

Report to the Cabinet

Report reference: C-052-2011/12
Date of meeting: 12 March 2012



Portfolio: Housing

Subject: Leader Lodge, North Weald – Future Use

Responsible Officer: Alan Hall (01992 564004)

Democratic Services Officer: Gary Woodhall (01992 564470).

Recommendations/Decisions Required:

- (1) That the outcome of the Planning for Real Exercise, undertaken by Hastoe Housing Association on behalf of the Council, for the future use of the Council-owned building and associated land at Leader Lodge, North Weald, be noted;**
- (2) That Leader Lodge and the associated land be sold on the open market for private housing by the Council's Estates and Valuations Division, through the invitation of tenders for purchase;**
- (3) That, for the reasons set out in the report, the Council does not seek planning permission itself for an alternative development prior to sale;**
- (4) That, in respect of the open market sale of the site:**
 - (a) Prospective purchasers be invited to provide either one or two tenders, and be required to state their intentions within their tender(s) on whether the tender(s) is/are based on the existing Leader Lodge building being retained (with or without additional development) or demolished;**
 - (b) The Housing Portfolio Holder be authorised to accept the most appropriate tender received, which shall be either;**
 - (i) the highest tender received based on Leader Lodge being retained;**
 - OR**
 - (ii) the highest tender received based on Leader Lodge being demolished;**
 - (c) The Housing Portfolio Holder be not required to accept the highest tender overall; and**
 - (d) If the accepted tender is based on the proposed retention of Leader Lodge, a covenant be included in the sale requiring that the building shall not be demolished;**
- (5) That all potential purchasers be provided with a copy of the Planning for Real Report and be advised of the matters the Housing Portfolio Holder will take into account when considering tenders received;**

(6) That the capital receipt from the sale of the site be ringfenced for use as a cross-subsidy for the Council's own new Housebuilding Programme, if required; and

(7) That, for the reasons set out in Paragraph 26 of the report, the site be sold as soon as reasonably practicable.

Executive Summary:

Various attempts to convert and/or redevelop the Council-owned building and associated land at Leader Lodge, North Weald (including a planning application by the Council for a redevelopment scheme) have been unsuccessful. The building is in a very poor state of repair and attracts vandalism and anti-social behaviour. An agreed way forward for the future use of the site needs to be established.

Hastoe Housing Association has undertaken a "Planning for Real" Exercise with the local community, in order to consult them on options for the future use of the site, and to help determine an appropriate approach for the future.

Having regard to the outcome of the Planning for Real Exercise, it is proposed that the site be sold on the open market for private housing (through the invitation of tenders for purchase) and that tenderers be asked to state whether their tender is based on them retaining or demolishing Leader Lodge.

In view of the likely need to provide cross-subsidy to help fund the Council's own new Housebuilding Programme, it is proposed that the capital receipt from the sale be ringfenced for the Housebuilding Programme and that the site be sold as soon as reasonably practicable.

Reasons for Proposed Decision:

The building is in a poor state of repair and an agreed way forward for the future use of the site needs to be established.

Other Options for Action:

(i) To sell the site to a housing association to develop for affordable housing – however, the local community are opposed to the provision of affordable housing and previous attempts to develop the site by a housing association have been unsuccessful.

(ii) To develop the site by the Council for affordable housing - however, the local community are opposed to the provision of affordable housing and a previous planning application by the Council for redevelopment was refused.

(iii) To refurbish the building and re-let as two Council flats – however, the building is in a very poor state of repair and this is not considered to be a viable option. It is also felt that this would not make the best use of the site.

(iv) To first seek planning permission for an alternate development proposal, prior to the sale of the site – however, the report sets out the reasons for not pursuing this option.

(v) To invite prospective purchasers to only submit one tender, irrespective of whether the building is to be retained or demolished, and that the highest tender received be accepted.

(vi) To only invite tenders based on the retention of the existing building - with or without a further requirement that no additional building can be constructed within the curtilage of the site – however, this could restrict the development options for the site by prospective purchasers and potentially reduce the Council’s capital receipt.

(vii) To not ringfence the capital receipt for the Council Housebuilding Programme, and use it for other Council capital purposes – however, cross-subsidies are likely to be required for the Housebuilding Programme, which will be confirmed when the Cabinet considers and approves the individual development appraisals for the Housebuilding Programme.

(viii) To wait until land values increase, before selling the land – however, the site is an eyesore, attracts vandalism and anti-social behaviour and the area is in need of improvement.

Report:

1. Leader Lodge was originally a detached house, within extensive grounds, purchased for by the Council under Housing Act powers for £26,000 in 1978 and converted into 2 two-bedroom flats (on the ground and first floor). The site area is around 0.19 Hectares. Until 2002, the flats provided tied accommodation for the Manager and Deputy Manager of nearby Norway House, the Council’s Homeless Persons Hostel, until it was decided - for operational reasons - that it was no longer appropriate for the hostel management staff to live “on-site”. A site plan is attached as an Appendix.

2. Following the vacation of the hostel management staff, a proposal to demolish Leader Lodge and redevelop the site to provide 10 new self-contained flats was formulated. An alternate proposal was also identified, retaining and converting the structure of the existing building to provide four flats and providing a small annexe of two new flats, linked with a communal entrance/stairway. In March 2004, the then Housing Portfolio Holder considered the issue and agreed to the submission of an outline planning application on the basis of the former option.

3. However, in June 2006, despite a planning officer recommendation for approval, the outline planning application was refused by the Area Plans Sub-Committee. This was because the Sub-Committee felt that “the proposals would result in a form of development out of character in this area of predominantly single-family dwellings and detrimental to the street scene” and “would result in an intensification of use out of character with the surrounding properties and likely to result in activity causing disturbance to the occupiers of adjacent properties”.

4. It was therefore necessary to consider the future use of the site. Accordingly, in June 2007, the Cabinet agreed to seek the improvement and conversion of Leader Lodge into four self contained flats, together with the development of a new annexe comprising at least two self contained flats within the grounds, in partnership with one of the Council’s Preferred Housing Association Partners, with the freehold sold to the selected housing association for its tendered sum. The Cabinet also agreed that all of the new and converted flats should be sold on a shared-ownership basis.

5. A tendering exercise was held in July 2008, resulting in the Housing Portfolio Holder accepting the highest tender, from East Thames, with the tender from London & Quadrant (L&Q) as a reserve. However, East Thames subsequently withdrew its tender due to the falling property market and uncertainty at that time. L&Q, the reserve tenderer, also withdrew its tender for the same reason.

6. In view of these market difficulties, at its meeting on 9 March 2009, the Cabinet

agreed that a further tendering exercise should be undertaken, allowing the properties to be provided through a “Rent Now – Buy Later Scheme”, instead of through conventional shared ownership, if the selected housing association had difficulties in selling the shared ownership properties.

7. A further tendering exercise was undertaken, which resulted in two housing associations declining to tender, since they were of the view that the proposed form of development was not viable. The tender from Moat was accepted by the Housing Portfolio Holder in January 2010. However, since the other two tenders would not result in any capital receipt for the Council, the Housing Portfolio Holder also agreed that, in the event of Moat withdrawing, no housing association be selected as a reserve partner, and that a further tender exercise be undertaken amongst the Council’s Preferred Housing Association Partners, only when the housing market improves.

8. In the event, Moat did withdraw its tender, for three main reasons:

(a) They had concluded that the proposed scheme did not make the best use of the site and restricted the overall income that could be raised, affecting the overall viability of the scheme;

(b) They were of the view that 1 bedroom flats are no longer sufficiently desirable to the shared ownership market; and

(c) Since North Weald is now within a Designated Protected Area (DPA), shared owners can only purchase equity up to a maximum of 80%, which could cause problems with their re-sale, which would make it necessary for Moat to provide a guaranteed buy-back arrangement. Moat had made a corporate decision not to develop shared ownership properties in DPAs until it had assessed the impact of this new legislation.

“Planning for Real” Approach

9. In view of these continued setbacks for the development of the site, at its meeting on 7 March 2011 the Cabinet agreed to accept the offer of Hastoe Housing Association, one of the Council’s Preferred Housing Association Partners, to undertake a “Planning for Real” exercise in relation to Leader Lodge and the associated land, at no cost to the Council. Planning for Real is an established tool for working with local communities to identify and consider options for future uses of sites, and to help determine an appropriate approach for the future. It is not a survey, with any pre-conceived ideas of what should or should not be provided (which can sometimes follow on from, or form the latter stages of, a Planning for Real exercise). The model is usually adopted for larger areas, but in view of the inability to achieve an appropriate way forward for the site, the Cabinet felt that this approach would be good to use for Leader Lodge. It was agreed that the outcome of the Planning for Real Exercise should be reported to a future meeting of the Cabinet, hence this report.

10. Hastoe commissioned consultants, Ingleton Wood, to carry out the Planning for Real Event, for which they had a suitably qualified Planning for Real facilitator. The event was advertised through a leaflet distribution to 120 of the surrounding houses and businesses, the Parish Council and local ward members. The event was held on 23 September 2011 and 20 people attended, including residents, business representatives, parish councillors and the two District ward members.

11. The event comprised the following 5 stages:

- Stage 1 The Planning for Real facilitator explained the Planning for Real

process.

- Stage 2 The principle features of the site and existing buildings were outlined. The attendees then identified issues and concerns relating to the site and to propose options for redevelopment, using a model of the site and its context.
- Stage 3 Representatives from each of the three groups presented the outcome of their discussions, which were recorded.
- Stage 4 Attendees were invited to bring forward any concerns they had, which were discussed and recorded.
- Stage 5 Action points were discussed and recorded.

12. The comments and views received from the local community at the Planning for Real Event were unanimously of the opinion that affordable housing is not appropriate at this site. The majority of attendees chose market housing as the preferred option. Although there were mixed views regarding the retention or demolition of the existing building - with some groups and participants of the view that the original building is worthy of retention and others of the view that it was unsightly and not worthy of retention - the majority of those attending the event expressed the view that they felt the building should be retained. A copy of the full report on the Planning for Real Exercise is available from the Director of Housing on request.

Proposed Way Forward

13. A decision needs to be made on the best way forward for the site. The Council's planning application for the development of 10 flats was refused by the Area Plans Sub Committee against the planning officer's recommendation. Two tendering exercises have been undertaken to convert the property into four flats and to provide a small annexe, which cannot be taken forward due to the proposal being unviable. In the meantime, Leader Lodge continues to be boarded up, is in a very poor state of repair, attracts vandalism and anti-social behaviour and is totally uninhabitable.

14. Due to the poor condition of the building, it is considered uneconomic for the Council to refurbish the two flats. The Council's Architect has inspected the building and has estimated that the cost of re-instating the two flats to a lettable standard (to at least the Decent Homes Standard) would be around £130,000, exclusive of fees. Based on the current total rental income that would be obtained for the two flats of around £9,100 per annum, the payback period to recover the costs of refurbishment alone (excluding any debt attributed to the properties under HRA self-financing) would be over 14 years. In any event, the Director of Housing is of the view that the current building does not make the best use of the land and that the site has good development potential.

15. Accordingly, and taking account of the views of the local community from the Planning for Real exercise, it is proposed that the site be sold on the open market for private housing, through the invitation of tenders for purchase by the Estates and Valuations Division. In view of the previous unsuccessful planning application by the Council, the costs involved of the Council formulating a further planning application, and the fact that the successful purchaser will undoubtedly propose a different form of development to that proposed within a planning application submitted by the Council, it is proposed that the Council does not seek planning permission for an alternative development prior to sale.

16. A check has been made of the Property Title, which has established that there are no covenants affecting the Council's ability to sell the site on the open market. Although a

number of trees on the site have Tree Preservation Orders, and there is a covenant requiring that existing surface and foul drainage under the site must continue to service the neighbouring land, it is considered that they should not significantly impede the development potential.

Retention of the Existing Building vs. Redevelopment of the Site

17. If it is agreed to sell the site on the open market, the Cabinet needs to consider whether or not prospective purchasers of the site:

- Should be required, through a restrictive covenant, to retain the existing building (for occupation as two flats - as existing - or as a single dwelling) and not be allowed to develop any other parts of the site; or
- Should be required, through a restrictive covenant, to retain the existing building, but be allowed to develop the remainder of the site, subject to the receipt of planning permission; or
- Should be free to redevelop the whole site, in the way they feel provides the best offer to potential prospective buyers of the homes and maximises the commercial benefits of the site, subject to the receipt of planning permission.

18. To assist the Cabinet consider the most appropriate approach for these key terms of sale, the Council’s Estates and Valuations Division has provided estimated valuations of the site, based on four potential scenarios formulated by the Council’s architect. It is stressed, however, that the architect has only been able to undertake an initial and brief appraisal of the four scenarios, and that there is also a myriad of development options available to prospective purchasers, especially if they are free to redevelop the whole site:

Scenario	Valuation
Retention of the existing building, for use as two flats (after refurbishment) – as existing	£420,000
Retention of the existing building, for use as a single dwelling (after refurbishment) – as existing	£500,000
Retention of the existing building, for use as two flats (after refurbishment) + the development of a terrace of 3 one-bedroomed bungalows in the large rear garden	£495,000
Redevelopment of the whole site to provide 3 detached four-bedroomed houses	£420,000

19. In view of:

- (a) the majority view of the community expressed at the Planning for Real exercise that Leader Lodge should be retained;
- (b) the broadly similar estimated valuations for the four options provided above; and
- (c) the need for the Council to seek good value for money in the sale of its assets;

it is proposed that prospective purchasers be invited to provide either one or two tenders, and be required to state their intentions within their tender(s) on whether the tender(s) is/are based on the existing Leader Lodge building being retained (with or without additional development) or demolished.

20. It is further proposed that the Housing Portfolio Holder be authorised to accept the most appropriate tender - either the highest tender received based on Leader Lodge being retained or the highest tender received based on it being demolished. If there is little difference between the highest tenders received under these two scenarios, this approach would enable the Housing Portfolio Holder – if she considers it appropriate - to ensure that the existing building can be retained (being the preferred option from the Planning for Real exercise), through the provision of a covenant placed on the sale requiring the building to be retained - even if the highest tender based on retention is lower than the highest tender based on redevelopment of the site. However, if there is a marked difference between the highest tenders received for the two scenarios, it would also enable the Housing Portfolio Holder to maximise the capital receipt and sell the site without a requirement that the building be retained.

21. It is also proposed that all potential purchasers are provided with a copy of the Planning for Real Report, so that they are aware of the local community's views about the future use of the site.

Use of the Capital Receipt

22. When the Cabinet agreed to embark on the Council's new Housebuilding Programme, it was recognised that some form of capital "gap funding" is likely to be required on most new affordable housing developments, in order for the developments to be viable over a 30-year period. The need for, and extent of, such gap funding would be assessed as part of the development appraisals considered by the Cabinet for each development site. The gap funding could come from a variety of sources, including grant funding from the Homes and Communities Agency (HCA), financial contributions from developers under Section 106 Agreements (in lieu of on-site affordable housing provision) or from the sale on the open market of other sites in the Housebuilding Programme in order to provide a cross-subsidy.

23. Leader Lodge was originally purchased under Housing Act powers and is held in the Housing Revenue Account (HRA). Therefore, under the Government's pooling arrangements for non-Right to Buy capital receipts, although the Council could retain 50% of the capital receipt to use for any Council purpose, it would have to pass the other 50% of the capital receipt to the Government, unless this 50% is used by the Council for "affordable housing or regeneration" purposes.

24. For this reason, and since Leader Lodge: was purchased under Housing Act Powers; is held within the HRA; currently provides affordable housing; and it is likely that there will be a need for cross-subsidies to help fund the Council's own new Housebuilding Programme, it is proposed that the capital receipt from the sale of the site is ringfenced for use as a cross subsidy for the Council's Housebuilding Programme.

25. Since this would be classed as an "affordable housing" purpose under the Government's capital pooling arrangements, it would mean that the Council could retain the full 100% of the capital receipt, and not have to pass 50% on to the Government.

26. Although land values are not particularly high at present, there are no indications that land values are likely to increase markedly within the foreseeable future. In the meantime, the site is a worsening eyesore and the subject of complaints from the local community; it is also a maintenance liability and an under-utilised capital asset. It is therefore proposed that the

site be sold as soon as reasonably practicable. This has the added benefit that the capital receipt should be available in time to subsidise the first development(s) under the Council Housebuilding Programme.

Resource Implications:

Potential capital receipt from the land sale – currently valued by the Council's Estates and Valuations Division at between £420,000 and £500,000.

Estimated cost of re-instating the two flats to a lettable standard - £130,000 exclusive of fees.

Legal and Governance Implications:

Housing Act 1985

Safer, Cleaner and Greener Implications:

The existing building has become a local eyesore and has attracted vandalism and anti-social behaviour. Redevelopment of the site for private housing will result in an improved and safer local environment.

Consultation Undertaken:

The local community has been consulted through the Planning for Real Exercise, as explained in the main report. The two Ward Members, Cllr A. Grigg and Cllr D. Stallan, have been consulted on a draft version of this report and their views are as follows:

Cllr A. Grigg:

"I support this site being disposed of on the open market for private house. This was the view expressed unanimously by local residents at the Planning for Real Exercise. The majority of local residents also wish Leader Lodge to be retained and not demolished and I consider this was the view from the Planning for Real exercise.

Leader Lodge has local historic significance and it was originally occupied by the RAF personnel. The houses form an interesting complex and although Pike Way, Park Close and indeed Wing House and Norway House (listed) have seen alterations, none of the houses have been demolished. I support local residents in their desire to have Leader Lodge retained.

With reference to the valuations, the highest valuation of £500,000 is for the retention of the existing building with refurbishment to form one single dwelling. Therefore, I consider that a covenant should be imposed to ensure retention of Leader Lodge in order that it could be refurbished.

In light of the deterioration of the fabric of the building and the risk of arson, squatters and vandalism, I consider that the site should be marketed as early as practicable."

Cllr D. Stallan:

"I support the proposal to market the site as soon as possible, as the site is attracting vandalism and anti social behaviour.

I support the principle of retaining the original building in any sale. The possible amount that could be received whilst retaining the building is £495,000 or £500,000 and this fits in with the

wishes of the majority of those who attended the planning for real exercise. Also whilst the building is not listed, it has local links to the airfield and as members of the Cabinet are aware, this is very important to the local residents.”

Background Papers:

Housing Policy File H758 (including the Planning for Real report)

Impact Assessments:

Risk Management

There are limited risks to the Council of the proposed way forward.

Since it is not proposed that the Council seeks planning permission itself, the Council does not run the risk of abortive costs for an unsuccessful planning application.

The main risk to the Council is the possibility that the site is sold in the near future, and then land prices subsequently increase significantly within a reasonable period. However, alternatively, the site could be retained for future sale, and land prices subsequently reduce. The reasons for selling as soon as reasonably practical are set out in the report.

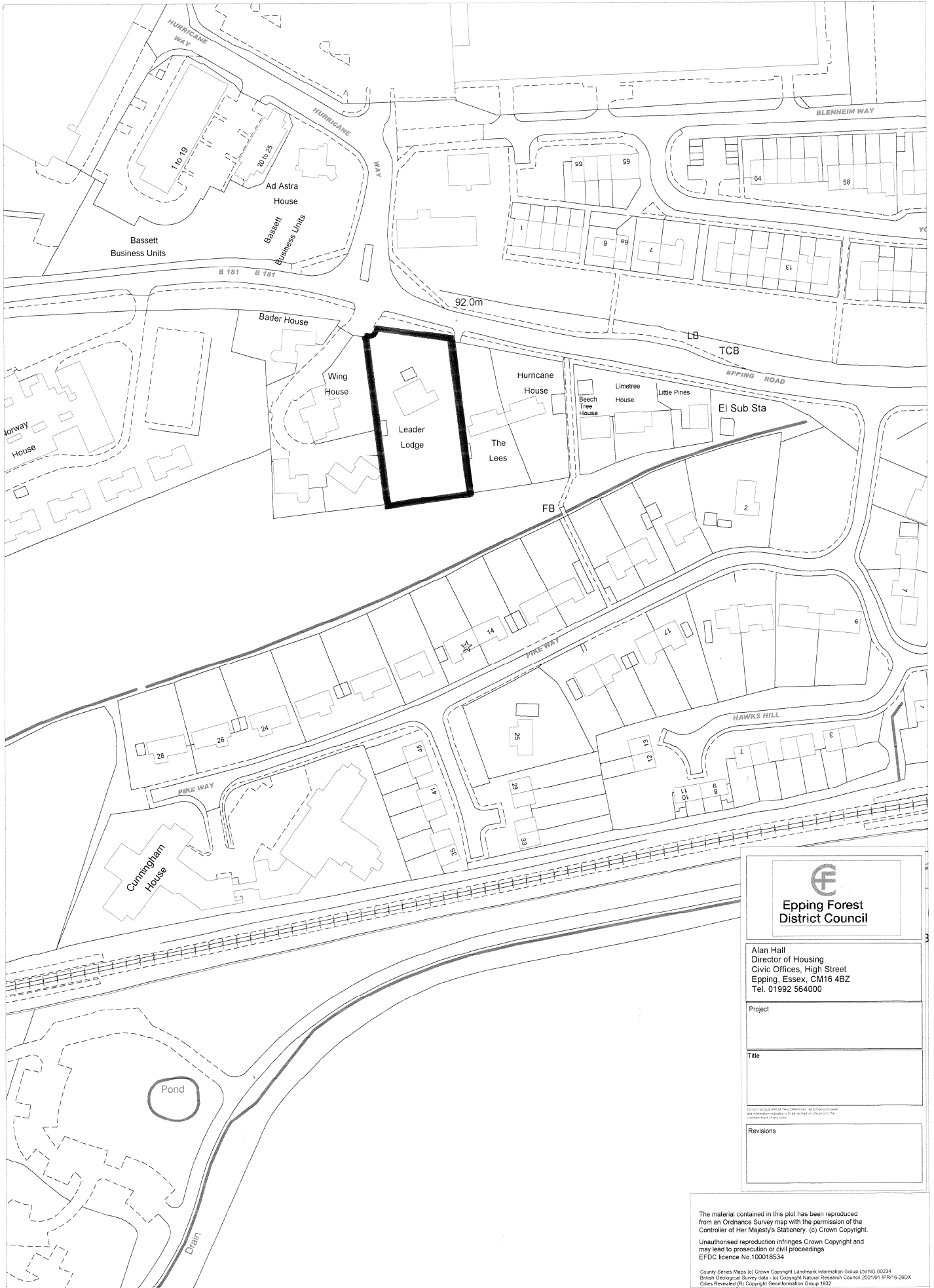
Equality and Diversity


Did the initial assessment of the proposals contained in this report for relevance to the Council’s general equality duties, reveal any potentially adverse equality implications? No

Where equality implications were identified through the initial assessment process, has a formal Equality Impact Assessment been undertaken? N/A

What equality implications were identified through the Equality Impact Assessment process?
N/A

How have the equality implications identified through the Equality Impact Assessment been addressed in this report in order to avoid discrimination against any particular group?
N/A





**Epping Forest
District Council**

Alan Hall
Director of Housing
Civic Offices, High Street
Epping, Essex, CM16 4BZ
Tel. 01992 564000

Project

Title

On this Council Website the Epping Forest District Council logo and the Epping Forest logo are the property of the Council and may not be used without the permission of the Council.

Revisions

The material contained in this plot has been reproduced from an Ordnance Survey map with the permission of the Controller of Her Majesty's Stationery. (c) Crown Copyright. Unauthorised reproduction infringes Crown Copyright and may lead to prosecution or civil proceedings. EFDC licence No. 100018534

County Series Maps (c) Crown Copyright Landmark Information Group Ltd NG 00234
British Geological Survey data - (c) Copyright Natural Research Council 2001/01 1PR16-26DX
Cities Revealed (R) Copyright Geomformation Group 1992