

REPORT TITLE: ACQUISITION OF AFFORDABLE HOMES AT KINGS BARTON,
WINCHESTER

20 NOVEMBER 2024

REPORT OF CABINET MEMBER: CLLR CHRIS WESTWOOD – CABINET MEMBER
FOR HOUSING

Contact Officer: CAROLINE EGAN, SERVICE LEAD – NEW HOMES

Tel No: 01962 848124 Email: CEGAN@WINCHESTER.GOV.UK

WARD(S): ST. BARNABAS & THE WORTHYS

PURPOSE

This report seeks approval for the allocation and expenditure of the New Build Unallocated Capital Budget for the purchase of land and 146 new affordable properties in Kings Barton, Winchester.

The purchase will help meet housing need and support the Council Plan Homes for All priority.

RECOMMENDATIONS:

1. Approve the allocation and expenditure of the New Build Unallocated Capital Budget as set out in the confidential appendix to purchase land and 146 new affordable properties at Kings Barton, Winchester.
2. Authorise the Corporate Head of Asset Management in consultation with the Section 151 Officer to:
 - a) negotiate and agree the terms and conditions of the transaction and enter into a land agreement and a build agreement to acquire land and the 146 homes to then be built on that land from Cala Management Ltd for the purchase price as set out in the confidential appendix.
 - b) enter into any planning and/or legal agreements required to purchase the land and 146 homes.

IMPLICATIONS:

1 COUNCIL PLAN OUTCOME

1.1 Tackling the Climate Emergency and Creating a Greener District

The new homes will be built to Building Regulation energy efficiency standards but with the addition of air source heat pumps, thus supporting the Greener Faster Council Plan priority. Precise details will be included within the contractual requirements. Affordable homes help those who wish to work in the locality secure accommodation thus reducing the need to travel.

1.2 Homes for all

The development includes a range of affordable property types and sizes for a mixture of Affordable Rent and Shared Ownership.

1.3 Vibrant Local Economy

Affordable homes assist those who wish to work in the locality secure accommodation. This helps support local businesses and local residents.

1.4 Living Well

There is a correlation between good housing circumstances and good health. Secure high-quality housing will help support mental and physical health. The scheme will be well served by open space and be close to a range of amenities and services in a vibrant settlement.

1.5 Your Services, Your Voice

The Council Plan and Housing Strategy are informed by the views of local residents and stakeholders. These views inform the objectives in each of providing homes for all and more affordable housing. These homes form part of a S106 housing allocation.

2 FINANCIAL IMPLICATIONS

2.1 The land and completed properties are offered for purchase across three phases of development by Cala Management Ltd (CML). The financial implications of the acquisition are provided in the confidential appendix of this report.

2.2 The HRA Business Plan and Housing New Homes Capital programme included unallocated provision of £59.4m in the period between 2024/25 and 2026/27 for unidentified sites and it is proposed to fund this purchase from that provision. The proposals for this transaction have been cashflowed and modelled into the revised business plan that underpins the HRA options report CAB3478.

2.3 As set out in the confidential appendix, the proposed purchase meets the council's approved viability tests, and is based on 51 shared ownership properties, and for the remaining 95 affordable rent units set at 70% of market rents.

2.4 In order to safeguard the long-term interests of the council's assets it is important that an application is promptly made to the secretary of state to allow any future sales under the RTB to be excluded from the need to be pooled under the existing legislation through applying for a s11(6) Agreement under the 2003 Capital financing regulations.

3 LEGAL AND PROCUREMENT IMPLICATIONS

3.1 The council are seeking external legal procurement advice to ensure the structure of the transaction is in accordance with procurement regulations.

4 WORKFORCE IMPLICATIONS

4.1 None – within existing staff resources.

5 PROPERTY AND ASSET IMPLICATIONS

5.1 The proposed scheme will provide 146 new affordable homes which will be a mix of affordable rent and shared ownership housing held in the Housing Revenue Account. Acquiring S106 allocations in this way is a far more cost-effective method for the council to deliver new homes compared to direct build. This approach to housing delivery is a more efficient use of in-house resources and means that delivery can be at scale compared to direct development of small council-owned sites.

6 CONSULTATION AND COMMUNICATION

6.1 TACT were consulted upon the New Homes Capital Programme as part of the Housing Revenue Account budget approval (CAB3445 refers), and are in support of the council providing new affordable homes throughout the Winchester District.

6.2 The planning application has been subject to public consultation.

6.3 Comments have been sought from the Cabinet Member for Housing, and the St. Barnabas and The Worthys Ward Members. Queries concerning the matters raised in this report have been answered regarding affordable housing specification and location.

7 ENVIRONMENTAL CONSIDERATIONS

7.1 The new homes will be built to Building Regulation energy efficiency standards but with the addition of air source heat pumps, thus supporting the Greener Faster Council Plan priority.

8 PUBLIC SECTOR EQUALITY DUTY

- 8.1 The proposal is consistent with the Council Plan and the Housing and Housing Development Strategies all of which have been subject to Equality Impact Assessments.

9 DATA PROTECTION IMPACT ASSESSMENT

- 9.1 None required.

10 RISK MANAGEMENT

- 10.1 The developer will be contractually obliged to build the development to the standards and specification as determined by the planning consent, and the council will have oversight of compliance and quality. The council will own the property freehold, will manage and maintain the homes and have control over their use so that they meet identified housing needs and are managed and maintained to an acceptable standard.
- 10.2 External expert advice from Savills has been taken on the price that has been agreed and on the structure of the deal. These reflect common practice in the S106 market and the terms of the planning requirements that result in a significant discount on unconstrained open market value.
- 10.3 All development carries a degree of risk however officers will be seeking to include safeguards in the contractual arrangements and oversight of construction to mitigate risks.

Risk	Mitigation	Opportunities
Financial Exposure	<p>A financial development appraisal has been undertaken and the scheme passes the council's viability tests.</p> <p>Financial checks have been carried out on the developer and are satisfactory. Checks throughout the course of the contract will be undertaken.</p>	

	<p>The offer is subject to an external expert valuation and guidance on the S106 housing market.</p> <p>Safeguards will be contained in the contract to limit exposure to financial risk, including step-in rights.</p> <p>The deal structure contains stage payments that reflects the work undertaken by the developer up to completion. Checks on construction quality and progress will take place during construction.</p>	
<p>Exposure to a procurement challenge</p> <p>Challenge from another developer</p>	<p>The council is seeking external procurement advice to ensure all procurement matters are suitably addressed.</p>	
<p>Innovation</p>	<p>The properties will be built to a defined energy standard above Building Regulations.</p>	
<p>Reputation</p>	<p>Close monitoring of the construction by the council will ensure a high-quality development.</p>	
<p>Achievement of outcome</p>	<p>The housing is being built to a standard that is acceptable to the council. Council ownership will give control over rent setting, occupation, sales and management of the new homes.</p>	

Property	The housing is being built to a standard that is acceptable to the council, and monitoring during construction and analysis of the completed scheme will take place.	The properties will be built to a defined energy standard above Building Regulations.
Community Support	The development site was a Strategic Allocation Site in the Winchester Local Plan. The site has planning consent, and the planning application was subject to public consultation.	
Timescales	The contract with the developer will include a programme for development with suitable milestones and long-stop dates.	
Project capacity	Within existing resources.	
Other: Developer failure to complete the works (leaving WCC with partly paid for unfinished properties and greater potential expenditure to bring about completion of the construction).	Financial checks carried out on CML and Cala Group Ltd. Stage payments and step-in rights in the build agreement. Financial checks and on-site progress checks to be carried out over the course of the development.	

11 SUPPORTING INFORMATION:

- 11.1 The proposed new housing forms part of a much larger multi-phase development by CML at Barton Farm in Winchester. Outline planning consent for the scheme was granted on appeal by the council as Local Planning Authority in 2011. The S106 for the outline planning consent required a proportion of new homes to be provided as affordable. These are integrated throughout the scheme and phases in accordance with the planning consent. CML have since secured reserved matters planning consents for several phases of the development, some of which are now built out and occupied.
- 11.2 The 146 units which are the subject of this acquisition are to be acquired across three phases of development:
- Phase 2bi: 74 units (50 affordable rent and 24 shared ownership) - practical completion 2026/27
 - Phase 3ai: 18 units (14 affordable rent and 4 shared ownership) - practical completion 2025/26
 - Phase 3aii: 54 units (31 affordable rent and 23 shared ownership) - practical completion 2027/28
- 11.3 At CML's request, the council has submitted an offer and bid to CML for the acquisition of 146 affordable homes to use as council housing.
- 11.4 The financial implications of the proposed acquisition are set out in the confidential appendix.
- 11.5 The proposed purchase meets the council's viability tests for new homes, will be funded from existing budgets and is subject to the Corporate Head of Asset Management agreeing final terms and conditions of sale.
- 11.6 There is strong demand for new affordable housing in this location. Kings Barton is a significant site in relative proximity to Winchester city centre, where a large proportion of applicants wish to be housed. Housing Register numbers have grown in recent years across all property types, highlighting a continued need for delivery of accommodation intended for providing rented accommodation allocated via Hampshire Home Choice. The delivery of these units at Kings Barton will assist the Council in satisfying demand on the Housing Register and provide suitable homes meeting applicants' assessed bedroom needs.
- 11.7 The new homes will be built to Building Regulation energy efficiency standards but with the addition of air source heat pumps, thus supporting the Greener Faster Council Plan priority.

12 OTHER OPTIONS CONSIDERED AND REJECTED

- 12.1 Not to purchase the homes – this would compromise the ability of the council meeting its ‘Homes for All’ priority and new council homes target. The Housing Strategy and HRA Business Plan identify the acquisition of S106 units as a key approach to delivering the new council homes, alongside other methods, such as directly commissioned development.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:- None

Other Background Documents:-

CAB3455 – Housing Revenue Account Budget 2024/25 – 8 February 2024

Housing Strategy 2023-2028

APPENDICES:-

Appendix 1 – Financial and legal & procurement implications (Exempt)