

CABINET (HOUSING) COMMITTEE

3 FEBRUARY 2016

AUTHORISATION TO PROGRESS AFFORDABLE HOUSING SCHEME: BAILEY
CLOSE, STANMORE, WINCHESTER

REPORT OF THE HEAD OF NEW HOMES DELIVERY

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RECENT REFERENCES:

CAB 2738(HD) – Housing Revenue Account Revised Budget, Business Plan and Budget Options Report, 30 November 2015

EXECUTIVE SUMMARY:

This report seeks approval to submit a planning application to develop 5 x 1 bed flats on a Council owned garage block at Bailey Close, Stanmore.

RECOMMENDATIONS:

- 1 That the Assistant Director (Chief Housing Officer) be authorised to prepare and submit a planning application to construct five new Council flats on the Bailey Close site, Stanmore, as set out in the report.
- 2 That the Assistant Director (Chief Housing Officer) be authorised to amend the proposals, if necessary, to prepare the schemes for planning application submission.
- 3 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.

- 4 That the Assistant Director (Chief Housing Officer), in conjunction with the Heads of Legal and Democratic Services and Estates, be authorised to proceed to tender for a design and build contract for the scheme either by first advertising the opportunity on Due North and Contracts Finder the procedure for which is to be agreed by the Heads of Legal and Democratic Services and Estates or by using an EU compliant framework agreement.
- 5 That a further report be brought back to Cabinet (Housing) Committee to approve the letting of the build contract for the scheme, and also approve release of the capital required under Financial Procedure Rule 6.4.
- 6 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, a potential site has been identified at Bailey Close, Stanmore. The site has been included in the revised Housing Revenue Account Capital Programme that was agreed by Cabinet (Housing) Committee on 30 November 2015.
- 1.2 This report seeks authorisation to submit a planning application for the site and, if granted consent, to tender the build works. The design of the scheme has evolved in close cooperation with planning officers and reflects comments from the local community affected.

2 Bailey Close Proposal

- 2.1 The development proposal is for 5 affordable rented 1 bed flats, the site is an aging garage block which is increasingly in need of repair. The development potential of the site was first identified as part of the Stanmore Planning Framework in 2013.
- 2.2 A local consultation event was held on the 16 December 2015 where detailed layouts and designs were presented. Despite inviting all of the residents of neighbouring properties and publishing the event with designs on the Council's website only 5 comments have been returned to date. All supported the development especially the provision of one bed accommodation, however the need for adequate parking for the flats and, if possible, local residents was highlighted.
- 2.3 A survey of garage usage was carried out in November 2015: of the 18 garages on the site, 6 were void, the remainder being let to Winchester residents with only one of these being used for a car in regular use. The rest are being used for the storage of household goods and/or old cars.

3 Procurement of Building Contract

- 3.1 The current estimated build cost of the scheme, which has been completed by the Council's appointed Quantity Surveyor, is £550,000. This meets the viability criteria that the Council uses for its new schemes (details in Appendix 1).

- 3.2 The build contract will be tendered on a “design and build” basis to contractors either using a tender process which is first advertised on due north and Contracts Finder (the procedure to be used having first been approved by the Heads of Estates and Legal and Democratic Services) or by using an EU compliant framework
- 3.3 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:

4 COMMUNITY STRATEGY AND PORTFOLIO PLANS (RELEVANCE TO):

- 4.1 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.

5 RESOURCE IMPLICATIONS:

- 5.1 The revised development programme was approved by Cabinet (Housing) Committee on 30 November 2015 (CAB 2738(HSG) refers) and the total indicative cost for the scheme was estimated as £750,353. The scheme is currently below the budget estimate and is viable when tested against the Council’s policies (see Appendix 1).
- 5.2 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 cost and compliance with the viability test 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 the build contract is entered into.
- 5.3 On 30 November 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.

6 RISK MANAGEMENT ISSUES

- 6.1 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.

- 6.2 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.
- 6.3 Appendix 1 includes details of headline risks specific to the scheme.

APPENDICES:

Appendix 1 –Bailey Close, Viability and Risks

Appendix 1 – Bailey Close 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 35
Bailey Close, Stanmore	5 x 1 bed rented flats	£750,353	£850,000	1 bed £119.31	88.3%	£2,436	33	0

- Scheme costs are based on an indicative assessment
- The rent level shown above also includes service charges
- Rents plus service charges are estimated to be 71.8% of open market rents at today's values and will reduce by 1% per annum between completion and April 2020

Risk Management Issues

- If the final contract price is substantially above the estimate this may impact on viability
- Homes and Communities Agency approval for rent levels not granted
- Access rights to be negotiated with local resident(s)