

Bath & North East Somerset Council

DECISION MAKER:	Cllr Richard Samuel, Deputy Council Leader and Cabinet Member for Resources.	
DECISION DATE:	On or after 31st December 2020	EXECUTIVE FORWARD PLAN REFERENCE:
		E 3229
TITLE:	Asset Disposal: 117 Newbridge Hill, Bath	
WARD:	All	
EXEMPT ITEM		
List of attachments to this report: Exempt Appendix 1 – Valuation Report		

1 THE ISSUE

- 1.1 To approve the disposal of 117 Newbridge Hill, Bath to the Council's housing development company Aequus Construction Limited (ACL) for the creation of 6 apartments.

2 RECOMMENDATION

The Cabinet Member is asked to:

- 2.1 Approve the disposal of 117 Newbridge Hill, Bath to ACL for £308k with the voluntary conditions detailed within this report;
- 2.2 Authorise the Director of Economy & Growth to enter a Development Agreement with ACL for the redevelopment of the site into 6 apartments.

3 THE REPORT

Background

3.1 The property, 117 Newbridge Hill, Bath, is a Victorian building previously used as offices by the Children's Services Team and now deemed surplus to Council requirements. In accordance with the Transfer Agreement approved by the Council in January 2020 ACL has submitted a Full Business Case for the development of the property in line with Council requirements.

3.2 Disposal on the open market, and without restriction, is likely to result in the property being developed into a luxury single dwelling house, student or holiday lets. The Council is therefore applying additional conditions, formally known as voluntary conditions, to ensure that the development meets the wider strategic aims of the Council. These voluntary conditions include:

- the provision of apartments (rather than luxury home) aimed at young professionals and first-time buyers; and
- improved sustainability and energy efficiency; and
- prohibiting student accommodation, holiday lets or Houses in Multiple Occupation (HMOs).

3.3 The Business Case proposal from ACL, and which adheres to the above voluntary conditions, will see the scheme deliver the following key outcomes:

- Six quality apartments in Bath targeted at professional workers and first time buyers, potentially attractive to key workers at the nearby RUH. A local resident only period will be provided for early release sales.
- Sustainability, energy efficiency and space standards will be improved.
- The site will be developed immediately using local contractors within 12 months of the freehold transfer. The site will not be land banked.
- The site will be covenanted against future use as holiday lets or HMO's.
- Aequus' total gross returns to the Council is predicted to be between £599k and £807k excluding additional Council Tax payments.

3.4 The Aequus Board and the Shareholder has considered and approved the Business Case. However, the Business Case may be subject to amendments arising from external factors, for example, updated sales values or tender pricing, a reprofiled development timeline and revised cash flow forecast etc.

Undervalue

3.5 An independent valuation of the property undertaken by Knight Frank advised the Unrestricted Valuation, also known as an open market valuation, would be £790k. However, given the nature and location of the property there is significant risk that if sold on the open market, and without conditions, it would be result in the development of a high margin scheme, such as, a single luxury home or AirBnB type holiday lets which would add little, or no social value to the

locality. The Council is therefore intending to apply the voluntary conditions detailed in para 3.2.

- 3.6 Typically, any restrictions on property usage will negatively impact upon disposal value. Indeed, Knight Frank have advised that the above voluntary conditions will reduce the disposal value, known as Restricted Value, to £308k. The difference between the Unrestricted Value and Restricted Value, known as the Undervalue, is £482k. The most significant element of the undervalue relates to the development of apartments rather than single luxury property, in part due to the increased build costs associated with this scheme. The prohibition of student and holiday lets are more nominal in terms of value and relate to more to marketability. The following table summarises the impact of the voluntary conditions.

Restrictions (Voluntary Condition)	Valuation Impact of Condition (approximate)
Provision of apartments (rather than luxury home) aimed at young professionals and first-time buyers	£433k
Improved sustainability and energy efficiency	£49k
Prohibiting student accommodation, holiday lets or Houses in Multiple Occupation (HMOs)	Nominal
Total Impact	£482k

- 3.7 When disposing of an asset the Council is generally obliged to secure best consideration, usually interpreted as the open market value of the asset. However, under the Local Government Act 1972 General Disposal Consent Order 2003 the Council can dispose of land below open market value where the disposal is likely to contribute to the achievement of the promotion or improvement of economic, social or environmental well-being of the area and provided that the undervalue is £2m or less. It is considered that the application of the voluntary conditions detailed in para 3.2, and which give rise to an undervalue, meet this statutory requirement for the reasons detailed in para 3.9 onwards.
- 3.8 Whilst applying voluntary conditions has created an undervalue on the asset value it is important to note that this development will produce additional returns over and above just the asset transfer value. The Full Business Case identifies that in addition to the development return there will be the Council Tax income of 6 flats (Band C) compared to a single property (Band H) this will generate income that will help fund Council services alongside the general Council service provision for the development.
- 3.9 The National Planning Policy Framework (NPPF) 'Delivering a sufficient supply of homes' sets out the need for Local Authorities to ensure that a sufficient amount and variety of land can come forward where it is needed, that the needs of groups with specific housing requirements are addressed and that land with permission is developed without unnecessary delay. The NPPF also states that to determine the minimum number of homes needed, strategic policies should be informed by a housing needs assessment.
- 3.10 The Council's adopted housing needs assessment demonstrates that 2 bed apartments are in far greater need than large (5bed+) homes. Indeed, the assessment also confirms that the greatest growth in local need over the next 20

years will also be for 2 bed apartments. This, and other relevant housing needs evidence, has been adopted into policy through the Council's Core Strategy and Local Plan. The Core Strategy and Local Plan articulates how the spatial planning of the locality will contribute to the economic, social and environmental well-being of the area

3.11 The voluntary condition to develop apartments (rather than a single dwelling or holiday lets) is supported, and guided by, the Council's Core Strategy and Local Plan through the following specific policies:

- Providing six homes (rather than a single large property or zero in the case of holiday lets) goes further towards meeting the overall housing need required to respond to demographic and social changes and to support the labour supply to meet economic development objectives. Supported by Core Strategy 2014 and Local Plan 2017 (Strategic Objectives and Policy H3).
- Increased quantum supports economic development and specifically reduces the need for labour to be imported from neighbouring locations (Policy B1 Bath Spatial Strategy). Reducing the need to travel by achieving closer alignment of homes, jobs, infrastructure and services is supported by the Local Plan 2017 (Strategic Objectives)
- Provides greater choice for residents in a locality with limited flats (Core Strategy 2014 CP10 Housing Mix and Local Plan 2017 Strategic Objectives).

3.12 In March 2019 the Council declared a Climate Emergency and pledged to provide the leadership to enable carbon neutrality in the district by 2030. Subsequent research, produced by Anthesis, has confirmed energy use in buildings constitutes 66% of the area's in-district carbon footprint, and the largest single portion of the household footprint. The Council's Climate Emergency Action Plan has therefore prioritised the retrofitting of existing buildings. The voluntary condition related to improved sustainability and energy efficiency is therefore supported and guided by this corporate policy. The energy efficiency conditions are also supported by the Core Strategy (Planning Policy CP1 & CP6B)

3.1 The above research also confirmed that transport accounts for a further 29% of the district's carbon footprint. As such the Council's Climate Emergency Action Plan has also prioritised the reduction in emissions associated with transport. The voluntary condition to develop apartments (rather than a single dwelling or holiday lets) and which therefore reduces the need for workers to commute into the City also supports this priority. Support for the Action Plan is further enhanced by the provision of bike storage and an electric vehicle charging point. These conditions are also supported by the Core Strategy (Planning Policy CP6f).

4 STATUTORY CONSIDERATIONS

4.1 S123 Local Government Act 1972 enables the Council to dispose of land in its general fund in any manner it sees fit. However, this power is limited such that the Council must obtain best consideration except with the consent of the Secretary of State. It has generally been held that open market value of the land in question is relevant when determining whether best consideration has been achieved.

- 4.2 However, the Local Government Act 1972 General Disposal Consent Order 2003 removes the requirement for the Council to seek the consent of the Secretary of State where it wishes to dispose of land below best consideration in specified circumstances. These are where the Council considers the disposal is likely to contribute to the achievement of the promotion or improvement of economic, social or environmental well-being provided that the undervalue is £2m or less.
- 4.3 In this context the undervalue is the difference between the unrestricted value of the land being disposed of and the restricted value (the restricted value to include the monetary value of any voluntary conditions).
- 4.4 The General Disposal Consent gives local authorities autonomy to carry out their statutory duties and functions, and to fulfil such other objectives as they consider to be necessary or desirable. However, when disposing of land at an undervalue, authorities must remain aware of the need to fulfil their fiduciary duty in a way which is accountable to local people. Paragraph 5, below, demonstrates how that fiduciary duty is met.

5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

- 5.1 The asset transfer, with the attached voluntary conditions designed to meet the Council's wider corporate and strategic aims, will produce a £308k capital receipt. The voluntary conditions create an undervalue of £482k. However, the Full Business Case produced by Aequus predict gross returns to the Council between £599k and £807k.
- 5.2 Furthermore, the restrictions against a single home will also ensure enhanced Council Tax returns, which over a period of 20yrs is worth around £116k at current rates, albeit it should be acknowledged that some of this increased income will go to service provision.

6 RISK MANAGEMENT

- 6.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance.

7 EQUALITIES

- 7.1 An Equalities Impact Assessment has not been undertaken on the proposal. However, the applied voluntary conditions will ensure that the development meets the Council's strategic aims.

8 CLIMATE CHANGE

- 8.1 In accordance with the Council's requirements the redevelopment will provide a number of energy efficiency and sustainability benefits for the building including: replacement double glazing throughout; enhanced insulation to the fabric of the building including roof space, ground floor slab and between the apartments; heating and hot water provided via high efficiency condensing gas boilers; LED lighting throughout; communal Electric Vehicle charging point and a new cycle shelter.

9 OTHER OPTIONS CONSIDERED

9.1 Open market sale. However, this would mean that ACL does not proceed with the scheme and the risk that the identified benefits associated with the voluntary conditions are lost.

10 CONSULTATION

Consultation has taken place with the Statutory Officers, Cabinet Members and the Council's Client Liaison Board.

Contact person	Graham Sabourn, Head of Housing – Tel: 01225 477949
Background papers	None.
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