

PROPOSED PURCHASE OF RESIDENTIAL DEVELOPMENT LAND AT HYTHE MEDICAL CENTRE, HYTHE AND DIBDEN WAR MEMORIAL HOSPITAL, BEAULIEU ROAD, HYTHE SO45 4ZB

1. INTRODUCTION

1.1 This report seeks the approval of the Housing and Homelessness Services Portfolio Holder and the Finance, Investment and Corporate Services Portfolio Holder to acquire the freehold interest in land for affordable housing development on the site of Hythe Medical Centre, Hythe. The land price is set out in confidential Appendix 1.

2. BACKGROUND

2.1 The site - shown coloured red on the attached Plan 1 - extends to about 0.45 hectares (1.8 acres) and forms part of the Hythe and Dibden War Memorial Hospital campus. With a new hospital currently under construction services are due to transfer into the new building in Autumn 2022 enabling disposal of the medical centre site for residential redevelopment on unconditional sale basis.

2.2 In 2018 a hybrid planning application secured detailed permission for the new hospital and outline consent for 'up to 21 dwellings'. Outline planning approval for the residential element lapsed in August 2021 however the principle of residential development has now been established.

2.3 From the outset the seller (National Health Service Property Services Ltd - NHSPS) has been open about the nature of the site; and the abnormal redevelopment costs that will be incurred as a result of demolishing and clearing the existing building and addressing certain ground conditions. These factors have been taken into account in the Council's valuation and the negotiated purchase price.

2.4 It is unlikely that vacant possession and completion will be achieved before November 2022 giving sufficient time to progress and conclude full planning permission over the coming months; indeed, plans are already being advanced. In due course a bid for capital subsidy will be made to Homes England to enable the delivery of a 100% affordable housing scheme.

2.5 NHSPS is only prepared to sell the land to the Council on an unconditional basis. However it has been confirmed that the proceeds from the sale of the Medical Centre site will directly contribute to the capital costs of providing the new Hythe hospital.

3. RISKS AND FINANCIAL CONSIDERATIONS

3.1 The level of known risk associated with this opportunity is higher than other sites that the council has recently acquired for affordable housing, however financial provision to address the identified risks and estimated costs have been made in the land valuation and financial appraisals, based upon securing planning permission for 21 homes.

3.2 The following three primary risk areas have been identified at this stage:

- Securing full planning consent
- Known abnormal costs, including the demolition and clearance of the existing building and asbestos; and constructional solutions to address 'Made Ground'
- Securing Homes England grant funding

3.3 It is also necessary to recognise that building costs are continuing to rise at a rapid rate. Whilst inflationary building cost increases would inevitably apply to any future developments, detailed tenders to build this scheme are unlikely to be advanced for 15 months.

3.4 Nonetheless taking these factors into account plus an acceptable level of NFDC capital subsidy, the scheme has been shown to be viable with a buffer, at the agreed purchase price.

4. CONCLUSIONS

4.1 Given the scarcity of residential development sites of a suitable size and in sustainable locations, it is positive to have been offered this site which will be provided for 100% affordable housing. Outline planning permission has lapsed but the principle of residential development has been established. Plans are already moving forward to achieve an optimum mix of affordable housing of a type and size that will meet local housing need in Hythe and provide new homes for those on the Council's Housing Register.

4.2 As a brownfield site with a large building to be demolished, the land comes with some known risks and abnormal development costs. Although the land valuation and financial appraisals that support the purchase price have incorporated allowances and estimates to address the identified abnormal works, other unforeseen costs cannot be ruled-out. Nonetheless the scheme has a margin of viability should this arise.

4.3 Having carefully considered this opportunity at its meeting on 21st September 2021, Executive Management Team recommended proceeding to purchase and the advancement of plans and planning permission prior to completion in Autumn 2022.

5. FINANCIAL IMPLICATIONS

5.1 In December 2018 the Council's new Housing Strategy was adopted, including the aim to deliver at least 600 new affordable homes for rent and shared-ownership by 2026.

5.2 As stated in the Housing Strategy this delivery objective was informed and underpinned through financial modelling that took account of existing HRA reserves, newly enhanced abilities for prudential borrowing to finance new-build affordable housing development, and the additional net income stream that new development would generate.

5.3 The cost of this land purchase and subsequent development will be met within the approved 'Strategy Delivery' capital budget and is within the parameters as set out within the approved Housing Strategy. The confidential Appendix 1 is not for publication by virtue of paragraph 3 (information relating to the financial or business affairs of any particular person (including the authority holding that information)) of Part 1 of Schedule 12A of the Local Government Act 1972, and that the public interest in maintaining the exemption outweighs the public interest in disclosing it.

6. CRIME & DISORDER IMPLICATIONS

6.1 None.

7. ENVIRONMENTAL IMPLICATIONS

7.1 It is anticipated that the scheme will be developed to meet the emerging requirements of the Government's Future Homes Standard and where required will meet the environmental requirements of the Council's Local Plan including nitrate mitigation.

8. EQUALITY & DIVERSITY IMPLICATIONS

8.1 None.

9. RECOMMENDATION

9.1 That the Council enters a legal commitment to acquire the freehold interest in the land at Hythe Medical Centre, Beaulieu Road, Hythe in Autumn 2022, and makes progress with a full planning application as quickly as possible.

10. PORTFOLIO HOLDER ENDORSEMENT

We have agreed to the recommendations in this report and the Confidential Appendix 1.

Cllr Jill Cleary, Portfolio Holder for Housing and Homelessness Services

Sign: Cllr Jill Cleary

Date: 10 January 2022

Cllr Jeremy Heron, Portfolio Holder for Finance, Investment and Corporate Services

Sign: Cllr Jeremy Heron

Date: 10 January 2022

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Background Papers:

Planning Portal: 17/11204. Up to 21 dwellings (Outline application with details only of access) HYTHE AND DIBDEN WAR MEMORIAL HOSPITAL.

Housing Strategy (December 2018)



Date on which notice given of this Decision – 10 January 2022

Last date for call in – 17 January 2022

Plan 1



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 <p>New Forest DISTRICT COUNCIL</p> <p>www.newforest.gov.uk tel: 023 8028 5000</p>	<p>Title</p> <p>Hythe Medical Centre Beaulieu Road Hythe, SO45 4ZB</p>			
	<p>Date</p> <p>01/10/21</p>			
	<p>NOT TO SCALE - FOR IDENTIFICATION ONLY</p>			