

CABINET (HOUSING) COMMITTEE

11 OCTOBER 2016

AUTHORISATION TO PROGRESS AFFORDABLE HOUSING SCHEME: MAYLES LANE, KNOWLE,

REPORT OF THE HEAD OF NEW HOMES DELIVERY

Contact Officer: Andrew Palmer Tel No: 01962 848 152
apalmer@winchester.gov.uk

RECENT REFERENCES:

None

EXECUTIVE SUMMARY:

This report seeks approval to submit a planning application to develop 13 new dwellings consisting of, 6 x 1 Bed Flats, 2 x 3 bed houses and 5 x 2 bed houses, on 3 sites at Mayles Lane, Knowle Village, Wickham.

RECOMMENDATIONS:

- 1 That the Assistant Director (Chief Housing Officer) be authorised to prepare and submit planning applications to construct thirteen new Council houses on three sites 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 Assistant Director (Estates and Regeneration), be authorised to proceed to tendering a build contract for the scheme through the South East Business Portal.
- 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 Assistant Director (Estates and Regeneration) 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.

CABINET (HOUSING) COMMITTEE

11 OCTOBER 2016

AUTHORISATION TO PROGRESS AFFORDABLE HOUSING SCHEME: MAYLES LANE, KNOWLE VILLAGE, WICKHAM

REPORT OF HEAD OF THE NEW HOMES DELIVERY

DETAIL:

1 Introduction

- 1.1 The Council has a target of building 300 new Council homes in the period 2012 – 2022. As part of its programme, three affordable housing sites with outline planning consent have been purchased at Mayles Lane, Knowle Village. The site has been included in the revised Housing Revenue Account Capital Programme that was agreed by Cabinet (Housing) Committee on 10 February 2016.
- 1.2 This report seeks authorisation to submit a full planning application for the sites and, if granted consent, to tender the build works. The design of the scheme has evolved in close co-operation with planning officers and reflects comments from the local community at the recent consultation event.

2 Site Proposals

- 2.1 As part of the Council's Enabling activities officers have worked with the Homes and Communities Agency (HCA) to develop housing proposals for the land remaining at "old" Knowle that was not developed by Berkeley Homes. In total there were six sites suitable for housing, Mayles Lane itself and a large area of fields that remained in public ownership after Knowle Hospital was sold for private development in the 1990's. Ultimately the land was transferred to the HCA who then marketed the sites, the road (Mayles Lane) and the fields were transferred to the Land Trust, the housing sites were sold to Foreman Homes. Due to the lack of Housing Association interest in the affordable element the Council was approached by Foreman Homes in 2015 and subsequently bought the affordable housing sites from them in May 2016.
- 2.2 Prior to the sale of the sites the HCA, via their planning consultants White Young and Green, had obtained an outline planning consent for housing on the 6 sites in October 2014 which established the principal of development.
- 2.3 The 3 affordable sites are, Dean Villas which will accommodate 2 homes (a two and a three bed house), Park Cottages (4 x 2 bed and 1 x 3 bed houses) and a site adjacent to Knowle Village Industrial Park (

6 x 1 bed flats). An alternative 14 unit mix was considered which resulted in an extra 2 bed house however after advice that from the Council's Development Management Team the smaller 13 unit scheme is preferred. After further discussion with the Council's Development Management Team it is the intention to submit a separate application for each site.

- 2.4 PDP Architects were appointed by the Assistant Director (Chief Housing Officer) to design the schemes in line with the existing outline consent, however, the indicative mix agreed at outline stage has been amended to reflect local need. In particular the Park Cottages site was originally 4 x 3 bed houses and is now proposed to be 4 x 2 bed and 1 x 3 bed houses.
- 2.5 A consultation event was held with local residents on the 8 September 2016 where property designs were displayed. A variety of comments were made on the day (19 completed response forms were received at the event), emails and on-line comments have continued to be received by the New Homes Team. Whilst the design of the properties were liked by some respondents and not by others, common areas of concern included the access to all of the sites (via Mayles Lane) being sub-standard, increased traffic generated by the development and lack of public transport options. All of the responses are available to view on the Council's website (less any personal information) <http://www.winchester.gov.uk/housing/new-affordable-housing/considered-schemes/mayleslaneknowle>
- 2.6 Following the event the design of the Park Cottages site was amended to reflect comments made by reintroducing an element of symmetry to the layout (which was a feature of the original Park Cottages).

3 Costs, Recommendation and Procurement of Building Contract

- 3.1 The current estimated build cost of the scheme, based on recent tender returns for Council new build schemes, is £2,086,419 for the three sites, when assessed the development meets the viability criteria that the Council uses for its new schemes. Appendix 1 summarises the viability assessment and demonstrates what impact increased build costs would have on the viability of the scheme. In order to mitigate this risk the Council could consider altering the tenure from entirely affordable rent to include shared ownership. This would have a positive impact on viability.
- 3.2 The build contract will be tendered on a "design and build" basis to contractors via the South East Business Portal. 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 10 February 2016 (CAB 2761(HSG) refers) and the total indicative cost for the whole scheme development option was estimated as £1,900,000.
- 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. At a scheme level the risk of increased build costs are highlighted in paragraph 3.1 above and what measures the Council could take in order to mitigate this.

APPENDICES:

1. Viability Appraisal and Discounted Cash Flow

Appendix 1

Mayles Lane, Knowle – Viability Appraisal & Discounted Cash Flow

	£1,900 sqm	£2,000 sqm	£2,100 sqm
Total Costs	£2,086,419	£2,191,174	£2,295,931
Scheme cost as % of market value	79.8%	83.8%	87.8%
NPV over 35 years	£18,451	(£93,805)	(£206,064)
Year loan repaid	35	37	40
Discounted Cash Flow rate applied to appraisal	3.30%	3.30%	3.30%
Internal Rate of Return	3.36%	3.03%	2.72%

Note: The discounted cash flow rate applied equates to the weighted average interest rate incurred by the HRA on the loans acquired in 2012.