

REPORT TITLE: WOODMAN CLOSE, SPARSHOLT - FINAL BUSINESS CASE

14 OCTOBER 2025

REPORT OF CABINET MEMBER: Cllr Reach, Cabinet Member for Good Homes

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WARD(S): WONSTON AND MICHELDEVER

PURPOSE:

This report sets out the final business case for the construction of five new council homes at Woodman Close, Sparsholt.

An Outline Business Case for the scheme was approved by the Cabinet Member for Housing and Asset Management in 2021 (DD30). The scheme was granted planning permission in 2023, and a construction contract tender exercise began in 2024. Due to high build costs, a re-tender was carried out in 2025.

This report summarises the outcome of this tender exercise and seeks authorisation to proceed with the scheme and to enter a JCT Design & Build Contract with the preferred bidder, subject to clarifications.

Build costs remain high for schemes of this nature, however this report seeks approval to proceed with the development due to strong affordable housing need in this area, a lack of properties to acquire on the open market, and a lack of larger housing developments to deliver S106 units as planning obligations. This scheme represents an opportunity to meet affordable housing need in a sustainable rural location.

It is proposed the scheme will be let at Social Rent and make use of Homes England funding and the council's S106 affordable housing developer contribution funding.

RECOMMENDATIONS:

1. That the Corporate Head of Asset Management be authorised to:
 - a. award and enter into a JCT Design & Build Contract to construct 5 homes at Woodman Close, Sparsholt.
 - b. negotiate and agree terms for easements, wayleaves and related agreements with utility suppliers, telecom/media providers and neighbours and relevant legal agreements to facilitate the development.
2. That Cabinet approve an increase of £101,000 in the project budget to meet the total scheme cost of £2,057,000, and authorise expenditure of £2,057,000 against that budget, applying Homes England funding (subject to successful award) and the council's S106 affordable housing developer contribution funding to the total scheme budget to enable viability.
3. That Cabinet note that the proposed scheme is only viable if substantial S106 affordable housing developer contribution funding is used, and that Cabinet agrees to the deployment of S106 affordable housing developer contribution funding to develop the proposed scheme.
4. That if Homes England funding is not available or lower than anticipated, the Strategic Director be authorised to deploy S106 affordable housing developer contribution funding of up to £1,687,500 (£337,500 per unit) and/or increase rents from Social Rent to Affordable Rent to ensure the scheme remains affordable to the Housing Revenue Account in terms of net present value of scheme, as set out in 2.15 of this report and the exempt appendix.

IMPLICATIONS:1 COUNCIL PLAN OUTCOME

1.1 Greener Faster

1.2 The development of Woodman Close, Sparsholt, aligns with the council's Greener Faster Council Plan priority. The new homes will be energy efficient and delivered to Part L building regulation standards with the addition of air source heat pumps and photovoltaic panels.

1.3 Thriving Places

1.4 Proposals for Woodman Close present an opportunity to repurpose existing garden plots to develop affordable housing. The proposals will present employment opportunities during construction, and the completed development will enable people to live and work in Sparsholt to support the local economy.

1.5 Healthy Communities

1.6 The provision of good quality homes will support physical and mental health and wellbeing. The development will be well-served by open space and the amenities and services within Sparsholt.

1.7 Good Homes for All

1.8 The completion of 5 high quality dwellings at Woodman Close will contribute to the council's ambition of delivering 1,000 homes by 2032 to provide much needed 1-bed and 2-bed affordable accommodation.

1.9 The proposals align with the council's commitment that all homes are energy efficient and affordable to run and will aim to deliver energy efficient homes to Part L building regulation standards with the addition of air source heat pumps and photovoltaic panels.

1.10 Effective and Efficient

1.11 The repurposing of large garden plots will provide an effective and efficient way to provide much needed affordable housing in Sparsholt.

1.12 Listening and Learning

1.13 The Council Plan and Housing Strategy are informed by the views of residents and stakeholders which support the objectives related to creating more affordable housing. The proposals for Woodman Close meet local need for affordable housing and residents have been consulted on the proposals.

2 FINANCIAL IMPLICATIONS

2.1 In February 2021, Cabinet approved a budget of £1,196,000 for this scheme ([CAB3290](#)), and at a decision day in July 2021 the outline business case (to

submit planning and invite tenders) was approved [DD30 - New Homes Scheme - Outline Business Case, Woodman Close, Sparsholt](#).

- 2.2 Costs of £218,621 have been incurred to date and recorded as Work in Progress on balance sheet. Should the project not proceed, these costs will be abortive and written off within the HRA.
- 2.3 Planning was submitted in October 2021 and approved in May 2023.
- 2.4 In 2024 following the grant of planning consent, tenders were sought from building contractors using the Westworks Framework, however the tenders received for the scheme were higher than anticipated.
- 2.5 The project budget was updated as part of the Housing Revenue Account (HRA) business plan process in February 2025. The approved business plan included a revised estimate of £1,956,000 for construction costs, employer's agent fees and contingency between 2025/26 and 2026/27. This was included in the capital programme as an unapproved budget.
- 2.6 As a result of the high build costs of the original tender, it was deemed appropriate to carry out an open tender rather than proceed with further competition via a framework agreement. This approach enabled all eligible building contractors to bid for the scheme, thereby increasing market engagement and helping to secure best value for money.
- 2.7 Prior to re-tendering, in conjunction with the council's appointed employer's agents, officers carried out a value engineering process to reduce the build costs for the scheme. The revised tender sought bids based on Part L building regulation standards with the addition of air source heat pumps and photovoltaic panels, rather than AECB standards, due to viability constraints.
- 2.8 An open tender was launched in June 2025, and bids received in July 2025.
- 2.9 Following evaluation and moderation of this second open tender process, a preferred contractor has been identified as the highest scoring of the seven tenders received, based on both cost and quality.
- 2.10 The build costs for this scheme are high due to site specific construction requirements such as piled foundations, retaining walls, and utility diversions. Small schemes also lack economies of scale, resulting in high site preliminary costs per unit.
- 2.11 A financial appraisal has been run based on the build cost, plus external fees, nitrate mitigation, and project contingency. This results in a total project cost of £2,056,869. This is a £100,869 increase from the February 2025 project budget. The appraisal is included in the Exempt Appendix.
- 2.12 It is proposed the completed units will be let at a Social Rent.

- 2.13 Homes England funding of £637,500 (£127,500 per unit) will be sought for this scheme, which is in line with appropriate grant levels for this type of scheme in this location let at Social Rent. The New Homes team, via the Wayfarer Consortium, will apply for Homes England funding from the Affordable Homes Programme (AHP) 2021-2026. Earlier this year, this programme was extended to allow applications for funding for schemes starting on site by March 2027 and reaching completion by March 2029, with a focus on Social Rent tenures. It is therefore anticipated that the council will be successful in its bid for grant funding for the scheme.
- 2.14 A further £1,050,000 of the council's S106 affordable housing developer contribution commuted sum funding is required to make the scheme viable to the HRA; this equates to 51% of the total scheme cost.
- 2.15 If the council is unsuccessful in its bid to Homes England, or the grant funding awarded is lower than anticipated, approval is sought to increase the council's S106 affordable housing developer contribution funding up to a maximum of £1,687,500 (£337,500 per unit), and/or increase rents to a maximum of Local Housing Allowance levels, to ensure the scheme remains affordable to the Housing Revenue Account. There is currently £13.7M of S106 affordable housing developer contribution funding available to spend. Any subsidy used represents an opportunity cost as it will reduce the amount of S106 affordable housing developer contribution funding available to apply to future projects.
- 2.16 Borrowing costs currently remain uncertain, and as a result the assumed cost of finance has been applied at 6%. However, given uncertainty, sensitivity analysis has been undertaken to show the impact of a 0.5% increase or decrease in borrowing rates, and this is summarised in the Exempt Appendix.

3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 The open tendering procedure complies with the requirements of the Procurement Act 2023 and the Council's Contract Procedure Rules. The opportunity was advertised via the UK Government's "Find a Tender" portal, ensuring transparency and accessibility to all interested suppliers.
- 3.2 The council's Procurement Team supported the tendering process in collaboration with the New Homes Team, and Calford Seaden, acting as the employer's agents. Tenders were evaluated jointly by the New Homes Team and Calford Seaden in their respective roles.
- 3.3 The works would be delivered under a Design & Build JCT 2016 model form contract.

4 WORKFORCE IMPLICATIONS

- 4.1 None – All under business plan objectives.

5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 The development proposals are on council owned land and will provide 5 new affordable housing units. This will be a council owned asset, with ongoing maintenance obligations.

6 CONSULTATION AND COMMUNICATION

- 6.1 The concept of development on the site was discussed with Ward Members and Sparsholt Parish Council at the outset of consideration of the site for development. Neighbours will be advised of the project timeline if this final business case is approved.
- 6.2 Prior to a planning application being submitted the New Homes team consulted with planners, Sparsholt Parish Council, Cabinet and Ward Members, and residents. Community consultation events have outlined proposals, and feedback from the consultation events has been taken into account.
- 6.3 The main concern from residents related to a loss of car parking. The New Homes team has worked closely with Estates Improvements with regards to the wider parking in and around Woodman Close and a parking improvement project has been completed.
- 6.4 There has been a separate and ongoing consultation with the residents of 13 & 14 Woodman Close whose gardens are being utilised. One garden area was retaken between tenancies, and the tenant of the other garden has agreed to relinquish the garden land required for development. Housing Management and New Homes have discussed the council's Home Loss and Discretionary Payment Policy with the tenant, which will apply to their tenancy.

7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 The programme will be affected by the bird nesting season. It is anticipated that if this project is approved, the contractor can start on site in December 2025 to avoid disruption to nesting birds. The contractor will have to ensure all the pre-planning conditions are discharged accordingly.
- 7.2 Slow worms have been relocated from the site, and grass has been kept short since, to prevent recolonisation, this has been recently done in August 2025.
- 7.3 Air source heat pumps and photovoltaic panels will be employed on the build.

8 PUBLIC SECTOR EQUALITY DUTY

- 8.1 An Equality Impact Assessment has been completed for the Housing Development Strategy approved by Cabinet in March 2021 (CAB3291).

- 8.2 The completed development will increase the supply of affordable housing which will be of benefit to all protected groups and therefore in compliance with the council's public sector equality duty.
- 8.3 The low energy demand and high energy efficiency of the development will limit running costs for tenants.
- 8.4 Community consultation has not given rise to representations that there will be adverse effects from the proposed development on protected groups.

9 DATA PROTECTION IMPACT ASSESSMENT

- 9.1 None required.

10 RISK MANAGEMENT

Risk	Mitigation	Opportunities
Financial exposure	<p>A financial development appraisal has been completed, and the scheme passes the council's viability tests, by using S106 affordable housing developer contribution funding and Homes England funding (if awarded) to subsidise the scheme. If the council is unsuccessful in its bid to Homes England, or the grant funding awarded is lower than anticipated, approval is sought to increase the council's S106 affordable housing developer contribution funding, and/or increase rents to a maximum of Local Housing Allowance levels, to ensure the scheme remains affordable to the Housing Revenue Account.</p> <p>Financial checks will be carried out on the preferred developer prior to their appointment.</p>	

	<p>A JCT Design and Build (D&B) contract will be used to achieve price certainty and reduce exposure to increased financial risk.</p> <p>A 20% contingency on build cost has been used in the current financial forecasts on the project. This is an appropriate level of contingency for a D&B construction contract of this size.</p>	
Exposure to procurement challenge from another developer	External procurement advice was sought from the council's Employer's Agent and internal procurement colleagues to ensure compliance with procurement regulations and to support a transparent and fair open tender process.	
Innovation	The scheme will be built to Part L building regulation standards with the addition of air source heat pumps and photovoltaic panels.	
Reputation	The developer will be a 'considerate contractor'. A construction plan to account for vehicle movements at peak times and minimising disruption to residents will be monitored. The contractor's construction compound will be given careful consideration.	

Achievement of outcome	The proposed scheme will provide energy efficient and affordable housing in a sustainable rural village with high housing need.	
Property	The 5 new affordable dwellings will be owned by the council.	
Community Support	There were no objections to the planning application from local residents, and the Parish Council were supportive of the application.	
Timescales	If approved, the scheme can commence on site in December 2025 and is estimated to complete in January 2027.	
Project capacity	Within existing resources.	
Other		

11 SUPPORTING INFORMATION

- 11.1 The site is made up of land comprised of former garden to the side and rear of two HRA-owned properties, 13 and 14 Woodman Close, Sparsholt. The site fronts onto Bostock Close and is in the council's ownership.
- 11.2 The scheme will provide a mix of two 2-bed detached bungalows and three 1-bed terraced houses for Social Rent on council land built to Nationally Described Space Standards and Part L building regulation standards with the addition of air source heat pumps and photovoltaic panels, limiting carbon emissions and resident utility bills.
- 11.3 It is expected that development will commence in December 2025, with homes being ready for occupation in early 2027.
- 11.4 The properties will be highly energy efficient, thereby reducing energy demand. It is proposed to use photovoltaic panels on the roofs of the bungalows and houses. Heating of hot water and space heating will be

provided by air source heat pumps. The properties will have a prominent level of air tightness which in turn will reduce the energy demand. Mechanical Ventilation with Heat Recovery will continuously provide fresh air.

- 11.5 The two bungalows will be built to M4(3) accessibility standards to ensure they are suitable for wheelchair users, and the three houses will be built to M4(2) accessibility standards.
- 11.6 There are currently 16 applicants with a qualifying local connection to Sparsholt on the council's housing waiting list. Those with a qualifying local connection to Sparsholt will be prioritised for the three houses. Due to their high accessibility standards, if there are no bidders with a qualifying local connection and an accessibility need, those with an accessibility need will be prioritised above those with a local connection for the two bungalows.
- 11.7 All construction carries with it the potential to create some disturbance for neighbours. The New Homes Team will work closely with the contractor to keep inconvenience to a minimum. A construction management plan and a traffic management plan will be drawn up and agreed as part of the preliminaries for the contract, and in accordance with the planning consent granted for the scheme. The preferred contractor is part of a considerate contractor scheme.
- 11.8 Planning permission was granted for the proposals (21/02640/FUL) in May 2023.
- 11.9 A separate project to increase parking provision around the green space in Woodman Close was completed in 2024.
- 11.10 As part of options appraisal and design evolution there was engagement with members, Sparsholt Parish Council and the local community as set out in Section 6 above. The proposal was also subject to consultation as part of the planning application process.

12 OTHER OPTIONS CONSIDERED AND REJECTED

- 12.1 Not proceeding with the scheme – this would not help deliver the *Good Homes for All* priority and would result in £218,621 of abortive revenue costs.
- 12.2 Delaying the scheme until borrowing costs reduce – this could compromise achieving development targets and delay meeting housing needs with no guarantee that viability would be improved due to build cost inflation or that the cost of borrowing would in fact decrease. This would result in project delays and the planning consent expiring.

BACKGROUND DOCUMENTS: -

Previous Committee Reports: -

DD 30 5 July 2021

- Title – Outline Business Case, Woodman Close Sparsholt
- Decision Taker – Cabinet Member for Housing and Asset Management
- Report author – New Homes Development Manager – New Homes

Other Background Documents: -

Planning Consent Link: [21/02640/FUL](#)

APPENDICES:

Exempt Appendix A