

Report

Cabinet Member for Infrastructure and Assets

Part 1

Date: 27 September 2022

Subject Disposal of Land at Hendre Farm Drive, Ringland, Newport

Purpose To seek approval from the Cabinet Member for Assets to dispose of the freehold interest in the subject premises.

Author Property Manager

Ward Ringland

Summary The current leaseholder of the site of the former Open Hearth public house is seeking to purchase the freehold interest in the site, together with adjacent currently disused land owned by the Council. The lessee has reached agreement with Melin Homes, subject to planning permission, for a proposed development of affordable housing on the site, which is supported by the Council's Housing Strategy and Delivery Manager and is confirmed as eligible for Housing Grant. The scheme would deliver 32 units of affordable housing.

This Report is to seek approval for the site and adjacent land to be disposed of.

Proposal That the site of the former Open Hearth public house and land adjacent be disposed of on terms recommended by Newport Norse and agreed by the Head of Law and Regulation for the purpose of affordable housing.

Action by Head of People, Policy and Transformation/ Head of Law and Regulation

Timetable Immediate, in order to access relevant funding schemes

This report was prepared after consultation with:

- Head of Finance – Chief Finance Officer
- Head of Law and Regulations – Monitoring Officer
- Head of City Services
- Head of Regeneration and Economic Development
- Head of Asset Management and Valuation, Newport Norse

Signed

Background

The site of the former Open Hearth public house is subject to the remainder of a 99-year lease, originally granted to Kerelaw Ltd for the operation of the pub and now held by Dewmax Ltd. The pub closed a number of years ago and having suffered extensive vandalism, was demolished and the site cleared by the present lessee in early 2021. The lease is at an ongoing ground rent of £2,000 per annum.

The Council owns an additional area of land adjacent to the site of the former pub, which is undeveloped. It also owns an area to the south of the main site, alongside the Southern Distributor Road, part of which would be required to allow the site to be developed to its full potential.

The Leasehold owner of the pub site has held discussions with a Registered Social Landlord, Melin Homes, regarding a possible development of affordable housing on the combined site. The proposal has been approved in principle for Social Housing Grant by the Council's Housing Strategy team. The site has been the subject of anti-social behaviour since being vacated which has been the subject of clear up work and presents a nuisance to the local community.

A sale of the combined site has been agreed in principle at a total of £140,000 (£15,000 in respect of the freehold interest in the former pub site; and £125,000 for the additional land). This is considered to represent market value for the Council's interest, as advised by Newport Norse. In order to ensure that the sold land is used for housing development, then the contracts for sale will be conditional upon the owners entering into a binding contract for a sub-sale with a Registered Social Landlord. The sale needs to be proceed in order for the claim on Social Housing Grant in Open Hearth in 2023/24 and relevant permissions before that.

This Report is to seek approval for the site and adjacent land to be disposed of – plan attached.

Financial Summary (Capital and Revenue)

The transaction would generate a capital receipt to the Council and remove any responsibility for maintenance for the land adjacent to the site of the former Open Hearth.

	Year 1 (Current) £	Year 2 £	Year 3 £	Ongoing £	Notes including budgets heads affected
Costs (Income)	(140,000)				Capital receipt on sale
Net Costs (Savings)					
Net Impact on Budget					

Risks

Risk Title / Description	Risk Impact score of Risk if it occurs* (H/M/L)	Risk Probability of risk occurring (H/M/L)	Risk Mitigation Action(s) What is the Council doing or what has it done to avoid the risk or reduce its effect?	Risk Owner Officer(s) responsible for dealing with the risk?
Failure to complete a sale of the freehold interest in the whole site	L	L	Proposal as set out in this report.	Head of People Policy and Transformation
Site not used for social housing.	L	L	Proposal is based on the proviso that the site is used for this purpose, and social housing grant is made available.	Head of RED

* Taking account of proposed mitigation measures

Links to Council Policies and Priorities

The project delivers against the “Thriving City” and “Aspirational People” themes of the Corporate Plan 2017-2022. Additionally, the project contributes to the Council’s wellbeing objectives, namely: to promote economic growth and regeneration whilst protecting the environment, by developing currently unused land with affordable homes; to build cohesive and sustainable communities, by providing affordable housing in an area which has housing need; the development will also contribute to the objective to enable people to be healthy, independent and resilient, as provision of homes leads to improvement in all aspects of this objective.

Options Available and considered

1. Dispose of the freehold interest in the whole site, receive a capital receipt and enable a development of affordable housing in a deprived area;
2. Dispose of the freehold of the former public house site only, achieving a small capital receipt and no development;
3. Retain the freehold interest and continue with the site as it is.

Preferred Option and Why

Dispose of the freehold interest in the whole site, receive a capital receipt and enable a development of affordable housing. Pursuing this option allows the best combination of outcomes against the Council’s objectives.

Comments of Chief Financial Officer

It is understood that the price and the heads of terms for the disposal have been agreed. So there is nothing commercially confidential that requires this consideration to be on restricted papers and exempt from public circulation.

Public sector disposals are subject to best value considerations and it is noted that Newport Norse have valued the lease/land and confirm these represent market value. The capital receipt to be received would be added to the Council’s Useable Capital Receipts Reserve, which would add to the level of capital headroom available for future capital schemes.

Understanding that the Council support for the scheme is predicated on it being used for a specific purpose, it is advocated that a conditional contract for sale or overage provision is utilised to best ensure the site is used for affordable housing provision.

Comments of Monitoring Officer

The proposed action is in accordance with the Council’s statutory powers under section 123 of the Local Government Act 1972 to dispose of land which is not required for operational purposes. In this case, the freehold reversion of the site of the former Public House and also the adjacent area of land are already appropriated for corporate asset management purposes and can, therefore, be sold to generate a capital receipt. In accordance with s123, the Council has a duty to secure the best price reasonably obtainable on the open market for the freehold sale of both these parcels of land. The site of the former public house is already leased on a long lease and that leasehold interest is subsisting, despite the demolition of the buildings and the site clearance. Therefore, the market value of the freehold reversion would be to net present value of the capitalised annual ground rent of £2,000. It is noted that Norse consider the price of £15k to represent market value for the Council’s reversionary interest. Norse have also advised that the balance of the purchase price of £125k, represents market value for the sale of the adjacent land, for the purposes of housing development. Selling both parcels of land as a package will facilitate the site assembly of larger development plot for the purposes of a more sustainable housing development. In order to ensure that the sold land is used for housing development, then the contracts for sale could be conditional upon the owners entering into a binding contract for a sub-sale with a RSL.

Alternatively, the sales could include some “overage” provision with an agreed profit share for the Council, in the event that the land is sold or disposed of for any other purpose.

Comments of Head of People Policy and Transformation

There are no staffing implications associated with this decision. No specific implications in relation to Fairness and Equality have been identified. The report writer has fully considered the Sustainable Development Principle and the Goals of the Well-being of Future Generations Act 2015 when developing this report.

Scrutiny Committees

There has been no consultation with any scrutiny committee.

Fairness and Equality Impact Assessment:

Wellbeing of Future Generation (Wales) Act

The Well-being and Future Generations (Wales) Act seeks to improve the social, economic environmental and cultural well-being of Wales. Public bodies should ensure that decisions take into account the impact they could have on people living in Wales, in the future. The Council has always sought to engage with residents before taking any decision which may impact upon the delivery of any public service, in accordance with the principles of fairness and legitimate expectation.

The 5 main considerations in respect of the Wellbeing of Future Generations (Wales) Act 2015 are set out below with an explanation of how this decision meets these objectives:

- Long term: The disposal of this freehold and land for development will provide affordable housing
- Prevention: The land has been subject to a long history of anti social behaviour. The development of the site will remove the issues associated with the vacant site.
- Integration: The recommended action would support the *Prosperous Wales* and *Cohesive Community Wellbeing Goals*.
- Collaboration: The Council would be supporting a partner in Melin to develop affordable housing in Newport.

No positive or negative impact on people that share protected characteristics and no positive or negative impact on economic, social, cultural and environmental well-being have been identified and therefore a full FEIA is not required.

Consultation

Consultation has taken place with relevant Council Officers, Ward Members have been consulted and are supportive of the disposal for social housing purposes.

Dated: 20 September 2022

