



Doncaster Council

Cabinet Report

**Date: 19th November
2019**

**To the Mayor and Members of:
Cabinet**

Disposal of land adjacent to Broadwater Drive, Dunscroft for the development of new affordable housing via the Housing Association Programme.

Relevant Cabinet Member(s)	Wards Affected	Key Decision
Councillor Glyn Jones	Hatfield	Yes

EXECUTIVE SUMMARY

1. This report is to seek approval for the disposal of Housing Revenue Account (HRA) land at Broadwater Drive, Dunscroft to Ongo Homes Housing Association. Disposal will be to facilitate the development of c.41 units of new affordable housing for families and older people. The disposal will be on a long leasehold basis being 125yrs at a peppercorn rent (£1).
2. At present the site is held within the HRA and has been vacant for a number of years. The site is currently used as informal open space, however over the years the site has fallen foul of persistent ASB/fly tipping, all of which incurs a cost to the council and acts as a nuisance to surrounding residents.
3. As part of the ongoing Affordable Housing Programme this site has been offered out for development interest to the councils Housing Association partners on numerous occasions, all of which have previously declined. Ongo Homes approached the council directly with interest in the site with a view to developing the land for affordable housing. As a result, Ongo Homes have deemed the site a viable development prospective, despite a number of challenging and costly site constraints, and has resulted in the proposal outlined within this report.
4. In terms of land value, Broadwater has been valued at £400,000 (Assets & Property Team, Dec 2018). The site is located in Flood Zone 3 and has substantial abnormalities of which has necessitated the need for flood alleviation

measures factoring into the designs and scheme costs. All these issues impact upon the land values and it would be highly unlikely to achieve £400,000 if put out to the market. This is evidenced by additional due diligence carried out by the council which indicated the site would result in a negative land value.

5. It is anticipated the scheme will deliver a number of socio-economic benefits:
 - c.£5m investment into the locality/borough
 - delivery of an 100% affordable rented housing development
 - c.41 units of affordable housing for families and older peoples (24x2b, 10x3b houses, 6x2b bungalows, and 1x3b bungalow)
 - The council will receive 100% nominations, which will help to reduce waiting list numbers
 - Significant improvement of a previously vacant ASB prone section of council owned land.
6. Conversely, if the Council were successful in selling the land with a view of using the receipt to fund additional new homes, that value (if achieved) would only facilitate approx. 3-4 units (typically c. £100k per unit).

RECOMMENDATIONS

7. Cabinet are asked to:
 - i) Support the long lease disposal of land to Ongo Homes for 125yrs at a peppercorn rent for the development of new affordable housing.

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

8. Disposing of the land will facilitate the provision of much needed affordable housing within the borough. Good quality, modern accommodation designed to meet the needs and aspirations for all Doncaster's residents is a key Mayoral priority.

BACKGROUND

9. The underpinning policy objective of the Councils Housing Strategy is the provision of good quality affordable housing for all sections of the community.
10. Evidence from the recent Housing Needs Study (2019) indicates overall Doncaster has a net Affordable Housing Need of 209 units per year over the next 5 years. Furthermore, the findings suggests there is a net Affordable Housing Need for the Duncroft/Dunsville/Hatfield/Stainforth area; and that this need is mainly for 3bed houses and 2bed bungalows. In addition, specifically for older people's affordable housing, the study indicates evidence of need for bungalows of all sizes. This evidence is confirmed from St Leger Homes bidding data that indicates there is strong demand for 2/3bed houses and 2/3bed bungalows within these localities.
11. From carrying out an initial feasibility appraisal Ongo Homes deemed the site a viable option for new housing delivery. This is despite a number of challenging and costly site constraints, such as the requirement for a new pumping station, removal of pylons and re-laying of electrical power lines, low-level site remediation, and flood mitigation measures. Upon completion

of a Strategic Flood Risk Assessment, Ongo Homes and their Architect have worked extensively with the councils Senior Flood Risk Engineer to develop an agreed approach to reducing the risk of flooding to the proposed new development. This has resulted in a requirement for part of the north side of the site (which contains 2 bungalow plots) to have the finished floor levels raised to 600mm above existing ground levels. The bungalows on the south of the site are already proposed at, or above, the flood level.

12. Development options drawn up in partnership with officers within Strategic Housing, propose the following 100% affordable rented scheme:
 - 1x3bed bungalow, 6x2bed bungalows, 10x3b and 24x2b houses
 - Scheme Finance: c.£5m - Homes England grant (c.£1.68m), Ongo Homes own capital finance (c.£3.32m).
13. Additional due diligence undertaken on the viability appraisal confirms that costs are fair and reasonable. Any new scheme will be subject to a satisfactory planning approval.
14. Ongo homes have confirmed that they will provide a 3bed bungalow on site as part of the unit mix. This will however require additional work by their architects to carry out the re-design of the unit along with any engineering implications (such as drainage). This work will need to be reflected in all the proposed planning documents (site layouts, house type designs, elevation drawings, drainage plans, and within the design and access statement). This work may take a few weeks to complete, and may have a knock on effect in terms of ensuring a start on site by March 2020 to meet Homes England funding requirements. As such, it is proposed, subject to Cabinet approval; to submit for planning with the original proposal but undertaking a Plot Substitution / Amendment to change from 7x 2 bed bungalows to 1x 3 bed bungalow and 6x 2 bed bungalows once submitted. To guarantee this is undertaken the council is to formalise the substitution of the 3bed bungalow within the legal agreement for the land transfer.
15. In terms of any remaining liability to the council at the end of the 125yr lease period, there are three possible options:
 - 1) The Housing Association negotiates a new lease with the Council. It has the right to do this under the 1954 Housing Act (as the law currently stands).
If the Housing Association does not request a new lease then;
 - 2) The Council can opt to take back the land, including the properties built upon that land and return to its ownership or;
 - 3) The Housing Association is required to hand back the land in the same state it was leased (i.e. a cleared site) in which case the properties could be demolished or alternatively the Housing Association provides the council with a capital sum to undertake the demolition ourselves.
16. In terms of affordable rents, these have been calculated in line with the Valuation Office Agency/District Valuer who provided Ongo with an assessment of Doncaster market rents from which the affordable rents are derived (80% of market rent). This method of calculating affordable rents is in line with Homes England's Capital Funding Guide, which sets out their requirements in relation to the rents to be charged on grant-funded affordable rent schemes. Therefore Ongo Homes have profiled the following (per week calculated over a 48 week period):
 - 2bed houses - £107.71

- 3bed houses - £118.48
- 2bed bungalow (detached) - £140.03
- 2bed bungalow (semi-detached) - £129.26
- 3bed bungalow (detached) - £150.80

Rents on this scheme are a little higher than LHA rates, particularly for the bungalows, but this can be offset as new housing is designed to be more cost efficient for residents due to construction techniques, building fabric and insulation methods employed; as such residents heating bills are expected to be much reduced compared to older properties.

17. The Council's Assets and Property Team valued the site at £400,000 (December 2018). The Council's Assets team has valued the land at £400,000, however this is a 100% affordable rented scheme and with the amount of abnormalities on site being substantial it would be highly unlikely to reach anywhere near that value if put to sale on the open market. This is evidenced by additional due diligence carried out by the council which indicated it is likely the site would result in a negative land value. Providing the land for affordable housing delivery in this way will result in a disposal at less than best consideration – therefore disposal of the land at a peppercorn rent would result in it being returned on the same basis at the end of the lease period.
18. Disposing of the land to Ongo Homes has the potential to lever in c.£5m investment into the locality along with the associated socio-economic benefits; including Council Tax revenues, new homes bonus, removal of management and maintenance costs to the council whilst the site is vacant; and the creation of local construction jobs/apprenticeships, opportunity for local supply chains, and an enhanced local area.
19. If approval to proceed is received, Ongo Homes will submit a firm bid to Homes England as part of the ongoing Continuous Market Engagement (CME) process via the current Affordable Homes Programme 2016-21. Homes England have indicated that funding is conditional to only those schemes that can achieve a start on site by March 2020.
20. This site is not being considered, as part of the council's own Build Programme due to a number of reasons. Firstly, the Affordable Housing Programme has within it a number of legacy sites which have been in progress with Housing Associations for a number of years, well before Local Authorities received the renewed flexibilities for borrowing to fund new build (lifting of the HRA Borrowing Cap). This is one of those sites, and Ongo Homes have dedicated a significant amount of time and resource towards working up a viable development proposal despite the site constraints cited in para.11, all of which are considered both costly and risky in terms of delivery.

OPTIONS CONSIDERED

21. **Option 1 – Long lease disposal of the land to Ongo Homes.**
This option will enable the development of new affordable housing units, which will help meet Doncaster's affordable housing need.
22. **Option 2 - Sell the land for a capital receipt.**
If the council were to sell the land with a view of using the capital receipt to fund additional new homes, the value would only facilitate approx. 3-4 units

(typically c.£100k per unit), compared with c.41 new units proposed on the site by Ongo Homes. However as detailed within the body of the report it is highly unlikely to achieve the land value.

23. **Option 3 - Alternative use / Retain the site**

If the site is not transferred to Ongo Homes, it will remain within the HRA and options for its future use / or an alternative disposal route will be determined as part of the future new build programme exercise taking into account the site constraints noted in parra. 11.

REASONS FOR RECOMMENDED OPTION

24. This option enables the council to work towards its aspirations for providing suitable accommodation for families and older people for which there is a current and expected future demand.

IMPACT ON THE COUNCIL’S KEY OUTCOMES

25.

	Outcomes	Implications
	<p>Doncaster Working: Our vision is for more people to be able to pursue their ambitions through work that gives them and Doncaster a brighter and prosperous future;</p> <ul style="list-style-type: none"> • Better access to good fulfilling work • Doncaster businesses are supported to flourish • Inward Investment 	<p>Creation of new sustainable affordable housing for families and older people.</p> <p>During the development process additional jobs/apprenticeships will be created for local people and local trades / suppliers.</p>
	<p>Doncaster Living: Our vision is for Doncaster’s people to live in a borough that is vibrant and full of opportunity, where people enjoy spending time;</p> <ul style="list-style-type: none"> • The town centres are the beating heart of Doncaster • More people can live in a good quality, affordable home • Healthy and Vibrant Communities through Physical Activity and Sport • Everyone takes responsibility for keeping Doncaster Clean • Building on our cultural, artistic and sporting heritage 	<p>Modern housing to enable older people to maintain their independence for longer, along with health and wellbeing benefits.</p> <p>New housing is designed to be more cost efficient for residents.</p> <p>The scheme will be designed in line with a range of industry best practice design guidance, to ensure a quality development is built.</p>
	<p>Doncaster Learning: Our vision is for learning that prepares all children, young people and adults for a life that is fulfilling;</p>	<p>Opportunity for jobs and apprenticeships.</p>

	<ul style="list-style-type: none"> • Every child has life-changing learning experiences within and beyond school • Many more great teachers work in Doncaster Schools that are good or better • Learning in Doncaster prepares young people for the world of work 	
	<p>Doncaster Caring: Our vision is for a borough that cares together for its most vulnerable residents;</p> <ul style="list-style-type: none"> • Children have the best start in life • Vulnerable families and individuals have support from someone they trust • Older people can live well and independently in their own homes 	<p>New homes will enable families and older people to remain close to existing family, friends and local community networks.</p>
	<p>Connected Council:</p> <ul style="list-style-type: none"> • A modern, efficient and flexible workforce • Modern, accessible customer interactions • Operating within our resources and delivering value for money • A co-ordinated, whole person, whole life focus on the needs and aspirations of residents • Building community resilience and self-reliance by connecting community assets and strengths • Working with our partners and residents to provide effective leadership and governance 	

RISKS AND ASSUMPTIONS

26. Asset management implications are present. Vacant sites require regular maintenance and security. If left unused for a long period of time the site will and has previously attracted anti-social behavior; causing a nuisance to the surrounding residents, which in turn would increase costs to the council.
27. If the site is not transferred to Ongo Homes, it will remain within the HRA and options for its future use / or an alternative disposal route will be determined as part of the future new build programme exercise.

LEGAL IMPLICATIONS [AB - Date 26th July 2019]

28. Section 32(2) of the Housing Act 1985 requires that any disposal of housing land by the Council is not made without the consent of the Secretary of State. A number of general consents by the Secretary of State to the disposal of housing land by local authorities have been made.
29. Paragraph A3.2 of the General Housing Consents 2013 Order gives consent to the disposal of vacant HRA land (land on which either no houses have been built or where any houses built on the land are no longer capable of habitation and will be demolished) irrespective of whether market value consideration is being obtained for the land.

FINANCIAL IMPLICATIONS [DR - 7th August 2019]

30. Disposal of the land at Broadwater Drive, Dunscroft on a 125 year lease at a peppercorn rent of £1 is a disposal at less than best consideration given that the land is valued at £400k.
31. The arguments for disposal at less than best consideration are laid out in the body of the report and indicate that this would achieve greater outputs than if the land were sold at market value and reinvested by the Council in its own Housing Capital Programme.
32. If the Asset Board support the proposal, Financial Procedure Rules require that in respect of disposal at less than the best consideration where the estimated disposal value would otherwise have been at or above £250k, the Property Officer shall prepare a report to Cabinet for approval.

EQUALITY IMPLICATIONS [RW - Date 23/07/2019]

33. All housing developments supported by Doncaster Council will be accessible depending on individual need. Such assessments will not discriminate against any applicant in any way and particularly due to any of the protected characteristics of the Equality Act 2010.

All Doncaster Council's Housing Association partners must maintain a commitment to The Act.

CONSULTATION

34. Internal consultation has been undertaken with Elected Members, Assets Board, the Local Neighbourhood Manager, St Leger Homes, and Housing Portfolio Holder, all of which has been supportive. In addition, a specific consultation event held for the local community on 10th October 2018, which had a positive turnout of which 32 members of the community attended to give their views. Points raised related to the loss of trees/greenery, increased traffic in the area, and retaining of the right of way through the site; however many welcomed the provision of affordable housing, and an overall enhancement of a 'derelict' area of land in their neighbourhood.

BACKGROUND PAPERS

35. None.

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