

To the Chair and Members of Cabinet

The Granby Housing development in Edlington

Relevant Cabinet Member(s)	Wards Affected	Key Decision
Cllr Jane Nightingale, Portfolio holder for Housing.	Edlington & Warmsworth.	Yes.

1. EXECUTIVE SUMMARY

- 1.1 This report relates to the development on the former Granby Estate, currently being developed by Keepmoat Homes (and called Yew Gardens) and the lack of demand from Registered Providers for general needs affordable housing.
- 1.2 Keepmoat Homes' proposed solution is to switch the remaining general needs affordable housing units to open market sale. This will enhance the prospect of completing the development on programme whilst generating an increased capital receipt for the Council which will support further affordable housing provision in Doncaster, including the development on the former Thompson and Dixon site.
- 1.3 In summary, in return for a 64 unit reduction in affordable housing on the site the Council will receive a significant additional capital receipt.

2. EXEMPT REPORT

- 2.1 This report is not exempt however there are a number of financial and commercial matters contained within exempt appendix 1 which are commercially sensitive information. The appendix is NOT for publication because it contains exempt information protected by Paragraph 3 of Part 1 of Schedule 12 (a) of the Local Government Act 1972 (as amended) information relating to the financial or business affairs of any particular person (including the authority holding that information).

3. RECOMMENDATIONS

It is recommended that the Mayor and Cabinet:

- 3.1 Approve the change of tenure and accept the additional capital receipt offered by Keepmoat Homes for the 10.9 hectare (27 acres) Granby Estate/Yew Gardens site they are currently developing;

4. WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

- 4.1 Value for money is achieved for the land at Granby Estate/Yew Gardens by switching the remaining affordable units to open market sale units and enabling an enhance capital receipt. By recognising the current market and being responsive there is a much better chance the whole development will be completed on programme (by 2021).

5. BACKGROUND

- 5.1 On 22 June 2011, under Key Decision K0996, Cabinet approved the disposal of the former Granby Estate site to Keepmoat Homes for a capital receipt based on the residual land value of the whole site once all Keepmoat's costs had been deducted from their expected revenues. The site required a large amount of abnormal work due to its topography and particularly the need for substantial retaining walls.
- 5.2 The site was originally part of the 'Developers Panel' approach to disposing of sites which had been in receipt of Housing Market Renewal Pathfinder funding to help fund demolitions and prepare for new development. Other sites prepared for disposal through this method included Thompson & Dixon also in Edlington; Kingsway in Stainforth; Willow Estate in Thorne; Kirby Street in Mexborough; and Six Streets in Hyde Park.
- 5.3 Due to the Developers Panel only containing 3 developers (Keepmoat, Lovell and Gleeson's), post the 2008 economic crash, the site was offered to the much larger Homes and Communities Agency (HCA) Panel (containing 17 developers). Keepmoat Homes, who were on both Panel lists, won the bid with an offer to build 272 private sale units and 115 affordable units.
- 5.4 Keepmoat, who were the sole bidder, was recommended as the preferred developer after a scoring and evaluation process. The process was undertaken by the Council's Developer Panel Evaluation Team consisting of a Finance Officer, Property Advisor, Housing Strategic Investment Officer, Housing Regeneration Officers, Architects and an Urban Designer/planner. The scheme was evaluated against the criteria of high standards, deliverability, affordability, partnership working (including training opportunities) and financial return.
- 5.5 The agreement, as set out in the Development Brief, was for Keepmoat to transfer the affordable units at a pre-agreed price to two Registered Provider (RP) Partners, with the capital receipt paid to the Council adjusted to take account of the subsidy within the scheme.

- 5.6 Before the first tranche of affordable housing units were transferred, one of the RP partners confirmed they were not in a position to take the units due to government cuts to their funding. Similarly, the other RP partner could take no more than the first 47 units. The Council purchased 4 units, which are managed by St Leger Homes Doncaster (SLHD). To date 51 affordable housing units out of the intended 115 (44%) have been completed and transferred.
- 5.7 Despite continued attempts by Keepmoat and the Council to find alternative partners there is currently no interest in taking the remaining 64 affordable housing units on Granby/Yew Gardens development from any RP or from St Leger Homes. There are currently (Dec 2016) 155 open market sale units to deliver along with the 64 affordable homes. The site is approximately half way through delivery in terms of units completed, which is at pace with the original programme.
- 5.8 Keepmoat Homes have formally approached the Council and requested that the remaining 64 affordable housing units are switched to open market sale in return for an increased capital receipt. The proposed change would mean that instead of having 30% affordable housing units on the site (115 out of a total of 387) there will be 13% (51 out of 387). Planning have been consulted and confirmed that a new planning application will be required to vary the existing planning consent. This would need to be supported by information relating to the difficulty in delivering the affordable housing in this location however the Planning Authority would be supportive of the proposal if such information was provided.
- 5.9 The figures within the offer have been robustly challenged by Council officers from Strategic Housing, Legal, Finance and Assets. The final position offered by Keepmoat represents a significant uplift in site value and a 9.26% increase on their opening offer.

6. OPTIONS CONSIDERED

6.1 Option 1 – Preferred Option

This is considered to be the most effective way to ensure that the development of Granby Estate/Yew Gardens is completed and provides the Council with an increased capital receipt to invest in additional affordable homes.

6.2 Option 2 – Do Nothing

This is not recommended. If the Council were to insist that Keepmoat develop out the remainder of the site in accordance with the Development Agreement all the evidence suggests they will not be able to find a RP to transfer the affordable units to. This would mean that Keepmoat, at some future point, would be in breach of the Development Agreement and the Council could then trigger a buy-back of land on which building has not yet commenced. In such an event the Council would buy the land back at the same price, pro-rata, which Keepmoat paid for it - less any adjustments for any infrastructure such as roads and drains, where the Council would pay 50% of those costs.

The Council would then need to re-market the site to find a developer prepared to complete a development they had not started, with possibly different designs, financing options and build methodology. An estimate from the Assets team of the value of the land we would be re-marketing compares poorly to the additional capital receipt offered by Keepmoat which is considerably higher.

7. REASONS FOR RECOMMENDED OPTION

7.1 This situation has arisen because the two RPs earmarked for the former Granby site found themselves in a position where they could no longer be part of the scheme. Keepmoat have suggested a solution that works for all parties whilst representing the best option for the Council and citizens of Doncaster, particularly Edlington.

8. IMPACT ON THE COUNCIL'S KEY OUTCOMES

8.1

	Outcomes	Implications
	<p>All people in Doncaster benefit from a thriving and resilient economy.</p> <ul style="list-style-type: none"> • <i>Mayoral Priority: Creating Jobs and Housing</i> • <i>Mayoral Priority: Be a strong voice for our veterans</i> • <i>Mayoral Priority: Protecting Doncaster's vital services</i> 	<p>One of the ways to develop a thriving and resilient economy is to have a flexible policy on housing delivery that responds to the market. By switching the remaining 64 affordable units on Granby Estate/Yew Gardens to open market sale units will help complete the development and generate an increased capital receipt.</p>
	<p>People live safe, healthy, active and independent lives.</p> <ul style="list-style-type: none"> • <i>Mayoral Priority: Safeguarding our Communities</i> • <i>Mayoral Priority: Bringing down the cost of living</i> 	<p>This decision will allow more people to live safe, healthy, active and independent lives. It will also act as a safeguard for the existing community around the development.</p>
	<p>People in Doncaster benefit from a high quality built and natural environment.</p> <ul style="list-style-type: none"> • <i>Mayoral Priority: Creating Jobs and Housing</i> • <i>Mayoral Priority: Safeguarding our Communities</i> • <i>Mayoral Priority: Bringing down the cost of living</i> 	<p>This decision will allow the whole development of Granby/Yew Gardens to be completed contributing to Doncaster's and Edlington's high quality built and natural environment.</p>
	<p>All families thrive.</p> <ul style="list-style-type: none"> • <i>Mayoral Priority: Protecting Doncaster's vital services</i> 	<p>Providing quality homes for families.</p>
	<p>Council services are modern and value for money.</p>	<p>This recommendation highlights that the Strategic Housing service</p>

		is a modern, responsive, proactive and value for money service.
	Working with our partners we will provide strong leadership and governance.	This approach comes as a result of effective partnership working.

9. RISKS AND ASSUMPTIONS

- 9.1 A risk in not building any more affordable units at Granby Estate/Yew Gardens is that RP or SLHD demand rises for such units resulting in an unmet need. There is no evidence to suggest that will happen in the short to medium term.
- 9.2 In accepting the low demand from RP's/SLHD to take more affordable units on Granby Estate/Yew Gardens there is a theoretical risk in accepting Keepmoat's proposal for switching to open market sale units without testing the market. The Council could re-acquire the site and sell to another developer who may deliver a better scheme but this is considered to be a greater risk when factoring in the time and resources it would require to negotiate the buy-back of the site and then to re-market the site with no evidence to suggest a better scheme could be delivered. Compared to the increased capital receipt offered by Keepmoat the Council's Assets team has estimated an open market value of approximately 75% less for the site in question. This would be after a buy-back of land so the net gain in doing this would in the region of 85% less than what Keepmoat are offering.

10. LEGAL IMPLICATIONS

- 10.1 The Development Agreement dated 21 September 2011 provided for Keepmoat to build 115 units of Social housing as part of the development of the greater site. In order to reduce the number of social housing units being provided there will need to be a variation of the existing agreement.
- 10.2 The variation will reduce the number of social housing units by 64 and increase the purchase price considerably.
- 10.3 S111 Local Government Act allows the Council to enter into any contract which is calculated to facilitate, or is conducive or incidental to, the discharge of any of their functions
- 10.4 As the original Development Agreement included the disposal of housing land and as such the receipts were subject to pooling under the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003. The renegotiated payment relates to this original disposal of land so that the additional capital receipt should be dealt with under these regulations notwithstanding the revised regulations which have been issued since.

11. FINANCIAL IMPLICATIONS

- 11.1 Financial implications are covered in the Exempt Appendix 1.

12. HUMAN RESOURCES IMPLICATIONS

12.1 There are no HR implications associated with this report.

13. TECHNOLOGY IMPLICATIONS

13.1 There are no technology implications associated with this report.

14. EQUALITY IMPLICATIONS

14.1 There are no equality implications associated with this report.

15. ASSET IMPLICATIONS

15.1 The current offer for the former Granby site was, through negotiation, increased by 9.26% from their starting offer. This is based on a predicted sales value of the existing Granby Estate/Yew Gardens estate which is in line with the current market predications for sales in that area.

15.2 Therefore given all the circumstances including the existing deal at Granby Estate/Yew Gardens, the possibility of taking back undeveloped land and trying to re sell, this represents a very good market deal for the Council in all circumstances given the uncertainty of the housing market.

16. CONSULTATION

16.1 In arriving at the current positions consultations have taken place with officers from Strategic Housing and Keepmoat Homes, Housing Portfolio Holder, Mayor, and officers from Finance, Legal, Assets and Planning.

17. BACKGROUND PAPERS

17.1 Cabinet report K0996 dated 22 June 2011.

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