



Committee report

Committee	EXECUTIVE
Date	8 SEPTEMBER 2016
Title	APPROVAL OF TERMS TO DISPOSE OF THE FORMER ISLAND LEARNING CENTRE, BERRY HILL, LAKE, LAND AT TAYLOR ROAD, NEWPORT AND VENTNOR YOUTH CLUB TO SPECTRUM HOUSING GROUP
Report to	EXECUTIVE MEMBER FOR REGENERATION, ECONOMIC SUSTAINABILITY AND DEVELOPMENT AND EXECUTIVE MEMBER FOR PLANNING AND HOUSING

EXECUTIVE SUMMARY

1. This report seeks Executive approval to terms proposed by Spectrum Housing Group (SHG) for its purchase of three council owned sites: the former Island Learning Centre, Berry Hill, Lake, land at Taylor Road, Newport and Ventnor Youth Club. In June this year, the Executive Committee approved using PSP Isle of Wight LLP to consider the proposals from SHG (decision reference 009 (15/16)) and to report back to the Executive on the best approach. This report therefore sets out the LLP's recommendations for approval.
2. The outcome of this report being approved will be the provision of over 100 new homes being provided across the Island, £2.4million grant funding being made available for affordable housing and a new public library at Ventnor.

BACKGROUND

3. Site plans are attached as the Appendix with the properties shown hatched.
4. The council using its development partner PSP Isle of Wight LLP ("the LLP") has been negotiating with SHG over recent months to achieve best consideration for the sites, bearing in mind the non-monetary benefits offered. The final offers from SHG for the three sites are as follows:

- (I) The former Island Learning Centre, Lake: to deliver 47 homes (26 affordable rent and 21 shared ownership). Freehold disposal for a purchase price of £1.162million.
 - (II) Land at Taylor Road, Newport: to deliver 49 homes (15 affordable rent, 15 shared ownership and 19 starter homes). Freehold disposal for a purchase price of £1.597million.
 - (III) Ventnor Youth Club: to deliver a new public library (to basic finish only) plus 12 affordable rental units. Freehold disposal/long lease for nil value. The financial offer is nil because the council is, in effect, being provided with a new public library (to basic finish only) instead of being paid a capital receipt for the land. This is because the cost of providing this facility is at least as much as the land value that would otherwise be paid by SHG.
5. It is important to note that the above offers are subject to a number of conditions which may reduce SHG's financial offers, for example less units being permitted by the local planning authority, or section 106 planning requirements than anticipated. This is because it is not possible to know this at this at the current time/before planning permission is issued. Therefore this report seeks approval to the above offers subject to the offer conditions being satisfied in due course. Accordingly the Strategic Manager for Economic Development and Assets in consultation with the relevant Executive members will be required to approve any change to SHG's financial offers once all offer conditions have been satisfied and costs associated with these are known.
6. SHG's offer conditions include:
- SHG board approval;
 - the grant of detailed planning permission including associated section 106 obligations/Community Infrastructure Levy;
 - independent valuation by SHG;
 - Homes and Communities Agency (HCA) confirmation of grant allocation;
 - capacity of services on-site;
 - contamination and ground conditions;
 - the final number/type of units achieved as a result of the design/planning process.
7. In producing their development proposals/bids, SHG has liaised with both the local planning authority and the council's housing department to be as accurate as possible in its assumptions, but the type and number of housing units cannot be certain until planning permission is granted.
8. There is a tight housing grant funding timescale as the houses must be complete by March 2018. Therefore it is proposed that conditional contracts for sale be entered into by both parties as soon as possible. SHG will then have the comfort it requires to satisfy the bid conditions and move to unconditional contracts at the earliest opportunity.

9. Regarding Ventnor Youth Club, Ventnor Town Council has agreed to take a long lease of the new library for £1 per annum and meet all the costs of running the library as a public facility. There will be additional costs incurred by fitting out the new library and relocating the existing facility. The funding of this is currently being considered by the library service. Once the library is relocated the old library building will become surplus to the council's requirements and can be considered for disposal.
10. The LLP instructed two independent valuers to confirm that SHG's offers represent best value to the council based on SHG's assumptions and proposals. This has been confirmed.

STRATEGIC CONTEXT

11. This report supports the council's priorities as set out in the Corporate Plan as follows, by providing over 100 affordable housing units across the Island:
 - Keeping children safe and improving their education.
 - Protecting the most vulnerable with health and social care, investing in support, prevention and continuing care.
 - Ensuring that all the resources available to the Island are used in the most effective way in achieving the island's priorities.

CONSULTATION

12. The relevant town and parish councils and local members have been consulted on the above proposals.
13. Comments have been received from the local member regarding the possibility of using part of the Taylor Road site as key worker accommodation for Carisbrooke College. This has been taken into account in preparing this report, however the corporate objective for the council is to deliver affordable housing. Comments have also been received regarding highways issues at Taylor Road, Newport from Newport Parish Council and Berry Hill, Lake from Lake Parish Council which will be dealt with during the planning process.

FINANCIAL / BUDGET IMPLICATIONS

14. Approval of the offers by SHG will result in capital receipts on completion of the sales of £2.759million (less the cost of satisfying SHG's offer conditions).
15. The council will benefit from revenue savings resulting from over 100 new affordable homes across the Island, and will unlock £2.4million of housing grant.
16. The relocation of Ventnor Library into the new building would result in the existing library building becoming surplus to the council's requirement and therefore may be considered for disposal which may generate an additional capital receipt.
17. There is likely to be an additional cost to the council in fitting out the new library facility as well as relocating the existing library. This cost is unclear at present and is being considered by the library service.

CARBON EMISSIONS

18. The former Island Learning Centre and Taylor Road sites are undeveloped therefore there are no carbon emissions savings.

LEGAL IMPLICATIONS

19. The council has the power to dispose of property under section 123 of a Local Government Act 1972 which requires it to achieve 'best consideration' in any disposals.
20. Best consideration does not necessarily mean the highest price achievable. It can also be obtained from other additional benefits generated by and for the local community from the disposal provided that the council observes its fiduciary responsibilities and protects the interests of the community and itself in the transaction.
21. The council holds the properties on a freehold basis.

EQUALITY AND DIVERSITY

22. The council, as a public body, is required to meet its statutory obligations under the Equality Act 2010 to have due regard to eliminate unlawful discrimination, promote equal opportunities between people from different groups and to foster good relations between people who share a protected characteristic and people who do not share it. The protected characteristics are: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation. The development of affordable housing on the site may contribute to the council's equality and diversity obligations under the act.

OPTIONS

23. The options available to the council are:
 - (1) To approve the offers from SHG stated in this report and dispose of the three sites on the above basis in order to provide over 100 new homes, unlock £2.4million grant funding for affordable housing and a new public library at Ventnor.
 - (2) To reject the offers from SHG.
 - (3) For the Strategic Manager for Economic Development and Assets in consultation with the relevant Executive members to approve any variation to the financial offers by SHG as a result of the offer conditions being satisfied.

RISK MANAGEMENT

24. If SHG's offers are accepted there are still a number of offer conditions which need to be satisfied, and each of these present risks to each project. However they are normal risks in property development and rarely result in projects being abandoned. They are however likely to reduce the final price paid by SHG for the sites. Option 3 above will ensure that the projects can be progressed without unnecessary delays or the requirement for any further reports to the Executive which would delay delivery of the new homes and put at significant risk up to £2.4million housing grant.
25. If the SHG offers are refused and the properties sold on the open market to a private developer instead, only the usual affordable housing allocation would be provided resulting in a loss of affordable units where there is an overriding need for this accommodation. The Island would also lose up to £2.4million of housing grant to enable the affordable homes.
26. The offers are subject to grant funding being confirmed, so once the offers become unconditional the council can be assured that sufficient funds are in place to complete the purchases.

EVALUATION

27. By rejecting these offers, the council will remain responsible for the holding costs of the sites, although the former Island Learning Centre and Taylor Road are land only and therefore these would be limited. Ventnor Library is currently leased to Ventnor Town Council which funds the running costs, however the building is in a relatively poor state of repair and if Ventnor Town Council vacate the responsibility and therefore holding costs for the building would revert to the council.
28. If the offers are rejected, affordable homes and up to £2.4million of grant funding will be lost to the Isle of Wight. The council could then however remarket the sites on the open market on an unrestricted basis.
29. Independent valuers have confirmed that the offers from SHG represent best value to the council based on the assumptions made. If this report is approved, over 100 units of affordable housing will be delivered across the Isle of Wight and up to £2.4million of housing grant funding will be realised.
30. Approval of the above offers will result in capital receipts in the region of £2.759million (less the cost of SHG's offer conditions being satisfied), over 100 affordable homes across the Island and up to £2.4million of housing grant being unlocked. Accordingly this report recommends approval of these offers.

RECOMMENDATION

31. It is recommended that the following options are approved:

Option (1): To approve the offers from SHG stated in this report and dispose of the three sites on the above basis in order to provide over 100 new homes, unlock £2.4million grant funding for affordable housing and a new public library at Ventnor.

Option (3): For the Strategic Manager for Economic Development and Assets in consultation with the relevant Executive members to approve any variation to the financial offers by SHG as a result of offer conditions being satisfied.

APPENDICES ATTACHED

32. [APPENDIX](#) - Site Plans

BACKGROUND PAPERS

33. Agreement to Spectrum Housing Group (SHG) being treated as a special purchaser of the sites of the former Island Learning Centre (ILC), Lake, Taylor Road, Newport and the former youth centre, Ventnor ([decision reference 009 \(15/16\)](#)).

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