

CABINET

30 APRIL 2014

AUTHORISATION TO PROGRESS AFFORDABLE HOUSING SCHEME: NEW
QUEENS HEAD, STANMORE, WINCHESTER

REPORT OF THE HEAD OF NEW HOMES DELIVERY

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RECENT REFERENCES:

CAB2460 – Stanmore Land Acquisition, 13 February 2013

CAB2471 – Stanmore Land Acquisition, 13 March 2013

CAB2535(HSG) - Housing Revenue Account – 2014/15 Rent Setting and
Business/Budget Plan Options, 28 November 2013

EXECUTIVE SUMMARY:

This report seeks approval to submit a planning application to develop the site of the former New Queens Head public house to provide 21 new Council homes consisting of 5 x 3 bed houses, 9 x 2 bed houses, 1 x 1 bed bungalow and 6 x 1 bed flats

RECOMMENDATIONS:

- 1 That the Assistant Director (Chief Housing Officer) be authorised to prepare and submit a planning application to construct 21 new council houses on the site of the former New Queens Head public house
- 2 That the Assistant Director (Chief Housing Officer) in consultation with the Leader of the Council be authorised to amend the proposals, if necessary, to prepare the scheme 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 application.
- 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 tendering a build contract for the scheme through the Council's select list of Contractors.

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DETAIL:

1 Introduction

- 1.1 The Council purchased the site of the New Queens Head public house in April 2013 from Enterprise Inns. The pub had been closed for some time due to economic reasons and had been subject to two unsuccessful planning applications for conversion into a mixed housing and retail use.
- 1.2 The principal reason for the purchase of the site originated from the work carried out on the Stanmore Development Framework. In 2012 the Council appointed Broadway Malyan architects to develop a planning framework for Stanmore, the purpose of which was to:
- a) Determine the work needed in the area to improve life for residents across a range of areas including highways, community facilities, green spaces and housing;
 - b) Provide a vision and set of short, medium and long term actions for the neighbourhood and those working within it to guide its future regeneration and identify opportunities for growth; and
 - c) Form part of the evidence base for the Council's Local Plan Part 2 – Development Management & Allocations document by identifying potential development sites.
- 1.3 The consultants envisaged the development of a number of key sites within the estate with a range of affordable housing and community enhancements. It was considered that ownership of the New Queens Head site would help facilitate the delivery of the objectives emerging from the community planning exercise.

2 Proposal

- 2.1 The development proposal is for 21 affordable homes with a mix of 5 x 3 bedroom/5 person houses, 9 x 2 bedroom/4 person houses, 1 x 1 bedroom, 2 person bungalow and 6 x 1 bedroom 2 person flats.
- 2.2 During the options appraisal of the scheme, consideration was given to develop the site for community use or a mixed residential / commercial scheme. Following discussions with local community groups the 1st

option was ruled out, financial modelling was carried out for a mixed residential / commercial scheme with the outcome that a solely residential scheme was more viable (and more acceptable to the local community).

- 2.3 From a planning policy perspective, the public house provided “facilities and services” and normally the Council has policies that seek to resist the loss of such sites. Core Strategy Policy CP6 allows the loss of sites covered by this classification if the service or facility has been relocated or is no longer needed; and the site has no reasonable prospect of being used for an alternative service or facility. The New Queens Head was marketed as a public house for over 12 months prior to its acquisition by the Council but without success which suggests a public house is not required in that location. The Stanmore Planning Framework suggested that the site could be purchased to either enhance community facilities in the location or provide new homes on the site. The Council had discussions with several locally based community groups regarding potential relocation to the site, but this would have proved difficult to achieve within a reasonable timeframe and was subsequently ruled out as a use for the site. Proposals were considered for a mixed residential and retail site or a residential only site. It was agreed to develop the site for 100% affordable housing, with the additional benefits to the community of improved access to the open space at the rear of the site and to Stanmore recreation ground and community facilities including the Carroll Centre. This proposal was tested at a community event and was the preferred option.
- 2.4 The proposed scheme will provide 21 affordable council homes which will benefit the local community and the improved access to Stanmore recreation ground and the Carroll Centre will particularly benefit families with children at Stanmore Primary School and residents in the area around the site. The scheme also meets Local Plan Policy CP4 which enables the Local Planning Authority to exceptionally grant permission for the provision of affordable housing to meet specific local needs, including meeting community aspirations to provide affordable housing.
- 2.5 All of the houses and flats are designed to Lifetime Homes standards which means that they provide flexible accommodation that can be easily adapted to respond to people’s changing circumstances. All of the houses will have their own gardens with a significant area of land within the site landscaped for general public benefit.

3 Consultation

- 3.1 Ward Members have been regularly consulted and kept informed of plans for development. They have been involved in the consultation event as set out below and have been updated through meetings and by regular email as the design has evolved. They have indicated their support for the latest development proposals.

- 3.2 TACT have been consulted as part of the pre-application consultation exercise. They have confirmed their support for the Council's development programme, which includes this scheme. They have been updated regarding the revised proposals.
- 3.3 A public exhibition of the initial plans took place on 27 February 2014 as part of the Local Plan Part 2 event and this was attended by Council officers and the Architects. 413 invitations to the event were sent out to local residents and applicants on the housing register with a local connection to Stanmore. Initial designs and layouts of the housing scheme were displayed, those attending were supportive of the proposals. Issues and suggestions raised at the event were discussed by the design team and have been incorporated where possible.
- 3.4 A leaflet setting out the revised proposals for the affordable homes was sent out to local residents and applicants on the housing register with a local connection to Stanmore. The plans and drawings will be placed on the Council's webpage and an unstaffed display shown in the Tourist Information Centre, Guildhall.
- 3.5 There will be a further opportunity for all parties to comment on the proposals as part of the planning process.
- 3.6 Ultimately the properties will be allocated in accordance with the Council's allocation policies which do permit in specified circumstances Community Lettings Plans to be implemented. Community Lettings Plans permit a proportion of the new homes to be allocated outside of the normal need / time based rules to households who, for example may have a local connection to the area or work in the local community.

4 Procurement of Building Contract

- 4.1 The current estimated total cost of the scheme including the land, build cost and interest is £4.174M This figure includes the cost of the mitigating works through the improvement of pedestrian links to, and across, the recreation land at Somers Close.
- 4.2 The intention post the planning application is to tender the build contract to Contractors from the Council's select list which was approved by Cabinet (Housing) Committee (CAB2547, 4 February 2014). The build contract will be monitored by Officers from the Council's Housing and Estates Teams with input from the Council's appointed Employers Agent.

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 28 November 2013, the indicative cost for the scheme was £2,838,000 (excluding land purchase). The latest total estimated scheme capital costs are £3,015,000, which is £177,000 higher than budgeted. If costs still exceed budget once tenders have been received it will be necessary to consider what virements are required to enable the scheme to proceed.
- 6.2 The initial financial appraisal summary contained in Appendix 1 sets out the results of the viability tests. The viability tests are set out in the Housing Development Strategy 2012/13 to 2018/19, which was approved by the Cabinet (Housing Delivery) Committee on 18 September 2012. The results show that the New Queens Head site passes one of the viability tests (total scheme cost as percentage of open market value) but fails the other two (net present value and loan repayment year).
- 6.3 The Development Strategy made it clear that if schemes fail the viability criteria it did not mean they need to be abandoned. In this case results indicate that attention needs to be focussed on examining all aspects of the scheme finances to see if the negative NPV can be eliminated. This is something that can be considered further as the scheme progresses through the planning process.
- 6.4 It is important to note that the actual costs of the scheme will only be known once tenders have been received. This will also inform final rent levels which at this stage are based on an 80% affordable rent model. The Council's rent policy for new build properties is under review as part of a separate exercise. 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 a build contract is entered into.
- 6.5 On 22 May 2013, Cabinet (Housing Delivery) 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 once 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.

APPENDICES:

Appendix 1 –New Queens Head – Viability

CAB2580 - Appendix 1 – New Queens Head Viability Assessment

Capital costs and values

Item	Latest costs for viability assessment	Capital Budget	Variance
	£000	£000	£000
Land Acquisition	986	986	0
Works and fees	3,015	2,838	177
Sub-total capital expenditure	4,001	3,824	177
Interest	173	n/a	n/a
Total cost	4,174	n/a	n/a

Note – The viability assessment includes capitalised interest which is charged to the HRA revenue budget as it is incurred. This is therefore not a capital cost in the councils accounts but it is correctly included in the economic viability assessment.

Unit types and rents

Description	Number of units	Persons per unit	Weekly rent
1 Bed flats	6	2	£128.31
2 Bed houses	9	4	£159.69
3 Bed houses	5	5	£198.46
1 Bed bungalow	1	2	£128.31
Total	21		

Note – rents are set at the maximum of 80% of market rents.

Viability assessment results

The viability tests utilise a number of assumptions that are common in all appraisals. These are set out in the Winchester City Housing Development Strategy 2012/13 – 2018/19, which was approved by Cabinet (Housing Delivery) Committee on 18 September 2012. The tests also use scheme specific information for capital costs and values and rent levels.

The results of the viability assessment are as follows:

Test	Viability Criteria	Scheme result	Pass / Fail
Total scheme cost as a % of open market value	Less than 100%	95.8%	Pass
Net Present Value of scheme cash flows	Greater than £0	-£397,000	Fail
Loans repaid by	Less than 30 years	Year 34	Fail