Local Government Act 1972 General Disposal Consent (England) 2003 provides the general consent of the Secretary of State to a disposal where the authority considers that the purpose for which the land is to be disposed is likely to contribute to the achievement of the promotion or improvement of the economic social or environmental wellbeing of the whole or part of the area or of all or any persons resident or present in its area and the difference between the unrestricted value of the land and the consideration for the disposal does not exceed £2,000,000. It also provides that an authority must remain aware of the need to fulfill its fiduciary duty in a way which is accountable to local people.

- 11.2 When disposing at less than best an authority is providing a subsidy to the owner developer and/or the occupier of the land and property depending on the nature of the development. Where this occurs authorities must ensure that the nature and amount of subsidy complies with the State aid rules. Failure to comply with the rules means that the aid is unlawful and may result in the benefit being recovered with interest from the recipient.
- 11.3 This development will require the release of £1,516,424 from S106 monies which have been previously collected to spend on affordable housing provision.
- 11.4 This development will also require the authorisation of licence agreements to enable Keepmoat PLC to build on Evelyn Place and Silver Royd Hill.
- 11.5 The money will not be transferred to Keepmoat PLC until legal and technical checks on the building have been undertaken and assurance that on completion the legal ownership of the units will pass to the Council.

12.0 Capital Funding and Cashflow

| Previous total Authority to Spend on this scheme | TOTAL £000's | TO MARCH 2009 £000's | FORECAST | | | | |
|--|-----------------|----------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | | | 2009/10 £000's | 2010/11 £000's | 2011/12 £000's | 2012/13 £000's | 2013 on £000's |
| LAND (1) | 0.0 | | | | | | |
| CONSTRUCTION (3) | 0.0 | | | | | | |
| FURN & EQPT (5) | 0.0 | | | | | | |
| DESIGN FEES (6) | 0.0 | | | | | | |
| OTHER COSTS (7) | 0.0 | | | | | | |
| TOTALS | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

| Authority to Spend required for this Approval | TOTAL £000's | TO MARCH 2009 £000's | FORECAST | | | | |
|---|-----------------|----------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | | | 2009/10 £000's | 2010/11 £000's | 2011/12 £000's | 2012/13 £000's | 2013 on £000's |
| LAND (1) | 0.0 | | | | | | |
| CONSTRUCTION (3) | 1516.4 | | | 1516.4 | | | |
| FURN & EQPT (5) | 0.0 | | | | | | |
| DESIGN FEES (6) | 0.0 | | | | | | |
| OTHER COSTS (7) | 0.0 | | | | | | |
| TOTALS | 1516.4 | 0.0 | 0.0 | 1516.4 | 0.0 | 0.0 | 0.0 |

| Total overall Funding (As per latest Capital Programme) | TOTAL £000's | TO MARCH 2009 £000's | FORECAST | | | | |
|---|-----------------|----------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | | | 2009/10 £000's | 2010/11 £000's | 2011/12 £000's | 2012/13 £000's | 2013 on £000's |
| Section 106 | 1516.4 | | | 1516.4 | | | |
| | 0.0 | | | | | | |
| Total Funding | 1516.4 | 0.0 | 0.0 | 1516.4 | 0.0 | 0.0 | 0.0 |
| | | | | | | | |
| Balance / Shortfall = | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

12.1 Revenue Effects

- 12.2 There are no revenue effects on this scheme

13.0 Conclusions

- 13.1 In order to provide much needed, high quality new council properties, it is proposed that Keepmoat PLC is appointed to build the new council properties on behalf of the Council. In order to purchase the new units it is proposed that £1,516,424 of S106 commuted sums money is spent. In order to secure the new units and maintain the

ownership of the land at Evelyn Place and Silver Royd, it is proposed that the Waterloo Rd site is sold at nil consideration.

- 13.2 The following table compares the total costs per unit in this scheme, including S106 funds and land values on the basis of the capital receipts which have been foregone, in terms of both current market value and subsidised affordable housing land value. The land values are included in order to indicate the comparative opportunity costs to the Council for either the capital programme or the affordable housing land portfolio. The S106 monies do not represent the cost of construction because it has been cross-subsidised by £500,000 from the Waterloo land value. Clearly the unit cost of £69,856 represents better value for money by using land from the affordable housing portfolio. However the cost of £89,056, per unit by using other Council owned land can still be considered to be value for money when compared with the cost of similar new build property on the market for sale.

| Opportunity cost analysis of 25 unit Council new build scheme | Current market values | Capital Programme | Affordable housing £5k/plot | Affordable housing |
|---|-----------------------|-------------------|-----------------------------|--------------------|
| Total S106 payments | | 1,516,424 | | 1,516,424 |
| Waterloo | 500,000 | | 145,000 | |
| Evelyn Place | 60,000 | | 30,000 | |
| Silver Royd Hill | 150,000 | | 55,000 | |
| Opportunity cost of 3 sites | | 710,000 | | 230,000 |
| Total cost | | 2,226,424 | | 1,746,424 |
| Cost per unit inc land | | 89,056 | | 69,856 |
| Cost per unit excl land values | | 60,656 | | 60,656 |

14.0 Recommendations

The Executive Board is requested to:

- Authorise the appointment of Keepmoat PLC to build the new properties on behalf of the Council
- Inject £1,516,424 of S106 funding into the Capital Programme
- Authorise expenditure of £1,516,424 to acquire 25 x 2 bed properties for the over 55s funded through Section 106 resources.
- Dispose of the land at Waterloo Road at nil consideration.

Background Papers

| | | | |
|--|------------|-----------|------|
| Options for Building Council Houses | Exec Board | Dec | 2007 |
| Council House Building | Exec Board | April | 2008 |
| Strategic Affordable Housing Partnership Board | | June | 2009 |
| Strategic Affordable Housing Partnership Board | | September | 2009 |