

CABINET

12 February 2014

AUTHORISATION TO PROGRESS AFFORDABLE HOUSING SCHEME: VICTORIA ROAD WINCHESTER

REPORT OF THE HEAD OF NEW HOMES DELIVERY

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RECENT REFERENCES:

CAB2461 Cabinet (Housing Delivery) Committee – Victoria House – Future Development Options, 27 February 2013

CAB2391 (Housing) – Remodelling of the extra care housing service and future use of Victoria House, 19 September 2012

PER216 - Council House New Build Programme and additional Staffing Requirements – 11 June 2013

EXECUTIVE SUMMARY:

This report seeks approval to submit a planning application to demolish the former sheltered scheme known as Victoria House, Victoria Road, Winchester and redevelop the site to provide 18 rented and 9 shared ownership flats together with undercroft car parking. The rented flats will be owned and managed by Winchester City Council; the shared ownership flats will be let to a Registered Provider on a long lease who will then market and sell an appropriate share in the property to suitable applicants.

RECOMMENDATIONS:

- 1 That the Assistant Director (Chief Housing Officer) be authorised to prepare and submit a planning application to demolish Victoria House, Victoria Road, Winchester and redevelop the site for rented Council Homes and shared ownership homes leased to a Registered Provider, on the basis set out in the Report.
- 2 That the Assistant Director (Chief Housing Officer) 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) be authorised to complete the application process to join the Homes and Community Agency Delivery Partner Panel 2 Framework and the use of such Framework be approved for the purpose of Contracts Procedure Rule 2.4.
- 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 Homes and Community Agency Delivery Partner Panel 2 Framework.
- 6 That the Assistant Director (Chief Housing Officer), in conjunction with the Heads of Legal and Democratic Services and Estates, and subject to obtaining any special consents that may be required under the Housing Act 1985 and the Local Government Act 1988, be authorised to lease the shared ownership units on a long lease to a Registered Provider on the basis set out in the Report and to take necessary actions to resolve any legal issues that may arise to allow the development of the site for new homes.

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### AUTHORISATION TO PROGRESS AFFORDABLE HOUSING SCHEME: VICTORIA ROAD, WINCHESTER

### REPORT OF HEAD OF THE NEW HOMES DELIVERY

#### DETAIL:

#### 1 Introduction

- 1.1 Victoria House, Victoria Road, Winchester has been identified in the Council's new homes development programme as a potential site for Council homes. Cabinet (Housing Delivery) Committee on 27 February 2013 considered options for future use of the site which was formerly an Extra Care housing scheme and confirmed that redevelopment was the preferred option. It was further agreed that a full scheme appraisal would be brought back to Cabinet prior to a planning application being submitted.
- 1.2 The planning application will seek permission to demolish the Extra Care scheme which comprises 25 vacant self contained bedsits together with communal areas and two staff flats which are currently let on non-secure tenancies.

#### 2 Proposal

- 2.1 The redevelopment proposal is for 27 affordable homes with a mix of 9 shared ownership flats which will be leased to a Registered Provider, and 18 rented flats initially aimed at downsizers to free up larger Council family homes. Undercroft parking will provide one space per flat and will be controlled by a barrier and traffic lights.
- 2.2 The scheme will comprise, for shared ownership: 9 x two bedroom, three person flats located in a single three storey block with access by shared stairwell to the undercroft car park, and each with a balcony or courtyard garden. For downsizers: 7 x two bedroom/three person flats and 11 x one bedroom/two person flats most with a balcony or courtyard garden. The current need on the Housing Register of applicants wishing to downsize in Winchester is as follows: 42 applicants wish to downsize to a 1 bedroom flat and 12 applicants wish to downsize to a 2 bedroom flat.
- 2.3 The rented flats will be in a T shaped block on four floors. Four flats are located on the ground floor. Ten flats located on the first, second and third floors have direct access to the lift down to the ground floor and to the undercroft car park. Four flats have stair access to their flats and to the ground floor and down to the undercroft car park.

- 2.4 All the flats are designed to Lifetime Homes standards which means they provide flexible accommodation which can be easily adapted to respond to people's changing circumstances. Some of the rented flats have bathrooms which are suitable for wheelchair users.
- 2.5 At the rear of the scheme will be located communal gardens for use by all the flats.

### 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 by regular email.
- 3.2 Council officers and the architect invited applicants on the waiting list who wish to downsize to smaller accommodation in Winchester to a focus group. Although attended by a limited number of applicants, there was nevertheless a useful discussion about the design of the flats. The comments were subsequently discussed by the design team and incorporated where possible into the design of the scheme.
- 3.3 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.
- 3.4 A public exhibition of the initial plans took place on 11 November 2013, attended by Council officers, the Architects and Employer's Agent. 170 invitations to the event were sent out to local residents and businesses, applicants on the housing register who wish to downsize and applicants on the Homes in Hants register with a local connection to Winchester. Initial designs and layouts of the housing scheme were displayed. The event was attended by local Members, local businesses and local residents. Those attending appeared either supportive or neutral about the proposals. Some concern was expressed about the potential disruption during the building works. Two written comments were submitted, with brief comments about the proposals. Issues and suggestions raised at the event were discussed by the design team and have been incorporated where possible.
- 3.5 A leaflet setting out the revised proposals for the affordable homes was sent out to local residents and businesses, applicants on the housing register who wish to downsize and applicants on the Homes in Hants register with a local connection to Winchester. The plans and drawings will be placed on the Council's webpage for Victoria Road and an unstaffed display shown in the Tourist Information Centre, Guildhall.
- 3.6 There will be a further opportunity for all parties to comment on the proposals as part of the planning process.

#### 4 Temporary Lettings

- 4.1 The Housing Options team are working with the two households currently renting the two staff flats on shorthold tenancies. It is expected that both families will move to more suitable accommodation by the end of February 2014.

#### 5 Planning issues

- 5.1 The Council's Planning Management Team and the Head of the Historic Environment have offered positive pre-application guidance as part of the preparation of the draft plans and the designs have taken account of comments made by the relevant officers. The response from the Planning Management and Historic Environment Teams to the proposal has been very positive.
- 5.2 As this is an application on the Council's own land, and will include the demolition of a building in a Conservation Area, the final decision will have to be referred to the Secretary of State (National Casework Unit).

#### 6 Shared Ownership Flats

- 6.1 Having a mix of rented and shared ownership properties on the site helps to ensure the creation of a balanced community and is something that the Council's planning policies would want to see, irrespective of it being a private or Council development. It is recommended that the 9 shared ownership flats be let to a Registered Provider (RP) on a long lease. The RP will then be responsible and take the risk for the marketing and selling of the shared ownership flats. The Council does have the legal ability to do this itself. However, involving an RP who has extensive knowledge and experience in this sector is seen as beneficial. The additional advantage of working in partnership with an RP is that it reduces the net capital cost of the scheme to the Council.
- 6.2 Three local RPs with significant experience of shared ownership housing have been advising the Council on the design and layout of the properties. It is proposed that once the planning application has been submitted, the 3 RPs are invited to submit their best financial offer for acquiring the shared ownership properties. The Council would then accept the best financial offer.
- 6.3 There is a General Consent under Section 32 of the Housing Act 1985 which permits the disposal in this way of land (including dwellings which are not subject to secure/introductory tenancies) for a consideration equal to market value. If the winning offer made by a RP is less than market value, it is likely that a special consent will be required under Section 25 of the Local Government Act 1988.

#### 7 Procurement of Building Contract

- 7.1 The current estimated build cost of the scheme, which has been estimated by the Council's appointed Quantity Surveyor, is £4,424,000.

The threshold for the purposes of the Public Contracts Regulations 2006 (as amended) for such a contract is £4,332,012, and as the estimated cost exceeds the threshold, the procurement of the building works must comply with the Regulations in full. This would require a notice in the Official Journal of the European Union (OJEU), and a tender selection process in accordance with the Regulations.

- 7.2 However, it is permissible to comply with the Regulations by using a Framework agreement which has itself been procured in compliance with the Regulations. Provided the contractor is selected in accordance with the procedure for including tenderers in the original framework, the legal requirements will be complied with.
- 7.3 It is recommended that in this instance that the Council tender the build contract through the Homes and Community Delivery Partner Panel 2 Framework. The Framework has been designed for public bodies (including local authorities) to use, in order to speed the construction and delivery of residential development on public sector land. There is no cost to join the Framework. A mini-competition would be run to identify between 3-5 contractors on the Framework, who are then invited to submit tenders for the work. The tenders are then evaluated against criteria published with the invitation, and the winning contractor is then selected and awarded the contract.
- 7.4 The alternative to using an OJEU- compliant Framework would require the Council to place a notice in OJEU, develop a set of Pre-Qualification Questions and filter the prospective tenders down to a shortlist, who would then be invited to submit bids for the contract. This is a time-consuming and expensive process which can be avoided by using a Framework that has already carried out this work. Full details of the DPP2 Framework are available via the link [www.homesandcommunities.co.uk/dpp](http://www.homesandcommunities.co.uk/dpp)

#### OTHER CONSIDERATIONS:

#### 8 COMMUNITY STRATEGY AND PORTFOLIO PLANS (RELEVANCE TO):

- 8.1 Developing new homes is a key priority for the Council as part of its Active Communities outcome, which refers to the provision of housing to meet community needs. Achievement of the Councils' agreed new homes programme is one of the significant projects included in the Leader's Portfolio Plan 2014/15.

#### 9 RESOURCE IMPLICATIONS:

- 9.1 When the revised development programme was approved by Cabinet (Housing Delivery) Committee on 22 May 2013, the indicative cost for the scheme was £4,360,000. The latest total estimated scheme capital costs are £4,424,000 and this sum was included in the budget and business plan report to Cabinet (Housing) Committee on 4 February 2014. It should be noted that the Total Scheme Cost shown in

Appendix 1 is greater than the capital costs in the HRA capital programme because the viability assessment takes into account land values and cash flow interest costs in the development period.

- 9.2 The initial financial appraisal summary contained in Appendix 1a shows that Victoria Road passes the proposed viability test as set out in the Development Strategy.
- 9.3 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.
- 9.4 On 23 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 when tenders have been received.

## 10 RISK MANAGEMENT ISSUES

- 10.1 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.
- 10.2 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.
- 10.3 Leasing the shared ownership flats to a Registered Provider on a long lease reduces the net capital cost to the Council and involves the Registered Provider in the marketing and sale of the units, both of which limit the Council's exposure to risk.
- 10.4 Appendix 1 includes details of headline risks specific to the scheme.

### APPENDICES:

Appendix 1 – Victoria Road – Viability and Risks

## **Appendix 1 - Victoria Road Viability and Risks**

### **Financial Appraisal Summary**

<b>Scheme description and costs</b>					<b>Tests of Financial Viability</b>			
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
Victoria Road, Winchester	9 x 2 bed shared ownership flats 11 x 1 bed rented flats 7 x 2 bed rented flats	£6,107,000	£6,457,000	1 bed £156 2 bed £166	94.6%	£307	30	0

- Scheme costs are based on an indicative assessment
- The rent level shown above also includes service charges
- Rents plus service charges are currently estimated to be 77% of open market rents

### **Risk Management Issues**

- Scheme viability
- Homes and Communities Agency approval for rent levels not granted
- Escalating costs, particularly with regard to archaeology
- Inability to achieve CODE level 5 for energy – options being discussed with architects and planners
- Bat survey delays planning consent and current building not demolished in window of opportunity