

Name of meeting: Cabinet
Date: 1st September 2020
Title of report: Disposal of land at St. Pauls Road, Mirfield

Purpose of report

This report seeks Cabinet approval dispose of the former Council Depot site at St. Pauls Road, Mirfield to Connect Housing at 'less than best consideration' to deliver a 13 unit development of affordable supported living apartments for adults with a social care need.

Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?	No
Key Decision - Is it in the Council's Forward Plan (key decisions and private reports?)	Yes
The Decision - Is it eligible for call in by Scrutiny?	Yes
Date signed off by <u>Strategic Director</u> & name	Karl Battersby - 31 st July 20
Is it also signed off by the Service Director (Finance)?	Eamonn Croston - 19 August 20
Is it also signed off by the Service Director for Legal Governance and Commissioning?	Julie Muscroft - 31 st July 20
Cabinet member portfolio	Cllr Cathy Scott – Housing and Democracy

Electoral wards affected: Mirfield

Ward councillors consulted: Cllrs Martin Bolt, Vivien Lees-Hamilton and Kath Taylor

Public or private: Public (Appendix 2 in private)

Appendix 2 of this report is in private in accordance with Schedule 12A of the Local Government Act 1972, as it contains information relating to the financial and business affairs of a third party. It is considered that disclosure of the information would adversely affect Connect Housing and therefore the public interest in maintaining the exemption, which would protect the rights of an individual or the council, outweighs the public interest in disclosing the information and providing greater openness in the council's decision making.

GDPR – GDPR has been considered and there is no personal data contained in this report

1. **Summary**

- 1.1 The Kirklees Housing Strategy (2018-2023) was approved by Full Council on 12th September 2018 setting the overarching ambition for housing in Kirklees. As part of the evidence base for the growth element of the Strategy, a Housing Delivery Plan including a programme of housing land disposals and development was approved by Cabinet on 29th August 2018. Cabinet received a further update report on the Housing Delivery Plan on 20th January 2020.
- 1.2 The Housing Delivery Plan includes several sites to support the Council's strategic priority for more specialist accommodation and affordable housing, including the site at St. Pauls Road, Mirfield, shown edged red on the plan at Appendix 1. In respect of the St Pauls Road site, authority was given to work with an identified partner - Connect Housing, a Dewsbury based housing association - to develop a supported living scheme for people with learning disabilities.
- 1.3 Following this approval the proposed scheme design plans were shared with the Care Quality Commission (CQC) and revised plans were subsequently developed for a smaller scheme of one and two-bedroom flats plus staff facilities for any adult with a social care need, not just those with a learning disability. Cabinet agreed to support the amended development at its meeting on 20th January 2020.
- 1.4 The August 2018 and January 2020 reports stated that Connect would pay market value for the site. However, they have now undertaken an initial appraisal of scheme costs and obtained a residual valuation of the site and there is likely to be a viability gap and a requirement for the Council to dispose of the land to Connect Housing at 'less than best consideration' to make the scheme viable. This would likely constitute State Aid. In accordance with the Councils Corporate Disposals and Acquisitions Policy, any proposal to grant State Aid requires Cabinet Approval.
- 1.5 The purpose of this report is to:
 - Seek Cabinet approval for the disposal of land at St Pauls Road at 'less than best consideration' to the selected registered provider, Connect Housing, for supported living apartments for adults with a social care need.
 - Seek Cabinet approval to grant State Aid to Connect Housing.
 - Seek Cabinet approval to delegate powers to officers to negotiate and agree terms of the discount and disposal.

2. **Information required to take a decision**

- 2.1 The St Pauls Road site (0.21ha) currently comprises one and two storey Council highways depot buildings. Connect are seeking planning permission to demolish the depot buildings and erect a two-storey supported living apartment block of 13 x 1 and 2 bed apartments with associated offices, gardens and parking (2019/62/94099/E). One of the apartments would be for staff use.
- 2.2 This development aims to be a direct alternative to residential care for particularly younger adults with a variety of social care needs who require on-site 24/7 staff providing care and support but want to maintain their independence. The close proximity of the development to the town centre, local amenities and open public spaces make it an ideal location for a supported living development. The development will be CQC registered and Connect Housing have developed their scheme in partnership with Kirklees Commissioning and Health Partnerships. The proposal is for 100% specialist affordable housing which will help to meet local need.

- 2.3 The St Pauls Road development will allow the Council to move people currently living in expensive residential care accommodation to a supported living setting which will be more appropriate for their needs. The scheme is expected to reduce care costs for the Council and will free up places for other residents who need residential care.

Land disposal at less than best consideration

- 2.4 The land at St Pauls Road was valued on 3rd August 2020. The valuations were carried out in accordance with the Technical Appendix to the Local Government Act 1972: General Disposal Consent 2003.
- 2.5 The unrestricted value is £167,000. The restricted value is £167,000
- 2.6 The unrestricted value is the best price reasonably obtainable for the property. It is the market value of the property taking into account any additional amount which might reasonably be expected to be available from a purchaser with a special interest. In general terms, unrestricted value is intended to be the amount which would be received for the disposal of the property where the principal aim was to maximise the value of the receipt.
- 2.7 The restricted value is the market value of the property having regard to the terms of the proposed transaction. It is defined in the same way as unrestricted value except that it should take into account the effect on value of any voluntary condition(s). A voluntary condition is something that the authority chooses to impose as a condition of the transaction that might lead to operational savings or income generated as a result of the transaction.
- 2.8 The valuations are the same in this case because following legal and financial advice it has been established that there are no voluntary conditions imposed in the disposal which are of a direct or indirect financial benefit to the Council and which can be taken into account in the valuations.
- 2.9 An initial assessment of the estimated build costs, available funding and gross development value has been undertaken and this indicates that there will be a need to dispose of the land at an undervalue in order to make the scheme viable. Further information can be found in Appendix 2 (private appendix). This would likely constitute State Aid (see below).
- 2.10 The General Disposal Consent (England) 2003 allows the Council to dispose of land at an undervalue not exceeding £2 million where the disposal will help secure the promotion or improvement of the economic, social or environmental well-being of an area. Given the fact the unrestricted market value is £167,000 the maximum undervalue would be well within the £2m allowable ceiling limit permitted under the General Disposal Consent.
- 2.11 To enable progression of the scheme, give certainty to both the developer and funders and secure delivery at pace, Cabinet approval is required to the grant of State Aid to Connect Housing and to sell the land at 'less than best consideration'. This would be on the proviso that:-
- a full assessment of financial viability is undertaken once the detailed appraisal is received; and
 - the discount reflects the shortfall in funding and does not exceed £167,000.
- 2.12 A discount is justified for the disposal of the site since:
- The land will be acquired using external funding for the purposes of constructing affordable housing;

- The scheme will increase and diversify the housing offer in the area to support housing growth and a longer-term supply of affordable specialist supported housing;
- The scheme has a developer, a suitable site and support from Homes England and therefore should be deliverable more quickly;
- Construction costs are elevated due to non-housing elements associated with specialist supported housing such as staff facilities; and
- The scheme will bring added value and benefits and promote and improve the economic, social and environmental wellbeing of the area.

2.13 The sale of the site will be conditional upon:

- the grant of a satisfactory planning permission for development of specialist supported housing which is free from third party challenge;
- continued availability of grant funding from Homes England for the development; and
- the Council receiving 100% nomination rights on first letting.

State Aid

2.14 Disposal at 'less than best consideration' potentially has State Aid implications. State Aid is present when land is disposed of by the Council at less than best consideration. The decision of the European Commission on Services of General Economic Interest gives an exemption from the need to notify any State Aid for all compensation for social housing, subject to certain conditions. As the body giving the State Aid, the Council must inform the beneficiary (Connect Housing) of specific requirements to avoid overcompensation and the parameters to repay compensation and these would be covered in the formal sale arrangements.

3. Implications for the Council

3.1 Working with People

The scheme will support vulnerable adults. The supported living model will enable people with a social care need to live in a setting which will be more appropriate for their needs, will encourage and promote greater independence, will allow them to take more control over how their needs are met and enable assistive technologies to be utilised.

Partnership working is taking place with the accommodation team in Adult Services to identify potential suitable tenants. All tenants will be approved by the specialist accommodation allocation panel.

3.2 Working with Partners

The scheme involves working collaboratively with a Registered Provider – Connect Housing. This offers an important housing investment route, helping to meet objectives in the Kirklees Economic Strategy, Housing Strategy and Housing Delivery Programme.

The Council has worked successfully with Connect Housing to deliver similar specialist supported living schemes in Kirklees over the last 10 years, for example Kings Mill Court at Newsome and Siggott Street in Longwood. Collaboration with Connect Housing will maximise and expand the investment, revenue resource, skills and specialisms available to the Council to support the delivery of a quality, specialist housing scheme. Their involvement will also result in a quicker and more predictable start on site than could be secured through a market approach, thereby supporting the requirement to deliver challenging housing targets at speed.

3.3 Place Based Working

There is a growing demand for specialist supported living provision locally - the council/Adult Services have identified over 100 adults to date. This number will increase significantly as the Council develops its 'working in partnership approach' taking a more proactive approach to sufficiency planning. As more specialist supported living accommodation is developed, Adult Services will be able to offer an alternative to traditional care home provision and therefore this will increase demand.

The new residents will use local shops and facilities that will help support the local economy.

Connects construction partner will engage with the local community/schools/community organisations prior to and during the construction phase to ensure that they are aware of what the development entails, minimise disruption and have a clear communication strategy for ensuring all parties are well informed of the programme for construction, process for contacting site, minimising parking/delivery issues etc.

3.4 Climate Change and Air Quality

Developing locality-based specialist accommodation and support provision to meet local need in the heart of the community close to community services, family and friends and public transport links will reduce the need to travel contributing to lower emissions.

The scheme has been designed to high design and environmental standards that will exceed current Building Regulations. A ground source heat pump will provide heating/hot water for the scheme along with photovoltaic solar panels to offset the cost of communal lighting. There will be electrical car charging points provided in designated car parking bays.

3.5 Improving outcomes for children and young people

There is potential for disabled young people entering adulthood to be considered for this development so they can develop life skills and independence in a safe and nurturing environment.

Connects construction partner will have four apprentices working on this development plus there will be additional apprentices via sub-contractors.

3.6 Other (eg Legal/Financial or Human Resources)

To enable the scheme to come forward, it is likely that the Council will be required to dispose of the site at 'less than best consideration'.

The level of the likely undervalue is not yet confirmed. This will be determined following a comprehensive assessment of Connect Housings development appraisal once they have submitted final detailed costings.

The scheme will result in savings to the Adult Social Care budget.

The specialist supported living model enables people to live as independently as possible with the Council funding the care and support cost. Welfare benefits cover the housing costs and the day to day running costs. This model represents excellent value for money and will achieve great outcomes and quality of life for the residents.

4 Consultees and their opinions

- 4.1 Prior to submission of the planning application a public consultation event was held for the local population of Mirfield to attend, review the proposals and provide any comments or observations. The event was held in November 2019 at Mirfield Library.

Overall, the comments were positive. Local ward members were advised when the planning application had been submitted. The application was advertised in the press, neighbour consultation letters were sent out and a site notice was posted.

- 4.2 This report has been prepared with the close involvement of colleagues in Asset Management, Legal and Adult Services.

5 Next steps and timelines

- 5.1 If approved the next steps will be:

- Securing full planning approval (Connect Housing);
- Carrying out a full assessment of financial viability once the detailed appraisal is received from Connect Housing
- Agreeing the sale discount post planning consent;
- Both parties agreeing Heads of Terms
- Disposing of the site to Connect Housing
- Both parties agreeing Nominations and Voids Agreement
- Establishing appropriate governance arrangements to oversee the delivery of the project and achievement of housing outputs.

6 Officer recommendations and reasons

- 6.1 Cabinet to give approval to the granting of State Aid to Connect Housing.
- 6.2 Cabinet to give their approval to dispose of the land at 'less than best consideration' to a specialist housing provider, Connect Housing.
- 6.3 Cabinet to delegate authority to the Strategic Director, Economy and Infrastructure to:
- Negotiate and agree the terms of disposal with Connect Housing; and
 - Determine the appropriate level of discount following comprehensive assessment of Connect Housings development appraisal
- 6.4 That authority be delegated to the Service Director, Legal, Governance and Commissioning to enter into and execute any agreement and other ancillary documents necessary to dispose of the land to Connect Housing for use as specialist supported housing.
- 6.5 The reason for these recommendations is that, as set out in the report, the St Pauls Road site will contribute to the delivery of the Council's housing strategy, specifically in relation to providing a range of products to support housing growth and a long-term supply of affordable housing and meeting the housing needs of one of the most vulnerable groups. Selling the site to Connect Housing at an undervalue will ensure that the scheme is viable.

7. Cabinet portfolio holder's recommendations

The Cabinet Portfolio Holder also recommends that Cabinet:

- 7.1 give approval to the granting of State Aid to Connect Housing.
- 7.2 give their approval to dispose of the land at 'less than best consideration' to a specialist housing provider, Connect Housing.
- 7.3 delegate authority to the Strategic Director, Economy and Infrastructure to:
- Negotiate and agree the terms of disposal with Connect Housing; and

- Determine the appropriate level of discount following comprehensive assessment of Connect Housings development appraisal

7.4 delegate authority to the Service Director, Legal, Governance and Commissioning to enter into and execute any agreement and other ancillary documents necessary to dispose of the land to Connect Housing for use as specialist supported housing.

8. **Contact officer**

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9. **Background Papers and History of Decisions**

29th August 2018 Cabinet Report
20th January 2020 Cabinet Report

10. **Service Director responsible**

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