

**REPORT TO:** Cabinet

**DATE:** 20<sup>th</sup> May 2010

**SUBJECT:** Land at Palmerston Avenue, Litherland.

**WARDS AFFECTED:** Litherland

**REPORT OF:** Neighbourhoods and Investment Programmes Director

**CONTACT OFFICERS:** Tom Clay – HMR Programme Manager 0151 934 5181

**EXEMPT/ CONFIDENTIAL:** No

<b>PURPOSE/SUMMARY:</b>
To seek approval to the disposal of the Council’s freehold interest in the site at Palmerston Avenue, Litherland, to Liverpool Housing Trust, for less than “best consideration”.
<b>REASON WHY DECISION REQUIRED:</b>
Cabinet has delegated authority to approve the disposal.
<b>RECOMMENDATION:</b>
That Cabinet: <ul style="list-style-type: none"> <li>I. approves the disposal of the Council’s freehold interest in the site at Palmerston Avenue, Litherland, to Liverpool Housing Trust for £1, on terms and conditions as previously approved</li> <li>II. Grants the Neighbourhoods and Investment Programmes Director in consultation with the Head of Legal Services delegated authority to agree any other terms as are necessary to enable the completion of the transaction.</li> </ul>

**KEY DECISION** No

**FORWARD PLAN:** No

**IMPLEMENTATION DATE:** Following expiry of the “call in” period for the Minutes of this meeting.

**ALTERNATIVE OPTIONS:** The Council could retain the site but this would prevent the development of much needed affordable social housing on the site and the furtherance of the HMRI regeneration programme.

**IMPLICATIONS:**

**Budget/Policy Framework:** Not appropriate

**Financial:** The capital receipt of £350,000, earmarked for this land, will be waived, in favour of a nominal receipt of £1.

<b><u>CAPITAL EXPENDITURE</u></b>	<b>2006/ 2007 £</b>	<b>2007/ 2008 £</b>	<b>2008/ 2009 £</b>	<b>2009/ 2010 £</b>
Gross Increase in Capital Expenditure				
Funded by:				
Sefton Capital Resources				
Specific Capital Resources				
<b><u>REVENUE IMPLICATIONS</u></b>				
Gross Increase in Revenue Expenditure				
Funded by:				
Sefton funded Resources				
Funded from External Resources				
Does the External Funding have an expiry date? Y/N	When?			
How will the service be funded post expiry?				

**Legal:** The Head of Legal Services will complete the legal documentation for the transfer of the Council's freehold interest in the site

**Risk Assessment:**

The Legal Agreements contain sufficient safeguards to ensure that the land reverts back to the Council if the Housing Association cannot fulfil the conditions relating to the proposed development.

**Asset Management:**

The proposal makes best use of assets to support the regeneration of the area and is in line with the Council's Asset Management Strategy.

**CONSULTATION UNDERTAKEN/VIEWS**

Interim Head of Legal Services  
FD 377 - The Head of Corporate Finance & Information Services has been consulted and has no comments on this report.

**CORPORATE OBJECTIVE MONITORING:**

<u>Corporate Objective</u>		<u>Positive Impact</u>	<u>Neutral Impact</u>	<u>Negative Impact</u>
1	Creating a Learning Community		√	
2	Creating Safe Communities	√		
3	Jobs and Prosperity	√		
4	Improving Health and Well-Being	√		
5	Environmental Sustainability	√		
6	Creating Inclusive Communities	√		
7	Improving the Quality of Council Services and Strengthening local Democracy	√		
8	Children and Young People	√		

**LIST OF BACKGROUND PAPERS RELIED UPON IN THE PREPARATION OF THIS REPORT**

## **1.0 Background**

- 1.1 Minute 384 of Cabinet at its meeting on 20<sup>th</sup> April 2006 resolved that;
- (1) the disposal of the Council's freehold interest in the former dairy at Palmerston Avenue, Litherland to Servite Houses, on the basis of the terms and conditions contained in the report, be approved;
  - (2) the Technical Services and Legal Directors be authorised to negotiate and agree any other detailed terms and conditions and complete the transaction; and
  - (3) the loss of revenue income within the Corporate Resources portfolio be noted and an accommodation of £13,500 be made in the 2006/2007 Medium Term Financial Plan and for future years to allow for this loss.
- 1.2 Members will be aware that Servite Houses could not fulfil their obligations and Liverpool Housing Trust (LHT) were nominated to acquire the site. (Linacre One was the consortium of Rodney Housing Association and LHT chosen by the Council as lead RSLs for the area, and they have both merged to become part of the Vicinity Housing Group).
- 1.3 LHT would acquire the Council's freehold interest at Palmerston Avenue on the same terms and conditions as agreed with Servite Houses and approved by Cabinet on 20<sup>th</sup> April 2006.
- 1.4 Planning permission was granted by the Council to LHT on 7<sup>th</sup> May 2009 for the erection of 36 dwellings.
- 1.5 LHT subsequently indicated to the Council that they had submitted a bid to the Homes and Communities Agency (HCA) for grant funding for the houses split into 12 "Homebuy" units and 24 social rent units, which would only be viable if the land value was reduced from £350,000 to £1. The grant required was £40,000 per property for the "Homebuy" units and £69,000 per property for the social rented housing.

## **2.0 Current Position**

- 2.1 The Neighbourhoods and Investment Programmes Director supports the proposal in principle, subject to a suitable appraisal of the figures provided by LHT confirming their case for a reduction in the land value.
- 2.2 The Council has powers under the Local Government Act 1972 to dispose of land at an undervalue where it considers that this will help secure the promotion or improvement of the economic, social or environmental well being of its area.
- 2.3 The undervalue in this instance is £350,000 based on the valuation of the income stream the Council will forego, as previously agreed by LHT.

- 2.4 LHT's financial data for the scheme has been appraised by Three Dragons, who are consultants appointed to undertake affordability appraisals for the Planning and Economic Development Department.
- 2.5 The conclusion of the report is that for social housing purposes the land has no value, even with extensive grant funding.
- 2.6 The HCA has confirmed that the sale of the land for £1, together with the grant funding, would not count as a double subsidy to LHT.
- 2.7 Similarly, the Head of Legal Services confirms that the land is not held under powers derived from the Housing Act 1985, which is one of the exceptions in the legislation that could prevent a sale at less than "best consideration".

### **3.0 Conclusion**

- 3.1 The Secretary of State for Communities and Local Government has made it clear that Local Authorities will be expected to discount the value of its land holdings in order to maximise the development of social and affordable housing. Officers have satisfied themselves that on the basis of robust financial appraisal, the development of this site would not be viable unless the sale of the site for an undervalue of £1 were agreed,