

REPORT TITLE: NEW HOMES DEVELOPMENT, ROWLINGS ROAD, WEEKE,
WINCHESTER – APPROVAL OF OUTLINE BUSINESS CASE AND
PROCUREMENT PROCESS

22 NOVEMBER 2017

REPORT OF PORTFOLIO HOLDER: Councillor Caroline Horrill, Portfolio Holder for
Housing Services

Contact Officer: Andrew Palmer Tel No: 848293 Email
apalmer@winchester.gov.uk

WARD(S): ST BARNABAS

PURPOSE

This report seeks approval of the outline business case for Rowlings Road new homes project, to submit a planning application and to obtain Tenders to construct the scheme.

RECOMMENDATIONS:

1. That the Corporate Head of Housing be authorised to prepare and submit a planning application to construct seven new Council homes at Rowlings Road, as set out in the report.
2. That the Corporate Head of Housing be authorised to amend the proposals if necessary to prepare the scheme for a planning application submission.
3. That the Corporate Head of Housing be authorised to take all necessary actions to comply with any planning requirements that may arise following the submission of the planning application.
4. That the Corporate Head of Housing in conjunction with Head of Legal Services be authorised to proceed to tender a Design and Build contract using the SE Business Portal for this scheme and the results of the tender be reported to a future Committee.
5. That the Corporate Head of Asset Management be authorised to negotiate and agree terms for easements, wayleaves and related agreements with utility suppliers, telecom/media providers, Highways Authority and neighbours in order to facilitate the development.

IMPLICATIONS:

1. COUNCIL STRATEGY OUTCOME

- 1.1. The building of new Council homes assists in the delivery of the outcome – Delivering Quality Housing Options.

2. FINANCIAL IMPLICATIONS

- 2.1. The financial commitment to submit a planning application and start the tender process has been budgeted for within the Housing Revenue Account.
- 2.2. The project cost (total scheme cost) TSC)) for this scheme is estimated at £1.433m. The current new build capital programme has £40,000 allocated to this project in 2017/18, £680,000 in 2018/19 and £565,000 in 2019/20, the balance of £158,000 between TSC and the capital funding requirement is made of of the land value of the site.

3. LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1. Any procurement shall be undertaken in compliance with the Council's Contract Procedure Rules and in compliance with The Public Contracts Regulations 2015.

4. WORKFORCE IMPLICATIONS

- 4.1. Resources identified in Service Plan

5. PROPERTY AND ASSET IMPLICATIONS

- 5.1. The land being developed is of limited value and the final properties will be held within the Housing Revenue Account. The value of the garages has been included within scheme appraisal.

6. CONSULTATION AND COMMUNICATION

- 6.1. A consultation event was held in July 2017 where the majority of attendees supported the provision of affordable housing on the site.

7. ENVIRONMENTAL CONSIDERATIONS

- 7.1. The Rowlings Road scheme will meet current guidelines on sustainability and be fully assessed for ecological impact. Studies have indicated that bats and slow worms may be present on or near the site.

8. EQUALITY IMPACT ASSESSMENT

- 8.1. None.

9. RISK MANAGEMENT

Risk	Mitigation	Opportunities
<i>Property Sub soil services issues</i>	Additional ground radar checks undertaken of whole site to identify all service runs.	
<i>Community Support</i>	Consultation event held where majority supported the provision of affordable housing	
<i>Timescales Start on site delay</i>	Ensure effective procurement process	
<i>Project capacity</i>	Project included in New Homes Service Plan, staff resource allocated.	
<i>Financial / VfM Tenders over budget</i>	Increase internal subsidy and / or redesign scheme	
<i>Scheme viability</i>	Use of internal subsidy such as RTB receipts	
<i>Legal HCC object to Highways works</i>	Continue discussions about appropriate solutions.	
<i>Land ownership</i>	Site will require 3 rd party land, negotiations under way.	
<i>Innovation</i>	Standard construction (brick and block) proposed.	
<i>Reputation Delays to start on site</i>	Choose a procurement approach which provides a realistic start on site date.	

10. SUPPORTING INFORMATION:**Background**

- 10.1. The Council has a target of building 300 new homes between 2017 and 2020 with an aspiration to increase this to 600 new homes if the resources are

made available. A potential site for seven new homes has been identified at Rowlings Road, Weeke.

10.2. This report seeks authorisation to submit a planning application for the site and, if successful, to tender the build works. The proposed overall scheme mix is:-

- 4 x 1 bed rented flats
- 3 x 2 bed rented houses

10.3. All of the properties will meet the minimum national space requirements and be compliant with the Council's planning policies.

Site Details

10.4. The site currently consists of 30 garages and a large forecourt area situated behind existing Council housing in Rowlings Road, Weeke. There is a small unused piece of open space behind the garages which is being incorporated in the scheme. The site is well served by footpath links to the wider area and is on a well used route to the local school. The proposals will improve footpath links as well as surveillance in the area.

10.5. The appointed architects PLB have designed a scheme for 7 homes that meet local needs. Landscaping of remaining land is an important aspect of the scheme as the current footpath linking the estate to the local school is well used but not inviting due to poor lighting and high fencing.

10.6. Two Council tenants have agreed to surrender a proportion of their gardens to help facilitate a better access into the site and provide an appropriate level of parking for the new residents, the properties affected are 9 Rowlings Road and 31 Taplings Road.

10.7. A consultation event was held with local residents on the 13 July 2017 where generally most residents liked the concept of affordable housing on the site as well as the design and layout. The majority of negative comments were based on around the issues caused by parked cars, as a result the Council has ensured the new scheme exceeds HCC's residential parking standards.

Costs and Procurement

10.8. The estimated cost of the project including fees is currently £1,443,500. Various scenarios and assumptions have been tested using the viability guidelines set out in the Council's Housing Development Strategy. There are three tests that the Council uses to determine viability: that the scheme costs are less than the open market value of the properties, the Net Present Value (NPV) is positive at year 35 (maximum) and the loan pay back period is less than 30 years (the length of the HRA Business Plan). The results are set out in Appendix 1 of the report. In headline terms, the scheme is viable.

- 10.9. It has been assumed that the Council would build an all rented scheme, an option would be to consider if subsequently viability was an issue is to provide some of the housing as shared ownership (or even outright sale).
- 10.10. Provision for the capital budget for the scheme will be made from the Housing Revenue Account (HRA).
- 10.11. Its is recommended that the Council use a standard Design and Build single stage approach for tendering this scheme. As a small scheme, previous experience has suggested there is sufficient contractor interest to justify this approach. A report will be brought back to a future meeting of Cabinet (Housing) Committee to approve the award of the build contract. Under the scheme of delegation, Cabinet (Housing) Committee has the authority to let contracts up to the value of £2,000,000.
11. OTHER OPTIONS CONSIDERED AND REJECTED
- 11.1. The Council could sell the site for a private development, however, this option has been rejected as the opportunities for providing affordable rented accommodation in the Weeke area are very limited.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:- None

Other Background Documents:- None

APPENDICES:

Appendix 1 - Viability scenario.

Appendix 1 – Rowlings 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 35
Rowlings Road, Weeke	4 x 1 bed rented flats, 3 x 2 bed rented houses	£1,443,500	£1,600,000	1 bed £124.15 (1 small unit £103.96); 2 bed £179.19	90.2%	£70	35	0

- Scheme costs are based on an indicative assessment by the employers agent and include land and interest.
- The rent level shown above also includes service charges.
- Rents plus service charges are calculated at 70% of open market rents at today's values assuming completion after April 2019.

Risk Management Issues

- If the final contract price is substantially above the estimate this will impact on viability.
- Considering any "right to light" issues for surrounding properties.
- Verbal agreements reached with existing tenants over reductions in garden size and access road widening.