

Supplementary Information

**HAVANT BOROUGH COUNCIL
OVERVIEW AND SCRUTINY COMMITTEE
WEDNESDAY, 19TH OCTOBER, 2022**

Please note that the attached supplementary information was unavailable when the agenda was printed.

Agenda No	Item	
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4	Housing Development Strategy & Next Steps	1 - 8
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To receive a brief update from Alan Downton, Economic Development Consultant.

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NON-EXEMPT

HAVANT BOROUGH COUNCIL

Overview & Scrutiny Committee 19th October 2022

HOUSING STRATEGY

FOR NOTING

1.0 Purpose of Report

- 1.1 To provide an update to the Overview and Scrutiny Committee on the housing strategy
- 1.2 To appraise the Overview and Scrutiny Committee of the next steps and the funding secured at a Cabinet meeting on 21st September 2022 to take forward a housing strategy and evaluate an operating model to deliver it for the Borough.

2.0 Recommendation

- 2.1 That the Overview and Scrutiny Committee note the content of the report

3.0 Executive Summary

- 3.1 At the Cabinet briefing on 7 September 2022, a report was presented outlining ongoing work to develop a housing strategy and explore the potential for a property company for the Borough. It set out the fundamental principles and the challenges as agreed at the Cabinet briefing on 22nd July 2022. At this briefing the challenges and fundamental principles were agreed.

4.0 Challenges

- 1) The Council is still in the process of compiling its asset register and therefore land valuations are not known. It is taking longer to explore and establish potential sites for development
- 2) Construction costs are continually rising creating a challenge for the whole housing industry. This is a particular challenge in Havant Borough where land values were challenging site viability even before the rising cost of inflation
- 3) Staff with expertise and experience in this area are being employed into the Council but do not currently exist. Experienced staff are necessary to ensure that the governance of the company is sound and the company well managed, both financially and operationally

5.0 Fundamental principles.

At its meeting in July 2022, the Cabinet supported a high level strategy of direct intervention into the housing market. This is primarily to support the level of housing available in the Borough which is affordable for our residents.

This report outlines ongoing work to develop that strategy into an action plan. It considers the emerging potential for Havant Borough Council to create a housing company to hold housing stock.

The fundamental principles established are:

- 1) Demand for housing in HBC is high, supply is low and generally unaffordable
- 2) The Council holds a minimal number of houses, so it has no influence over the housing market
- 3) The Council holds land assets which has potential for development for housing
- 4) Land asset development is best achieved through a joint venture as the Council has no expertise in housing development
- 5) Holding housing stock will require the Council to set up a company or create an HRA
- 6) Should the Council want to create profit from housing to maximise its opportunity for affordable housing over the long term a company will be required

6.0 Background and relationship to Corporate Strategy and/or Business Plans

- 6.1 The housing strategy, along with a business case and plan for housing development, directly supports the Corporate Strategy signed off in September 2022.
- 6.2 The first stage has been to review the existing HBC owned portfolio and undertake a high-level financial assessment on the viability for the development of housing based only, and exclusively, on the HBC owned portfolio.
- 6.3 The HBC portfolio contains more than 700 pieces of land ranging from small strips to large open spaces. In the asset register, many existing land interests are based on existing use and are therefore valued as de minimis. A number of these sites have been identified as being possibly suitable for housing development including offering a partial solution to emergency temporary accommodation and affordable rental properties in the Borough.
- 6.4 From the Havant Borough Council asset register, 13 land assets have been identified with an area of 11.44 acres as potentially suitable for housing. On the asset register there are smaller land assets which will require housing suitability assessments at a later date. Appendix 1 lists the sites and is Exempt from publication.

An indicative table is set out below which is subject to further detailed review:

Number of HBC sites owned	Size of area (approx)	Approximate number of dwellings per acre
13	11.44 acres	<p>Low density housing = approx 18 No dwellings per acre = 199 dwellings</p> <p>High density flats = > 100 No dwellings per acre = 1,106 dwellings.</p>

- 6.5.0 A critical consideration is the need to establish whether all of the 13 sites will be able to attain planning permission. There may be other reasons why they cannot be used for residential development e.g. restrictive covenants. However, if planning consent is obtained for any of the identified sites, the residential land values range from £1m - £1.5m per acre subject to location.
- 6.6 Even assuming planning consent, the commercial view is that there is a viability gap across the borough whereby the cost of constructing new homes is believed to be greater than the sales proceeds that can be realised in most areas (excluding Emsworth).
- 6.7 Further evaluation work is required to better understand any potential viability gap which will include an appraisal of income attainable through the private rental market alongside build and straight sale of constructed dwellings. This evaluation needs to be drawn out in more detail with the creation of a housing strategy and an accompanying business case specifying options for different models for developing housing on council owned land.
- 6.8 The Borough's regeneration strategy aligns with the proposal to develop council owned land as it makes a clear case for regeneration based on the council's plans to address the borough's housing and economic challenges and to build on its strengths and opportunities for transformational growth
- 7.0 The following next steps are being progressed:
- Met with planning to determine the potential suitability of identified sites for housing with a view to them being placed in the Local Plan.
 - Developing a draft housing strategy which looks at affordable housing, social housing e.g those currently on the housing waiting list, temporary housing and general housing.
 - Officers to undertake market testing during September and October to assess opportunities available for solutions to temporary housing. The main objectives will be a) to identify suppliers and size of market and b) possible design solutions to reflect the type of asset e.g car park, etc.
 - Detailed evaluation to be undertaken on prioritised sites, including development appraisals, subject to greater understanding of housing priorities/ requirements.

- Officers to meet with individual members of the Cabinet to discuss their thoughts of an operating model to deliver housing with one of the options being to set up a property company. In the discussions also identify the advantages and disadvantages of such a proposal (to be completed by end of October 22)
- Officers to evaluate how HBC would deliver the housing requirements, which will include working with Partners e.g housing associations, Guinness Partnership, Vivid, etc. In addition, a detailed evaluation of potentially using a HBC property company.
- Officers have been given authorisation to start to work on drafting:
 - A draft business case for the formation of housing delivery options
 - A draft business plan for priority development over the next 12 months
- To bring the draft business case and year 1 business plan to a Cabinet briefing in November 22.

8.0 Additional Budgetary implications

- 8.1 To complete the draft business case, which will include detailed asset valuations for housing, the council will require authority to secure the services of:
- an external legal practitioner
 - a qualified property practitioner for valuations
 - securing specialist external resource to support officers in developing options for delivery

Total funding secured is up to £150,000 and this will be a drawdown from the Regeneration Reserve.

9.0 Financial implications

- 9.1 Costs are set out in section 8

Section 151 Officer comments

Date: 14 September 2022

The Council hold a regeneration (revenue) reserve of circa £1m aimed at 'pump priming' major projects and initiatives that will deliver key outcomes against Corporate priorities. £150k has previously been committed to explore regeneration options for Waterlooville. The £150k recommended within this report will help progress plans for the council's contribution to housing development as part of the wider regeneration strategy for the Borough.

Depending on progress made, these revenue resources could be replenished, over time, through capitalisation of costs using any construction funding secured through the respective development(s)

10.0 Legal implications

There are no immediate legal implications arising from this Report although it is anticipated that as part of the retainer with external lawyers, the following matters will be considered:

:-

- a) any vires issues regarding powers to undertake the proposal
- b) any vires issues regarding powers to make any land transfers considered necessary
- c) State aid compliance where applicable and relevant
- d) Whether any Secretary of State consents are required

Monitoring Officer comments

Date: 14 September 2022

As part of its corporate ambitions, Havant Borough Council is seeking to deliver a growth agenda. This will likely see major investment in support of the council's vision and in turn will ensure that the Borough one of the growing areas of the Solent region. Synonymous with delivering this agenda will be provision of quality home to improve the attractiveness of Borough to inward investors.

Completion of the business case contemplated by this report will establish the fine detail whilst confirming the context of the project, clarifying and promoting the council's vision moreover the proposed governance arrangements around delivery. It will also set out proposals as to how the council will meet its legal and financial obligations as a local authority.

- e) Company structure and governance

11.0 Risks

- 11.1 The primary risk is that the Council is unable to secure the funding and/or planning permission to construct required housing on the sites as detailed in Appendix 1. To mitigate this risk, the council will engage with all relevant partners (including Homes England) to ensure that the Council's contribution (of land value) is matched alongside other relevant sources.

12.0 Climate and Environment implications

- 12.1 None identified at this stage. Environmental implications will be considered throughout any outline and detailed design stages of development on any specified sites.
- 12.2 All the projects aim to lead the market in including environmental measures

13.0 Appendices

None

14.0 Background papers
None

Agreed and signed off by:

Cabinet Lead: Leader Alex Rennie
Exec Head of Service: Claire Hughes
Monitoring Officer: Mark Watkins
Section 151 Officer: Malcolm Coe

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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