

REPORT TITLE: CORNER HOUSE, NORTH WALLS, WINCHESTER

DATE OF MEETING: 15 July 2025

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

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WARD(S): ST MICHAEL

PURPOSE:

Following a decision in 2020, the Council acquired six properties. Five of those properties have been brought into use as either social rent or affordable rent homes. The remaining asset that was proposed for redevelopment (Corner House, Winchester) has been subject to a thorough options appraisal. This report seeks approval to dispose of the Corner House in Winchester on the open market on a freehold or leasehold basis. The £1.8m scheme budget in the capital programme will be subsumed into the 'Unallocated 1,000 Homes' scheme to increase the investment in other affordable accommodation, subject to authority to spend.

RECOMMENDATIONS:

Cabinet is asked to:

1. Authorise the Corporate Head of Asset Management to dispose of the Corner House, North Walls, Winchester on the open market on a freehold or leasehold basis.
2. Note that the £1.8m Corner House scheme in the capital programme (CAB3490 refers) will be subsumed into the 'Unallocated 1,000 Homes' scheme to increase the investment in other affordable accommodation, subject to authority to spend.

IMPLICATIONS:1 COUNCIL PLAN OUTCOME

- 1.1 Greener Faster
- 1.2 Disposal of the Corner House and use of the scheme budget to increase the investment in other affordable accommodation is the most sustainable and efficient use of the council's Housing Revenue Account (HRA), allowing more energy efficient homes to be made available more quickly to persons from the social housing register.
- 1.3 Thriving Places
- 1.4 Use of the scheme budget to increase the investment in other affordable accommodation will enable applicants from the social housing register to live and work in the District to support local economies.
- 1.5 Healthy Communities
- 1.6 Use of the scheme budget to increase the investment in other affordable accommodation will enable social housing applicants to move into affordable housing to live in good quality homes which will support physical and mental health and wellbeing.
- 1.7 Good Homes for All
- 1.8 The efficient use of the council's HRA will allow the purchase of affordable homes which will contribute to the council's ambition of delivering 1,000 homes by 2032 to provide much needed affordable accommodation.
- 1.9 Effective and Efficient
- 1.10 The disposal of the Corner House on the open market and use of the scheme budget to increase the investment in other affordable accommodation provides the most financially viable route to delivering much needed affordable housing at a faster pace.
- 1.11 Listening and Learning
- 1.12 The Council Plan and Housing Strategy are informed by the views of residents and stakeholders which support objectives to create more affordable housing. Disposal of the Corner House and use of the scheme budget to increase the investment in other affordable accommodation will meet local need for affordable housing.

2 FINANCIAL IMPLICATIONS

- 2.1 The Corner House was purchased in 2020 to redevelop the property into six 1-bedroom flats for affordable housing. Prior to purchase, initial financial appraisals using the agreed viability tests at that time, of a positive NPV and

payback over 35 years, indicated the planned works were financially viable and affordable over the 30 years of the business plan.

- 2.2 The purchase of the Corner House was one of six acquisitions authorised by Cabinet reports CAB3216 and CAB3231 in 2020. The other five properties are all now let to secure tenants. One of these acquisitions was a property in Westman Road, Weeke which was initially used as temporary accommodation while the New Homes team assessed potential for redevelopment. Redevelopment was not feasible and therefore the property was let as a secure tenancy in November 2020.
- 2.3 In December 2021, a further financial review of proposals for the Corner House confirmed that the appraisal was financially viable. Following consultation with the Cabinet Member for Housing and Asset Management and ward members, an architect was instructed to prepare a planning application for redevelopment of the Corner House which was submitted in April 2022. Planning was not approved until 22 months later in February 2024. This delay was due to Natural England's consideration of the nutrient mitigation scheme; a common reason for planning applications being delayed at this time.
- 2.4 Since the purchase, and during the period the scheme was held in planning, there have been significant macro-economic and construction industry-specific challenges. The pandemic hit shortly after the acquisition of the Corner House and that was followed by a significant period of rapid cost inflation, felt particularly hard in construction. In addition, interest rates rose significantly during this period. Whilst inflation rates have since dropped back closer to Bank of England target levels, they remain significantly higher than in 2020. The cost of materials and labour also remains high. As the council looks to take the next steps with this site, it is right to reassess the financial impact of the various options, alongside the current housing needs in the District.
- 2.5 Following planning approval, a revised cost estimate was sought to recheck the viability of the scheme. This updated estimate was higher than previous cost estimates due to increases in build costs and labour and also the poor condition of the existing building fabric, and the works required for structural stability, particularly difficult because of proximity to pedestrian footpaths and adjacent properties.
- 2.6 Several options have been considered for the redevelopment and future use of the Corner House, plus the option of disposing of the asset on the open market on either a freehold or leasehold basis. All options have been considered on the same financial basis from the date of this report. The cost of acquisition (detailed in the exempt appendix), the cost of obtaining planning consent (c.£75,000), and other holding costs such as empty business rates, essential repairs and security (c.£85,500 since 2020) have not been included in any of the options considered.

- 2.7 All five redevelopment options make use of the existing planning consent for the redevelopment of the building into six 1-bedroom flats and are appraised on an interest only basis. All five options result in a significant amount of Right to Buy (RTB) receipt funding being required to make the proposals financially viable to the HRA. The use of RTB receipts for each option is set out below:

Option	Description	Total RTB receipt funding	RTB receipt funding per unit	RTB receipt funding % of total project cost
1	Let flats at Local Housing Allowance (LHA) rents	£466,000	£77,666	30%
2	Sell flats as Shared Ownership	£545,000	£90,833	35%
3	Lease flats to Venta for 10 years, then revert to letting at LHA rents	£650,000	£108,333	42%
4	Sell flats as First Homes	£700,000	£116,666	45%
5	Use flats for Temporary Accommodation	£778,000	£129,666	50%

- 2.8 It should be noted that the average Homes England grant for affordable rent tenure in the Winchester District area is £60,000 per unit. This compares to £77,666 per unit of RTB receipt funding required for the Corner House redevelopment (Option 1 above).
- 2.9 Considering the significant amount of RTB receipt funding required for the redevelopment, a further option of disposing of the Corner House on the open market on either a freehold or leasehold basis has been considered.
- 2.10 The Corner House was originally purchased by the council partly using RTB receipt funding. If the site were sold (freehold or leasehold) on the open market and no longer used for affordable housing, or leased to Venta for letting at market rents even for a limited period of time, the RTB receipt funding spent on the project of c.£180,000 would need to be repaid to the Government, with interest estimated at £75,000.

- 2.11 Valuation advice has been sought from local agents estimating the capital receipt achievable on freehold sale. Further detail is provided in the exempt appendix.
- 2.12 Following analysis of all redevelopment and disposal options, it is recommended that the property is advertised on the open market for disposal on either a freehold or leasehold basis. Offers received would be assessed by the Corporate Head of Asset Management in consultation with Finance, and the most financially advantageous offer to the HRA would be accepted.
- 2.13 If the site were no longer used by the council for affordable housing, the scheme budget would be subsumed into the 'Unallocated 1,000 Homes' scheme to increase the investment in other affordable accommodation, subject to authority to spend.
- 2.14 Recent research and analysis by council officers has shown that purchasing existing 1-bed flats could require a lower amount of RTB receipt funding per unit in comparison to redevelopment of the Corner House. There could also be an opportunity to purchase units of varying sizes which meet need in specific areas.
- 2.15 The table below sets out the average sale prices (excluding outliers) over the past two years in areas of Winchester where the council owns existing stock for units of varying sizes and the RTB receipt funding that would have been required to support the purchase of these units:

Unit size	Average sale price	RTB receipt funding per unit
1-bed flat	£198,000	£35,000
2-bed flat	£247,000	£42,000
2-bed house	£325,000	£107,000
3-bed house	£375,000	£116,000

- 2.16 The above table shows that the council could purchase existing affordable accommodation more quickly, at lower financial risk, and using less RTB receipt funding, than if the council redeveloped the Corner House (which requires £77,666 of RTB receipt funding per 1-bed flat). This would result in a more prudent use of the New Homes unallocated budget and RTB receipt funding, whilst still supporting the delivery of the council's 1,000 homes target by 2032.
- 2.17 Any proposed acquisitions would be subject to separate Member authority.

### 3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 The Legal Team will be instructed to deal with the sale of the Corner House which will be undertaken in accordance with usual conveyancing practice.

### 4 WORKFORCE IMPLICATIONS

- 4.1 None.

### 5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 Support from the Estates team will be required to dispose of the Corner House on a freehold or leasehold basis.

### 6 CONSULTATION AND COMMUNICATION

- 6.1 TACT Board have been consulted upon the New Homes Capital Programme as part of the Housing Revenue Account budget approval (CAB3445 refers).
- 6.2 Cabinet Members and ward members will be consulted prior to Cabinet.

### 7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 Use of the scheme budget within the 'Unallocated 1,000 Homes' scheme to increase the investment in other affordable accommodation is consistent with the council's Housing Strategy and carbon neutrality priorities.

### 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.
- 8.2 Use of the scheme budget within the 'Unallocated 1,000 Homes' scheme to increase the investment in other affordable accommodation 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.

### 9 DATA PROTECTION IMPACT ASSESSMENT

- 9.1 None required.

### 10 RISK MANAGEMENT

- 10.1 Central to the recommendation to dispose of the Corner House and make use of the scheme budget to increase the investment in other affordable accommodation is mitigation of financial risk to the council and consideration of the impact on the HRA. It is considered that this recommendation is the most efficient, low risk option for the HRA Business Plan.

Risk	Mitigation	Opportunities
Financial Exposure	Disposing of the Corner House on the open market (freehold or leasehold) mitigates and reduces financial risk to the council and is the most sustainable use of the HRA Business Plan.	Use of the scheme budget to increase the investment in other affordable accommodation presents the council with a valuable opportunity to deliver additional units to the original proposals and is a more sustainable use of the HRA.
Exposure to challenge	Redevelopment of the Corner House would expose the council to financial risk owing to increased costs and the complexities and challenges of its redevelopment.	Use of the scheme budget to increase the investment in other affordable accommodation will be a potential opportunity to deliver more units of accommodation at a faster pace than the original proposals would have achieved.
Innovation	The delivery of alternative units of accommodation will present the Council with innovative opportunities.	Disposal of the Corner House will allow the council to focus resources on developments with fewer construction challenges and delivery of new build affordable housing which meets high energy efficiency standards.
Reputation	Disposal of the asset presents a change in direction from the intended proposals at the time of acquisition. However the recommendation to dispose mitigates financial risk to the council posed by an unviable project resulting from unanticipated increased construction	Use of the scheme budget to increase the investment in other affordable accommodation makes more efficient use of RTB receipt funding and the HRA budget.

	costs and interest rates since purchase.	
Achievement of outcome	The disposal of the Corner House will generate a capital receipt or revenue income for the council.	Use of the scheme budget to increase the investment in other affordable accommodation will provide more affordable units for applicants on the social housing register than would otherwise have been provided by redevelopment, thereby supporting the council's 'Good Homes for All' priority.
Community Support	Consultation was carried out as detailed in section 6 above.	Use of the scheme budget to increase the investment in other affordable accommodation presents the council with an opportunity to provide alternative homes for persons on the social housing register.
Timescales	The procedure for disposal of the Corner House would commence as soon as approval is received.	
Project capacity	Within existing resources.	
Other		

## 11 SUPPORTING INFORMATION:

- 11.1 In late 2019, the Corner House was identified as a potential development opportunity for the council. A pre purchase appraisal in November 2019 confirmed the development of affordable housing would be financially viable using the agreed viability parameters at the time.
- 11.2 In January and March 2020 the council gave approval to purchase properties to make use of Right to Buy 1-4-1 receipts before the end of March 2020 (CAB3216 and CAB3231 refer). Six properties were purchased, and of those, five have been brought into use as social or affordable rented homes. The



sixth property was the Corner House which was acquired as a viable redevelopment opportunity.

- 11.3 The existing building is a former public house and cafe dating from the late 19<sup>th</sup>/early 20<sup>th</sup> century and whilst not statutorily listed, the Corner House is a non-designated heritage asset as defined in section 16 of the NPPF (2023). The building also sits within the Winchester Conservation Area.
- 11.4 The Corner House was marketed for sale in October 2018. Marketing failed to attract interest by prospective food and beverage establishments, however following the council's positive viability testing and appraisal, the Corner House was purchased by the council in 2020 partly financed by using RTB receipts.
- 11.5 CFW Architects were engaged to provide planning drawings, and subsequent appraisals prior to a planning application confirmed a positive financial viability for the proposals. Further to confirmation from the Portfolio Holder for Housing and Asset Management, the architects submitted a planning application in April 2022 (22/00860/FUL). The application sought change of use from public house to residential, and to convert the existing building, alongside the construction of a two-storey extension, to create six 1-bedroom flats and associated cycle and bin storage, retaining the external appearance and detailing of the existing building. Two of the flats in the proposals fell short of the 39m<sup>2</sup> Nationally Described Space Standards due to the constraints of the site.
- 11.6 Due to the requirement of Natural England to resolve nitrates mitigation, the application was held in planning for 22 months until planning was approved in February 2024.
- 11.7 Since purchase in early 2020 and during the lengthy period held in planning, various unanticipated construction costs, along with inflation and interest rate increases, previously referenced in paragraph 2.4, have negatively impacted the project's financial viability and questioned "best value" and sustainable use of the HRA.
- 11.8 Since the planning decision in February 2024 therefore, the council have considered various options to develop a financially viable redevelopment of the Corner House. A recent cost estimate by an external cost consultant shows that construction costs remain very high for such a complicated and challenging build.
- 11.9 It is therefore recommended that the Corner House is sold either freehold or leasehold on the open market. The £1.8m Corner House scheme in the capital programme will be subsumed into the 'Unallocated 1,000 Homes' scheme to increase the investment in other affordable accommodation, subject to authority to spend.

## 12 OTHER OPTIONS CONSIDERED AND REJECTED

12.1 The following redevelopment options have been considered and rejected for the reasons outlined in section 2:

- Option 1 – Let flats at Local Housing Allowance (LHA) rents
- Option 2 – Sell flats as Shared Ownership
- Option 3 – Lease flats to Venta for 10 years, then revert to letting at LHA rents
- Option 4 – Sell flats as First Homes
- Option 5 – Use flats for Temporary Accommodation

### BACKGROUND DOCUMENTS:-

#### Previous Committee Reports:-

CAB3216 – Housing Revenue Account (HRA) Budget Options 2020/21 – 22 January 2020

CAB3231 – Housing Revenue Account (HRA) Property Acquisitions – 11 March 2020

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

#### Other Background Documents:-

22/00860/FUL [Corner House, Planning Application](#)

### APPENDICES:

Exempt Appendix