



Doncaster Council

Cabinet Report

Date: 15th Sept 2020

To the Chair and Members of
Cabinet

Disposal of the former Truman Street depot and Cooke Street office site for the development of affordable housing for older people.

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

EXECUTIVE SUMMARY

1. This report is to seek approval to dispose of the former depot and offices at Cooke and Truman Street, Bentley to Housing21 (Hsg21). Disposal will be to facilitate the development of c.20 units of purpose built affordable housing for older people. The disposal will be on a freehold basis, with Hsg21 paying £5,000 per plot, resulting in a capital receipt to the council of £100,000.
2. The site is presently held within the General Fund, however remains vacant. Demolition was undertaken as part of the Corporate Asset Disposal Programme undertaken by DMBC Assets and Property (Cabinet Decision U0421, Dec 2014). Demolition for both sites completed March 2017.
3. As part of the ongoing Affordable Housing Programme, Hsg21 were approached to consider the site for development as the site is located directly adjacent to the current Hsg21 scheme at Minden Court. Hsg21 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 values, prior to demolition Cooke Street was valued at £205,000 and Truman Street Depot at £93,000 totalling £298,000. Post demolition the value of the combined site is estimated to be £195,000 (Provided by Assets & Property Team, April 2018).
5. It is anticipated the scheme will deliver a number of socio-economic benefits:
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- c.£3.23m investment into the locality/borough
 - Delivery of an 100% affordable rented housing development
 - c.20 units of affordable housing (8x2b bungalows, 6x1b apartments and 6x2b apartments)
 - New housing designed specifically and purpose built for older people
 - Contributing to improving Doncaster's housing offer for older people
 - The council will receive 100% nominations, which will help towards reducing waiting list numbers.
6. If the Council were to sell the land with a view of using the receipt to fund additional new homes, the value would only facilitate approx. 1-2 homes (typically c. £100k per home), or 3-4 homes if matched by Homes England grant.

EXEMPT REPORT

7. Not exempt.

RECOMMENDATIONS

8. Cabinet are asked to:
- i) Approve the freehold disposal of land to Hsg21 at £5,000 per plot for the development of older people's affordable housing.
 - ii) Approve the contribution of £350,000 affordable housing commuted sums s106 monies to aid scheme viability, and to include this provision within the Council's capital programme.

WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?

9. Disposing of the land will facilitate the provision of much needed older people's accommodation. Good quality, modern accommodation designed to meet the needs and aspirations for all Doncaster's residents, including older people is a key Mayoral priority.

BACKGROUND

10. Doncaster, along with the majority of every other local authority is faced with the national challenge of a rapidly increasing ageing population and a decreasing resource envelope. The Council must ensure that, in order to meet this challenge, it can provide a strong housing offer. The underpinning policy objective of the Councils Housing Strategy 2015-25 is the provision of good quality affordable housing for all sections of the community, including older people.
11. Evidence from the recent Housing Needs Study (HNS - 2019) indicates overall Doncaster has a net Affordable housing Need of 209 units per year over the next 5 years. The HNS findings suggest there is a net affordable housing need for both general needs and older person's accommodation in the Bentley area. This evidence is further confirmed by the modelling work recently undertaken by Adults Commissioning looking at specialist older person's accommodation, which again confirms Bentley as an area of need. Furthermore, specifically for older person's affordable housing, the study

indicates evidence of need for 1 and 2bed bungalows. This evidence is confirmed from St Leger Homes bidding data that indicates there is strong demand for both bungalows and apartments within this locality.

12. Choice in accommodation is central to the prevention agenda and is proven to be cost effective. It is also a preventative health issue because having a fulfilling older life promotes good physical and mental health. Without this approach older people are more likely to become increasingly dependent on care and health services which will become more challenging to deliver financially and will represent a decreased quality of life and increased dependency. New housing schemes help to maximise older peoples independence and choice so that an independent life remains the ambition for as many people as possible for as long as possible.
13. The council recognises that increasing housing choice helps to divert the need from residential care to helping people to remain independent for longer. Self-contained apartments enable people to live more independently but also with the comfort that access to the community is close by. Suitable accommodation not only improves choice but also contributes towards improving the health and wellbeing of residents. There is a strong evidence base on the relationship between housing and health. Older people living in poor housing tend to be more at risk from falls, excess winter deaths, cardiovascular diseases, and poor mental health.
14. Hsg21, whose core business model is the delivery of bespoke retirement living, were approached to appraise the site for its potential development suitability. Approaching Hsg21 was deemed reasonable as they already have an operational older people's housing scheme on land directly adjacent to the proposed site (Minden Court). Linking both sites would enable operational efficiencies in service delivery, care provision and access to services for residents. The intention would be for this development to become part of an established community providing support and an established social environment for the new residents which will also contribute to reducing loneliness and isolation.
15. From carrying out an initial feasibility appraisal Hsg21 deemed the site a practicable option for new housing delivery. In summary the scheme presents:
 - 8 x 2 bed bungalows, 6 x 1 bed apartments and 6 x 2 bed apartments
 - 100% affordable rent units
 - Scheme cost: **£3.23m** met by:
 - Homes England Grant - £1.1m
 - Hsg21 Capital Finance - £1.78m
 - S106 Commuted sum - £350,000
 - The scheme costs include £100,000 payment to the Council for the site.
 - Site plan attached (**Appendix A**)

The scheme will be subject to a satisfactory Planning approval

16. Despite being deemed a positive opportunity, the site does however present a number of challenging and costly site constraints:
 - I. Site remediation - part of the site was a former council depot, and has very poor ground conditions so either piled or raft foundations are

likely to be required, both of which are more expensive than the usual foundations needed.

- II. Flood mitigation - the most challenging constraint is the flood mitigation measures required on site. The site is allocated through residential policy area and sits within flood zone 3, as such, planning applications for housing need to be in line with national and local flood risk policy and the Council's flood risk SPD. Hsg21 have worked closely with both the Council's Senior Flood Risk Engineer and the Environment Agency (EA) through the formal pre-application process to develop an agreed approach to reducing the risk of flooding. Sites are designed on their own merits when working with the EA and solutions reached on a site by site basis providing different outcomes in each case. This proposal has resulted in the requirement for the finished floor levels to be raised significantly (by 600mm) above existing ground levels, along with the provision of additional flood resilience construction measures into the build. The requirement for a pumping station or similar has not been identified as part of this process. Had this been the case this would have been identified within the abnormal costs.

Abnormal costs associated with flood mitigation and ground condition measures:

Retaining wall	£79,200
Import of inert capping to make up ground level	£57,500
Piling works for bungalows and apartments	£92,000
Bitmac removal and disposal off-site	£9,375
Further flood resilience measures	£12,000
Additional prelims as a result of the above (c.6wks)	£15,000
Total:	£265,075

These measures have added an additional **£13,254** onto the cost of building each new home.

17. Affordable housing schemes often have marginal viability, and these abnormal site constraints/factors have had a significant negative impact on this scheme, causing a £350,000 viability shortfall, with £265,075 of that viability deficit is due to the abnormal/challenging site constraints detailed above. This leaves a remaining capital shortfall of £85,000 (i.e. £350,000 - £265,075 = £85,000 shortfall). This means the total scheme cost estimate is £3.231m which includes the £265,075 of abnormal costs. This results in a total capital shortfall of £350,000, over and above the funding available from the Homes England SOAHP grant of c.£1.1m and capital investment of £1.781m from Hsg21. This scale of shortfall cannot be designed out with changes to specifications etc., and without additional investment the scheme will not be able to proceed. It is proposed that the Council helps to unlock this development with a contribution of £350,000 from existing accumulated Affordable Housing s106 Commuted Sums, monies which are specifically ring-fenced for the provision of new affordable homes. The costs of the scheme have been reviewed against comparable schemes via The Building Cost Information Service (BCIS) of the Royal Institution of Chartered Surveyors (RICS) database which has indicated both the scheme costs and the s106 contribution is fair and reasonable.

18. Hsg21 aim to maximise the amount of grant available to this scheme, and are looking to obtain £55,000/unit. The cost per unit type is based upon a cost of £2,243/m² (modular build), and the size of the units being 1beds 51m², and the 2beds are similar (both flats and bungalows) at 61m². As such cost per unit type is:
 - 1b flat - £114,393
 - 2b flat - £136,823
 - 2b bungalow - £136,823This cost doesn't include features such as communal corridors, stairwells, communal entrance area, and the lift.
19. Hsg21 are planning on utilising a modern methods of construction (MMC) approach for this particular scheme. This method enables developers to benefit from efficiencies in terms of delivery programme, cost effectiveness, less disruption for surrounding residents/local community with less time on site, less site traffic and environmental benefits. Hsg21 are currently evaluating whether to install PV's on the bungalow roofs in order to achieve an EPC Band A rating. This will lead to lower running costs for residents and lower CO₂ emissions.
20. The MMC units will give the appearance of traditional buildings. Hsg21 and their MMC Contractor M-AR try to ensure wherever possible they actively recruit businesses and people in the communities they operate as wherever possible their chosen supply chain partners employ 20% local people. Supply chain partners already include a Doncaster based Mechanical & Electrical contractor, and Ground working firms.
21. Rents have been calculated in line with Homes England's Capital Funding Guide. Hsg21 have profiled the following (per week calculated over a 52 week period):
 - 2 bed bungalow - £122.62
 - 1 bed apartment - £95.55
 - 2 bed apartment - £122.62
22. Rents on this scheme are higher than LHA rates, however this is specialist housing with additional features to meet the needs of older people. These include adaptable bathrooms, digital alarm call system, communal lobby area, sprinkler systems to apartments, and buggy store.
23. Disposal will be at £5,000 per plot, which is the maximum amount Homes England will allow for disposal. Therefore a disposal on a freehold basis will result in a capital receipt of £100,000 to the council. However, the council will ensure the most appropriate contract methods of disposal are utilised to maximise the certainty of delivery of the new homes.
24. Disposing of the land to Hsg21 has the potential to lever in c.£3.23m 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, opportunities for local supply chains, and an enhanced local area.
25. 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. This is one of those sites, and Hsg21 have dedicated a significant amount of time and resource towards working up a viable development proposal despite the significant site constraints.

26. The Councils Assets and Property Team valued the combined cleared site at £195,000 (April 2018 and reviewed 2019/20). The higher existing value results from the site consisting of two separate assets and combination of those respective book values. Cooke Street offices was valued at a capitalised rent basis for an operational building and Truman Street was valued as a cleared site. 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. 1-2 units (typically c.£100k per home), or 3-4 homes if matched with Homes England grant.

OPTIONS CONSIDERED

27. **Option 1 - Freehold disposal of the land and £350,000 s106 commuted sum contribution.**

This option will enable the development of 20 affordable housing units designed specifically for older people. Furthermore, it will also enable a £100,000 capital receipt to the council through Hsg21 purchasing the land at £5k per plot, which lessens the amount of land value the council is foregoing to enable this site to be brought forward. As such this option will mean the council is to forego £95,000 in land value (est.value £195k).

28. **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 estimated value received of £195,000 would provide fewer new homes than the proposed scheme.

29. **Option 3 - Alternative use.**

If the site is not transferred to Hsg21, it will remain within the Corporate Asset Disposal Programme and options for its future use / or an alternative disposal route will be determined via the Assets Board. One option could be the site is taken forward as part of the future Council House Build Programme, but however the site comes forward it would still have the same abnormal development costs.

REASONS FOR RECOMMENDED OPTION

30. This option enables the council to work towards its aspirations for providing suitable older peoples accommodation for which there is a current and expected future demand. Modern accommodation contributes to help older people to remain independent for longer and less reliant upon services.

IMPACT ON THE COUNCIL'S KEY OUTCOMES

- 31.

	Outcomes	Implications
	Doncaster Working: Our vision is for more people to be able to pursue their ambitions through work that gives	Creation of new sustainable affordable housing for older people. During the development process additional jobs will be

	<p>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>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 older peoples 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> <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 older people to remain close to existing family, friends and local community.</p>
	<p>Connected Council:</p> <ul style="list-style-type: none"> • A modern, efficient and flexible workforce • Modern, accessible customer 	<p>Modern older people's accommodation support older people to live more independently unlike traditional sheltered /</p>

	<p>interactions</p> <ul style="list-style-type: none"> • 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 	<p>residential provision which is more costly.</p>
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RISKS AND ASSUMPTIONS

32. Asset management implications are present. Vacant sites require regular maintenance and security. If left unused for a long period of time the site could potentially attract periodic anti-social behavior; causing a nuisance to the surrounding residents, which in turn would increase costs to the Council.
33. If the site is not transferred to Hsg21, the site is to remain within the Corporate Asset Disposal Programme and options for its future use / or alternative disposal routes will be determined via the Assets Board.

LEGAL IMPLICATIONS [AB Date 21/08/20]

34. Section 1 of the Localism Act 2011 provides the Council with the general power of competence, meaning that “a local authority has power to do anything that individuals generally may do.”
35. The land in this report is presently held within the General Fund and under s.123 of the Local Government Act 1972 the Secretary of State’s consent is required for the disposal of general fund land for less than the best consideration reasonably obtainable. Under Circular 06/03 the Secretary of State has given their consent to the disposal of non-housing/HRA land by local authorities for less than the best consideration reasonably obtainable provided that
 - (i) The difference between the consideration being received and full open market value does not exceed £2 Million, and
 - (ii) The Council is satisfied that the purpose of the disposal will contribute to the promotion or improvement of the economic, environmental or social well-being of the area.

The delivery of social housing would be considered to be for the social well being of the area and the undervalue is less than £2m so the general consent applies here.

36. Section 25 of the Local Government Act 1988 requires the consent of the Secretary of State to be obtained before any local authority supplies any person with financial assistance for the purposes of, or in connection with, the acquisition, construction, improvement or maintenance of any property

which is to be privately let as housing accommodation under Section 24 of that Act. Paragraph A1 of the General Housing Order (S.25 LGA1988) made in 2010 gives consent to the Council for the provision of financial assistance to a registered social landlord (RSL) (such as Hsg21) consisting of:

- (a) the disposal to that RSL of land for development as housing accommodation and other facilities intended to mainly benefit the future occupiers of that housing accommodation
- (b) the grant to that RSL of any easement for the benefit of land to be developed by the RSL as housing accommodation on various conditions set down in paragraph A2 thereof

On condition that:

- (i) any housing accommodation on the land at the time of disposal must be vacant and the terms of the disposal must include that the housing accommodation (other than any housing accommodation which has been developed by the buyer pursuant to the terms of the disposal) shall be demolished rather than used again as housing accommodation
- (ii) completion of the disposal must be by way of transfer of freehold or grant of a lease for a term of 99 years or more
- (iii) the terms of the disposal must include that the development of any housing accommodation must be completed within 3 years after the completion of the disposal
- (iv) the terms of the disposal include that any housing accommodation developed on the land by the RSL shall be let by the RSL on a periodic tenancy or shared ownership lease or lease for the elderly or used as temporary accommodation for homeless persons
- (v) the aggregate value of the financial assistance or gratuitous benefit and any provided by the Council to that RSL in the same financial year must not exceed £10 Million

The provision of financial assistance may be given here as the requirements and conditions associated with Paragraph A1 of the General Housing Order (S.25 LGA1988) made in 2010 can be satisfied.

37. The provision of Social Housing by a registered social provider is classified as a Service of General Economic Interest and as such does not constitute notifiable state aid.

FINANCIAL IMPLICATIONS [AT Date 24/08/20]

38. Disposal of the former Truman Street depot and Cooke Street office site to Hsg21 will result in a capital receipt of £0.100m to the council. This is £0.095m lower than the estimated open market value of £0.195m, which is how the site appears in the Council's asset register and the value has been reviewed in 2019/20 financial year. Financial Procedure Rules (FPR's) allow the Property Officer to approve a disposal at less than best

consideration where the estimated disposal value would otherwise have been at less than £0.250m.

39. The original open market site valuation prior to demolition of buildings was £0.298m but in 2016/17 approval was given to demolish the buildings with the purpose of leaving the land vacant pending future re-development for the delivery of housing. The decision was taken on the basis that the works would cost £0.231m, that the Council would forego any receipt available from an open market sale and would net the Council an annual revenue saving of £0.031m in operating costs. The actual cost of demolition turned out to be £0.136m and was funded from retained right-to-buy Housing capital receipts.
40. The capital receipt now being generated is an improvement on the position previously agreed and will be available for reinvestment in the Council's Capital Programme. It should be noted that although this site is not now within the general disposals programme (having been reserved for housing development) there is pressure on the availability of resources to fund the Capital Programme so opportunities to maximise receipts should be considered.
41. Disposal to Hsg21 is also likely to bring forward development on that site. The proposal for development put forward in the body of the report will require the Council to make a £0.350m contribution to Hsg21 to ensure the viability of the development. This would help lever £2.880m of other investment in the development and the provision of 20 units of affordable housing for older people. This equates to an overall investment of £3.230m; which is £0.162m per unit with a contribution of £0.018m per unit by the Council.
42. The proposal was originally presented to the Asset Board with a total value of £2.630m represented by Homes England grant £0.825m, Hsg21 Capital Finance £1.505m and S106 contribution from the Council £0.300m. Since then the emergence of additional site remediation and flood mitigation costs has led the cost of the scheme to increase to £3.230m. This has resulted in the Council's proposed contribution increasing by £50k with the balance of £0.550m being met equally by Homes England and Hsg21. An assessment by Strategic Housing indicates that the current level of scheme costs is fair and reasonable.
43. The current total balance of affordable housing S106 contributions not formally committed to other projects is £4.600m, of which £1.274m is time limited, with £0.315m due to expire in 2021/22, £0.934m in 2022/23 and £0.025m in 2023/24. The contribution to Hsg21 would reduce the available balance for other pipeline projects to £4.4203m and ease the pressure on time limited resources
44. The contribution to Hsg21 is capital in nature and is less than the capital key decision threshold of £1.000m; FPR's allow a contribution of this size and nature to be approved by the relevant Director. The contribution will also need adding to the Council's capital programme; FPR's state that the CFO is responsible for agreeing any in-year additions to the capital programme. Following CFO agreement and before any commitment to spend, a project specific report in line with key decision rules, is required to approve the capital project for inclusion in the capital programme. It will

also need to be administered in line with FPR's E14 to E16, which set out the Council's minimum requirements in respect of such grants to outside bodies. The ensuing funding agreement should also seek to ensure that the properties remain as affordable units and that any value of the contribution can be reclaimed from overage on the development should it perform better than the original viability assessment.

EQUALITY IMPLICATIONS [RW Date 20/08/20]

45. All housing developments supported by DMBC 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 DMBC Housing Association partners must maintain a commitment to The Act

CONSULTATION

46. Consultation has been undertaken with Elected Members, the Local Neighbourhood Manager, St Leger Homes, Assets Board and Housing Portfolio Holder.

BACKGROUND PAPERS

47. None.

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