

Public
(Confidential (Part 2) Appendices)
Key Decision - Yes

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter: Housing development on Council owned sites

Date: Cabinet – 22nd October 2020

Executive Portfolio: Executive Leader

Report by: Interim Corporate Director, David Edwards

Wards affected: All

Executive Summary:

To agree the outcome of the market testing of the small land parcels for potential acceleration of affordable housing provision and agree the final steps toward securing disposal and development.

Recommendations:

a) To approve the list of 13 parcels of land held by Huntingdonshire District Council (HDC) and reclassify them as assets for sale

b) To approve that the Council sells the parcels of land for the delivery of affordable housing

c) To select Longhurst Housing Group as the preferred housing development partner and enter into further discussions on each of the sites

d) To agree the budget for the housing delivery programme

e) To delegate authority to the Leader in consultation with the Executive Councillor for Finance and Resources and Interim Corporate Director (Delivery) to approve the price (subject to RICS Valuation) and execute all associated legal and contractual processes and documentation.

f) To delegate authority to the Leader in consultation with the Executive Councillor for Finance and Resources and the Interim Corporate Director (Delivery) to determine private rented homes or a capital receipt is received as payment for each of land parcels

g) To agree that any remaining small land parcels in the Councils portfolio not involved in this disposal remain under consideration for future facilitation of the objectives of the Housing Strategy and wider economic development/growth options.

1. PURPOSE OF THE REPORT

- 1.1 To secure disposal and development of parcels of land owned by HDC for the delivery of Affordable Housing.
- 1.2 To ensure that the elements of the report and decision making can be discussed in public the details of the sites themselves have not been included in the report. To provide some context it is anticipated that the 13 sites will not deliver more than 150 homes.

2. WHY IS THIS REPORT NECESSARY/ BACKGROUND

- 2.1 The provision of affordable housing is one of the Council's priorities. This is addressed through planning policy and working proactively with a variety of registered providers and developers.
- 2.2 The number of affordable homes that have been delivered through the regulatory planning process has improved in recent years, however, demand for affordable homes remains high.
- 2.3 The Council originally identified 43 parcels of land in Council ownership where there was the potential for affordable housing to be developed and thereby help accelerate supply. There was a desire to explore potential for Private Sector Rent properties to be built as part of the developments and returned to the Council as part payment for the land assets, which would then enable a potential new revenue stream for the Council (subject to management cost considerations). Recognising that for these parcels of land to be viable this would have to be in conjunction with market housing or potentially mixed-use development.
- 2.4 The Council does not have a significant internal housing expertise resource within its capacity and bringing these parcels of land forward to development thereby necessitates working with a partner for delivery.
- 2.5 A consultant (Davey Estates) was engaged to review these parcels of land and explore the potential for development. This has involved discussions with registered providers and potential developers to explore whether there would be interest in these parcels of land. In addition, informal discussions took place with development management on the possibility of development and potential constraints. The potential for external funding including grant funding from the Combined Authority has also been explored.
- 2.6 The original list of 43 parcels of land was reduced to 13 viable sites and in August 2020 expressions of interest were sought from registered providers and local developers.
- 2.7 One of the aims was to identify a partner that would engage on all the parcels of land (recognising that many of these are small sites and potentially difficult to bring forward) and so a balanced package of 13 sites was agreed with

Portfolio Holders to bring forward a viable proposal that included parcels of land with a reasonable prospect for development overall.

- 2.8 The attached exempt appendices contain the conclusion from the consultant's analysis of the responses. These findings have been reflected in the recommendations.
- 2.9 If Cabinet is minded to agree with the recommendation to work with the preferred partner then given the value of the land, before doing so, the Cabinet also needs to agree that there are no other uses that the Councils statutory duties requires on the parcels of land.
- 2.10 There is also the opportunity to bid for funding from the Combined Authority to help a partner enable development, either sooner or in greater numbers. If agreement can be reached on the development on each of sites by the end of the 2020, potential grant funding is in principle still available via a bidding process to provide additional affordable housing provision should it be required by the partner.

3. ANALYSIS OF OPTIONS

Council development

- 3.1 The Council was looking for a partner that was willing to consider all the potential delivery models and had a proven track record of delivery and management of affordable housing. The knowledge, skills and experience of the team and current satisfaction with their housing management were also key considerations. Given the nature of the sites their experience of developing small infill sites was also tested along with their commitment to use local contractors. Further details can be seen in the exempt quality matrix.
- 3.2 Several development options were considered and these are summarised below:-
- Option 1** - HDC grant a lease to a Housing Association in exchange for a fixed income
- Option 2** - HDC sell the parcels of land to the Housing Association in exchange for:-
- private rented affordable homes; and/or
 - a capital receipt;
- Option 3** - HDC enter a joint venture
- 3.3 Further details of what was included in these options can be seen in the Exempt appendices.
- 3.4 Following engagement with the registered providers and potential developers it is recommended to proceed with Option 2.

Site selection

- 3.5 The Council could have put a larger number of sites out for consideration. After initial review of 43 sites it was concluded that a smaller number of sites would be put forward, primarily given the planning constraints and issues and rejecting several very small parcels of land. This option is not recommended.
- 3.6 The Council could still hold on to the sites for a longer period and then explore options on these sites later, potentially to get a greater return. Given the work that had been undertaken previously to identify the land holdings, a long list and shortlist of potential sites and the positive informal discussions it is recommended to proceed, noting there is still further detailed work to do now on each site. This option is not recommended.

Disposal

- 3.7 The Council could have undertaken a procurement process and disposed of the land on the open market to a variety of interests. However, this is not recommended as the Council would like to see more affordable homes come forward and soft market testing had indicated that there would be some appetite for looking at the sites, recognising the small sites would have limited housing capacity.

Do nothing

- 3.8 The Cabinet could decide to do nothing with these parcels of land at this stage. This is not recommended as although there is further work to undertake with the preferred bidder there is a viable scheme that includes all 13 sites.

4. COMMENTS FROM OVERVIEW AND SCRUTINY

- 4.1 The comments of the Overview and Scrutiny Panel (Performance and Growth) will be included in this section prior to its consideration by the Cabinet.

5. KEY IMPACTS/ RISKS

- 5.1 Some of these sites might ultimately not be viable for development. Mitigation: Initial work has been undertaken to assess ownership and explore potential number of homes. At this stage it is felt that these sites are viable. Agreement will also need to be reached with the preferred partner on a model of risk and reward/recovery of any costs should sites not be viable after further work has been undertaken.
- 5.2 There are potential policy and reputational risks associated with bringing forward affordable housing on these sites. Mitigation: There has been informal discussions with development management and it is felt these can be overcome, any final decision will be managed through the planning process.
- 5.3 There are a variety of sites and there is a risk that the smaller sites will be pushed to the back of the queue. Mitigation: There will be a range of

considerations for each of the sites and it is envisaged that a proposal containing all the sites will come forward as the next stage.

- 5.4 Given the above, the ultimate outcome in terms of development numbers and thereby value and receipt, have a degree of uncertainty. Mitigation: Bringing these otherwise surplus sites into use for affordable housing is the correct principle given the Council's priorities and the opportunity for development.
- 5.5 The Council has not gone out for a full procurement exercise and opened up this opportunity to a wide market. Mitigation: The Council has undertaken work and will continue to undertake work to ensure that best value is achieved, and independent valuations are a core element on reviewing each parcel of land. The Council wants affordable housing and to work with a local provider that knows the area and challenges. If there had not been a positive response from the local market then the Council would have looked to expand the offer more widely. The Council also took independent legal advice from Freeths on this approach.

6. LINK TO THE CORPORATE PLAN, STRATEGIC PRIORITIES AND/OR CORPORATE OBJECTIVES

- 6.1 The priority to secure affordable housing is clearly set out in the Corporate Plan along with securing best value. The emerging Housing Strategy also highlights the need for additional affordable housing in the district.

7. CONSULTATION

- 7.1 Whilst consultation on these proposals has been undertaken with a range of potential partners and agencies and internally within the Council, there has been no wider public consultation at this stage. Consultation on each of the individual parcels of land will also be carried out as part of the planning process.

8. LEGAL IMPLICATIONS

- 8.1 There are a variety of legal aspects associated with this programme of work. Advice has been sought internally from the 3C Legal Service and Freeths have also been appointed to provide external legal advice which has been sought on the approach to date and in producing this paper.

9. RESOURCE IMPLICATIONS

- 9.1 Finalising the arrangements with Longhurst Housing Group will require Council resources and additional resources will be required to bring forward planning applications and assess the sites, consultation etc. How these costs are managed, including linking to "cost of sales" and cashflowed will need to be developed and finalised with the Finance department and Longhurst Housing Group.

10. REASONS FOR THE RECOMMENDED DECISIONS

- 10.1 Increasing the level of affordable housing in the district is a key priority for the Council. This paper brings forward the opportunity to develop some of the land that the Council owns to achieve this ambition.
- 10.2 After exploring a range of delivery options and both informal and formal work to test the possible interest from registered providers a preferred provider has been identified.

11. LIST OF APPENDICES INCLUDED

(Part 2) Appendix 1 – Assessment and Selection of Housing Delivery Option and Housing Delivery Partner.

(Part 2) Appendix 2 – Shortlist of HDC sites

(Part 2) Appendix 3 – Bid Assessment Summary

(Part 2) Appendix 4 – Detailed Deliverability / Quality Scores

12. BACKGROUND PAPERS

None

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