

# **WAVERLEY BOROUGH COUNCIL**

## **EXECUTIVE**

**8 JULY 2020**

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**Title:**

**Property Matter - Wey Hill, Haslemere**  
**Feasibility study into development potential of the site**

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**Portfolio Holder:** Cllr Mark Merryweather, Portfolio Holder for Finance

**Head of Service:** Peter Vickers, Head of Finance and Property

**Key decision:** No

**Access:** Part Exempt

### **Note pursuant to Section 100B(5) of the Local Government Act 1972**

Annexes to this report contains exempt information by virtue of which the public is likely to be excluded during the item to which the report relates, as specified in Paragraph 3 of Part I of Schedule 12A to the Local Government Act 1972, namely:

Information relating to the financial or business affairs of any particular person (including the authority holding that information)

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### **1. Purpose and summary**

1.1 This report seeks approval for the use of up to £35,000 from the Investment Advisory Board Reserve to commission the Council's external property advisors, Montagu Evans, to undertake a detailed feasibility study and due diligence on the development potential of the Wey Hill site in Haslemere.

### **2. Recommendation**

2.1 It is recommended that the Executive approves the use of up to £35,000 from the Investment Advisory Board Reserve.

### **3. Reason for the recommendation**

3.1 In 2017/2018 the Wey Hill site was targeted for a land assembly, packaging and capital sale. The site has since been identified as a potential opportunity for development by the Council under the Property Investment Strategy. Prior preparatory work undertaken internally by the Council has been supplemented by the Council's retained external professional property advisers, Montagu Evans, who were commissioned to do a high level, independent options appraisal of the site which is detailed in (exempt) annexes 1 and 2. Their appraisal considered the following scenarios:

- Residual Land Value assuming planning permission is in place for the assumed residential scheme;
- Residual Land Value if the Site were sold as at today i.e. unconditional;
- Gross Rental Value for the Site.

3.2 The high-level assessment of the development potential of the site concluded that the residual appraisal analysis suggests that there is more than likely a viable residential scheme for the Site, and further, that the Site is viable whilst providing the policy compliant level of affordable housing. Therefore, funding is sought to engage Montagu Evans to undertake further due diligence into the development potential and prepare a detailed development scheme for the site that:

- Delivers the required social housing element
- Delivers private rented houses for the General Fund
- Considers the use of the passive house standard
- Considers the most appropriate delivery model

3.3 The Property Investment Advisory Board, at its meeting on 2 June 2020, discussed the importance of engaging expert and independent advice in assessing the development potential of the site and, therefore, support and recommend to the Executive that this funding be granted.

#### **4. Background**

4.1 Initial development feasibility work has been undertaken by the council's Housing New Development team who identified a potentially viable market rental scheme as an investment opportunity. The Property Investment Strategy adopted by Council on 18 February 2020, requires an independent evaluation and due diligence to ensure value for money and optimal use of Council assets.

4.2 Montagu Evans will build on any work undertaken to date internally where it is still valid and current.

#### **5. Relationship to the Corporate Strategy and Service Plan**

5.1 A development project on this site offers the Council an opportunity to deliver policy compliant level of affordable housing for the Housing Revenue Account and an investment opportunity for the General Fund that supports the vision in the Corporate Strategy to promote and sustain 'housing to buy and to rent, for those at all income levels'.

#### **6. Implications of decision**

##### **6.1 Resource (Finance, procurement, staffing, IT)**

At this stage there are no other resource implications.

## **6.2 Risk management**

Risk will be assessed in line with the Council's Risk Management Framework and Risk Appetite Statement and in accordance with the Property Investment Strategy's requirements with regard to risk. This includes ensuring comprehensive due diligence is undertaken when assessing any proposal. The use of external agents to give expert and independent opinion is part of this due diligence.

## **6.3 Legal**

A detailed legal title report has been completed which details the leased land, each occupier's property rights and the rights of way and covenants affecting the land. This should be taken into consideration prior to re-development. The site is complex in terms of access and rights of way. If the council is successful in achieving planning permission, one option is to "appropriate the land for planning purposes". This process could take 6-12 months with a view to overriding the private rights on the site. Compensation would be payable to any occupiers whose private rights are affected.

The Estates team has been negotiating with the remaining occupiers on site to reach agreement to move voluntarily from the site for redevelopment purposes.

Separately, in 2015 the Scouts served formal notice under the Landlord and Tenant Act 1954 on the Council stating it wished to re-new its lease of the Scout Hut and Plot 8. The Council is in negotiations with the Scouts about the possible renewal of the lease.

## **6.4 Equality, diversity and inclusion**

There are no direct equality, diversity or inclusion implications in this report. Equality impact assessments are carried out when necessary across the council to ensure service delivery meets the requirements of the Public Sector Equality Duty under the Equality Act 2010.

## **6.5 Climate emergency declaration**

The Property Investment Strategy has a commitment to honouring the Council's Climate Change Emergency.

## **7. Consultation and engagement**

- 7.1 This report is brought to the Executive following recommendation of the Property Investment Advisory Board at its meeting on 2 June 2020.

## **8. Other options considered**

- 8.1 The governance and due diligence requirements under the Property Investment Strategy require the seeking of external advice in development appraisals and the commissioning of an independent valuation. A development scheme on this site will incur a significant cost so it is appropriate to engage external expertise to give

an independent assessment of options.

## **9. Governance journey**

- 9.1 The Property Investment Advisory Board, at its meeting on 2 June 2020, support and recommend to the Executive that this funding be granted.

### **Annexes:**

Exempt Annexe 1 – Briefing Note of development potential, Montagu Evans

Exempt Annexe 2 – Alternative Use Appraisal, Montagu Evans

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### **Background Papers**

There are no background papers, as defined by Section 100D(5) of the Local Government Act 1972.

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### **CONTACT OFFICER:**

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Agreed and signed off by:

Legal Services: 25/6/2020

Head of Finance: 26/6/2020

Strategic Director: date

Portfolio Holder: 23/06/2020