

<b>TITLE</b>	<b>Wokingham Housing Limited (WHL) Development Opportunities – Wellington Road/Station Road and Former Woodley Age Concern Sites</b>
<b>FOR CONSIDERATION BY</b>	The Executive on 27 September 2018
<b>WARD</b>	Emmbrook and Loddon
<b>DIRECTOR</b>	Director of Corporate Services - Graham Ebers, Director of Locality and Customer Services - Josie Wragg
<b>LEAD MEMBER</b>	Executive Member for Housing - Pauline Jorgensen

## **PURPOSE OF REPORT (INC STRATEGIC OUTCOMES)**

By agreeing to transfer and develop the two council-owned sites, it will contribute to meeting housing needs through the provision of well-designed, high quality affordable housing.

## **RECOMMENDATION**

That the Executive approve:

- 1) selection of Wokingham Housing Limited or another Council-owned Local Housing Company as the development partner for housing schemes at the following sites:
  - Land at Wellington Road/Station Road, Wokingham;
  - Land at the former Woodley Age Concern, South Lake Crescent, Woodley.
- 2) that the Council transfers the Wellington Road/Station Road and land at the former Woodley Age Concern sites to a Council-owned housing company on terms to be agreed by the Director of Corporate Services in consultation with the Lead Members for Housing and Finance;
- 3) that the sites subject to Recommendation 1 above are appropriated for planning purposes under section 227 of the Town and Country Planning Act 1990 and Section 122 of the Local Government Act 1972;
- 4) the proposed funding model, including the allocation of up to £550,000 Section 106 receipts for the provision of affordable housing in accordance with Part 2 Report.
- 5) the development brief for these sites, including the proposed tenure mix.
- 6) that the transfer of land and funding for the Wellington Road/Station Road and former Woodley Age Concern site developments will be subject to WHL securing a planning consent for the schemes and the necessary Board approvals.

## **EXECUTIVE SUMMARY**

In June 2011, the Council established a wholly-owned Local Housing Company, Wokingham Housing Limited (WHL), to provide a range of high quality affordable and market housing for the people of Wokingham Borough. This report proposes that a Council-owned housing company be selected as the development partner for two housing schemes at Wellington Road/Station Road, Wokingham and the former Woodley Age Concern site in Woodley.

The two sites will deliver twenty-nine new affordable homes in the Borough, comprising a mix of social rented properties and shared ownership homes. It is proposed that the affordable units be part funded through the use of £550,000 of Section 106 commuted sums.

## **BACKGROUND**

Delivering affordable housing is a priority of the Council. In June 2011, the Council established a wholly-owned Local Housing Company, Wokingham Housing Limited, to provide a range of high quality affordable and market housing for the people of Wokingham Borough. Establishment of the company allows the Council to have more influence and flexibility over the quality, type and affordability of housing developed and ensures that these new properties meet the needs and aspirations of the Borough's residents. The company also enables the Council to maximise the benefits and potential of its assets.

## **BUSINESS CASE (Including Options and Evidence of Need)**

### Development Partner

Selecting a council-owned housing company as the development partner will give the Council full control over the development of affordable housing on sites at Wellington Road/Station Road and the former Woodley Age Concern site, whilst also retaining the asset base within the Council's companies.

Other options that could be considered are:

1. Registered Provider Partnership – transfer of the land to one of the Council's eight Registered Provider Partners. Whilst this may reduce the level of funding required by the Council, it would result in the loss of the asset to the Council. Whilst the Council would have some control on the redevelopment, this would not be on the level of influence the Council has over its housing companies.
2. Site Disposals – This would maximise capital receipts to the Council (see Part 2 Schedule), but may be a missed opportunity to deliver affordable homes in the Borough.

### Land Transfer

The site at Wellington Road/Station Road is a predominantly cleared site. One of the adjoining landowners, a photographic studio, has entered into a land option with WHL to sell their land once planning permission has been granted. The site is in an important location opposite the railway station and will necessitate a landmark development for Wokingham.

The site at the former Woodley Age Concern day centre in South Lake Crescent, Woodley has been cleared by WHL on behalf of the Council earlier this year following its closure.

The two sites are held within the general fund and have been valued (see Part 2 Schedule).

The proposal is that the Council transfers the sites to a Council-owned housing company on terms to be agreed by the Director of Corporate Services in consultation with the Lead Members for Housing and Finance. Under Section 25 of the Local Government Act 1988, local authorities require Secretary of State consent to dispose of general fund land at less than market value for development as housing

accommodation, except where the transferee is a Registered Provider of housing. Loddon Homes Limited (one of the Council-owned housing companies) is a Registered Provider and assuming the affordable housing sites transfer to this organisation, the general consent would apply. However, in the event that the sites were transferred to another council-owned company at an undervalue, Secretary of State approval would be needed.

It is necessary to appropriate the above sites from the general fund for planning purposes under Section 227 of the Town and Country Planning Act 1990 and Section 122 of the Local Government Act 1972, in order to extinguish any rights which may exist over the same and enable the development proposed by the housing company.

### Proposed Funding Model

It is proposed that £550,000 of Section 106 commuted sums for affordable housing is allocated to these two affordable housing schemes. The remaining balance of funds will come from company borrowing and capital receipts from shared ownership sales. Loddon Homes will also bid for Homes England grant funding where available.

As at 1 July 2018, the Council held circa £15.6 million of unspent affordable housing commuted sums with a further £68 million secured in signed Section 106 agreements. £44 million of these commuted sums has already been committed to affordable housing projects, including the 10-year Gorse Ride regeneration project. It is estimated that on average around £10 million of receipts will be received per annum over the next 7 years. Whilst many of the sites are on-site and already paying in instalments, there is a risk that commuted sums may not be received at the expected rate. The Council will need to keep commuted sums receipts and expenditure under review over the life of the project to manage this risk.

Full details of the business model and funding are included in the Part 2 Schedule.

### Development Brief

The new developments will all provide affordable housing schemes of the following tenures:

- Social rent (at target rents)
- Shared ownership, at 35% equity share and rent on unsold equity capped at 1.5% per annum

The Council will have full nomination rights to all of the completed affordable properties.

The development at Wellington Road/Station Road is proposed to consist of 19 x apartments (9 x 1 bed apartments and 10 x 2 bed apartments) all with a private patio or balcony along with 2 retail units on the ground floor. There will also be parking and cycle storage for the apartments. It is envisaged that the 19 apartments be sold for shared ownership (35% minimum equity share on initial purchase and rent capped on the unsold equity at 1.5% per annum).

The former Woodley Age Concern site is likely to consist of 10 houses with a tenure mix of 6 social rented and 4 shared ownership units. WHL are considering modern methods of construction for these units.

## FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

*The Council faces severe financial challenges over the coming years as a result of the austerity measures implemented by the Government and subsequent reductions to public sector funding. It is estimated that Wokingham Borough Council will be required to make budget reductions in excess of £20m over the next three years and all Executive decisions should be made in this context.*

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	£0	Yes	Capital
Next Financial Year (Year 2)	£360,000	Yes	Capital
Following Financial Year (Year 3)	£190,000	Yes	Capital

### Other Financial Information

Funding is likely to come from a number of different Section 106 agreements for affordable housing. The matching of new affordable housing projects to specific Section 106 agreements will occur before start-on-site to ensure that we optimise the use of available receipts.

### Stakeholder Considerations and Consultation

Both schemes will be subject to informal consultation prior to the submission of planning applications.

### Resourcing and Timeline for Next Steps

If agreed, the two sites will be included in the WHL's development programme for 2019/20 and 2020/2021.

### Timeline for Review and Evaluation

Review and Evaluation will take place during the fortnightly commissioning meetings between the Council and its housing companies.

### Reasons for considering the report in Part 2

Commercially sensitive information, relating to the contract sums and land transfers, is included on the Agenda as a separate Part 2 Report.

### List of Background Papers

None

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