

Executive Summary

Healthy homes – good for people and the planet

The target is to build 1,000 new homes across the district between 2021 and 2030 with the following priorities:

- To address the climate emergency by designing new homes to deliver as close to net zero carbon as possible
- To build beautiful, high quality, healthy and affordable homes to meet identified needs
- To create housing that people choose to live in and are proud to call home
- To ensure value for money and bench marked build costs

The greatest challenge is land availability as without a site there is no project. A secondary challenge is the tension between cost and quality.

'Homes for all' is one of the 5 priorities of the refreshed Council Plan 2020-25 with the aim that all homes are energy efficient and affordable to run.

The key issues we will consider to ensure this and to move the energy efficiency towards zero carbon are:

- Close the 'performance gap' between design and built performance
- Low-carbon heating systems such as heat pumps - no new gas connections
- Ultra-high levels of fabric efficiency to minimise energy usage
- Mitigate overheating risk by design/ orientation and passive cooling

The design of new homes will also improve the natural environment; reduce fuel poverty; and improve health, wellbeing and comfort. We will aim to achieve the Passivhaus standard for new homes, the most reliable way to achieve net zero carbon.

We will build high quality, beautiful new homes in which people choose to live and are proud to call home, creating a sense of place which in turn helps to foster a sense of community. We will build new homes which also have open green spaces as an integral part of developments to:

- Enhance the landscape and biodiversity and include edible landscapes
- Create a hierarchy of spaces
- Provide footpaths and cycle paths linking with local networks
- Use sustainable urban drainage and other features to mitigate extreme weather

We will consider using Modern Methods of Construction during the development of the design, particularly for larger projects, where viable.

Housing Development Strategy 2021– 2030

We will maintain a rolling programme of development opportunities for around 100 additional homes per annum. The sites will range from large sites sufficient for 50 to 100 new dwellings to small sites, often garage sites for between 2 and 10 homes.

A variety of types, sizes and tenures of home will be built to meet the range of housing needs identified and to create mixed, sustainable communities. Rents are set at 70% open market rents; Social rents are available with significant grant funding; Shared ownership homes are currently offered at an initial average share of 40%.

The majority of new development will continue to be on council land as this is both quicker and more affordable than acquiring land from the private market. However in order to meet the 1,000 home target the council will consider acquiring land on the open market. The council will also continue to work directly or by partnering with developers and contractors to provide new affordable homes.

Further housing stock can be added via the purchase of existing properties particularly stock that provides additional benefits such as large gardens in which further new homes can be built or a refurbishment to provide additional homes.

The financial viability of each scheme will be assessed to ensure the cumulative effect of the programme is affordable in the context of the wider HRA business plan.

Each project will be assessed to ensure it meets the aims of this Development Strategy, has been risk assessed and is financially viable, meeting the key criteria.

A number of funding sources are available, including Right to Buy (1-4-1 receipts), sales income from shared ownership, Homes England grant, Section 106 receipts and loan funding.

Adequate staff resources are a key requirement to enable the Council to deliver the target of 1,000 homes over 10 years.

We hold a range of public information and consultation opportunities during the course of development. This enables us to keep people informed, gain feedback on the designs and incorporate suggestions where appropriate.

Purpose of the strategy – what are we seeking to achieve?

Healthy homes – good for people and the planet

Our Priorities

- To address the climate emergency by designing new homes to deliver as close to net zero carbon as possible
- To build beautiful, high quality, healthy and affordable homes to meet identified needs
- To create housing that people choose to live in and are proud to call home
- To ensure value for money and bench marked build costs

'Homes for all' is one of the Council's main priorities set out in the refreshed Council Plan 2020-25 – objectives include *'building significantly more homes ourselves , and using the new Winchester Housing Company to deliver a wide range of housing tenures to meet local needs'*

The New Homes Delivery team has a target to build 1,000 new homes between 2021 and 2031. These will predominantly be affordable homes, either rented or shared ownership, built across the Winchester district, including areas inside the South Downs National Park, to meet the housing needs of its residents.

New homes will contribute to the council's Carbon neutrality Plan 2020-30 – *'All new council homes will be built to the highest efficiency standards by 2024'*.

They will be built to high quality standards following the 10 characteristics of a well-designed place set out in the National Design Guide, 2019 and will provide healthy environments indoors and outside.

Most homes will be delivered through the Housing Revenue Account (HRA) under prudential borrowing from the Public Works Loan Board and funding from right to buy receipts or Homes England funding. Some homes will be delivered through the Housing Company

All schemes will be assessed against the agreed viability criteria. They will be project managed by the New Homes Delivery team with input from colleagues in the planning, natural environment, finance, legal, estates, housing and property services teams, as well as external consultants.

By 2031 we plan to have completed 1,000 new affordable healthy homes

ACTION POINTS

- By 2031 we plan to have completed 1,000 new affordable healthy homes

The Challenges

The challenges in achieving this target include:

- **Land – this is the greatest challenge as without a site there is no project**
- Resource provision – the project team including colleagues in other departments and external consultants;
- Financial resources – The 2021-22 HRA Business Plan has been constructed around providing the required funding to deliver this target and remains both sustainable and viable.
- Tension between cost and quality - the Winchester brand is high quality and low carbon but these add cost and challenge financial viability
- Nitrate neutrality – either finding suitable land or paying into projects to mitigate increased nitrates caused by new development
- Procurement – must be appropriate to encourage contractor appetite
- Covid19 – lockdowns cause delays to projects and supply chain issues
- Brexit –may cause delays, supply chain issues, availability of materials and availability of construction staff
- Impact of new legislation and guidance

Without land there is no project. This is the most critical challenge, but the land must also be located in the areas of greatest housing need. Good size and relatively easy to develop HRA sites have already been developed. General Fund sites need to be explored. We can and do bid for other sites but it's difficult to compete with private developers and housing associations and timescales are out of our control

The project team led by the new homes team includes colleagues from other departments and external consultants. Colleagues from other teams may have other priorities and may be working on different timescales; financial resources are less challenging as the HRA is able to fund the scale of new homes projects required over the next 10 years through the proposed HRA Business plan, largely funded through prudential borrowing, shared ownership sales and affordable rents.

There is a tension between cost and quality. The cost of achieving zero carbon homes – either AECB (Association for Environment Conscious Building) or Passivhaus standards is 10-20% higher than simply meeting building regulations, but there are significant long term savings for residents and the council, as the homes are built to higher performance standards. Other costs such as the cost of nitrates mitigation, infrastructure costs such as electric sub stations or connecting in rural areas and abnormal costs can impact on viability.

The procurement process must be appropriate to encourage contractor appetite including the right size of contractor - small and medium contractors for small

Housing Development Strategy 2021– 2030

projects, the use of frameworks such as the Southern Construction Framework for larger projects.

Projects may be delayed by a range of issues but particularly the impact of Covid19 with a reduced site team and supply chain issues. Brexit is also expected to cause delays to the supply chain and the availability of materials as well as impact on the availability of labour on sites.

New legislation and guidance can cause challenges to projects e.g. the new model of shared ownership to be introduced in 2021, allows as low as 10% initial share and staircasing at 1% and repairs to be undertaken by the landlord for the first 10 years. This model is designed to make ownership more accessible but will be an added pressure on viability and staff resources.

DRAFT

1. Introduction

Winchester City Council owns over 5,000 council houses and flats providing a variety of good quality homes for our tenants. Since HRA Self Financing which commenced in 2012, the council has had the ability to build new housing. But borrowing capacity was constrained by the statutory HRA borrowing cap.

In October 2018 this borrowing cap was abolished and there is no longer a restriction placed on the level of loan funding, and subject to the ability to cover loan interest payments within the HRA business plan the HRA has the ability to borrow prudentially. This has created the opportunity for the Council to realise local ambitions with a target to build 1,000 new homes by 2030.

The Council Plan 2020-25 has an overarching priority to tackle the climate emergency and create a greener district. 'Homes for all' is one of the 5 priorities with the aim that all homes are energy efficient and affordable to run.

The 30 year HRA business plan is regularly reviewed to assess the amount the council can spend on new homes and this is approved annually by the Cabinet. The business plan gives the council a clear strategy for borrowing to limit financial exposure and accelerate new homes development whilst ensuring that the HRA remains financially viable and sustainable.

In the Housing Development Strategy 2021– 2030 we set out what the council intends to build, for whom, and how we will ensure that we deliver high quality, energy efficient, affordable homes in a cost effective way. We will set out our overall aims for the next ten years and what added value and initiatives our development programme can bring to the local environment and economy. The Strategy will form the framework within which the council will evaluate development opportunities and decide whether to proceed with a project.

This strategy will evolve and will be formally reviewed every 12 months.

2. Responding to the Climate Emergency

The Council Plan objectives

Winchester City Council has declared a climate emergency and has prioritised housing as a sector of key importance to contribute to the council's ambition of making the activities of Winchester City Council carbon neutral by 2024 and its aim to achieve the same position for the district by 2030.

The design of new homes will make a significant contribution to the refreshed Council Plan 2020-25

All homes to be energy efficient and affordable to run
Move the energy efficiency of new and existing homes towards zero carbon

The council's Carbon Neutrality Plan 2020-30ⁱⁱ says

All new council homes will be built to the highest efficiency standards by 2024.
To develop a council led pilot Passivhaus housing scheme in Micheldever by 2021

The Committee on Climate Change's report 'UK housing: Fit for the future?' published in February 2019ⁱⁱⁱ says:

'New homes must be built to be low-carbon, energy and water efficient and climate resilient. The costs of building to a specification that achieves the aims set out in this report are not prohibitive, and getting design right from the outset is vastly cheaper than forcing retrofit later. From 2025 at the latest, no new homes should be connected to the gas grid. They should instead be heated through low carbon sources, have ultra-high levels of energy efficiency alongside appropriate ventilation and, where possible, be timber-framed.'

Design objectives to meet the challenges of climate change

The key issues we will address to ensure all new homes are energy efficient and affordable to run and to move the energy efficiency towards zero carbon are:

- a. Close the 'performance gap' between how homes are designed and how they actually perform when built
- b. No new homes will connect to the gas grid. Instead they will have low-carbon heating systems such as heat pumps
- c. New homes will be built to ultra-high levels of fabric efficiency to minimise energy usage

We will also address the following:

- d. Assess the risk of overheating at the design stage. Mitigate overheating risk by design/ orientation and passive cooling – opening windows and shading from vegetation or window shutters
- e. Reduce the whole life carbon impact of new homes including embodied and sequestered carbon, for example using wood in construction rather than high carbon materials such as cement and steel. Timber frame construction systems will be used where possible
- f. Continue to improve on planning policy requirements for water efficiency in new homes
- g. New homes will be resilient to flood and other extreme weather events – use of sustainable drainage systems where possible, together with retention and provision of green infrastructure/open spaces
- h. Include landscape features that improve biodiversity and ecology such as making provision for hedgehog access areas and swift boxes
- i. Scheme design and layouts will encourage sustainable travel – with safe and well lit walking and cycling routes, easy access to electric vehicle charging points and access to public transport where possible.

ACTION POINTS

- Close the 'performance gap' between how homes are designed and how they actually perform when built
- No new homes will connect to the gas grid. Instead they will have low-carbon heating systems such as heat pumps
- New homes will be built to ultra-high levels of fabric efficiency to minimise energy usage

The design of new homes to reduce emissions and increase resilience to climate change will also improve the natural environment; reduce utility bills and therefore fuel poverty; and improve health, wellbeing and comfort, including for vulnerable groups such as elderly people and those living with chronic illnesses.

Housing Development Strategy 2021– 2030

We will undertake an energy feasibility study and a cost benefit analysis for each new project to consider the options regarding energy efficiency and carbon emissions. This will include the passivhaus^{iv} and AECB (Association for Environment Conscious Building)^v building standards both of which significantly reduce energy required for heating and therefore carbon emissions. Homes that achieve these standards also provide healthy, comfortable homes: warm in winter, cool in summer; sound proofing and are economic for residents to run. In addition the mechanical ventilation required to provide a constant supply of clean fresh air remove the tiny droplets that can carry viruses such as Covid 19.

We will aim to achieve the Passivhaus standard for new homes as this is the most reliable way to achieve net zero carbon.

The council will provide a leadership role to challenge volume house builders who continue to build to minimum standards.

SAP (Standard Assessment Procedure) rating

We will aim to achieve SAP (Standard Assessment Procedure) rating 100, equivalent to EPC A (Energy Performance Certificate). We will ensure that all new council homes achieve a SAP rating of at least 86 which is equivalent to EPC B. This is in line with 'Housing 2050; How UK social housing can meet the challenge of climate change, 2018'.^{vi}

We will also consider embodied carbon in the use and reliability of materials, in lifecycle costs and the longevity of building elements.

ACTION POINTS

- We will aim to achieve the Passivhaus standard for new homes as this is the most reliable way to achieve net zero carbon.

ACTION POINTS

- The council will provide a leadership role to challenge volume house builders who continue to build to minimum standards.

3. Development Objectives

The Housing Strategy priorities

The Winchester Housing Strategy 2017/18 to 2022/23^{vii} sets out in detail the context within which the council will develop new homes. This Development Strategy maps out how new council homes will help to meet some of the objectives of the strategy.

Housing Strategy Vision – to support the creation of cohesive communities, helping everyone in the district to have a choice of high quality housing to meet their needs.

The Winchester District Housing Strategy Priorities

1. To accelerate and to maximise the supply of high quality affordable housing across the district
2. To improve the housing circumstances of vulnerable and excluded households
3. To support local people to access high quality and affordable housing which meets their needs
4. To make best use of housing
5. To engage with residents and create cohesive communities

Our primary objective is to provide new homes for those on the housing registers - both for rented housing (Hampshire Home Choice register) and shared ownership (Help to Buy register).

Wherever possible we will create new homes that are suited to those with particular needs which are not currently being met, including extra care housing for older people and housing for downsizers.

By this more specific targeting of housing need we aim not only to provide housing which might not otherwise be available, but also to 'free up' housing suitable for people with no specific requirement other than affordability.

We will also provide housing to meet identified needs not necessarily on the housing registers, as set out in priority 1, objective 7:

'Adopt an innovative approach to new affordable housing provision, including exploring the opportunities for shared ownership housing, modern methods of construction, community led housing, custom/self building and housing types to meet specific markets, such as, supported housing (including extra care and for those with a learning disability), students, downsizers, sharers & young newly forming households'.

Design standards

Our new developments aim to meet high standards of design and create environments that are attractive, useable and durable. We will follow the 10 characteristics of a well-designed place set out in the National Design Guide published by the MCHLG in October 2019.^{viii} The Guide emphasises good design and beauty.

ACTION POINTS

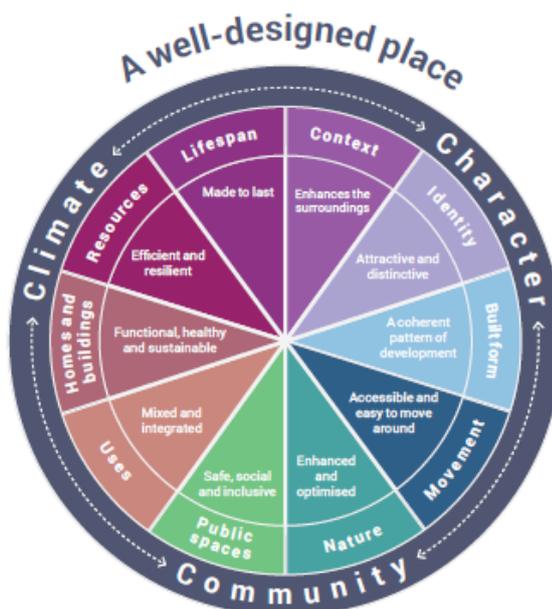
- We will follow the 10 characteristics of a well-designed place set out in the National Design Guide

Introducing the ten characteristics

³⁵ Well-designed places have individual characteristics which work together to create its physical **Character**. The ten characteristics help to nurture and sustain a sense of **Community**. They work to positively address environmental issues affecting **Climate**. They all contribute towards the cross-cutting themes for good design set out in the National Planning Policy Framework.

³⁶ The ten characteristics set out in Part 2 are:

- **Context** – enhances the surroundings.
- **Identity** – attractive and distinctive.
- **Built form** – a coherent pattern of development.
- **Movement** – accessible and easy to move around.
- **Nature** – enhanced and optimised.
- **Public spaces** – safe, social and inclusive.
- **Uses** – mixed and integrated.
- **Homes and buildings** – functional, healthy and sustainable.
- **Resources** – efficient and resilient.
- **Lifespan** – made to last.



The ten characteristics of well-designed places

The Social Housing White Paper published November 2020^{ix} says that creating beautiful homes and a sense of place helps to foster a sense of community. Beauty should be an aspiration for all new developments, regardless of tenure.

The Building Better, Building Beautiful Commission report, published January 2020^x says ‘Ask for Beauty: We do not see beauty as a cost, to be negotiated away once planning permission has been obtained. It is the benchmark that all new developments should meet. It includes everything that promotes a healthy and happy life, everything that makes a collection of buildings into a place, everything that turns anywhere into somewhere, and nowhere into home. So understood beauty should be an essential condition for the grant of planning permission.’

The district is varied in its character. New homes will be designed to create a sense of place that responds to its local context and local distinctiveness in terms of layout,

scale, form, space and materials. Homes will be designed to connect seamlessly to the surrounding development and integrate with landscapes and the natural environment. They will create safe, attractive, accessible environments and, where appropriate, they will seek opportunities to enhance the public realm.

Our new council homes will meet National Minimum Space Standards and will be designed to be accessible and adaptable (Building Regulation part M4(2)) to meet the requirements of people with mobility issues and to provide a lifetime home, adaptable as needs change, unless there is a particular reason this is not achievable. They will also be designed to meet 'Secured by Design' principles to design out crime and anti-social behaviour.

ACTION POINTS

- We will build healthy, comfortable, beautiful homes with features to optimise health and wellbeing. Where possible we will provide easily accessible and safe green spaces, important for health and sustaining cohesive communities

We will build healthy, comfortable, beautiful homes with the following features to optimise health and wellbeing:

1. Economic to run for residents
2. Low heating requirement to address fuel poverty
3. Protection from noise: soundproof with double or triple glazing
4. Good ventilation to maintain a constant comfortable temperature and to minimise the impact of building contaminants
5. Good air quality to address health issues, particularly asthma
6. Appropriate size windows to provide good natural lighting
7. Designs to prevent overheating

Both the Design Guide and the Building Better, Building Beautiful Commission (BBBBC) report emphasise the importance of designing open green spaces as an integral part of developments to aid health, sustainability and biodiversity and the report encourages street trees and urban orchards, suggesting a new fruit tree for each new home.

Well defined, easily accessible and safe green spaces are important for exercise and maintaining mental wellbeing, which is particularly important for residents without private gardens; and by providing attractive areas to meet, they help to create cohesive and sustainable communities.

We will consider the following factors when designing the external environment

1. Building with nature to complement and enhance the landscape and biodiversity
2. Include edible landscapes to help new communities to engage with their landscape and create a sense of ownership
3. Create a hierarchy of spaces with useable spaces which are private - including balconies, semi-private, and public
4. Provision of footpaths and cycle paths linking with local networks to encourage walking and cycling

5. Use sustainable urban drainage, rain water planters and other features to mitigate more extreme weather

The National Design Guide says '*Good design promotes quality of life for the occupants and users of buildings. This includes function – buildings should be easy to use. It also includes comfort, safety, security, amenity, accessibility and adaptability.*

Well designed homes and buildings are efficient and cost effective to run. They help to reduce greenhouse gas emissions by incorporating features that encourage sustainable lifestyles. They maximise natural ventilation, avoid overheating, minimise sound pollution and have good air quality'.

We want to leave a lasting and positive legacy from the council house building programme of well designed, distinctive and comfortable homes which help to create civic pride.

The National Design Guide also says '*Well-designed, sustainable places with a strong identity give their users, occupiers and owners a sense of pride, helping to create and sustain communities and neighbourhoods'.*

The Social Housing White Paper notes the importance of good design of social housing in preventing poor perceptions and stigma.

From the projects we have completed to date, the Council has created a trusted reputation for providing high quality, distinctive new homes in which people choose to live and are proud to call home.

See Symonds Close case study in appendix 1

Modern Methods of Construction (MMC)

New construction techniques may contribute towards improving efficiency, productivity and the quality of new homes and buildings. These include the off-site manufacture of buildings and components using innovative and smart technologies, supported by digital infrastructure. They offer the potential to reduce whole life costs are better at reducing the performance gap than traditional methods and enable users to customise the products. We will consider these techniques during the development of the design, particularly for larger projects where there are economies of scale and benefits of faster construction, less disruption to existing residents and less likely to suffer from critical labour shortages.

ACTION POINTS

- We will promote the use of Modern Methods of Construction during the development of the design, particularly for larger projects

4. Delivery Capacity

The target for the Council's New Homes Delivery programme is to build 1,000 new homes in the period 2021 to 2030, which equates to a rolling programme of approximately 100 new homes per annum.

New council homes schemes are project managed by the New Homes team from identification of a potential site, through the feasibility assessment, the planning process, tender, construction, completion and handover.

Support is required from other teams including – Finance, Legal, Estates, Planning, Landscapes & Ecology, Housing and Property Services. The New Homes team appoints specialist consultants for each project including Employer's Agent, Quantity Surveyor, Design Teams, Engineers, Clerk of Works etc

The key requisite for new homes is land.

Development sites

We will maintain a rolling programme of realistic development opportunities that we will actively pursue, with sufficient sites for around 100 additional houses or flats per annum to contribute to our overall target of 1,000 homes in 10 years.

The sites will range from large sites sufficient for 50 to 100 new dwellings or more, to small sites, often garage sites, suitable for between 2 and 10 homes. Some of these sites may not ultimately be developed and other sites will be put forward to replace them.

The council has a corporate responsibility to ensure that it is making best use of its own assets. Most of the projects the council has developed to date are built on council owned land and we expect to continue to develop homes on our land to add supply to our own housing stock and to replace stock lost through the right to buy scheme. The council will therefore identify a pipeline of sites which will include undertaking strategic reviews of areas where there are significant council land holdings, both general fund and HRA land, including areas of council housing.

The Housing Company

The Council is establishing a wholly owned Housing Company to support the New Homes delivery programme. The Company is not intended as an investment vehicle and has a more social purpose, with the aim of supporting additional, predominantly "sub market" tenures rather than social tenancies.

The company will not support the actual delivery of more homes – funding developing through the HRA is far more cost effective. However, the company will be able to buy or lease homes developed through the HRA programme and let them on shorter term tenancies (albeit longer than typical private sector tenancies). It will specifically support the Council's "Homes for All" priority and support the provision of housing for residents just outside of the Council's waiting list priorities.

ACTION POINTS

- The council will identify a pipeline of sites which will include undertaking a strategic review of general fund and HRA land

5. What and where we intend to build

New build

The Winchester Housing Strategy notes that *‘While homes for Affordable Rent are of the highest priority, in order to meet other needs and create cohesive communities it is important to recognise the challenges faced by those unlikely to secure such a home or who wish to access intermediate or low cost home ownership homes, for instance shared ownership or other parts of the rented sector.’*

We will build a variety of dwelling types and sizes to meet the range of housing needs identified. However the priority will be to provide smaller family houses and flats to meet the high levels of need on the housing registers and to enable current tenants to downsize if they wish to. On some sites, the council may seek to provide homes for shared ownership, discounted market sale, market sale and sub market rent (managed through the Housing company). Providing a mixture of tenures can help to create mixed, sustainable communities, as well as helping the scheme to be financially viable.

Following the successful completion and occupation in 2018 of Chesil Lodge, a 52 unit extra care scheme, which includes shared ownership and open market sale as well as affordable rented apartments, the council will retain a particular focus to develop attractive, suitable homes for older people, including extra care apartments. This may enable older people to move out of a larger property of which they are not making full use, including council properties. See appendix 1 for Chesil Lodge case study.

Acquiring Land and Properties

The HRA Business Plan has been reviewed and refreshed and the need to deliver 1000 new homes remodelled to provide the necessary capital funding to deliver the 1000 homes target with a significant resource (£238.5m) available over the next 10 years to accelerate delivery. Included within this sum is a figure of £10m for site acquisition.

New development will usually provide best value for money if it takes place on council owned land. To date most of the development has been on land which is already held for housing purposes and this is likely to continue. There is however a finite supply of suitable sites and those that remain are increasingly difficult and expensive to develop. It will therefore be important to continue to explore the potential of other land, including land held in the council’s general fund to contribute towards improving supply. The council will consider acquiring land on the open market or by negotiation in order to ensure the supply of new homes. The council will also negotiate with developers or contractors to provide new affordable homes through a purchase agreement, particularly where other community benefits form part of the package. An example of this approach is the 35 new homes at Top Field,

ACTION POINTS

- New extra care schemes to meet the needs of older people will be developed in Winchester and the southern parishes

Housing Development Strategy 2021– 2030

Kings Worthy which also provides a large area of open space to meet community aspirations. See appendix 1 for case study.

Acquisitions

Further housing stock can be added via the purchase of existing properties to use as council homes. These will be considered where the properties can meet the council's requirements and acquisition is proven to be financially viable. They may be new homes completed by a developer and offered to the council. Whilst in some circumstances this may be appropriate, homes acquired in this way are unlikely to contribute towards the net zero carbon targets, and may not meet the high quality objectives set out in this strategy. They are likely to cost more as they will be bought at market value.

Acquisitions will also include the purchase of former council properties bought through right to buy. In these cases we will prioritise the purchase of existing stock that provides additional benefits such as large gardens in which further new homes can be built or a refurbishment to provide additional homes.

The council has some housing stock, such as existing bedsits, which are not easy to let and which could be converted to create larger units. In some cases it may be more financially viable to demolish and rebuild, such as the Victoria House bedsits which were demolished and replaced with an equivalent number of spacious, attractively designed flats meeting high sustainability standards. See appendix 1 for case study

The council may also extend properties or convert non-residential buildings to form dwellings. These may be funded from the new homes programme if they create new housing opportunities. Corner House is an example of a former public house which was purchased by the council to convert to affordable homes. See appendix 1 for case study.

A full list of projects completed and on site by December 2020 is listed in appendix 2.

Partnerships

ACTION POINTS

- The council will seek opportunities to acquire land on the open market or by negotiation with developers to ensure the supply of new homes

ACTION POINTS

- We will negotiate purchase agreements with developers or contractors to provide new affordable homes, particularly where other community benefits form part of the package

ACTION POINTS

- We will purchase existing stock to let or develop if the properties can meet the council's requirements and acquisition is proven to be financially viable

Winchester City Council has strong established links with other Registered Providers (RPs) that make a significant contribution to housing supply in the district. It is important that this continues and it is not the council's intention to compete for sites with other RPs. The council intends to continue to work alongside our partners and offer a complementary approach to the delivery of affordable homes.

Registered providers will continue to provide a vital role in delivering the affordable homes via Section 106 planning obligations and other opportunities brought to, and identified by them. They supply affordable rented and intermediate tenures primarily shared ownership, and in some cases market properties where this supports other affordable housing provision.

Where a developer has an obligation to provide affordable homes under a Section 106 planning obligation the council will encourage them to work with another registered provider. Only in exceptional circumstances will the council consider acquiring units from a developer on a Section 106 site, for instance where no other RP has expressed a wish to acquire them. Encouragement will be given to RPs to work with Community Land Trusts (where established) especially with the provision of housing in rural areas.

Other partnership opportunities have been offered to and encouraged by the council. These include partnerships with Homes England, Hampshire County Council, RPs and Developers. Developing partnerships with these organisations is an important priority as they will have access to, or own land suitable for affordable housing. By combining land and financial strengths, development sites can be brought forward in a timely way thus accelerating the supply of affordable homes.

The council will continue to seek or respond to partnership opportunities, including Joint Ventures in which both the risk and the reward are shared. The council will use these opportunities to increase design and sustainability standards across the whole site.

ACTION POINTS

- The council will continue to seek or respond to partnership opportunities, including Joint Ventures in which both the risk and the reward are shared. The council will use these opportunities to increase design and sustainability standards across the whole site

Procurement and Contract Management

Effective procurement ensuring that best value is achieved in accordance with internal and external regulations is vital. However given the importance of the quality and longevity of new homes referred to throughout this strategy, procurement documents will ensure good design and building quality is valued as well as price.

Alongside procurement is the need for effective contract management; that contracts are maximised to ensure operational and financial performance and minimise risk.

See appendix 3 for details of the process

DRAFT

6. Affordability and the impact on Viability

Over the life of this strategy there will be an increased demand for all types of affordable housing provision in Winchester. The significant and growing imbalances between housing demand and supply continues to exacerbate the increasing problems of affordability in the private sector.

The Strategic Housing Market Assessment (SHMA)^{xi} undertaken by Icen for the council and published in 2020 concludes that there is a substantial need for additional affordable housing across the Winchester district for those who cannot afford to rent on the open market. There is also a need for affordable home ownership across all areas

The Hampshire Home Choice Annual report for 1/4/19-31/3/20 publishes the following details of the average waiting times for applicants housed between 1 April 2019 and 31 March 2020 for the Winchester area. Where N/A is noted no properties were offered from this band. The band represents the level of housing need with band 1 being the highest level of need.

Winchester:

	Band 2	Band 3	Band 4
1 bed	1 year 3 months	3 years 5 months	N/A
2 bed flat	1 year 3 months	1 year 10 months	N/A
2 bed house	1 year 8 months	3 years 5 months	N/A
3 bed	2 years	3 years	N/A
4+ bed	N/A	2 years 1 month	N/A
Age 60+ Properties	11 months	1 year 7 months	1 year 1 month

To ensure that the HRA business plan can fund the target development of new homes, it is important that each scheme it funds has been properly assessed for financial viability. There must be an acceptable relationship between the cost of delivering the housing, taking all costs into account, and the rental and sales income that will be generated. It is necessary to ensure that the impact of each scheme on the business plan is assessed and understood and that the cumulative effect of the programme is affordable in the context of the wider HRA business plan.

Government policy for affordable housing expects that the capital cost of affordable housing should largely be met from the rental and sales income it generates. It has therefore significantly reduced the capital grants available to support new building and has set a benchmark 'affordable rent' of 80% of market rent. The council rent requirement for new homes is currently 70% of market rent level for that area and type of property, subject to the rent not exceeding the local housing allowance. This requirement was set by Cabinet (Housing) in June 2015 to recognise that 80% market rents were inaccessible to many people in need of affordable housing. We may seek approval for a variation to the rent level for a specific project in exceptional circumstances at the final business case milestone.

The SHMA reinforces this target *'Icen would recommend that rental costs do not exceed Local Housing Allowance levels (which in particular may require costs to be*

Housing Development Strategy 2021– 2030

set below 80% market rents, particularly for larger properties); and that they should take account of living rents, where these are lower than LHA.'

Even at 70% market rents it is likely that a tenant of a new property may pay a higher rent than those in a similar existing council home. However new homes are designed to reduce energy requirements and therefore fuel bills are likely to be lower, which compensates for higher rents.

Social rent is a more affordable option for tenants, but due to the rent level being considerably lower than affordable rent, development schemes are only financially viable with significant funding from Homes England grant or other forms of subsidy.

Increases in rental income are governed by the rent standard 2020 – 2025 issued by MHCLG. Annual increases for social and affordable rent properties are a maximum of CPI + 1% for 5 years from 2020/21 and revert to CPI annually thereafter. Rent levels, including associated service charges, must not exceed local housing allowance (LHA) rates, to ensure the combined weekly charge can be covered by universal credit where applicable.

We offer shared ownership homes at an initial average share of 40%, but the initial share can be reduced to 25% in exceptional cases to improve affordability. Shared owners also pay rent calculated at 2.75% of the value of the remaining equity. Owners can staircase by purchasing additional shares, currently in tranches of 10%.

In September 2020, MCHLG introduced a new shared ownership model which will reduce the minimum initial ownership stake from 25% to 10% and will enable purchasers to then buy further shares in smaller instalments of as little as 1%.

Shared owners, like other homeowners, are currently responsible for the full cost of any repairs from day one. The new model also introduced a 10-year "repair-free" period during which the landlord will cover the costs of major repairs for new homes. This model is applicable from April 2021 for schemes which receive Homes England grant.

7. Determining Scheme Viability and Risk

Governance

Elected Members set the strategic direction of the development programme at the Council's Cabinet, which will also take decisions necessary to implement the development programme. Cabinet will approve the development programme within the HRA budget on an annual basis. We will seek specific Member approval generally at two project milestones: the outline business case including approval to submit a planning application and to seek tenders for construction; and to agree the final business case and the build contract for scheme delivery.

Project criteria

Each project will be assessed to ensure it meets the following criteria:

- It meets the aims of this development strategy.
- It has been adequately risk assessed.
Building homes involves significant risks. This is why market developers and investors demand high returns in reward for that risk. It will rarely be possible to eliminate risk but it can be assessed and managed. At a high level, risk management is carried out by ensuring that proposals have a strategic fit with this 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. The majority of risks can be managed through adequate site investigation and ensuring developments meet housing need locally; are made available at an affordable rent or shared ownership value; and are supported by local Members. Risk will be reviewed regularly. Where a project is deemed to have an unacceptable level of risk it would not be recommended for approval.
- The financial viability is fully assessed and the basis on which it can proceed is properly understood. The viability appraisal includes the ability to test "what-ifs" and examine the various rental streams, financial models and provide short and long term cash flows.

The key criteria for determining scheme viability are set out below:

1. The scheme has a positive Net Present Value (NPV) taking account of the residual value of the asset
2. The HRA can fund the ongoing debt financing costs from net rental income
3. The HRA Business Plan remains able to cash flow the investment

The key metric driving the evaluation process is the Net Present Value (NPV) model, which determines how much the future expected net revenue cash flows from a project are worth today using a discount factor to represent the cost of capital to the organisation. If an NPV is positive this indicates a project's future net cash flows can payback the initial investment and make a positive contribution, thus demonstrating that the investment is worth doing. If negative, the project's future net cash flows are not sufficient to payback the borrowing and are therefore financially not worth doing.

Schemes will be evaluated on the basis that they can be considered financially viable if the key NPV and HRA cashflow- viability parameters are achieved. The projects that meet this test will be recommended to the Cabinet to progress. Those that are not viable will only be recommended if there are specific circumstances that can justify an exception.

The new build development programme needs to have the flexibility to deliver different sized schemes across the district. As there are economies of scale with larger schemes, small sites may be more expensive to develop, particularly those with abnormal costs. However this may be offset by the social value they bring by replacing an under-used open space or garage court with new, much needed affordable homes.

Emerging costs

When the new homes programme commenced in 2012 the national economic context was that we were coming to the end of a major downturn in construction due to the financial crisis of 2008/9. This meant that the council's early new build schemes comfortably met viability assumptions. This quickly changed and build prices have risen steadily since 2015 (between 8-10% pa). During this period Government policy required rents for existing council properties to be reduced at 1% pa.

The development of new homes by the council will face a number of challenges as we strive to meet the 1,000 home target. In order for development to reflect current and emerging issues it is becoming both more complex and more costly.

Build costs are likely to increase as a result of changes to the decent homes standards resulting from the Hackitt review into Fire Safety, from nitrate neutrality measures and due to the council's ambition for zero carbon new homes. The Homes England Affordable Homes Programme 2021-26 includes a focus on Modern Methods of Construction and has identified the importance of the National Design Guide, energy efficiency and use of Small and Medium Enterprise (SME) contractors, all of which will increase costs and will therefore be reflected in the assessment process.

ACTION POINTS

- Schemes will be recommended for approval if they meet the council's objectives and key financial viability criteria of a positive net present value and HRA cashflow viability

Housing Development Strategy 2021– 2030

A key priority in the Council Plan 2020 – 2025 is to *'ensure all homes are energy efficient and affordable to run and to move the energy efficiency of new and existing homes towards zero carbon'*.

This could potentially result in an increased initial capital outlay to design new homes to meet standards such as Passivhaus or AECB which minimise energy usage and carbon emissions through high levels of insulation and air tightness, mechanical ventilation heat recovery and renewable energy. These homes have the potential benefit of reduced annual maintenance costs and cheaper energy running costs for residents. We monitor build costs for all our new homes projects and will monitor new models of delivery such as Passivhaus both with regard to build costs and future maintenance and running costs.

We are able to learn from Passivhaus projects completed by other Councils and housing providers. Early projects had additional costs of around 20%. These costs are reducing through optimised design, efficient construction methods and effective supply chains. Exeter City Council have reduced the additional cost to 4-5% compared with just meeting building regulations.

New homes must also address the nitrates neutrality issue through a nitrates mitigation plan as part of the planning application. This will involve an estimated additional cost for each new home of between £3,000 and £7,000 per unit which will be included in the project budget.

As noted above, build costs have risen significantly since 2015. Our design brief for each project includes a cost per square metre as an objective. This is based on the average build cost of our projects and any particular site constraints. We will continue to monitor build costs together with their impact on financial viability.

ACTION POINTS

- We will continue to monitor build costs together with their impact on financial viability

8. Resources – Core Council House Investment

Resources available

In October 2018, the Ministry of Housing, Communities & Local Government (MHCLG) lifted the debt cap placed on all local authority housing revenue accounts. This allows unrestricted prudential borrowing from the Public Works Loan Board (PWLB), to the extent that the housing revenue account business plan can afford to pay annual interest costs. At present a typical Public Works Loan for 50 years costs under 2%.

The real constraint on the level of HRA resources available for new homes delivery is the number of schemes that are identified and assessed as financially viable. The HRA is now able to fund these if the borrowing is prudential, ie affordable, sustainable and prudent

The Social Housing White Paper, 2020 says *‘We want to see local authorities make the most of borrowing flexibilities and innovate to deliver homes for the future. We are keen for local authorities to take advantage of funding available through the Affordable Homes Programme.’*

Staff resources are a key requirement to enable the Council to deliver the target of 1,000 homes over 10 years. The New Homes Team currently comprises 7.2 full time equivalent staff working on projects. This team was established for a target programme of 600 new homes over 10 years. Resources need to be reviewed in the light of the revised target of 1,000 homes over 10 years.

The project team led by New Homes also includes colleagues from other departments, including Estates, Legal, Finance, Planning, Natural Environment, Housing Services and Property Services - we are dependent on their resource availability to input throughout the development of the project. Appointed external consultants are part of the team too including Architects, Landscape Architects, Engineers, Employer’s Agent, Energy Consultant etc.

Viability Appraisal assumption criteria

The initial key development scheme assumption criteria were agreed in 2012/13 when the new build development programme commenced and were modified following a review by the Informal Policy Group in 2015, see CAB2701 (HSG) Rents.

The current list of development appraisal assumption criteria can be found in appendix 4.

We are currently compiling a series of cost benchmark

ACTION POINTS

- We will compile a series of cost benchmark levels to be used as a guideline for future appraisals

Housing Development Strategy 2021– 2030

levels to be used as a guideline for future appraisals. These include build cost assumptions, based on cost per square metre, and baseline levels for all professional costs, including design, valuation and planning fees.

All development appraisals include a contingency of 5% on build costs and associated professional fees.

DRAFT

9. Other Council Investment

A number of funding sources are available, including right to buy (1-4-1 receipts), sales income from shared ownership, Homes England grant, Section 106 receipts and loan funding.

The council will maximise the use of its right to buy receipts in funding new homes.

Under right to buy 1-4-1 MHCLG funding allocation rules, 1-4-1 receipts can only be used against social rent and affordable rent schemes, not shared ownership. It is also currently not possible to claim Homes England grant on a scheme where 1-4-1 receipts have been allocated.

MHCLG issued a consultation on the use of 1-4-1 receipts in August 2018, highlighting a number of potential reforms. These included having the flexibility to use 1-4-1 receipts in conjunction with Homes England grant and other forms of funding and the potential to allocate 1-4-1 receipts against shared ownership schemes. MHCLG has not yet responded on the consultation outcome.

The Social Housing White Paper notes *'To further support local authority house building, the MCHLG are looking at whether greater flexibilities can be offered around how local authorities can use receipts from Right to Buy sales.'*

The council is a registered provider and a member of the Abri (Wayfarer) Partnership which submits Homes England grant applications on our behalf and supports us with the application, monitoring and audit processes. Homes England funding was granted for 77 new homes at the Valley and enabled the council to provide the 54 rented homes at social rent levels.

Homes England grant applications will be submitted for new projects as required, particularly for projects where 1-4-1 receipts are not available, e.g. shared ownership schemes or where higher levels of funding are required, for example to enable social rents to be charged.

The council has a limited level of funding from Section 106 receipts. These can either be used to provide small grants to registered providers or can be used for our own projects.

ACTION POINTS

- The council will maximise the use of its right to buy receipts in funding new homes

ACTION POINTS

- We will seek Homes England grant funding for new projects particularly where right to buy receipts cannot be used

10. Communication, consultation and Tenant Involvement

Decisions regarding the development of new homes are made in an open, transparent and accountable way by Cabinet. Cabinet reports on new developments include comments from Tenants and Council Together (TACT), whom we consult during the development process. We regularly communicate with local Members, parish councils and resident groups to update them regarding developments in their areas.

The majority of the projects developed to provide new homes are close to existing housing stock both privately owned and owned by the council. The new homes team arrange a range of public information and consultation opportunities during the course of development, particularly during the planning process. This enables us to keep people informed about proposals that may affect them, gain feedback on the designs and potential impact and to incorporate suggestions from the public where appropriate.

Some proposals may directly affect council tenants as we may need part of a tenant's garden for a scheme or occasionally we may need to demolish a property. In these instances we involve tenancy services and discuss proposals early in the process, outline their housing options and support them in making a choice. We also signpost them to independent advice. Households will be given priority to move, either permanently or temporarily, to suitable housing in an area of their choice helping them to stay within their community if they wish. In many cases they will be offered the opportunity of returning to one of the new properties. In most cases tenants who have to move will be entitled to compensation, as set out in the council's 'Home loss and discretionary payment policy'.

Some sites developed require the demolition of garages and loss of parking bays. In these cases we will contact those affected and where possible offer an alternative vacant garage nearby to those people who use their garage for a vehicle. Where required and if the site has capacity, we will provide additional residents' parking spaces.

The use to which the HRA funds can be used is limited to housing projects, but where there is an identified need for community improvements, such as open space and play equipment, and the project can fund these, the council will include these in the scope of the project provided this is related to the provision of the new homes. Open space improvements may be a requirement of planning policy for some projects. See appendix 1 for the case study about Hillier Way and Hillier Haven.

ACTION POINTS

- We will include improvements to open spaces as part of projects where this is related to the provision of new homes

ACTION POINTS

- We will use feedback from residents and colleagues to continuously improve our proposals for new homes

Housing Development Strategy 2021– 2030

Following completion of projects, the council undertakes a survey of tenants and residents to gain feedback regarding the design. A 'lessons learnt' event is arranged with colleagues. Both processes help us to improve future proposals and designs.

DRAFT

14. Review

This strategy will continue to evolve as our plans evolve. The council will always want to keep challenging itself to make sure it is making the best use of the opportunity to build new homes that meet the needs of the district's residents.

This development strategy will be reviewed annually so that it is responsive to the changing environment and changing local needs.

DRAFT

15. References

- ⁱ The Council Plan 2020-25 – <https://www.winchester.gov.uk/about/strategies>
- ⁱⁱ The Council’s Carbon Neutrality Plan 2020-30 - <https://www.winchester.gov.uk/climate-change-and-energy/carbon-neutrality-action-plan>
- ⁱⁱⁱ The Committee on Climate Change’s report ‘UK housing: Fit for the future?’ - <https://www.theccc.org.uk/publication/uk-housing-fit-for-the-future/>
- ^{iv} More information about the passivhaus building standard can be found on their website - <https://www.passivhaustrust.org.uk/>
- ^v More information about the AECB building standard can be found on their website - <https://www.aecb.net/>
- ^{vi} ‘Housing 2050; How UK social housing can meet the challenge of climate change, 2018’ - <https://www.susshousing.co.uk/publications>
- ^{vii} The Winchester Housing Strategy 2017/18 to 2022/23 - <https://www.winchester.gov.uk/about/strategies>
- ^{viii} the National Design Guide published by the MCHLG in October 2019 - https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/843468/National_Design_Guide.pdf
- ^{ix} The Social Housing White Paper, 2020 - https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/936098/The_charter_for_social_housing_residents_-_social_housing_white_paper.pdf
- ^x Building Better, Building Beautiful Report January 2020 - <https://www.gov.uk/government/publications/living-with-beauty-report-of-the-building-better-building-beautiful-commission>
- ^{xi} The Strategic Housing Market Assessment (SHMA) undertaken by Icenl for the Council and published in 2020 - <https://www.winchester.gov.uk/planning-policy/evidence-base/local-plan-2036-evidence-base>

Appendix 1 Case Studies

Symonds Close case study

12 new affordable homes were completed at Symonds Close in June 2016. The award winning scheme was designed by T2 Architects who responded to the council's project brief to provide a mix of homes for families and for older people wishing to downsize. The smaller 2 bedroom homes aimed at downsizers face onto a communal garden area whilst the family 3 and 4 bedroom houses face a 'play street', a shared surface where children can play safely, overlooked by large kitchen windows.

The homes all met stringent sustainability criteria achieving CODE level 5 for energy. The buildings are timber framed with high levels of insulation, triple glazed windows and photo voltaic panels on the roofs.

The scheme won the Solent Design award; it was a finalist for Inside Housing 'Best Affordable Housing Development', as well as being 'Development of the Week'; The Civic Voice award – shortlisted the scheme; and it was shortlisted for a CPRE award.



Chesil Lodge case study



Chesil Lodge is an award winning council owned extra care scheme which opened in 2018. It provides 52 one and two bedroom apartments with a mix of affordable rent, shared ownership and open market tenures, all built to HAPPI (Housing our Ageing Population – Panel for Innovation) design principles and capable of adaptation for wheelchair users. Communal areas include a restaurant, lounges, a hair salon, laundry and gardens. A day care facility run by Hampshire County Council is also located in the building.

The council started working on the project with Hampshire County Council in 2013 to help meet the changing needs of older households in Winchester. PDP Architects were the principal architects with Design Engine appointed as design guardian to ensure an appropriate design for its conservation area setting. Work started on site in March 2016, with Galliford Try as the principal contractor, and finished in May 2018. It was funded by Homes England, Hampshire County Council, a bequest from a local resident (Harris Bequest) and from the HRA new build programme.

Awards include: LABC Best Inclusive Building - Regional winner and National shortlist; UK Housing Awards – shortlist; Spaces - highly commended, RICS Awards South East– shortlist

Top Field, Kings Worthy case study

This project is being built by Drew Smith, part of the Vistry Partnership on land owned by Drew Smith. The Council has a purchase agreement to purchase all 35 affordable homes at completion. The homes will include one and two bedroom flats, two, three and four bedroom houses with a mix of affordable rent, shared ownership and discounted sale tenures. In addition to the new homes, the council will purchase the remainder of the land at Top Field which will be retained in public ownership as informal recreation land.

Victoria Court case study



Victoria Court was completed in early 2019 and comprises 9 two bedroom flats for shared ownership and 18 one and two bedroom flats for affordable rent. The site was previously occupied by a council owned extra care scheme with 27 bedsits which were no longer fit for purpose, in a building which did not integrate well in its conservation area setting.

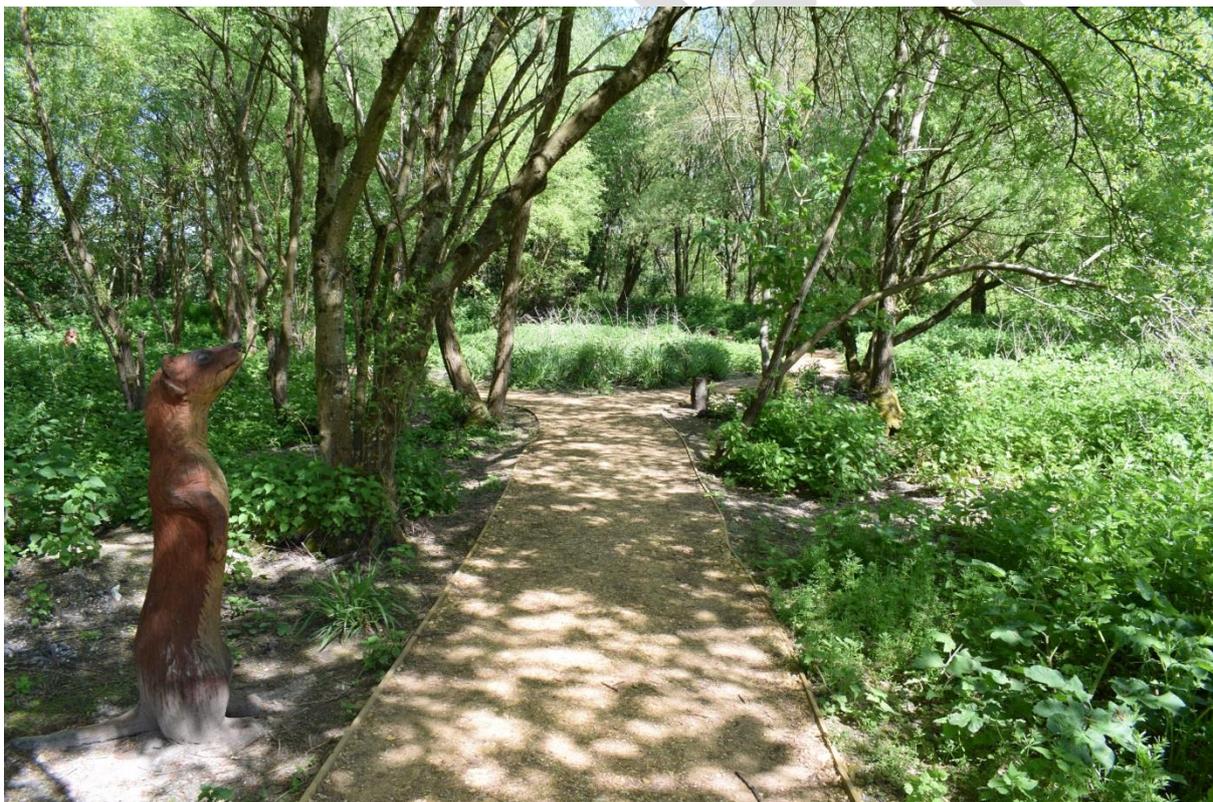
A study was initially undertaken to consider whether to refurbish the building, redevelop the site or sell it on the open market. Members approved the redevelopment. The scheme was carefully designed by Architecture PLB to integrate into the street, but with a contemporary rear elevation as shown in the photo. The rented flats are light, spacious and accessible with private balconies and a shared rear garden, suitable for older downsizers who want to live in a city centre location or for younger people. The popular shared ownership flats have two bedrooms and balconies overlooking the shared gardens.

Corner House case study

The Corner House was formally a public house which had been on the market for some time. The council purchased the building in 2020 and is developing a proposal to convert it into 6 one bedroom flats to be let at either sub-market or affordable rents, providing much needed accommodation in a city centre location for single people or couples.

Hillier Way case study

This project of 13 new affordable homes was developed on open space land which lay outside the Winchester settlement boundary. As mitigation for the loss of this little used open space, the project budget included a significant sum to fund improvements to a nearby area of open space, as a condition of the planning consent. Following consultations with the local community an area of land was chosen which had become overgrown and inaccessible to members of the public. The improvement works were designed and managed by the council's Natural Environment and Recreation Team, who created Hillier's Haven, which was a CPRE award winner.



Housing Development Strategy 2021– 2030

Appendix 2

New build Properties

Project	Parish or area	Number and tenure	Completion date
Completed			
Barron Close	Micheldever	5 AR	Feb 2014
Bourne Close	Otterbourne	3 AR	Aug 2014
Station Close	Itchen Abbas	5 AR	July 2014
New Queens Gate	Stanmore, Winchester	21 AR	Feb 2016
Symonds Close	Weeke, Winchester	12 AR	June 2016
Hillier Way	Abbots Barton, Winchester	13 AR	Dec 2017
Kiln Cottages, Springvale	Swanmore	2 AR	Mar 2016
Mitford Road	New Alresford	6 AR, 2 S/O	Aug 2018
Chesil Lodge Extra Care	Winchester	44 AR, 6 S/O, 2 OM	July 2018
Bailey Close	Stanmore, Winchester	5 AR	Nov 2018
Victoria Court	Victoria Street, Winchester	18 AR, 9 S/O	Dec 2018
Mayles Lane	Knowle	11 AR, 2 S/O	Nov 2019
Dolphin Hill	Twyford	2 AR	Sept 2020
On site			Completion expected
Rowlings Road	Weeke, Winchester	7 AR	Feb 2021
The Valley	Stanmore, Winchester	54 SR 23 S/O	June 2021
Burnett Lane off Hookpit Farm Lane	Kings Worthy	25 AR 8 S/O 2 DMS	July 2021

SR – Social Rent, AR – Affordable Rent, S/O – Shared Ownership, OM – Open market, DMS – Discount Market Sale

Appendix 3

Procurement and Contract Management

The four guiding principles, detailed below form the key elements of the councils Procurement and Contract Management Strategy 2020 - 2025 and will be adopted:

Value:

The Contract Procedure Rules set out clear guidelines regarding procurement of services and contracts for a range of values to ensure value for money is achieved.

In addition to these requirements, for the lowest value services under £10,000, which can be procured via a quote from a single supplier, we will usually seek at least 3 quotes in order to demonstrate value for money.

Building contracts will be sought via a framework agreement where appropriate or a formal competitive tender process depending on the most appropriate procurement route for each requirement and subject to approval as may be required by Contract Procedure Rules. Our Employer's Requirements will be used as the basis for building contracts. For higher value building contracts and for above threshold procurements which must be compliant with UK procurement law, we will seek support and advice from the Procurement Team.

We will also utilise the expertise of our Employer's Agent, Estates and Legal colleagues regarding the type of building contract appropriate for each project.

We will adopt the council's standard evaluation model of 60% cost and 40% quality but where an alternative model is deemed to be more suitable for a project, we will seek approval for for this in accordance with the requirements of Contract Procedure Rules.

The requirement for best value is ongoing throughout the contract life cycle and contract management will be a key activity to ensure contracts run smoothly, deliver as set out in the specification and to seek continuous improvement for the benefit of our residents. Contract Management will be compliant with the minium requirements set out in the coucil's Contract Management Framework.

Compliance:

All procurements will be undertaken in accordance with the Public Contract Regulations 2015 and the council's Constitution, namely the Contract Procedure Rules and Financial Procedure Rules.

Environmental and Social

Our procurement and contract management activities will support the Council Priorities of tackling the climate emergency and creating a greener district, homes for all and living well. In all procurements where the evaluation is based on most economically advantageous tender, a minimum of 10% to environmental and social value will be included in the evaluation criteria. Suppliers will be encouraged to actively contribute throughout the contract life cycle to deliver Council requirements innovatively, having a positive and measurable impact on the environment and the community

Fairness

We are aware of the benefits of working with local companies that appreciate the Winchester context, have a track record of delivering similar schemes and can make a contribution to the local economy by their own approaches to procurement, employment and training. In accordance with Contract Procedure Rules we will consider whether non advertised opportunities would be of interest to local suppliers and/or third sector organisations and, if so ensure that at least one of the suppliers invited to quote is local and/or a third sector organisation. We will promote and endorse the requirements of the Equality Act 2010 and the Modern Slavery Act 2015 through our procurement activity and contractual arrangements.

Our approach to procurement and contract management will be monitored, reviewed and lessons learnt will be adopted.

Appendix 4

Viability Appraisal assumption criteria

Core Assumptions	Criteria
Social rent	Based on the target formula social rent
Affordable rent	70%-75% of market rent level as a target with the option of being no greater than LHA maximum for each housing type.
Shared ownership rent	2.75% of remaining equity owned by the Council
Discount Factor	Appropriate interest rate as agreed by S151 officer based on PWLB fixed rates plus margin for risk; currently 2.5%
Interest Cover	Net operating income to cover the annual interest cost
Annual Maintenance	£469 per property
Annual Management Costs	Assumed to be zero, unless additional housing management resource is required to manage additional units.

Housing Development Strategy 2021– 2030

Major works	Equivalent to 0.8% of the build cost
Major works deferral point	Assumed to commence from Year 7.
Voids & Bad Debts	Dependant on type of accommodation ranges between 0.5%-2%.
Inflationary Assumptions	Criteria
Social & Affordable maximum Rent Increases (set in line with the MHCLG Rent Standard)	CPI + 1% (2020/21 – 2025/26) Thereafter CPI
Baseline CPI/RPI	2.00%/3.00%
Annual Maintenance	RPI
Management Costs	NIL
Major Repairs	RPI