

<b>TITLE</b>	<b>Wokingham Housing Limited (WHL) Development Opportunities – General Fund Sites</b>
<b>FOR CONSIDERATION BY</b>	The Executive on 29 September 2016
<b>WARD</b>	None specific
<b>DIRECTORS</b>	Stuart Rowbotham, Director of Health and Wellbeing and Graham Ebers, Director of Finance and Resources
<b>LEAD MEMBER</b>	Julian McGhee-Sumner, Executive Member for Health and Wellbeing and Mark Ashwell, Executive Member for Planning and Regeneration

**OUTCOME / BENEFITS TO THE COMMUNITY**

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, the Council owned Local Housing Company, (or a subsidiary of WHL), as the development partner for housing schemes at the following sites:
  - Land adjacent to 6 Norton Road, Wokingham;
  - Land adjacent to 62 Finch Road, Earley; and
  - Land between 74-78 London Road, Wokingham.
- 2) that the Council transfers the Norton Road, Finch Road and London Road sites to Wokingham Housing Limited (WHL), or a subsidiary of WHL, on terms to be agreed by the Director of Finance and Resources in consultation with the Leader of the Council;
- 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 £2,495,028 Section 106 receipts for the provision of affordable housing on these sites and funding on commercial terms for the private 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 Finch Road and London Road developments will be subject to WHL securing a planning consent for the schemes.

**SUMMARY OF REPORT**

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 WHL (or a subsidiary of WHL) be selected as the development partner for three housing schemes at Norton Road, Finch Road and London Road.

The three sites will deliver twelve new affordable homes in the Borough, comprising a mix of rented properties and shared ownership homes, plus one private sale house. It is proposed that the sites providing affordable housing are funded through the use of Section 106 commuted sums and the private sale unit funded on commercial terms.

## **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.

## **Analysis of Issues**

### Selection of WHL

Selecting WHL as the development partner will give the Council full control over the development of affordable housing on sites at Norton Road, Finch Road and London Road, 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 four 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 with WHL.
2. Site Disposals – This would generate 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 Norton Road comprises a disused printing works and associated land.

The Finch Road site comprises of a piece of surplus Council amenity land, currently only accommodating a sub-station, and land owned by Burwood Homes (consisting of two semi-detached properties). It is proposed that a scheme will be developed as a joint venture between WHL and Burwood Homes. The two properties will be demolished to allow more properties to be built. To make this development work, Burwood Homes will give part of their land to the Council or WHL in exchange for the release of a restrictive covenant and a small piece of Council land.

The London Road site is formed from a piece of surplus public open space with linked footpath. The footpath forms part of the adopted highway and links London Road to Lawrence Close. It may be possible to move the path to the perimeter of the site to maximise the development opportunity, but this would be subject to separate Highways approval. There is a further section of land to the North of the site that is fenced off (and would appear to be HRA land) and an adjacent strip of land which is also in the Council ownership (forming part of the adopted Highway), both of which could be incorporated into the site area (subject to the necessary approvals).

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

The proposal is that the Council transfers the sites to Wokingham Housing Limited (WHL), or a subsidiary of WHL, on terms to be agreed by the Director of Finance and Resources in consultation with the Leader of the Council. For the London Road site, the proposal is that the private housing plot transfers to Wokingham Housing Limited (WHL), or a subsidiary of WHL, on commercial terms. 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 (a subsidiary of WHL) 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 subsidiary of WHL 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 WHL.

#### Proposed Funding Model

It is intended that s106 affordable housing commuted sums will be used to fund the affordable housing on these sites. Loan funding for the private sale unit will be on commercial terms. Short-term loan funding may be required initially until sufficient commuted sums are accrued. Full details of the business model and funding are included in the Part 2 Schedule.

#### Development Brief

With the exception of one private sale house at London Road, the new developments will all provide affordable housing schemes of the following tenures:

- Social rent (at target rents)
- Intermediate/Affordable rent (up to 80% of market rent, capped at the Local Housing Allowance level)
- 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 Norton Road will consist of 6 x two-bedroom apartments and 3 x two-bedroom houses, with access road, parking and gardens and benefits from full planning permission (reference: 150066). It is envisaged that the six apartments be sold for shared ownership and the remaining three houses be let at affordable rents capped at Local Housing Allowance (in this case, 63% of market rent).

The development at Finch Road will result in a total of six 3-bedroom properties arranged in three sets of semi-detached houses. Two of the homes will be provided for WHL and the remaining 4 houses sold by Burwood Homes. A planning application is likely to be submitted soon. It is envisaged that the two 3-bedroom houses delivered by WHL will be sold for shared ownership.

At London Road, WHL proposes to develop two properties, one facing and with access onto London Road and the second facing and with access onto Lawrence Close. It is

envisaged that the property fronting London Road will be a 4 bedroom detached house and will be sold on the open market. The proposal for the property facing Lawrence Close is a 3-bedroom bungalow, potentially designed to be wheelchair accessible. It is proposed that the bungalow be let at affordable rents at 70% of market rents (and capped at LHA).

## 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)	Part 2 Report	Yes	Capital
Next Financial Year (Year 2)	Part 2 Report	Yes	Capital
Following Financial Year (Year 3)	Part 2 Report	Yes	Capital

### Other financial information relevant to the Recommendation/Decision

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. Short-term loan funding may be required initially until sufficient commuted sums are accrued. Loan funding for the private sale unit will be on commercial terms.

### Cross-Council Implications

Affordable housing is a priority for the Council. Access to good quality, affordable housing is key to residents' health and wellbeing, education, employment, etc.

### Reasons for considering the report in Part 2

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

### List of Background Papers

None

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<b>Date</b> 16 September 2016	<b>Version No.</b> 0.6

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