



Cabinet

12 July 2023

Item
8(i)

Report of	Client Services Manager	Author	Terri Hamilton ☎ 03300 538007
Title	Acquisition of four 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 gave approval for 7 “off the shelf” units to be acquired directly from a developer on the Boxted Road site.

This report takes a lead from those further options and recommends that the Council acquires 4 completed “off the shelf” units directly from the developer of the Chesterwell site, within the Mile End ward as another method of delivering new social housing owned by the Council within the Housing Revenue Account (HRA).

1.2 The developer has previously obtained planning permission to build 156 units on the site as part of the development. The units are in the construction phase; with completion estimated for August 2023. There is a mix of 1-5 bed units throughout the site, most of which will be sold on the open market. Within this phase, four units have been allocated as affordable housing as part of the Section 106 agreement. The developer has agreed to sell the four units directly to the Council, subject to Cabinet Approval, with the possibility of further negotiations for additional units closer to the completion date.

1.3 Colchester Borough Homes will manage the homes once they are handed over and have confirmed that the property specifications are suitable for social housing stock. 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 that the Council shall pursue this opportunity as set out in the report and proceed with the offer, as outlined in Part B of this report, for the 4 units.

2.2 To delegate authority to the Chief Operating Officer, in consultation with the Portfolio Holder for Housing, to agree and negotiate any subsequent purchases of homes closer to completion, subject to normal viability and valuation considerations.

2.3 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.

- 2.4 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 2,560 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 impact of Covid 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.
- 3.5 In Colchester, within the priority Bands A-C, there are approximately 640 applicants on the Housing register with a need for a 1 bed property. This makes up for 24% of the housing register need. There is an average waiting time of 11.7 months for a 1 bed property for applicants in bands B and C (Average waiting time of 4.4 months for applicants in Band A).
- 3.6 There are approximately 156 applicants in temporary accommodation within Colchester with a studio/1 bed need. Residing in temporary accommodation, over a prolonged period of time, may have a negative impact on the residents and their support network, as well as placing the councils allocated general fund budget under significant pressure.
- 3.7 There are approximately 14 applicants, in priority bands, with a need of a 1 bed property in the Mile End Ward alone.
- 3.8 There are approximately 13 applicants on the housing register with a Code 1 need (fully Wheelchair accessible), in priority bands A-C, who require a 1 bed property. These applicants can often be waiting for an extended period of time, in unsuitable properties, due to a lack of supply of adapted properties, within the councils housing stock.
- 3.9 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.

3.10 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 by Cabinet in 2020, including options such as "Package Deals", "Targeted" acquisitions and/or changes of use where 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 councils' standards. This project would be in keeping with what was previously proposed at Cabinet in July 2020 where the Council can pursue "targeted acquisitions".

5.5 This project will be in line with the Cabinet Approval in June 2023 to acquire 7 off the shelf units directly from the developer at Bosted Road, acquiring 3 and 4 bed homes, providing a range of units to meet the councils diverse housing needs.

5.6 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 Housing Revenue Account (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 Housing Revenue Account 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.

Proposal

- 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 has been approached by the developer in regard to a development within the Chesterwell site in Mile End. The developer was seeking a suitable Affordable Housing provider to acquire the affordable housing units.
- 5.8 This site will provide a total of 156 units with a mix of 1 to 5 bed properties. The Council has provisionally agreed to acquire 4 of the units, with the potential to agree further acquisitions closer to the completion date. This includes 4 x 1 bed maisonettes, with the two ground floor properties meeting Cat 3 standards (fully wheelchair accessible). In addition, the homes are energy efficient, with an estimated Energy Performance Certificate EPC rating of B81. The homes will be fully fitted and ready to let, with low maintenance and repair costs going forward.
- 5.9 A viability appraisal has been completed to ensure that the offer for the 4 units is viable. A red book valuation, by an external agent, has been instructed to provide the open market value of the units, and the offer is subject to the valuation report to ensure that the acquisitions are value for money.
- 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 EPC rating of B81.
- 5.11 The Council can choose to subsidise the project through other internal subsidies.
- 5.12 Any offer to the developer would be subject to satisfactory valuation, clean freehold 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 Colchester Borough Homes 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. It is intended that that this will support expenditure arising from this project in this financial year.
- 10.2 The total cost of the project to the Housing Revenue Account 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 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 and the developer has a good reputation for the standard of their properties. The units have an estimated EPC rating of B81 which will help achieve our goal of all Council owned housing stock having at least a Band C by 2030.