

Sale of Site at Gorse Hill, Swindon

CABINET

Date: 15th February 2012

Author: Cabinet Member for Council Transformation, Sustainability, Transport and Strategic Planning, and Group Director Business Transformation

Parish / Wards Affected: Gorse Hill and Pinehurst

Purpose

To seek approval for the sale of a site at Gorse Hill, Swindon, for the development of 241 homes in order to:

- Provide 106 affordable family homes representing 44% of the total scheme,
- Secure £30m of investment in a development which will support the local Gorse Hill economy by increasing the number of residents and by creating new work and training opportunities,
- Secure £1.022m investment for landscaping works allowing more local people to make more use of the open space areas.
- Secure £1.8m under the Government's New Homes Bonus scheme, based on £300k a year for up to six years from completion, while that scheme is in existence.

Recommendation

Cabinet is requested to

- Agree to the disposal of the site at Gorse Hill, Swindon, identified in Appendix 1 attached to the report ('the Plan'), for Haboakus to develop 241 homes, on the basis that 44% of the homes are affordable, subject to the scheme being granted a suitable planning consent; and to authorise the seeking of Secretary of State's consent should that be necessary.
- Agree that as part of the consideration for the disposal, Haboakus spend not less than £1.022m, being the 'surplus value' of the scheme, on agreed landscape improvements on the open space adjoining the proposed development, shown hatched on the Plan, including providing a new changing pavilion to serve Southbrook Recreation Ground; and that Haboakus and the Council explore the potential to set up a community land trust or other community based model to maintain the open space.
- Support the allocation of £772k of Section 106 funding towards 14% of the affordable housing provision within the scheme.
- Authorise the Director of Planning and Transport to take the necessary action under section 228 of the Highways Act 1980 to formally adopt as public highway

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the land shown cross hatched on the Plan which will form part of the access to the proposed scheme.

- Authorise the Head of Property and the Director of Planning and Transport in consultation with the Director of Law and Democratic Services to make such appropriations to planning purposes in respect of the site as required.
- Authorise the Director of Law and Democratic Services to complete all necessary and ancillary documentation to give effect to the scheme, on such detailed terms and conditions to be determined by the Director of Law and Democratic Services in consultation with the Head of Property and the Director of Finance, in order to protect the Council's interest.

1. Reasons

- 1.1 Haboakus have confirmed their interest in pursuing a development on Council owned land at Gorse Hill, Swindon, which provides the opportunity to achieve the following benefits:
- create a well-designed and highly sustainable exemplar development that is both sympathetic to, and integrated with, the surrounding neighbourhoods,
 - investment of £30m to deliver the proposed scheme which will support the local economy by increasing the number of residents, and create work and training opportunities,
 - 44% of affordable housing which produces 106 family units
 - 241 new houses will attract an annual receipt of around £300k under the Government's New Homes Bonus scheme for up to six years from completion, while that scheme is in existence.
 - £1.022m in landscaping works to the open space areas adjoining the proposed development and a new changing pavilion for Southbrook Recreation Ground

2. Detail

- 2.1 Following a review of all Council allotment sites, Cabinet in 2006 approved that Pickards Small Field and Kembrey Grass Field be declared as surplus to allotment use and that both sites be disposed of for residential use.
- 2.1 Around a year after this decision the Council considered the opportunity of a site disposal to the Haboakus group for residential development. This reflected the Council's interest in assessing the site's potential with an organisation with a desire to create sustainable homes and environments that people enjoy living in. The Council and Haboakus undertook public consultation on the proposed development of the site. However later on in

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2008 economic conditions dramatically deteriorated and there was a sudden drop in the residential development market and discussions between the parties were discontinued.

- 2.3 Last year Haboakus renewed their contact with the Council to identify if there was a fresh opportunity to consider a disposal of the site. They are interested in delivering an exemplar scheme to regenerate the wider area that :-
- provides a high quality development in terms of design and sustainability
 - supports wider regeneration of the surrounding community
 - delivers benefits to local people that would not be realised without the development by encouraging increased use and enjoyment of the adjoining open space and Southbrook Recreation Ground
 - aims to achieve a minimum of the Code for Sustainable Homes Level 4
 - provides jobs and training opportunities to the local population and looks at the use of local suppliers
 - incorporates adjacent green spaces and particularly considers how to integrate with the 'local high street' facilities on Cricklade Road
 - offers a range of accommodation to appeal to a diverse social and cultural mix and to young and old alike and provides a mix of affordable housing for local people alongside the market housing
 - respects the environment by minimising the use of energy and resources both in construction and in use.
- 2.4 Council officers and Haboakus have assessed the opportunity of providing such a scheme in the context of the continued economic conditions faced by the house building industry. These conditions mean that the Council needs to consider whether to hold on to surplus land or property for a period of time until prices may improve, or to recognise that alternative value can be derived from developments in the meantime that will benefit Swindon residents. These may be direct, including payments under the New Homes Bonus and Business Rates income in future years, or indirect such as local regeneration and job creation. A report elsewhere on the agenda presents a proposed Acquisition and Disposal Strategy which, if agreed, will provide a framework for evaluating options for individual opportunities until such time as market conditions improve. The proposal in this report has been developed within the context of this Strategy.
- 2.5 An outline scheme that provides 241 units has been worked up. This scale of development is greater than previously considered and requires building on open space as well as Pickards and Kembrey Grass Fields. The inclusion of the additional open space helps off-set the scheme's infrastructure costs (such as roads, services, drainage, additional paving areas) and reflects the challenge in making a scheme viable in the current market. Additionally, the proposed access road from Cricklade Road to Pickards Field is quite lengthy and if there is no development on the existing open space there would be no

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- surveillance from overlooking homes. This potentially would not encourage walking and cycling by the new residents to Cricklade Road (and beyond). A surplus value of £1.022m is generated by this scheme and it is proposed this is reinvested in enhancing the adjoining open space and providing a new pavilion for Southbrook Recreation Ground. Haboakus have advised that these works are vital to ensuring the new development's sales and rental values assumptions remain valid (and hence the overall financial viability) by providing an attractive environment in which to set the new homes.
- 2.6 The proposed scheme is dependent on £1m of Homes and Communities Agency (HCA) grant. Under their current rules the HCA will only pay grant on non-s106 units so it will be payable on the 34 additional affordable units that would be delivered over and above SBC's minimum requirement of 30%. The average grant rate per unit needs to be within acceptable parameters. The HCA's limit is £30k per unit maximum, with this scheme at £28k. Reducing the scheme size will reduce the HCA grant proportionally, but without a commensurate reduction in scheme costs. (Note that HCA grant is still subject to on-going negotiation and economic viability tests).
- 2.7 Whilst the scheme would be developed jointly by Haboakus, the proposed disposal would be to Oakus, which is part of the Greensquare Group. The HCA grant if secured would be paid to the Westlea Housing Association, who are acquiring the affordable housing from Oakus.
- 2.8 The scheme does not generate enough value to produce a capital receipt for the site in addition to the £1.02m that would be used for enhancement works. Also the scheme does not produce sufficient value to make a section 106 contribution in addition to the 44% affordable housing.
- 2.9 The Head of Property has commissioned a development appraisal from a national surveying practice to identify the value the site would generate if developed for a traditional scheme providing 30% affordable housing, reflecting the current planning standard. This is to identify whether a disposal for a traditional housing scheme could generate a higher value than the Haboakus proposal. This appraisal also reflects the payment of £1.02m for enhancement work and also results in a zero land value. This is because of the fairly low end value of completed units that does not produce enough of a return to off-set the development costs.
- 2.10 It is therefore felt that a disposal to Hab/ Oakus satisfies the requirements of complying with the statutory requirement to obtain best consideration as set out in section 123 of the Local Government Act 1972. Local authorities also have discretion to dispose of assets for up to £2m below market value if a sale helps achieve corporate priorities. Whilst it is not felt to be required in this instance as the proposed disposal is not below market value, the provision of well designed and sustainable housing as well as £30m

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investment to contribute to local regeneration helps achieve the Council's One Swindon priorities.

- 2.11 The proposed scheme would form the subject of local consultation that would be undertaken by Haboakus. They propose to engage in several months of intense, extensive and regular local consultation in advance of their formal development proposal. This would then be subject to the planning consultation which would afford further opportunities for public engagement. Haboakus would need to provide a viability assessment as part of the planning process to support the scheme making no s106 payment.
- 2.12 In recognition of the proposal to provide an additional 14% of affordable housing over the standard planning requirement of 30%, it is proposed that the Council contributes £772k to reflect this extra provision. The Housing Enabling Manager supports the scheme and there is currently around £600k of identified s106 monies that have been paid for off-site affordable housing available towards this payment. It can reasonably be anticipated that other housing schemes will come forward over the next 2 years and make up the balance of s106 contributions for the provision of off-site affordable housing.
- 2.13 The proposed access road to serve the development from Cricklade Road is currently maintained as public highway but not formally adopted. It is proposed to serve a notice under the Highways Act to formally adopt the access as public highway reflecting it is maintained at public expense. The Director of Planning and Highways feels this action is appropriate regardless of the Haboakus proposal but will in turn facilitate its improvement to provide access into the proposed scheme.
- 2.14 Any land disposal would be subject to Haboakus obtaining a satisfactory planning consent for their proposed scheme, £1m of HCA funding being secured, the Council paying £772k for the additional affordable housing and the provision of satisfactory access and services to the proposed site. It is not thought at this stage that Secretary of State's consent will be needed under the Housing Act 1988 but, should this prove necessary, then it is suggested that authority be given to progress this.
- 2.15 It may be necessary or desirable to consider appropriating the site or parts of it so that it is held for planning purposes. When land is appropriated for such purposes then under section 237 Town and Country Planning Act 1990 the erection, construction or carrying out or maintenance of any building or work on the land (by the Council or any person deriving title from the Council) is authorised if it is done in accordance with planning permission notwithstanding that it may interfere with certain third party interests or rights or may breach a restriction as to user of the land.
- 2.16 Ward members have been informed of the proposed scheme and have advised that on the basis of information received they do not support the proposal as they are against development on the proposed site.

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Alternative Options

- The site could be marketed as a potential development opportunity to traditional housebuilder. However, it is not felt this would generate a higher land receipt for the Council.
- The £1.022m surplus generated by the scheme could be paid to the Council as a disposal receipt, but this would then attract stamp duty of 4% which would reduce the money available to spend on enhancement works.
- The site could remain undeveloped.

Risk Management

Financial and Procurement Implications

- The proposed scheme is expected to generate a revenue surplus of £1.022m which would be spent on landscape enhancements to adjoining open space and the provision of a new changing pavilion for the Southbrook Recreation Ground. These enhancements are intended to help integrate the scheme into the adjoining open space and in turn support the level of sales prices, sales rates and rents which Haboakus have assumed can be achieved for completed units by developing scheme in an attractive setting. It is proposed to agree the works to be undertaken with an obligation for Haboakus to then complete the works.
- The scheme does not produce a land value for the Council. A sum of around £300k per year will, however, be received in New Homes Bonus while this Government scheme is in place.
- The Head of Property is satisfied that the proposed disposal complies with s123 of the Local Government Act 1972 to achieve best consideration on the sale of an asset. Whilst in this instance it is not felt to be material as the proposed disposal is not felt to be at below market value local authorities can obtain up to £2m below market value if the sale of an asset supports Council priorities. The proposed scheme can be seen to support Council priorities by providing well designed and sustainable new homes as well as supporting local regeneration through investing £30m in the scheme which will provide local work and training opportunities.

Legal / Human Rights Implications

- All legal and human rights implications have been taken into account in the preparation of this report.
- A Notice under section 228 of the Highways Act 1980 will be served on the area of land off Cricklade Road that is currently being maintained as public highway
- It is considered that the recommendations of this report are compatible with convention rights.

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Other Risks

- Diversity Impact Assessment – A Diversity Impact Assessment (DIA) has not been undertaken at this stage as the report does not make any recommendations or have implications that affect services. A DIA may be required at a later stage.

Links to Corporate Plans and Policies

- This project seeks to improve housing quality and choice thereby supporting the One Swindon priority “I like where I live”.

Consultees

- The Director of Finance (Section 151 Officer) and Director of Law and Democratic Services (Monitoring Officer) are consulted in respect of all reports.
- Director of Planning and Transport

Background Papers and Appendices

- Appendix 1: plan showing proposed disposal site edged black and the open space to be improved hatched black and the proposed access at Cricklade Road shown cross hatched.

Key Decision / Decision in Forward Plan

- This is a key decision and is included in the Cabinet Forward Plan for February 2012.

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