

REPORT TO THE CABINET

15.03.2016

Cabinet Member: Councillor Dafydd Meurig

Subject: Sale of the Former Hendre School Site, Caernarfon

Contact officer: Dafydd Gibbard

The decision sought

To use powers under General Disposal Consent (Wales) 2003 to sell the former Hendre School site in Caernarfon directly to Cartrefi Cymunedol Gwynedd (CCG) for less than market value to ensure the provision of social, economic or environmental benefits.

Local member's views

Councillor William Roy Owen:

"I support the recommendation, and welcome the opportunity to co-operate with Cartrefi Cymunedol Gwynedd to realise a housing development on the site, which will offer a higher than usual percentage of affordable housing. A new development would also improve the visual amenity of the site, which has become an eyesore in recent years."

Councillor Endaf Cooke:

"Whether or not we decide to sell today, the site will one day be developed for housing. It is important that local residents have an opportunity to voice their opinion on the development, and I have concerns regarding the impact of traffic on this area of the town. The cabinet should satisfy themselves that the price is fair under the circumstances."

1.0 **Introduction**

- 1.1 *Following the relocation of Hendre School to a new school site, the former school site has been vacant since 2012. A planning brief prepared by the Planning Service declares the suitability of the site for a housing development.*
- 1.2 *Following discussions at the Strategic Housing Partnership, a request has been received by CCG as a Registered Social Landlord to purchase the site for a residential development which would provide a higher than required percentage of affordable housing. An Economic Viability Assessment prepared by CCG shows the requirement to purchase the site for a sum not exceeding £600,000, in order for the development to be financially viable.*
- 1.3 *Based on this assessment, the Welsh Government is willing to release grant funding prior to the end of the current financial year, provided there is a formal agreement in place by the Council to sell the site to CCG.*
- 1.4 *Following receipt of a favourable decision by the Council, CCG will be able to claim the grant, proceed to submit a planning application, and upon securing planning permission, complete the purchase. This process should be completed by the end of the current calendar year.*

2.0 **Reasons for recommending the decision**

- 2.1 *In order to ensure best value for its assets in accordance with the provisions of Section 123 of The Local Government Act 1972, the traditional method of disposing of Council property is by advertising on the open market and inviting competitive tenders.*
- 2.2 *In 2011, prior to demolition of the former school buildings, the Council together with a National Agent marketed the site on the open market. Private developers showed little interest in the site, and only one tender was submitted for a sum of £221,000. Since then, the school buildings have been demolished by the Council at a cost of approximately £100,000.*
- 2.3 *Following receipt of a declaration of interest in the site from CCG, and in accordance with the usual protocol when transferring assets*

between semi-public bodies, the Council commissioned the District Valuer to provide an open market valuation based on the planning brief. It is noted in the planning brief that the site would be suitable for approximately 42 units, with a requirement for a percentage of approximately 35% of those units to be affordable housing.

- 2.4 It is difficult to be certain when considering the value of the site, as we cannot predict the impact of possible archaeological remains on the development costs. Due to the close proximity of the site to Segontium Fort, conditions will be attached to any planning permission, requiring the site to be closely monitored whilst excavation work takes place. When developing the new Hendre School on a nearby site, the Council incurred costs amounting to approximately £220,000 in connection with the archaeological aspects.
- 2.5 Until work on the site begins, there is no way of ascertaining the cost implications connected to archaeology. This uncertainty creates nervousness among prospective purchasers, and was a key factor leading to the low value of the tender received when the site was marketed in 2011.
- 2.6 Taking the above into account, the District Valuer is of the opinion that the market value of the site for a residential development providing 55% affordable housing is anywhere between £675,000 and £930,000.
- 2.7 Given that CCG's economic viability assessment shows a requirement for the site to be purchased for no more than £600,000, they are not in a position to offer the price determined by the District Valuer. Therefore, in order to accept CCG's offer, the Council must be satisfied that there is justification for selling the site for a sum between £75,000 and £330,000 less than market value.
- 2.8 The General Disposal Consent (Wales) 2003, gives the Council the legal right to sell for less than market value in cases where social, economic or environmental benefits are provided.
- 2.9 It is considered that selling directly to CCG would facilitate the following benefits:-
 - Provide a percentage of approximately 55% affordable housing (23 units) which is significantly higher than the 35%

likely to be provided by a private developer in accordance with planning policy.

- As opposed to a private developer, all of the affordable housing (23 units) would be social rented housing. Current waiting lists provided by Gwynedd Council's Housing Options Team (December 2015) confirms the need for social rented housing in the area. Furthermore, the Council's Strategic Housing Unit have identified the former Hendre School site on the backup programme for receiving social housing grant, stressing the need for social rented housing in the area. It is believed that the majority of private developers would wish to sell the affordable units. It should be borne in mind that social housing rents are lower than the rent payable for a privately rented house. This will of course impact upon the viability of a development by a social landlord.*
- In accordance with the terms of the contract between CCG and the successful contractor, the contractor would be required to provide training, through a combination of apprenticeship opportunities and paid work.*
- CCG would undertake to encourage the main contractor to use local contractors and sub-contractors. In addition CCG would encourage and facilitate relationships between the main contractor and the local further education colleges, and also with local support services such as the Jobcentre Plus, in order to promote employment and training opportunities within the area.*

2.10 Cabinet members must carefully evaluate the social, economic and environmental benefits against the possible reduced capital receipt.

2.11 When considering this matter, the fact that the Council has previously marketed the site for sale as a residential development site and that the highest tender received was significantly lower than the offer currently being made by CCG cannot be ignored. Members should also be aware that we have not received any interest in the site since the marketing campaign in 2011.

2.12 Therefore, despite the District Valuer determining that the value of the site is greater than the amount CCG can offer, there is no

guarantee of when, if ever the Council would attract a similar offer from another developer.

3.0 Next steps and timetable

- 3.1 *The Property Service will proceed to instruct the Legal Service to commence the process of transferring the site to CCG, with a view to completing the sale during the current calendar year.*
- 3.2 *A favourable decision by the Cabinet will enable CCG to complete their claim for the Welsh Government grant prior to the end of the current financial year, in order to proceed to purchase the site as soon as possible.*
- 3.3 *Cabinet members should be aware that the whole of the capital receipt generated from this site has already been committed as part of the funding package for the new Hendre School.*

Views of the statutory officers

Chief Executive:

“Care must be taken in disposing of land in this way, and the obvious social benefits that would arise should the development be realised, should be balanced against the financial loss to the Council in disposing for less than market value. However, as noted in the report, and confirmed by the Head of Finance, there is uncertainty regarding the Council’s ability to secure “market value” for the site. Therefore, the situation is that the Council has an opportunity to secure income, and benefit from a much needed housing development, which will include the key affordable housing aspect.”

Monitoring Officer:

“It is noted in the report that the Council can dispose of property in any manner deemed appropriate provided the value is not less than the best that can reasonably be obtained (Section 123 Local Government Act 1972). The Council is permitted to sell for less than best value in

accordance with the General Disposal Consent (Wales) 2003 provided the Council is of the opinion that the disposal is in the interests of the economic, social or environmental wellbeing of the area, part of the area, or any persons resident or present in the area. In arriving at the recommendation, the report evaluates the relevant factors, however it must be ensured that these elements are realised when transferring the land. As the development provides for a proportion of open market housing, it must be ensured that the benefit in terms of the provision of social housing resulting from the sale, is proportionate to the reduction offered."

Head of Finance Department:

"The true market value of any property is the amount that someone is willing to pay for it. Although the District Valuer states that the land's value lies between £675,000 and £930,000, the exercise undertaken in 2011 showed that the amount that a potential developer would be willing to pay is significantly lower than this. I am not convinced that adequate changes have occurred in the property market or local circumstances to suggest reasonably that the Council could currently receive more for the land than the proposal under consideration.

Because of the social and economic opportunities resulting from this sale, and because it is not likely that a delay would give the Council the opportunity to attract a significantly higher amount for the land, there is no reasonable financial justification for rejecting this proposal. I agree with the interpretation of the General Disposal Consent (Wales) Regulations 2003 that is outlined in the report, and therefore a decision to accept the offer would be financially appropriate."

Appendices

Site Plan