



Meeting	Cabinet Member for Housing & Asset Management Decision Day
Date and Time	Monday, 12th October, 2020 at 9.30 am.
Venue	This meeting will be held virtually and a live audio stream can be listened to via <a href="http://www.winchester.gov.uk">www.winchester.gov.uk</a> .

**Note:** Owing to the ongoing Covid-19 pandemic and government guidance, it will not be possible to hold this Decision Day in person. The Council has therefore made arrangements under the Coronavirus Act 2020, and subsequent Regulations permitting remote meetings, to hold the decision day virtually. If you are a member of the public and would like to listen to the audio stream you may do so via [www.winchester.gov.uk](http://www.winchester.gov.uk)

## AGENDA

### PROCEDURAL ITEMS

- 1. Disclosure of Interests**  
To receive any disclosure of interests from Members and Officers in matters to be discussed.  
*Note: Councillors are reminded of their obligations to declare disclosable pecuniary interests, personal and/or prejudicial interests in accordance with legislation and the Council's Code of Conduct.*

### BUSINESS ITEMS

- 2. Public Participation**  
– to note the names of members of the public wishing to speak on items for decision  
*Note: members of the public wishing to speak about a particular agenda item are required to register three working days in advance if they wish to speak at a Cabinet Member Decision Day.*
- 3. Visiting Councillors Representation**



To note any request from visiting councillors to make representations on an item for decision.

*Note: Councillors wishing to speak about a particular agenda item are required to register three working days in advance if they wish to speak at a Cabinet Member Decision Day. Councillors will normally be invited by the Chairperson to speak during the appropriate item (after the Cabinet Member's introduction (and any comments from the leading officer) and any public participation).*

Members of the public and visiting councillors may speak at decision days on a specific item due for decision, provided they have registered to speak three working days in advance. Please contact Democratic Services by **5pm on Tuesday, 6 October 2020** via [democracy@winchester.gov.uk](mailto:democracy@winchester.gov.uk) or (01962) 848 264 to register to speak and for further details.

4. **Central Winchester Regeneration Update (DD17) (Pages 5 - 24)**
5. **Housing Property Acquisition (less exempt appendix) (DD18) (Pages 25 - 30)**
6. **EXEMPT BUSINESS**

To consider whether in all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

  - (i) To pass a resolution that the public be excluded from the meeting during the consideration of the following items of business because it is likely that, if members of the public were present, there would be disclosure to them of 'exempt information' as defined by Section 100 (I) and Schedule 12A to the Local Government Act 1972.
7. **Housing Property Acquisition (exempt appendix) (DD18) (Pages 31 - 32)**

**Lisa Kirkman**  
**Strategic Director: Resources and Monitoring Officer**

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2 October 2020

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## **TERMS OF REFERENCE**

Cabinet Member for Housing & Asset Management Decision Day – Included within the Council's Constitution (Part 3, Section 2)

### **Public Participation**

Representations will be limited to a maximum of 3 minutes, subject to a maximum 15 minutes set aside for all questions and answers.·

To reserve your place to speak, you are asked to **register with Democratic Services three clear working days prior to the decision day** – please see public participation agenda item above for further details. People will be invited to speak in the order that they have registered, subject to the maximum time period allowed for speaking not being exceeded. Public Participation is at the Chairperson's discretion.

### **Filming and Broadcast Notification**

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DD17

DECISION TAKER: Cllr Kelsie Learney – Cabinet Member for Housing and Asset Management

REPORT TITLE: CENTRAL WINCHESTER REGENERATION UPDATE

12 OCTOBER 2020

Contact Officer: Vervan Lyons Tel No: 01962 8484596 Email [vlyons@winchester.gov.uk](mailto:vlyons@winchester.gov.uk)

WARD(S): TOWN WARDS

## PURPOSE

This report provides an update on:

- The progress on the Central Winchester Regeneration (CWR) project, with the CWR Supplementary Planning Document (SPD) (2018), climate emergency declaration (2019) and council plan (2020 – 2025) as key guides to delivery
- The proposal to bring the Coitbury House building into a meanwhile use whilst the development proposals for the wider scheme are progressed

## RECOMMENDATIONS:

1. That the Cabinet Member for Housing and Asset Management;
  - a. Notes progress on the CWR development proposals
  - b. Authorises the Strategic Director Place to progress negotiations and to enter into agreements for the short term licence of Coitbury House to Lowe Guardians Limited (LOWE) to bring Coitbury House back into active use.
  - c. Authorise the Strategic Director Place to incur capital expenditure of up to £50,000 to include £25,000 works to Coitbury House and a capital contribution of £25,000 to LOWE for fit-out works in order for the building to be fit for purpose for short term occupation.

- d. Authorise the Strategic Director Place to submit to the city council an application for planning permission for a change of use from office to residential.

IMPLICATIONS:1 COUNCIL PLAN OUTCOME

- 1.1 Progress on CWR supports the council plan priorities by working to deliver a vibrant new mixed use development that will be creative and innovative to help reach the net carbon zero targets of 2024 and 2030. The CWR Supplementary Planning Document (SPD) details aims and objectives for the scheme and a planning and urban design framework which are in alignment with the council plan priorities.
- 1.2 The scheme will deliver towards the homes for all priority through the residential element of the development and support a vibrant local economy by working to fill the gap of affordable and flexible commercial space, enhancing the evening economy offer and creating an area aimed at attracting and retaining the young and creative talent in the City.
- 1.3 Whilst the scheme develops, the team have identified an opportunity to bring Coitbury House back into temporary use using a property guardian scheme in partnership with LOWE Property Guardians. The scheme will bring the building back into use for a minimum of two years negating the ongoing costs of vacant property management and enhancing activity in and around the area in alignment with the Vision and Objectives of the SPD.
- 1.4 The public and stakeholder engagement approach will provide an opportunity for residents, businesses and stakeholders to contribute to and comment on the development proposals.

2 FINANCIAL IMPLICATIONS

- 2.1 The CWR project currently has a budget of £738,000 all of which is either spent, committed or allocated.
- 2.2 Spent = £378,800.
- 2.3 Committed = £124,000. This includes archaeology investigation works, communications and engagement support, Kings Walk feasibility study and hotel feasibility study.
- 2.4 Allocated = £235,200. This includes archaeology investigation works, communications and engagement support, legal fees and improvements / repairs for Kings Walk and fees to progress Coitbury House..
- 2.5 Meanwhile use for Coitbury House
- 2.6 While the building remains empty and unused, the Council continues to incur costs for security, maintenance and business rates. This totals £64,000 per annum and further details are shown in option 1 in appendix A.

- 2.7 An opportunity has been identified to bring the property into a temporary use until the wider scheme development commences. The proposed property guardian scheme would see the building brought into use as dwellings, and would as a consequence also remove the current business rates liability. However, to bring the building into this use would require a capital investment to bring the building up to an appropriate standard for letting to a property guardian. Further financial details are shown as option 2 in appendix A.
- 2.8 The one-off capital investment of £50,000 for Coitbury House (option 2, appendix A) has been modelled as being financed from borrowing over the two years of the meanwhile use. There would also be an ongoing annual cost of £30,000 to the Council for utilities and LOWE's administration of the site. The overall annual cost of this option is less than the 'do nothing' option leading to a total estimated saving on current costs of £17,000 over the two year scheme.

### 3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 The terms of a licence have been agreed with LOWE for a fixed term of 2 years, which may be terminated by either party. Therefore the proposal represents a short-term tenancy arrangement for which there is no consideration. The advantage to the Council being that the building is occupied with guardians and not left to come into statutory disrepair.
- 3.2 S123(1) of the Local Government Act 1972, provides the Council with the power to dispose of land and property, provided such disposal is made for the best consideration reasonably obtainable otherwise than by way of a short term tenancies. This is in addition to its powers under the general power of competence provided for in Section 1 of the Localism Act 2011, as well as its powers to dispose of land under Section 123 of the Local Government Act 1972 and Section 233 of the Town and Country Planning Act 1990.
- 3.3 As the object of the transaction is a temporary land disposal for no consideration, the Public Contracts Regulations 2015 (PCR) do not oblige the Council to pursue an OJEU procurement process. Only where the purchaser is under an enforceable obligation to carry out specified works (conferring pecuniary benefit on the authority) will that obligation arise and therefore is not applicable in the circumstances within the proposal the subject of this report.
- 3.4 The Council has had regard to its obligations under section 1 of the Local Government Act 1999 to secure continuous improvement in the way its functions are exercised having regard to economy, efficiency and effectiveness, together with the duty under the Public Services (Social Value) Act 2012. It should be noted that best value is met in circumstances where the proposal is short term and obtains a wider social benefit. In this case the guardians, taking a licence on the building, will help to stop the current deterioration of the building, and provide short-term accommodation which will in turn provide an economic benefit in spending to the immediate area.



- 3.5 In the event that the terms change from short term, being two years, then the council will need to either observe its statutory duties, including in regard to the duty to obtain best consideration on the disposal of land, and duties to consult or be able to demonstrate that such obligations are met or obtain an exemption.

#### 4 CONSULTATION AND COMMUNICATION

- 4.1 Progress on the CWR project has been shared in public at open fora in September 2019 and February 2020 and at the Cabinet Member for Housing and Asset Management Decision day in March 2020.
- 4.2 Targeted stakeholder engagement has taken place since March 2020 with the Open Forum Panel in August 2020 and stakeholder workshops, in September 2020.
- 4.3 Further engagement is planned going forward and the approach to this is detailed later in this report.

#### 5 ENVIRONMENTAL CONSIDERATIONS

- 5.1 In accordance with the SPD, the Council Plan and the Council's Carbon Neutrality Action Plan, work on the CWR proposals is considering the impact, opportunities and objectives and the development proposal is progressed. This includes consideration of the carbon emission impact of development, transport implications and other environmental and sustainability issues.
- 5.2 Expert advice is being obtained through the Council's strategic development advisors, Jones Lang LaSalle (JLL). More locally WinACC are engaged through the Open Forum Panel.
- 5.3 Coitbury house has been considered for the installation of Solar PV panels but as the proposed 'meanwhile' use has a limited lifespan the investment may not pay back, this will be kept under constant review as the wider CWR proposals emerge.

#### 6 EQUALITY IMPACT ASSESSEMENT

- 6.1 LOWE are taking Coitbury House on a short term basis to offer accommodation to young people and key workers.
- 6.2 The approach to letting the residential units in Coitbury House will be subject to the LOWE policy in accordance with the Equality Act 2010.
- 6.3 The Council will work with LOWE to ensure that all applications made to LOWE will be considered fairly so that no one is disadvantaged.
- 6.4 Likewise, as the project progresses, the approach to future engagement will consider the needs of all when holding engagement sessions and activities.

## 7 RISK MANAGEMENT

7.1 The below table of risks has been populated specifically in relation to the proposal to progress Coitbury House in partnership with LOWE Property Guardians.

<b>Risk</b>	<b>Mitigation</b>	<b>Opportunities</b>
<p><i>Property</i></p> <p><i>There is a risk that if the Council does not progress the proposal for Coitbury House in partnership with LOWE Property Guardians the building will remain in its current state and / or deteriorate, creating possible blight on the CWR site</i></p> <p><i>Under the LOWE scheme WCC retains liability for building fabric maintenance.</i></p>	<p>Continue with plans to re-let as temporary affordable accommodation.</p> <p>Close monitoring of budget, building condition and liaison with LOWE during the contract period</p>	<p>Progressing the LOWE Property Guardians proposal would be the first step in demonstrating the council's commitment to providing affordable accommodation.</p> <p>This should be no more than the cost of simply leaving the building to deteriorate.</p>
<p><i>Community Support</i></p> <p><i>Lack of support to progress LOWE Property Guardians proposal</i></p>	<p>Ensure benefits of bringing the building back in to use for this purpose, and the impact on the wider development proposals are set out clearly.</p>	<p>If Coitbury House is brought back into use as temporary affordable accommodation, this will provide safe, secure accommodation for the younger generations of Winchester, breathe life into the building and enhance the area.</p>
<p><i>Timescales</i></p> <p><i>The LOWE Property Guardians proposal requires a 2 year minimum agreement. If there are delays to progressing the proposal this may compromise the wider scheme or result in the Council being unable to progress the proposal at all.</i></p>	<p>Clearly demonstrate how the proposal is fit for purpose and meets the needs of the council and the surrounding area in the short term, whilst providing a suitable first step in the regeneration of central Winchester.</p>	

<b>Risk</b>	<b>Mitigation</b>	<b>Opportunities</b>
<p><i>Financial / VfM</i> Under the LOWE scheme WCC retains liability for utility costs</p> <p><i>There is a risk that even after investing £50,000 on works to soft-strip the building that the Valuation Office will refuse the application to delist it. If this were to happen the Council would remain liable for the £47,000 p/a business rates liability.</i></p>	<p>Close monitoring of utility consumption.</p> <p>To proceed with the letting to LOWE</p>	<p>Periodic review period built into the agreement with LOWE.</p> <p>The savings generated by initial investment in a meanwhile use will pay back within 2 years so any delay in redevelopment of the site will result in ongoing savings.</p>
<p><i>Legal</i> Guardians remain in occupation once agreement is terminated</p>	<p>Upon termination of the Agreement between Lowe Guardians and the Owner, LG will ensure that the guardians vacate the Building and LG will return all keys of the Building to the Owner.</p>	<p>Close liaison with LG during the contract period and particularly once notice has been issued by either side</p>
<p><i>Reputation</i> There is a risk that if the Council does not progress the proposal for Coitbury House in partnership with LOWE Property Guardians, there will be reputational damage as the buildings continue to remain unused.</p> <p><i>Short timescales for notice of repossession of the building for CWR redevelopment could result in guardians being forced to move out without alternative, affordable accommodation in the City.</i></p>	<p>Continue with plans to progress LOWE Property Guardians proposal as temporary affordable accommodation.</p> <p>Continued engagement with and support for the guardians as the CWR scheme phasing is progressed.</p>	<p>Providing affordable, temporary accommodation in Coitbury House will demonstrate a first step in the regeneration of the Central Winchester area, which will enhance the Council's reputation.</p>

## 8 OTHER KEY ISSUES

8.1 None

## 9 SUPPORTING INFORMATION:

### 9.1 **Project Update**

9.2 To test what the CWR site could be with a different balance of uses within the specified parameter ranges set out in the SPD, three themed scheme scenarios were presented at the last CWR Open Forum in February 2020. All scenarios were based on the vision and objectives of the SPD which is the planning policy guidance for the CWR area. This sets key parameters within which the council is working to develop a deliverable and affordable scheme.

9.3 The scenarios were;

- (i) Business not as usual – a commercially led scheme
- (ii) Homes for all – a residentially led scheme
- (iii) Destination Max – a culturally led scheme

9.4 The schemes were testing what the CWR site could be with a different balance of uses within the specified parameter ranges set out in the SPD.

9.5 Options considering the level of retention of existing buildings have been explored in the scenarios in response to the Climate Emergency Declaration and action plan. In summary new construction generally emits more carbon to the atmosphere than repurposing existing buildings.

9.6 Attendees at the meeting were able to view the content, discuss the scheme scenarios with council members, officers, JLL and members of the panel, and leave comments.

9.7 JLL are working with the Council to bring forward the CWR scheme guided by and within the parameters set out in the CWR SPD and are currently;

- (i) investigating viability,
- (ii) considering phasing;
- (iii) carrying out market testing
- (iv) assessing delivery models to ensure the proposals are attractive to the market, whilst delivering to what we have heard the public want, appealing to the younger generation

9.8 The next steps are to share the CWR development proposals and delivery strategy with key stakeholders and members of the public during a period of

engagement in November and December 2020. The approach to this is outlined in paragraphs 9.10 to 9.45.

- 9.9 The CWR development proposals and delivery strategy will undergo further refinement following the engagement period and will be presented at the Cabinet meeting on 10 February 2021 for approval to progress. The next steps following approval will be set out in the report for the 10 February Cabinet meeting.
- 9.10 **Public and Stakeholder engagement**
- 9.11 It is really important that the council communicates well with all stakeholders with an interest in the project. A communications and engagement strategy has been developed with professional advice to ensure that this is well planned and thought through, and people are appropriately involved.
- 9.12 To prepare for our bringing forward development proposals an extensive stakeholder mapping exercise has also been undertaken to identify key stakeholders and how we should engage with each in an appropriate format.
- 9.13 Key stakeholders include statutory consultees, landowners and existing tenants, focus groups such as WinACC and business organisations together with residents and other interested parties.
- 9.14 The strategy will aim to:
- (i) Build a sense of excitement and momentum
  - (ii) Offer a positive focus for the city as it recovers from the impact of the COVID-19 pandemic
  - (iii) Demonstrate practical measures that will support the district to achieve carbon neutrality
  - (iv) Underline that the development proposals are based on the SPD demonstrating positive action directly derived from the results of previous consultation phases
  - (v) Build public faith the council's ability to deliver this project
  - (vi) Engage the public as each work stream within the wider CWR scheme context evolves
  - (vii) Engage and encourage support to counteract negative views
  - (viii) Contextualise the development of Central Winchester within the emerging Vision for Winchester and the Local Plan
  - (ix) Involve a greater number of local people – demonstrating that their feedback has been essential to build a successful city centre

- 9.15 The Strategy also outlines the use of a number of engagement tools including:
- (i) One to one briefings
  - (ii) Online engagement sessions
  - (iii) Virtual exhibitions
  - (iv) Media relations
  - (v) Third party endorsements
  - (vi) Flyer/advert
  - (vii) Webpage
  - (viii) School Engagement
  - (ix) Community Youth Panel
- 9.16 Separate detailed communications and engagement plans, based on the approach agreed within the Strategy, will be produced for each work stream as they come forward this year - including for Coitbury House, Kings Walk, Public Realm and the launch of the CWR development proposals.
- 9.17 Feedback from stakeholders and residents will be collected via an online survey hosted on CitizenSpace which will be publicised through the methods of engagement - as outlined above.
- 9.18 We will collate and share all feedback gathered and this will be considered in the formal CWR development proposals approval process.
- 9.19 **Coitbury House**
- 9.20 Following the project review by the council after the election in May 2019, a decision was made to pause office accommodation refurbishment work on Coitbury House at the Cabinet Member Decision Day on 10 March 2020, and the project team were instructed to consider options for the building in the emerging CWR development proposals.
- 9.21 The property had been on the market for several years and no interest or offers were received during that time.
- 9.22 Plans had been developed to refurbish Coitbury House and further marketing was undertaken with approaches made to potential occupiers to gauge interest. Again, no interest or offers were received.
- 9.23 Issues were that it is uncertain how long the building would be available to let due to the emerging CWR development proposals and potential occupiers were also concerned about taking space in what is going to become a development site.

- 9.24 LOWE Property Guardians approached WCC with an offer as a result of that recent marketing activity.
- 9.25 The offer made by LOWE was to temporarily use the building to provide affordable accommodation for local young people and key workers.
- 9.26 Their approach is to take short term licences on vacant buildings and make some internal changes to provide accommodation.
- 9.27 Occupiers would be considered guardians of the building for the time they are in occupation. The aim is to protect the vacant building from falling in to disrepair whilst plans are made for the longer term future of the spaces.
- 9.28 The guardians agree to take space in a building not normally used for residential accommodation but has been adapted to provide individual bedrooms with shared facilities such as kitchens, bathrooms and communal spaces.
- 9.29 Rent payable, due to the nature of the accommodation, is normally below private rental levels thus enabling younger and key workers to live in locations usually beyond their means.
- 9.30 Temporarily using Coitbury House for to provide accommodation under a property guardian scheme would bring activity and security to a vacant building and provide much needed, more affordable accommodation to the city centre.
- 9.31 Three options for Coitbury House have therefore been analysed:
- (i) Do Nothing – this option leaves the building in a deteriorating condition with the ongoing business rates costs £47,000 pa and vacant building management costs of a further £16,000 pa.
  - (ii) Short term letting to LOWE Property Guardians - the recommended option is to implement the ‘property guarding’ solution which will see the building brought back into a temporary use providing an efficient and low cost solution to vacant building management.
  - (iii) Soft strip and de-list - the valuation office has in the recent past significantly tightened the requirements for de-listing properties from business rates, the concept of a ‘soft strip’ is no longer sufficient. WCC would need to frame any proposed works as ‘pre-demolition’ this would need to be supported with conclusive evidence of future plans for the building/plot including but not limited to a planning application for the site.
- 9.32 The property guarding solution provides temporary affordable housing for Winchester’s young professionals, creatives and key workers for a minimum of two years enhancing the local area in alignment with the vision and

objectives of the SPD. Subject to the necessary WCC approvals the aim is to have the new scheme implemented in January 2021.

9.33 LOWE will guarantee that all guardians complete a vetting process to include personal interviews and extensive background checks. All guardians must be in full time employment and will typically comprise of young professionals and key workers within the area, undergraduates and anyone under the age of 21 will not be accepted. To protect the property rights of the owner (WCC), each guardian enters a license agreement with LOWE which clearly states that no tenancy has been created and that they have no exclusive possession in the building. They agree to abide by LOWE key rules and regulations while living in the Building. LOWE ensures the guardians are managed by assigning a Head Guardian who manages the guardians within the Building and regularly inspects the Building. LOWE envisages placing a maximum of 16 guardians within the Building. More information can be found on their website: <https://loweguardians.com/>

9.34 Under the General Permitted Development Order, the proposed change of use from office to residential would not normally require planning permission but there is an Article 4 direction in place over the CWR site so the Council will prepare and submit a planning application to permit the change of use.

9.35 The recommendation is to progress the proposal for Coitbury House by agreeing a short term licence to occupy to LOWE Property Guardians in accordance with the heads of terms in appendix B.

#### 9.36 **Other project updates**

9.37 Archaeology

9.38 The Council appointed ARCA Geoarchaeology, a specialist team at the University of Winchester in April 2020 to undertake borehole investigations across the CWR site.

9.39 The investigations began in August 2020 and involved extracting and examining sediment samples. Dipwells have also been installed to monitor water levels over the next 12 – 18 months initially.

9.40 Data will be collected and analysed to inform future development proposals for the CWR area.

#### 9.41 **Kings Walk**

9.42 The Council appointed Turner Works, in collaboration with Worthwhile Works in May 2020 to carry out a feasibility study to consider whether vacant space in Kings Walk could be brought back into use as flexible workspace to support independent culture and creative enterprise, with an emphasis on providing opportunities for younger people.



- 9.43 The study was completed in August and the project team is currently assessing the study to determine implications for the wider development proposals, potential phasing and next steps involved to bring it forward.
- 9.44 It is planned that a report recommending options to bring the building back into use will be presented at the Cabinet meeting on 10 November for a decision to progress.
- 9.45 **Movement and accessibility**
- 9.46 The Council is working closely with Hampshire County Council (HCC) to align the development proposals with progress on the Movement Strategy, and with HCC and the bus operators to agree a solution for the bus arrangements within the CWR area.
- 9.47 A key priority has been to ensure the proposed solution for the buses allows for existing and future requirements whilst delivering to the aspiration of the SPD for a pedestrian and cycle friendly area with minimal vehicular movement.
- 10 **OTHER OPTIONS CONSIDERED AND REJECTED**
- 10.1 **Coitbury House**
- 10.2 The option to do nothing and the option to carry out a soft strip and de-list were considered for Coitbury House, as set out in paragraph 9.21.
- 10.3 Option one is to do nothing and keep the building vacant until long term delivery plans are agreed.
- 10.4 The ongoing costs, seen in appendix A (option one) will continue to be payable throughout this time.
- 10.5 Option three is to attempt to have Coitbury House deleted from the business rating list (thereby removing the business rates liability to the Council) by 'soft-stripping' as a first step towards complete redevelopment.
- 10.6 The savings for this soft-strip option (3) appear comparable to the property guardian option (2). However, there is a significant financial risk that the property would not be delisted by the Valuation Office. This would result in the Council retaining the business rates liability despite investing £50,000 in the soft-strip works.

#### **BACKGROUND DOCUMENTS:-**

#### **Previous Cabinet/Committee Reports or Cabinet Member Decisions:-**

Cabinet Member for Housing and Asset Management Decision Day - 10 March 2020  
Central Winchester Regeneration Progress Update and Open Forum Feedback

CAB3186 - 28 August 2019 Funding for Central Winchester Regeneration  
Archaeology

Other Background Documents:-

None

APPENDICES:

Appendix A: Coitbury House financial appraisal

Appendix B: Coitbury House heads of terms

**Financial Appraisal - Coitbury House****Option 1 - do nothing**

This option assumes that the council's business rates liability and estimated maintenance will continue until 31 March 2023. If site development has not commenced at that time then the liability will continue beyond the appraisal period.

**Option 2 - Lowe proposal**

In this scenario the council makes a saving on its business rates liability. Over the 2 year appraisal period, the overall cost exceeds is estimated to provide a saving against existing costs. If site development has not commenced by the end of the appraisal period, the cost per annum will reduce to £30,000 as the capital financing costs will be met.

**Option 3 - soft-strip and de-list from ratings list**

The pre-demolition capital costs enhance the value of the underlying land asset and so are spread across 50 years. Although the overall cost is lower, there remains a significant risk that de-listing will be unsuccessful and the council's business rates liability (2020/21 - £47,000) will remain in addition to the costs outlined below.

Option 1 - do nothing									
No capital investment									
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Whole life	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Income	0	0	0	0	0	0	0	0	0
Expenditure	(64)	(64)	0	0	0	0	0	0	(128)
<b>Net surplus/(deficit)</b>	<b>(64)</b>	<b>(64)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(128)</b>
<b>Capital financing costs</b>									
Interest payments	0	0	0	0	0	0	0	0	0
Minimum Revenue Provision (MRP)*	0	0	0	0	0	0	0	0	0
<b>Net impact on the General Fund balance</b>	<b>(64)</b>	<b>(64)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(128)</b>

Option 2 - Lowe proposal									
2020/21 capital investment £50,000: £25,000 works and £25,000 contribution to fit-out									
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Whole life	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Income	0	0	0	0	0	0	0	0	0
Expenditure	(30)	(30)	0	0	0	0	0	0	(60)
<b>Net surplus/(deficit)</b>	<b>(30)</b>	<b>(30)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(60)</b>
<b>Capital financing costs</b>									
Interest payments	(1)	0	0	0	0	0	0	0	(1)
Minimum Revenue Provision (MRP)*	(25)	(25)	0	0	0	0	0	0	(50)
<b>Net impact on the General Fund balance</b>	<b>(56)</b>	<b>(55)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(111)</b>

Option 3 - soft-strip to remove from ratings list									
2020/21 capital investment: £50,000 pre-demolition (soft-strip)									
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Whole life	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Income	0	0	0	0	0	0	0	0	0
Expenditure	(11)	(8)	0	0	0	0	0	0	(19)
<b>Net surplus/(deficit)</b>	<b>(11)</b>	<b>(8)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(19)</b>
<b>Capital financing costs</b>									
Interest payments	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(37)	(44)
Minimum Revenue Provision (MRP)*	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(43)	(50)
<b>Net impact on the General Fund balance</b>	<b>(13)</b>	<b>(10)</b>	<b>(2)</b>	<b>(2)</b>	<b>(2)</b>	<b>(2)</b>	<b>(2)</b>	<b>(80)</b>	<b>(113)</b>

\*Borrowing need is reduced over the life of the asset by applying MRP annually from revenue

**Assumptions**

<b>Option 1 - do nothing</b>		
Appraisal period	2 years	period prior to site development
Expenditure		
- business rates	£47,400 per annum	based on 2020/21 liability
- maintenance, security, and utilities	£17,000 per annum	estimated costs
<b>Option 2 - Lowe proposal</b>		
Appraisal period	2 years	length of initial contract
Notional interest	2.00%	based on 2 year borrowing rates currently available to the council plus margin for prudence
Minimum Revenue Provision	2.00% on an annuity basis	As above; applied in the year following asset acquisition over estimated life
Expenditure		
- utilities	£19,200 per annum	
- landlord maintenance	£4,000 per annum	
- waste management	£2,500 per annum	
- business rates share of savings	£4,700 per annum	10% - estimate based on 2020/21 liability
<b>Option 3 - soft strip and remove from ratings list</b>		
Appraisal period (revenue)	2 years	period prior to site development
Appraisal period (capital)	50 years	pre-demolition works enhance value of underlying land asset
Notional interest	3.00%	based on long-term borrowing rates currently available to the council plus margin for prudence
Minimum Revenue Provision	3.00% on an annuity basis	As above; applied in the year following asset acquisition over estimated life
Expenditure		
- maintenance, security, and utilities	£8,500 per annum	Estimated 50% reduction following soft strip
- rates consultant fee	£2,500 one-off	

## Key Terms Coitbury House

### 1. Initial information

1.1 Type of lease	Licence to occupy
1.2 Landlord	Winchester City Council City Offices Colebrook Street Winchester SO23 9LJ
Contact Name	Stewart Pegum
Email	SPegum@winchester.gov.uk
1.3 Tenant	LOWE Guardians Limited Unit 14, The Viaduct Brixton, 360-366 Coldharbour Lane, SW9 8PL Company Number 09449843
Contact Name	Tim Lowe
Email	tim@loweguardians.com

### 2. Premises and Rights

2.1 Description of the premises	Coitbury House, Friarsgate, Winchester
2.2 Rights	Occupation by property guardians

### 3. Term, renewal rights and break rights

3.1 Lease length and start date	Min 2 years, target commencement Jan 2021
3.2 Landlord and Tenant Act 1954 protection	Not Applicable
3.3 Renewal options	Rolling landlords break giving 1 months notice at any time after minimum period
3.4 Break Rights	(a) Any option to break: Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> (b) Notice period for exercising 1 month (c) Break operable by: landlord <input type="checkbox"/> tenant <input type="checkbox"/> both <input checked="" type="checkbox"/>

### 4. Rent and rent review

5.1 Rent	(a) £0 per annum exclusive of VAT
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### 5. Assigning, subletting, charging and sharing

## 5.1 Requirements before alienation can take place

	Prohibited	Consent not to be unreasonably withheld	Permitted without consent
Assignment of whole	✓		
Sublease whole	✓		
Sublease part	✓		
Concession	✓		
Group sharing	✓		
Charging	✓		

## 6. Repairs

6.1 Repairing responsibilities	<p>(a) Tenant repairs interior / interior, windows and doors, fixtures and fittings, mechanical and electrical services.</p> <p>(b) Landlord repairs structure and building envelope limited to £100k over term</p>
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## 7. Use and alterations

7.1 Permitted use	(a) Residential subject to HMO licence compliance		
7.2 Landlord's initial works	<p>(a) Landlord to undertake works: Yes / No</p> <p>(b) If yes, brief description of works: Building envelope to be wind and water tight, repair any broken window catches, make good holes in ceilings. walls, floors following asbestos and structural surveys</p> <p>(d) Specification agreed: Yes</p>		
7.3 Tenant's initial works	<p>(a) Tenant to undertake works: Yes</p> <p>(b) If yes, brief description of works: Interior fit out</p> <p>(c) Specification agreed: Awaited</p> <p>(d) to be provided by: tenant</p> <p>(e) Landlord to make contribution: Yes</p> <p>(f) If yes, amount or formula: £25,000</p>		
7.4 Alterations			
	Prohibited	Consent not to be unreasonably withheld	Permitted without consent
External Structural	✓		
Ext non-structural	✓		
Internal Structural	✓		
Int non-structural		✓	

## 8. Insurance

8 Liability for insurance costs	(a) Landlord to insure the property: Yes (b) Premium to be recovered from tenant: No
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## 9. Other Issues

9.1 Rates and utilities	(a) Responsibility for paying council tax: tenant
11.2 Legal costs	(a) Each party to pay own legal costs
11.3 Conditions	(a) Board approvals (b) Planning or other local authority consents

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DD18

DECISION TAKER: Councillor Kelsie Learney – Cabinet Member for Housing and Asset Management

REPORT TITLE: HOUSING PROPERTY ACQUISITION

12 OCTOBER 2020

Contact Officer: Dick Johnson Tel No: 01962 848136 Email  
[Djohnson@Winchester.gov.uk](mailto:Djohnson@Winchester.gov.uk)

WARD(S): ALL

## PURPOSE

This report seeks approval to purchase a property where the purchase price exceeds the key decision threshold of £250,000. The acquisition of this ex-RTB property will meet business needs and provide synergy in terms of the management of the Housing Revenue Account (HRA) estate. It meets the council's financial criteria to ensure the acquisition represents a viable addition to the HRA stock. The purchase can be funded directly from the provision for acquisitions in the new homes capital programme.

## RECOMMENDATIONS:

That the Cabinet Member for Housing and Asset Management:

1. Approves the purchase of the specified property, detailed in Exempt Appendix 1, together with its financial appraisal.

## IMPLICATIONS:

### 1 COUNCIL PLAN OUTCOME

- 1.1 Providing good quality housing and new affordable homes is a strategic priority for the Council. Effective management of the resources available to the Council enable it to take advantage of new opportunities and ensure that satisfaction levels remain high amongst tenants in relation to their home and community. In particular
- 1.2 Tackling the Climate Emergency and Creating a Greener District
  - a) Carbon Neutrality measures will be implemented across existing housing stock and include within the design and construction of new properties, and feasibility considered in the purchase of any substitute properties
- 1.3 Homes for all
  - a) Assist with the increase of housing property stock across the Winchester district
- 1.4 Vibrant Local Economy
  - a) Deliver affordable accommodation that allows people to live and work in the community and contribute to the local economy.
- 1.5 Living Well
  - a) The wellbeing of residents are considered within the design of new properties and any substitute properties will be viewed accordingly.

### 2 FINANCIAL IMPLICATIONS

- 2.1 The purchase of this ex-RTB property requires expenditure of £275k plus costs. It will cost c.£285k including costs and will be funded directly from the £5m unallocated new homes capital budget, within the HRA. The purchase will be partly funded with £85k of RTB 1-4-1 receipts. The net cost to the council is approximately £200k.
- 2.2 The financial appraisal contained in Appendix 1 confirms that, at an affordable rent, the purchase meets the council's viability threshold and has a positive net present value of £76.3k.

### 3. LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 The Council has power under s.17 of the Housing Act 1985 to acquire properties for the purposes of providing housing accommodation and a general power under s.120 of the Local Government Act 1972 to acquire properties. S.12 of the Local Government Act 2003 gives the Council the power to invest for any purpose relevant to its functions.

3.2 Section 9E of the Local Government Act 2000 allows delegation of the functions of the Cabinet to an officer of the Council. The purchase of a single property such as requested in this decision is able to be taken under paragraph 2.4 of Part 3.2 of the constitution by the relevant portfolio holder, in this matter the Cabinet Member for Housing and Asset Management.

3.3 The report correctly identifies the current difficulties in meeting the 1-4-1 capital receipts agreement in the current market property and land purchases are moving quickly even when funds are within the HRA account.

#### 4 WORKFORCE IMPLICATIONS

4.1 The work involved in acquiring the property can be managed within the existing resources of the Council's Estates, Housing, Legal and Finance teams.

#### 5 PROPERTY AND ASSET IMPLICATIONS

5.1 In order to meet one of the key principles of the Council's strategy, the HRA is required to provide sufficient financial resources to both maintain the Council's existing housing stock to decent homes standard and to enable new affordable housing to be built to help meet local demands.

#### 6 CONSULTATION AND COMMUNICATION

6.1 The paper will be circulated to TACT to note and for their information when the next meeting is scheduled.

#### 7 ENVIRONMENTAL CONSIDERATIONS

7.1 The Housing Service considers environmental and ecological factors when developing new build properties and preparing major works plans including estate improvements, working closely with planning officers and the Council's Landscape Team where appropriate. Additional costs for meeting these responsibilities are included in project appraisals and scheme budgets.

#### 8 EQUALITY IMPACT ASSESSEMENT

8.1 The proposed acquisition is in accordance with current housing policies and strategies which have all been subject to equality impact assessment.

#### 9 DATA PROTECTION IMPACT ASSESSMENT

9.1 None required.

## 10 RISK MANAGEMENT

<b>Risk</b>	<b>Mitigation</b>	<b>Opportunities</b>
<i>Property That Council owned dwellings fail to meet decent home standards</i>	An effective programme of future works and sound financial planning ensures that these standards are met and then maintained.	
<i>Timescales Delays to committing Right to Buy receipts may result in uncommitted receipts having to be repaid to Government.</i>	Acquiring properties is an appropriate use of Right to Buy receipts and make a positive contribution to the Housing Strategy and Council Plan.	
<i>Project capacity The HRA can borrow funds in addition to utilising external receipts and reserves but it must be able to service the loan interest arising and repay debt in the future.</i>	Regular monitoring of budgets and business plans, together with the use of financial assessment tools enables the Council to manage resources effectively.	The Council monitor's government announcements on the use of RTB receipts and potential capital grant funding.
<i>Staffing resources (not always in Housing) reduce the ability to push forward new schemes at the required pace.</i>	Staffing resources have been reviewed to support the delivery of the enhanced new build programme.	
<i>Financial / VFM Risks, mitigation and opportunities are managed through regular project monitoring meetings</i>	New build Schemes and acquisitions are financially evaluated and have to pass financial hurdles and demonstrate VFM.	
<i>Legal The provision of social housing is a statutory requirement. Changing Government priorities place a greater emphasis on social housing which must be monitored and considered within planning of future new build projects.</i>	Government statutory requirements and policy changes are being monitored to identify any new risks or opportunities that they may bring.	To create new housing developments within new guidelines and drawing on innovative thinking.

11. OTHER KEY ISSUES

11.1 None

12. SUPPORTING INFORMATION:

12.1 The property is a 3 bed inner terraced ex RTB house with a small front and rear gardens for which there is a local housing need. The proposed purchase will increase the stock of suitable HRA housing in Bishops Waltham at an affordable rent level below the LHA level for this type of property.

12.2 The financial appraisal contained in Appendix 1 confirms that, at an affordable rent, the purchase meets the council's viability threshold and has a positive net present value of £76.3k. The HRA currently has a £5m capital budget of unallocated funding available in 2020-21 that can contain this spend. In addition it will contribute £85k towards the eligible spend requirement for 1-4-1 RTB receipts.

13. OTHER OPTIONS CONSIDERED AND REJECTED

13.1 Not purchasing this property would mean that other schemes would need to be brought forward to ensure Right to Buy receipts are committed within prescribed deadlines. Failure to commit receipts within the deadline would result in the council having to pass receipts back to the Government.

BACKGROUND DOCUMENTS:-

None

PREVIOUS CABINET/COMMITTEE REPORTS OR CABINET MEMBER DECISIONS:-

CAB3214 (HSG) Housing Revenue Account Budget 2020-21 and Business Plan - 22 January 2020.

CAB3231 (HSG) Housing Revenue Account (HRA) Property acquisitions 11 March 2020

APPENDICES

Exempt Appendix 1 – Details of the Proposed Acquisition

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted

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