

## **APPENDIX 5 – REPORT ON THE DISPOSAL OF KENMORE DRIVE**

### **Status of Report: Public Appendix 5**

#### **1.0 Introduction**

1.1 This appendix summarises Housing 21's appraisal assumptions, the expected viability gap and the reasons why the sale of the land will need to be at less than best consideration. It also outlines the significant socio-economic benefits that the scheme will bring.

#### **2.0 The scheme**

2.1 The Housing 21 proposal is for an affordable rent extra care scheme with 80 one and two bed apartments. The indicative split is 66% 1 bed and 34% 2 bed properties. It should be noted that these are subject to the outcome of the detailed design stage.

2.2 Rents will be 'affordable rents' up to 80% of gross market rent including service charge in accordance with Homes England guidance.

#### **3.0 Extra Care Cost**

3.1 The current appraisal assumptions are provided below. Further work will be undertaken on this prior to disposal once Housing 21 has completed their tendering process and they have detailed costs.

3.2 Housing 21 indicate that the estimated scheme build cost will be £13.644m (subject to a DPP3 tender process). They are seeking commitment from Homes England of an estimated £5.2m grant from the Shared Ownership and Affordable Homes Programme (SOAHP 2016-2021 Programme). This is a high grant level of around £65,000 per unit. Whilst there is no set level of grant per unit, Homes England expect Housing 21 to:-

- demonstrate where they have maximised their other sources of funding, for example through joint working with local partners;
- lessen reliance on central government funding; and
- show value for money.

3.3 To evidence this and ensure grant funding is forthcoming, the balance not covered by Homes England grant will be subsidised by:-

- Housing 21's Recycled Capital Grant, estimated to be £500,000;
- Housing 21 utilising their own borrowing power;
- The Council providing £500,000 from S106 Affordable Homes contributions. The scheme will deliver 100% affordable rent homes on site and as such falls within the definition of "Affordable Housing" in 2019 NPPF (Annex 2). Some of the S106 contributions within this pot are time limited and need to be spent on suitable schemes within a specified timeframe to avoid payback to the developer. The allocation of funds to this scheme will prevent funding which is nearing its deadline being lost to the Council.

#### **4.0 Land receipt and disposal at less than best consideration**

4.1 The land at Kenmore Drive was valued on 11 March 2020. This valuation was carried out in accordance with the Technical Appendix to the Local Government Act 1972: General Disposal Consent 2003.

The unrestricted value is £1.375m. The restricted value is £1.375m.

4.2 A high level assessment of the estimated build costs and available funding 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.

4.3 The General Disposal Content (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.

4.4 Given the fact the unrestricted market value is £1.375m the maximum undervalue would be well within the £2m allowable ceiling limit permitted under the General Disposal Consent.

4.5 To enable progression of the scheme, give certainty to both the developer and funders and secure delivery at pace, Cabinet approval is required to sell the land at an undervalue. This would be on the proviso that:-

- a full assessment of financial viability is undertaken once the detailed appraisal is received;
- the discount reflects the shortfall in funding and does not exceed £1.375. In this respect it should be noted that Homes England expects Local Authorities to contribute land at nil value or at best, transfer land to registered providers at £5,000 per plot to secure affordable homes. On this basis, the maximum capital receipt that the Council could be expected to receive would be £400,000 (80 units).

4.6 The development of an extra care scheme on the site will increase and diversify the housing offer in the area to support housing growth and a longer-term supply of affordable housing. This will specifically meet older people's housing and care needs, and enhance community facilities available to the wider community, thereby providing a social benefit to the district.

4.7 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;
- construction costs are elevated due to non-housing elements associated with extra care and site gradient constraints;
- delivery will be quicker with a more predictable start on site than can be achieved through the private sector; and
- the scheme will bring added value and benefits and promote and/or improve the economic, social and environmental wellbeing of the area.

4.8 The sale of the site will be conditional upon:

- the grant of a satisfactory planning permission for development of extra care housing which is free from third party challenge;
- continued availability of grant funding from Homes England for the development;

- the Council receiving 100% nomination rights on first letting and 75% thereafter on rental properties.

## 5.0 Social, economic and environmental proposals

5.1 Housing 21 aim to meet the following targets for the delivery of their extra care schemes:-

- Employ 100% of staff within the scheme from the immediate local community;
- Offer Level 2 to 4 Housing and Property Management apprenticeships and Level 5 higher apprenticeship in Care Leadership and Management in Adult Social Care. Apprenticeships are offered for 12 to 48 months depending on the subject and employee. They partner with the training partner Centre for Housing Support
- Work with local colleges to offer traineeships and apprenticeships to students and promote the industry as a career choice.
- Work with local recruitment agencies to job match local people to available roles
- Provide opportunities for local SME's, social enterprises or community groups. Restaurant, shop, hairdressing and other commercial and community opportunities would be offered to local people as business opportunities. Access to these facilities will be open to the wider community providing them with new leisure and well-being opportunities;
- Prioritise the use of local contractors to deliver services such as responsive repairs and grounds maintenance. On average they spend £60k/ annum on procuring services from locally based micro and SME businesses over the first 10 years;
- Once built, Housing 21 operate a Work Experience Placements' policy, offering placements for local students for one to two weeks.

As part of their offer, Housing 21 expect to deliver the following outputs and outcomes:-

Output or outcome	Per Extra care scheme
<b>People have the skills for work and businesses have access to locally skilled workforce</b>	
Local people supported to achieve NVQ (Level 2) qualification	40
Local people supported to achieve NVQ (Level 3) qualification	10
Professional development opportunities offered to local people i.e. BTEC, City & Guilds (Level 2) or equivalent	4
Professional development opportunities offered to local people i.e. BTEC, City & Guilds (Level 3) or equivalent	4
Apprenticeships (Level 2) offered to local people	6
Apprenticeships (Level 3) offered to local people	6
Professional development opportunities (Level 4+) offered to local people	1
Work experience opportunities offered to local people	1 per extra care scheme per year
Career awareness programmes offered to local schools and colleges	2 per extra care
<b>More Local people in work</b>	
Job opportunities offered to local long term unemployed	1
Full time job opportunities offered to local people currently working less than 16hrs p.wk	20
Job opportunities offered to local 18-24 yr olds not in employment, education, or training (NEET)	20
Job opportunities offered to local people with disabilities	1

Job opportunities offered to local Ex-offenders	per extra care scheme (subject to DBS Clearance)
<b>Support health, well-being and independence of local residents</b>	
Commercial support offered to local voluntary and community groups	6 Hours/annum
Facilities offered for use to local voluntary and community sector groups	2 hours/month
Time allowed for staff to volunteer locally	10 hours/employee
Fundraising activity and donations offered to locally based voluntary and community groups	£100/annum
Support offered to local priority groups to help them live independently	6 hours/annum
Initiatives to improve social connectedness and reduce isolation for local priority groups	100 hours/annum
Promote digital inclusion and increase digital awareness for priority groups	4 hours/annum
Value spent with locally based voluntary and community groups	£500/annum
Resources targeted at areas of local need to deliver community resilience	£500/annum
Spenser initiatives to increase awareness and promote the delivery of social value locally	£100/annum
<b>Protect and preserve the local environment / natural resources</b>	
Commit to reduce operational carbon emissions against 3 year baseline	1 ton/annum
Commit to carbon savings made due to use of renewable energy	1 ton/annum
Environmental programmes with local groups, schools and colleges	10 hrs/annum
<b>Innovation</b>	
Local initiatives to support economic growth and sustainability	10 hrs/annum
Local volunteering initiatives	20 hrs/annum
Initiatives to deliver social value locally	10hrs/annum