



Cabinet

12 July 2023

Item
8(ii)

Report of	Client Services Manager	Author	Terri Hamilton ☎ 03300 538007
Title	Acquisition of 6 additional New Build Homes from a Developer as Part of the Council's New Housebuilding Programme		
Wards affected	Mile End		

1. Executive Summary

- 1.1 In 2019 the Council committed to deliver up to 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 impact on some of the original projects. In July 2020 the Council agreed a report that set out further options for new delivery options. In June 2023, Cabinet agreed to The Council acquiring 7 "Off the Shelf" units within the Boxted Road development, following on from the further options report. Delegation was approved, for the Portfolio Holder and Chief Operating Officer to agree further units to be acquired. This report takes a lead from the June 2023 Cabinet report and recommends that the Council approves an additional capital budget within 2023/2024 to acquire 6 additional completed "off the shelf" units directly from the developer at a site off Boxted Road, Mile End as another method of delivering new social housing owned by the Council within the Housing Revenue Account (HRA).
- 1.2 The developer has obtained planning permission to build 26 units on the site and is already in the construction phase; with completion estimated for late October 2023. There is a mix of 3 and 4 bed units, most of which will be sold on the open market and a Section 106 agreement securing 5 homes allocated as affordable housing. The developer previously agreed to sell 7 units directly to the Council and Cabinet Approval was confirmed. The developer has agreed to sell an additional 6 x 3 bed family homes to the Council, subject to Cabinet approval and a red book valuation.
- 1.3 The developer has agreed to meet the required Council specifications provided by Colchester Borough Homes, who would manage the homes once they are handed over. Thus, the properties will be high quality and energy efficient. Colchester Borough Homes will provide the service of Clerk of Works and continue to work with the Developer to ensure the required standards are met through their construction phase.

2. Recommended Decision

- 2.1 To agree the additional HRA capital budget that will allow the Council to pursue this opportunity as set out in the report and proceed with the offer, as outlined in Part B of this report, for the additional 6 units.
- 2.2 To delegate authority to the Chief Operating Officer, in conjunction with the Portfolio Holder for Housing, to approve the exchange of conditional contracts to acquire the units,

and any other related matters, to complete the purchase when all conditions are satisfied.

- 2.3 To agree to the appointment of Colchester Borough Homes as a “clerk of works” or “employers agent” to supervise the quality of the construction of the homes to be acquired.

3. Reason for Recommended Decision

- 3.1 There are approximately 2,590 households on the Council’s Housing Register seeking social housing and approximately 285 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 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 new affordable housing through Section 106 provision via Registered providers, alongside Council led projects, 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 (including the Acquisition Programme/100 Homes) than all other Registered Providers combined; which evidences the importance of the Council’s role.
- 3.4 These acquisitions will increase the Council’s housing stock 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.
- 3.5 In Colchester, within the priority Bands A-C, there are approximately 535 applicants on the Housing register with a need for a 3+ bed property. This makes up for 21% of the housing register need. There is an average waiting time of 16.5 months for a 3+ bed property for applicants in bands B and C (Average waiting time of 6.5 months for applicants in Band A).
- 3.6 There are approximately 90 families in temporary accommodation within Colchester with a 3+ bed need. Residing in temporary accommodation, over a prolonged period of time, may have a negative impact on the families and their support network, as well as placing the councils allocated budget under significant pressure.
- 3.7 There are approximately 32 families, in priority bands, with a need of a 3+ bed property in the Mile End Ward alone.
- 3.8 Proceeding with this opportunity and other similar opportunities, to work with developers to acquire units as part of their development, will help to alleviate pressure on the housing register, temporary accommodation and relevant budgets as well as allowing developers to continue to develop within the Colchester area.
- 3.9 It is estimated that these units will be available between August 2023 and October 2023, providing much needed homes within a short timeframe.

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 have been progressed include "Phase 2 Garage Sites" and "Phase 3 Garage Sites", alongside developing 100% affordable homes at Military Road, purchasing former Council Homes through the "Right to Buy Back" or the open market, and reinvigorating the Sheltered Housing Improvement Programme which has involved the redevelopment of Elfreda House.
- 5.3 Bringing forward additional housing was agreed in 2020, including options such as "Package Deals", "Targeted" acquisitions and/or Changes of Use were 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 deliver sites.
- 5.4 This report has followed one of those lines of exploration and proposes to bring forward additional affordable housing supply through an agreement with a developer to acquire completed "off the shelf" units, that will meet the Council's standards and specification. This project would be in keeping with what was previously proposed at Cabinet in July 2020 where the Council can pursue "targeted acquisitions", and approved by Cabinet in June 2023 to consider the acquisition of additional units within this development.
- 5.5 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, and more recently HRA Garage sites Phase 3 (Cross Cottages and Wheeler Close). The grant makes the delivery of newbuild social rent housing more viable to deliver and reduces the Council's HRA borrowing (and overall debt).
- 5.6 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.

- 5.7 The Council has been exploring avenues to work with developers to acquire suitable units, at a discounted rate, directly from the developers as “off the shelf” acquisitions. As a result, the Council was made aware of a potentially suitable development off Boxted Road in Mile End. The developer was seeking a suitable Affordable Housing provider to acquire the section 106 units.
- 5.8 This site will provide a total of 26 units with a mix of 3 and 4 bed properties. With Cabinet approval provided in June 2023, The Council agreed to acquire 7 of the units, with the potential to agree further acquisitions closer to the completion date. Cabinet delegated authority to the Portfolio Holder of Housing along with the Chief Operating Officer to authorise further acquisitions within the development.
- 5.9 A viability appraisal has been completed to ensure that the offer for the additional 6 units is viable. A red book valuation by an external agent has been instructed to ensure the acquisitions are value for money, and the offer is subject to this valuation report.
- 5.10 Colchester Borough Homes will provide the service of the “Clerk of Works” and will work closely with the council and the developer to ensure that the units are delivered to a high standard and meet the Council’s specification. The homes will be designed to meet Nationally Described Space Standards and will be as energy efficient as possible with an estimated Energy Performance Certificate (EPC) rating of B83.
- 5.11 This opportunity will enable the Council to bring forward additional affordable housing which may 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 reserves or other internal subsidies.
- 5.12 Any offer to the developer would be subject to satisfactory valuation, clean title and all necessary due diligence.

6. Equality, Diversity and Human Rights implications

- 6.1 The New Council Housebuilding Programme has an existing EQIA. 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 city as a place to live. By 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 The services and projects delivered by the Council and CBH contribute directly to the following Strategic Plan 2023-2026 priority areas:

- **Respond to the climate emergency**

Reduce our carbon footprint.

Ensure Council homes benefit from increased energy efficiency

- **Deliver Modern Services for a Modern City**

The Colchester Council family of organisations work together to a shared and ambitious vision for the future of our city.

Continue to invest in our homes to deliver quality social homes and services for tenants and leaseholders.

Put communities and their needs at the heart of our vision and support local areas as they help shape and deliver services which are most important to them.

Work closely with partners, charities and organisations to add value.

- **Improve health, well-being, and happiness**

Tackle the causes of inequality and support our most vulnerable people.

Work with residents and partners to address quality of life and issues of happiness.

- **Deliver homes for those most in need**

Increase the number and quality and types of affordable homes.

Meet our duty to prevent or assist those facing homelessness.

8. Consultation

8.1 This report does not require public consultation. Consultation took place at the planning stage of this development.

9. Publicity Considerations

9.1 This report does not require any publicity considerations. The units will be advertised for applications via the Gateway to Homechoice.

10. Financial implications

- 10.1 A provision for further Council new build schemes was included for 22/23 and 23/24 in the Housing Investment Programme agreed by Cabinet on 26th January 2022 and 25th January 2023. This funding provision has now been allocated for the year. This report is seeking authorisation for additional HRA capital funding required to acquire the 6 units.
- 10.2 The total estimated cost of the project to the HRA, for the units is outlined in Part B of this report.

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.

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 by the developer and will be monitored by Colchester Borough Homes on behalf of the Council.

13. Risk Management Implications

- 13.1 There is a risk that the development could be delayed or construction is not completed. This will be mitigated through legal contracts, with the completion of contracts being subject to relevant terms and conditions. The developers solicitor will retain the deposit as a stakeholder, which would be fully refundable to the Council, if the development does not meet the conditions stipulated.
- 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 by a set offer being agreed for the units, and with a completion long stop date being included in the contract.
- 13.3 The site may have issues that affect the deliverability and viability of the units, such as constraints due to Rights of Way and Easements. Contracts will not be exchanged until all due diligence is complete, and the solicitors can confirm a good freehold title for each unit.

14. Environmental and Sustainability Implications

- 14.1 The units are being developed to a high standard, with input on the specifications from Colchester Borough Homes. The units have an estimated EPC rating of B83.