

Report of	Assistant Director, Place and Client Services	Author	Ruth Newcombe ☎ 505845
Title	Land Acquisition for Development as Part of the Council's New Housebuilding Programme		
Wards affected	Castle Ward		

1. Executive Summary

- 1.1 In 2019 the Council committed to deliver 350 additional social homes owned by the Council over 5 years. It is currently on track to meet this target although the Covid pandemic has had some impacts. This report recommends that the Council adds another method of delivery into the Programme to diversify supply options, and pursues an opportunity to acquire land to deliver more affordable homes as part of the Housing Revenue Account (HRA) funded Programme.
- 1.2 The brownfield land opportunity is within a highly sustainable location in the town centre and has scope to provide between 20 and 29 one and two bedroom apartments. Aside from the regeneration and "neighbourhood living" benefits of the scheme for the town, the new homes will help replenish Council stock that is disproportionately low in the town centre and help to meet the needs of households who require this location to access public transport, employment, shops and services. The site will be aligned with the current town centre masterplan and Levelling Up Fund bid to ensure these are complementary.
- 1.3 The Council will enter into a land purchase agreement with a developer working with the land owners, to purchase their land subject to planning (but with the option to purchase the land without planning if the developer is unable to obtain planning within 18 months of exchange of contracts). The specific details are in the confidential "Part B" report, which is exempt because of the commercial sensitivities related to this for all parties.

2. Recommended Decision

- 2.1 To agree that the Council shall pursue this particular town centre opportunity as set out in the Report.
- 2.2 To delegate authority to the Assistant Director of Policy and Place, in conjunction with the appropriate Portfolio Holder to negotiate terms, approve the exchange of conditional contracts to acquire the town centre site, and any other related matters, and to complete the purchase when all conditions are satisfied.

3. Reason for Recommended Decision

- 3.1 There are almost 3,000 households on the Council's Housing Register seeking social housing and approximately 200 households in temporary accommodation. It is a priority

of the Council, as shown by its New Housebuilding Programme, to try and find new ways to provide more homes in response to this need.

- 3.2 The Council is delivering affordable homes, but it is still continually seeking new and innovative ways to increase the supply of affordable housing further; and provide good quality, affordable and secure homes for Colchester's residents who are in housing need
- 3.3 Although there is a supply of affordable housing through Section 106 provision via Registered providers, alongside Council led projects such as HRA Garage Sites Phase 2, Military Road, Creffield Road, Garage Sites Phase 3 and Elfreda House, supply is not meeting the need. The Covid impacts have slowed affordable housing delivery in the market, and for the first year the Council delivered more affordable homes through its delivery Programme than all other Registered Providers combined; which evidences the importance of the Council's role.
- 3.4 This project will increase the Council's housing stock in the town centre and diversifies the methods to bring forward additional affordable housing. This will also strengthen the Council's investment partner status with Homes England and will provide more opportunities to bid for Affordable Housing Grant within the 2021/26 affordable homes programme.

4. Alternative Options

- 4.1 The Council could do nothing, but this will mean the Council will miss out on opportunities to maximise the delivery of newbuild social rent housing in Colchester and it will mean that households on the housing register and in temporary accommodation will wait longer for a secure affordable home.

5. Background Information

- 5.1 In January 2019, the Council agreed to explore a range of potential projects that could deliver an additional 350 new affordable council homes over 5 years, borrowing up to £75m in the Housing Revenue Account (HRA) and delivering the first newbuild Council Homes since the “Phase 1 Garage Sites” were developed in 2015.
- 5.2 The projects that were to be actively pursued and have been progressed include “Phase 2 Garage Sites”, “Phase 3 Garage Sites”, purchasing affordable housing from CAHL mixed-tenure development sites (namely Mill Road, Creffield Road, and St Runwald Street), developing 100% affordable homes at Military Road, purchasing former Council Homes through the Right to Buy Back and through the open market, and reinvigorating the Sheltered Housing Improvement Programme which has involved the redevelopment of Elfreda House.
- 5.3 In March 2020, Government announced a 1% reduction in the Public Works Loan Board (PWLb) borrowing rates for the HRA in a drive to stimulate the housing sector. It was reported at Cabinet in July 2020 that this reduction in interest rate could reduce the HRA debt in Year 30 to circa £82m. It was recommended that given the improved position of the HRA, additional proposals to increase and extend the “New Council Housebuilding Programme” should be explored through provisional feasibility work in order to sample and test the viability of different affordable housing delivery methods.
- 5.4 Bringing forward additional housing via “Targeted” acquisitions and/or Changes of Use were also proposed, which would include strategies such as purchasing vacant units and approaching landholders in the borough or establishing new partnership working. This included the Council contacting housebuilders who may require more certainty over sales in order to commence sites.
- 5.5 This report has followed one of those lines of exploration and proposes to bring forward additional affordable housing supply through negotiation with a local developer to purchase land that they have an option on. This project would be in keeping with what was previously proposed at Cabinet in July 2020 where the Council can pursue “targeted acquisitions” by partnering up with house builders in Colchester where they have control of land.
- 5.6 In addition, in leading and delivering the New Council Housebuilding Programme, the Council achieved “Investment Partner Status” with Homes England in 2021. The Council can now bid for grant from Homes England to subsidise the affordable housing developments. The Council have been successful in obtaining grant for HRA Garage Sites Phase 2 (Buffett and Scarfe Way and Hardings Close), Military Road and Elfreda House. The grant makes the delivery of newbuild social rent housing more viable to deliver and reduces the Council’s HRA borrowing (and overall debt).
- 5.7 The Council intends to continue to utilise its Investment Partner status by bidding for grant for subsidy towards all qualifying affordable schemes in the development programme going forward.

Proposal

- 5.8 The Council has been exploring avenues for a “package deal” to acquire land with homes, or land or properties “off-plan”. As a result, the Council was approached by a local developer with an opportunity for a land deal which could deliver between 20 and 29 one and two-bedroom apartments in Colchester Town Centre. The land purchase would include an existing retail unit which will be included in the transaction. The Council will need to make a decision on whether it would wish to retain this unit for its own use or whether to find an end user in due course.
- 5.9 The developer has a legal interest in the site through an option with exclusivity to obtain planning consent and acquire the site for development. The developer has previously appointed an architect to draw up a scheme proposal. The proposal comprises of a mix of 20 one and two bed apartments on the site where the option is held, but there may be scope to deliver a larger scheme which would increase the scheme to approximately 29 residential units, plus the retail unit. This will be dependent on the developer acquiring additional land and would be subject to planning consent.
- 5.10 Any planning application submitted will be to the Council's design and specification requirements. The deal does not prejudice the planning process, and there is no guarantee of obtaining planning permission. It would be the developer's interest to secure a planning permission for the site (as this has financial value to them), but if the developer sells the land without planning approval then the Council will remain interested and this will still be subject to evidence of planning potential through submission of a formal pre-application advice and/or a detailed planning application.
- 5.11 Provided that any changes required to gain planning approval do not affect the material viability of the scheme then the Council would remain interested in completing the deal. The Council remains bound by legal duties and moral responsibilities related to value for money, public subsidy, and market terms that would not be compromised in any eventuality. The Council Client Team have looked at the site and consider that some form of scheme does appear to be achievable, and with or without reasonable changes to gain planning approval, it would still be expected to be at a viable level that the Council should pursue.
- 5.12 The homes will be designed to meet Nationally Described Space Standards, can feature enhanced accessibility standards for the ground floor apartments, and can be designed to meet the Council's required specification, including the adoption of Future Homes Standard Principles, to ensure the homes are as energy efficient as possible.
- 5.13 The Council will enter into a land purchase agreement with the developer to purchase land subject to planning. The developer will be required to submit a planning application within 6 months of exchange of contracts, with up to 18 months to achieve a resolution to grant planning. If the developer does not achieve planning consent, the Council will purchase the site without planning at a lesser premium. The details are in the Report Part B
- 5.14 It is intended to exchange contracts by August 2022 with the developer to obtain planning by March 2023. If planning is granted, the Council will purchase the site and tender the construction works. If the Council purchases the site without planning, the Council can make its own planning application or incorporate it into wider

redevelopments. In either scenario the Council will align this opportunity with the town centre masterplan and any other land holdings as matters evolve.

- 5.15 Given the town centre location, this scheme will also be aligned to other Council policies and strategies. The site lies within the area that is currently being masterplanned, and is close to sites that form the bid for Levelling Up Funding (LUF). The timelines for progressing the site allow for any future development to be aligned with both the bid and the wider masterplan work.
- 5.16 Without prejudice to that work, the intention is for it to be a car free development, though there may be an exception for any wheelchair accessible homes that may be delivered. It is expected that residents who wish to live in an apartment in the town centre will not necessarily require a car, especially with the Council delivering its first E-car club nearby, and a second following shortly; but naturally those that do require a car may not bid for the homes.
- 5.17 This particular site will also provide the Council with the opportunity to deliver newbuild, energy efficient and quality affordable housing at social rent for households on the waiting list who require a town centre location. The scheme may also be attractive to existing Council tenants who wish to downsize from a three bed home into a smaller and more manageable home in a town centre location, and this in turn will free up much needed three bed homes elsewhere in the borough.
- 5.18 This opportunity will enable the Council to bring forward additional affordable housing which would qualify for Homes England Grant funding under the Affordable Homes Programme 2021-2026. The Council will submit a bid for grant funding towards the costs of this scheme. In the unlikely event that the bid to Homes England is unsuccessful, the Council can choose to subsidise the project through the Right to Buy Receipts reserve or Affordable Housing Commuted sums.
- 5.19 Any offer to the developer would be subject to satisfactory valuation, clean title and all necessary due diligence.
- 5.20 The Council will tender the construction works in due course and at an appropriate time. The intention would be that the finished new homes would then be owned by the Council through the HRA, managed by Colchester Borough Homes as our ALMO, and delivered at Social Rent for households on the housing register.

6. Equality, Diversity and Human Rights implications

- 6.1 The New Council Housebuilding Programme already has an existing EQIA that this complements. The proposals are considered to have an overall positive impact on protected groups and they will have a positive impact on the availability of housing in Colchester, especially the availability of affordable housing.
- 6.2 Maximising the supply of new homes is part of the Council's commitment to improving communities and our town as a place to live. In implementing the recommendations the Council will have due regard to its Public Sector Duty and will continue to work to tackle discrimination and inequality and help to create a fairer society, improve housing choice and social mobility (including for protected groups).

- 6.3 The proposals will help to improve the housing conditions and life chances of people with protected characteristics, including homeless people, low-income households, people with disabilities and families on the housing needs register. They will therefore have a positive impact on Equality and Diversity.

7. Strategic Plan References

- 7.1 This decision particularly contributes to the following Strategic Plan 2021-2023 priority areas:
- **Responding to the Climate Emergency**
 - Reduce carbon emissions to help achieve a zero-carbon footprint for Council services for 2030
 - Environment and sustainability imbedded in all Council decision making and the adaption and recovery from Covid-19
 - **Tackling the causes of inequality and support our most vulnerable people**
 - Support people to live in healthy homes that meet their needs
 - **Increase the number, quality, and types of homes**
 - Improve existing Council homes to keep them in good repair and improve energy efficiency
 - Continue to improve and modernise available housing for older people
 - **Prevent households from experiencing homelessness**
 - Work with partners to deliver the 2020-23 Homelessness and Rough Sleeping Action Plan
 - Intervene early to prevent homelessness and work in partnership with other organisations to sustain people's accommodation
 - Tackle rough sleeping in the Borough
 - **Enable economic recovery from Covid 19 ensuring all residents benefit from growth**
 - Ensure our Borough becomes stronger post Covid 19 by supporting businesses to recover, adapt and build resilience
 - Develop opportunities to ensure the new economy is greener, sustainable, and more resilient
 - **Create an environment that attracts inward investment to Colchester help businesses to flourish**
 - Encourage green technologies and innovative solutions to the Climate Emergency
 - Maximise the social value benefits derived from third party contracts
 - Ensure the Councils assets continue to contribute to economic growth and opportunity

8. Consultation

- 8.1 This report does not require public consultation. Consultation will take place at the planning stage of this development, which is expected to take place towards the later half of 2022. There is wider consultation on the town centre masterplan throughout summer 2022.

9. Publicity Considerations

- 9.1 This report does not require any publicity considerations. The required planning application for this project would be subject to public consultation with residents at, adjacent or nearby to the site. It would also be publicised through site notices and advert if a local newspaper. The Council would wish to promote the opportunity to tender for the works and for those on the housing register to apply for the new homes in due course.

10. Financial implications

- 10.1 A provision of £3.375m for further Council new build schemes was included for 22/23 in the Housing Investment Programme agreed by Cabinet on 26th January 2022. It is intended that this will support expenditure arising from this project in this financial year, with further provision being made in subsequent years annual budget setting reports
- 10.2 Detail on the financial consideration on the land is in Report Part B
- 10.3 The total cost of the project for land and construction is expected to be between £4m and £6m, depending on the density achieved. This was reflected in the HRA Capital Medium Term Financial Forecast considered by Cabinet on 26th January 2022.

11. Health, Wellbeing and Community Safety Implications

- 11.1 Health, wellbeing and community safety would be positively influenced by the provision of new affordable and well-designed affordable housing that help improve the quality of life for future occupants. The scheme will also help with wider benefits to the town centre environment.

12. Health and Safety Implications

- 12.1 There are no particular health and safety implications attached to the decision. Construction health and safety is managed through the contractual processes and will be supervised by the winning contractor.

13. Risk Management Implications

- 13.1 There is a risk that the site will not achieve planning consent. This will be managed through early consultation with the Planning Service and community. The Client team have also undertaken some due diligence working with others to minimise this risk as far as can be progressed at this provisional stage.
- 13.2 The effects of Covid and Brexit have delayed newbuild projects and increased cost due to lack of labour, materials, components and delivery drivers. This risk will be mitigated through appointing a skilled team including an employers agent, project manager and cost consultant to scrutinise and manage the construction programme and costs.
- 13.3 Sites may have issues that affect the deliverability and viability of development, such constraints due to Rights of Way, Easements and party wall matters. There can be costs due to demolition, site clearance and decontamination. Contracts will not be exchanged

until all due diligence is complete. Due diligence will involve site surveys, title searches, valuation and detailed build cost estimates.

- 13.4 Commissioning and procuring construction can be difficult. Some sites may not be attractive to contractors and construction costs are continuing to rise, with contractors finding the current climate very difficult due to the effects of Covid and Brexit. A detailed build cost analysis will be commissioned as early as possible in the process. The build contract will be on a “fixed price” basis.

14. Environmental and Sustainability Implications

- 14.1 The Council’s HRA newbuild developments are designed to meet the “Future Homes 2025” standard (option 2) principles to achieve a 31% carbon saving and is over and above the requirements of Building Regulations Part L. This specification, or higher, will apply to this project to ensure that the new development is carbon efficient and sustainable in terms of minimising energy use and reducing carbon from direct living.
- 14.2 The principle of sustainable development is also to direct growth to the most sustainable locations to avoid over-reliance on cars. This location is one of the most sustainable locations in the borough; where it is possible to live without the use of a car given the direct access to shops, services, employment and good travel choices. This will be further enhanced by existing projects between this Council (such as E-car clubs, E-cargo bikes, E-hire bikes) and by ECC (such as Rapid Transit System, Active Travel Fund 2, E-scooters) as well as by bus and train operators.