

CABINET (HOUSING) COMMITTEE

30 SEPTEMBER 2015

AUTHORISATION TO PROGRESS AFFORDABLE HOUSING SCHEMES:
MITFORD ROAD, ALRESFORD AND HILLIER WAY, ABBOTTS BARTON

REPORT OF THE HEAD OF NEW HOMES DELIVERY

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RECENT REFERENCES:

CAB2462(HD) –Abbotts Barton Planning Framework, 13 February 2013

CAB2484(HD) –Appropriation of Land, Abbotts Barton, 22 May 2013

CAB2652(HSG) - Housing Revenue Account 2015/16 Budget and Business Plan 2015/16 to 2044/45, 4 February 2015

EXECUTIVE SUMMARY:

This report seeks approval to submit a planning application to develop two plots of land at Mitford Road, Alresford for 6 x 1 bed flats, 2 x 2 bed houses and 1x 2 bed bungalow. Approval is also sought to submit a planning application for the Hillier Way scheme of 13 homes consisting of 4 x 1bed flats, 6 x 2 bed houses and 3 x 3 bed houses.

RECOMMENDATIONS:

- 1 That the Assistant Director (Chief Housing Officer) be authorised to prepare and submit a planning application to construct 13 new Council houses on the Hillier Way, Abbotts Barton site, as set out in the report.
- 2 That the Assistant Director (Chief Housing Officer) be authorised to prepare and submit a planning application to construct 9 new Council houses on land at Mitford Road, Alresford, as set out in the report.

- 3 That the Assistant Director (Chief Housing Officer) be authorised to amend the proposals, if necessary, to prepare the schemes for planning application submission.
- 4 That the Assistant Director (Chief Housing Officer) be authorised to take all necessary actions to comply with any planning requirements that may arise following the submission of the planning applications.
- 5 That the Assistant Director (Chief Housing Officer), in conjunction with the Heads of Legal and Democratic Services and Estates, be authorised to proceed to tendering a build contract for the scheme through the Council's select list of Builders.
- 6 That further reports be brought back to Cabinet (Housing) Committee to approve the letting of the build contracts for each scheme, and also approve release of the capital required under Financial Procedure Rule 6.4.
- 7 That the Head of Estates be authorised to negotiate and agree terms for easements, wayleaves and related agreements with utility suppliers, telecom/media providers and neighbours in order to facilitate the development.

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REPORT OF HEAD OF THE NEW HOMES DELIVERY

DETAIL:

1 Introduction

- 1.1 The Council has a target of building 300 new Council homes between 2012 – 2022. As part of its programme, two potential sites have been identified, at Mitford Road, Alresford and Hillier Way, Abbots Barton. Both sites have been included in the Housing Revenue Account Capital Programme that was agreed by Cabinet (Housing) Committee on 4 February 2015.
- 1.2 This report seeks authorisation to submit planning applications for both sites and, if granted consent, to tender the build works. Designs for both schemes have evolved in close cooperation with planning officers and reflect comments from the local communities affected.

2 Mitford Road Proposal

- 2.1 The development proposal is for 9 affordable rented homes consisting of 6 x 1 bed flats and 2 x 2 bed houses, together with a 2 bed bungalow on a separate (nearby) site. The main site is an aging garage block which is increasingly in need of repair, which will accommodate the flats and houses. The bungalow site is adjacent to the estate shop and involves the loss of a proportion of the garden of no.22a Mitford Road and hardstanding.
- 2.2 Two local consultation events have been held, the first in September 2014 where the principal of development and possible designs were discussed, with a second event in March 2015 where detailed layouts and designs were presented. At the first consultation event, the garage site development was discussed, subsequent to which the possibility of including part of the garden of 22a Mitford Road became apparent, hence its inclusion in the development proposals.
- 2.3 Overall, the feedback from the events was generally positive: some residents had concerns over car parking as the roads in the vicinity become busy with on-street parking. Additionally, the development proposals involve the closure of the roundabout and altering the road layout which some residents have objected to. Discussions have been held with the Highway Authority, who has no objection to the revised road layout. The highway proposals will be included in the planning

application for final approval. Many local people liked the proposed improvements to the central greenspace to create a more useable area.

3 Hillier Way Proposal

- 3.1 The development proposals consist of 4 x 1 bed flats, 3 x 2 bed (4 person houses), 3 x 2 bed (5 person) houses and 3 x 3 bed houses and follow a study of the development potential of the area carried out in 2012/2013 and the subsequent Abbots Barton Framework which was adopted by Cabinet in February 2013. The Hillier Way site is adjacent to Simonds Court and primarily consists of informal open space.
- 3.2 Two consultation events have been held specifically relating to the development, the first in July 2015, with a second in September 2015. Generally there was concern over the loss of open space but the design and layout of the scheme was well received. As part of the consultation exercise, the wider development proposals for Abbots Barton (as set out in the Abbots Barton Framework) were discussed and Officers were able to reassure residents that there were no plans to develop the Charles Close site that is adjacent to the central Green area.
- 3.3 A landscape mitigation strategy is being prepared and will be submitted as part of the planning application. This will set out how in planning terms the loss of open space at Hillier Way will be compensated for. As part of the consultation exercise, the Scouts expressed an interest to develop a facility in the area. The local community were sympathetic towards their proposals which included developing on the scrubland opposite the entrance to Winchester Football Club. The Council is awaiting further information from the Scouts concerning the possible redevelopment of this area.

4 Procurement of Building Contract

- 4.1 The current estimated build cost of the garage site element of the Mitford Road scheme, which has been estimated by the Council's appointed Quantity Surveyor, is £902,800. A further £146,375 is estimated for the bungalow site giving a total build contract cost of £1,049,175 (plus fees). This meets the viability criteria that the Council uses for its new schemes (details in Appendix 1)
- 4.2 The current estimated build contract cost for Hillier Way is £1,730,600 (plus fees). This meets the Council's viability criteria (details in Appendix 2)
- 4.3 The build contract will be tendered on a "design and build" basis to contractors on the Council's select list of small / medium builders. A report will be brought back to a future meeting of Cabinet (Housing) Committee to approve the letting of the build contract, once tenders have been received. Under the Scheme of Delegation, Cabinet

(Housing) Committee has the authority to let contracts up to £2,000,000, and it will therefore be able to authorise the letting of the contracts provided the tender sums are below this figure.

OTHER CONSIDERATIONS:

5 COMMUNITY STRATEGY AND PORTFOLIO PLANS (RELEVANCE TO):

- 5.1 Developing new homes is a key priority for the Council as it seeks to promote active communities: 'to support local people in accessing high quality and affordable housing which meet their needs'. It also facilitates the District's economic prosperity.

6 RESOURCE IMPLICATIONS:

- 6.1 When the revised development programme was approved by Cabinet (Housing) Committee on 4 February 2015, CAB2652(HSG), the indicative cost for the schemes was £1,440,000 for Mitford Road and £2,321,000 for Hillier Way. Both schemes are currently below the budget estimate and are viable when tested against the Council's policies (see Appendices 1 and 2).
- 6.2 It is important to note that actual costs of the scheme will only be known once tenders have been received. This will also inform final rent levels. The unit costs and compliance with the viability tests will be reassessed when this information is available. A final report on the results of the tender exercise will be brought back to Members for consideration before build contracts are entered into.
- 6.3 On 4 February 2015, Cabinet (Housing) Committee formally approved the spending on initial fees in accordance with Finance Procedure Rules 6.4. At this stage, formal approval of the rest of the scheme budget under Financial Procedure Rule 6.4 is not being sought. This will be done when tenders have been received.

7 RISK MANAGEMENT ISSUES

- 7.1 The Council wants to develop and deliver an ambitious programme for the building of new council houses. Building homes involves significant risks. This is why market developers and investors demand high returns in reward for that risk. Risks lie in delays arising from inadequate resourcing, abnormal costs, unnecessarily bureaucratic procedures, local opposition, planning objections and a weakening of political commitment. It is important that risk is carefully managed.
- 7.2 At a high level, risk management is carried out by ensuring that proposals have a strategic fit with the Housing Development Strategy, particularly with respect to viability. The Council's corporate project and risk management processes will be used to mitigate detailed risk and ensure that projects are progressed in a logical sequence to ensure

that the Council is not overexposed to risk. It is important to note that it is rare for risk to be totally removed.

7.3 Appendix 1 includes details of headline risks specific to the scheme.

APPENDICES:

Appendix 1 – Mitford Road – Viability and Risks

Appendix 2 - Hillier Way, Viability and risks

Appendix 1 - Mitford Road Viability and Risks

Financial Appraisal Summary

Scheme description and costs					Tests of Financial Viability			
Appraisal name	Unit types	Estimated Total Scheme Cost	Open Market Value	Weekly Rents assumed in appraisal	Total scheme cost as % of open market value	Net present value per unit	Loan repayment year	Total internal subsidy to repay loan by year 30
Mitford Road, New Alresford	6 x 1 bed rented flats 2 x 2 bed rented houses 1 x 2 bed rented bungalow	£1,423,233	£1,810,000	1 bed £114.00 2 bed house £157.85 2 bed bungalow £166.15	78.6%	£1,998	33	0

- Scheme costs are based on an indicative assessment
- The rent level shown above also includes service charges for the 1 bed flats
- Rents plus service charges are estimated to be 72% of open market rents at today's values; these will be 70% by April 2020

Risk Management Issues

- Scheme viability
- Homes and Communities Agency approval for rent levels not granted
- Escalating costs with an early estimate in respect of required highways works

Appendix 2 – Hillier Way Viability and Risks

Financial Appraisal Summary

Scheme description and costs					Tests of Financial Viability			
Appraisal name	Unit types	Estimated Total Scheme Cost	Open Market Value	Weekly Rents assumed in appraisal	Total scheme cost as % of open market value	Net present value per unit	Loan repayment year	Total internal subsidy to repay loan by year 30
Hillier Way, Abbotts Barton	4 x 1 bed rented flats 4 x 2 bed rented houses 3 x 2 bed rented bungalows 3 x 2 bed rented houses	£2,292,869	£3,995,000	1 bed £132.55 2 bed house £166.15 2 bed bungalow £175.38 3 bed house £211.87	57.4%	£4,535	31	0

- Scheme costs are based on an indicative assessment
- The rent level shown above also includes service charges for the 1 bed flats
- Rents plus service charges are estimated to be 80% of open market rents at today's values, except the 3 bed house which is limited to local housing allowance levels and is 73%; these will be 78%/71% by April 2020

Risk Management Issues

- Scheme viability
- Homes and Communities Agency approval for rent levels not granted
- Local Growth Fund requirements governing additional borrowing approvals means that a minimum level of capital expenditure has to be achieved March 2017.
- Escalating costs with an early estimate in respect of required highways works