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| TITLE | Wokingham Housing Limited (WHL) Development Opportunities – Housing Revenue Account (HRA) Sites |
| FOR CONSIDERATION BY | The Executive on 29 September 2016 |
| WARD | None specific |
| DIRECTOR | Stuart Rowbotham, Director for Health and Wellbeing |
| LEAD MEMBER | Julian McGhee-Sumner, Executive Member for Health and Wellbeing |

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 affordable housing schemes at the following sites:
 - Land adjacent to 52 Elizabeth Road, Wokingham;
 - Land adjacent to 86 Emmbrook Road, Wokingham;
 - Land adjacent to 9 Middlefields, Twyford;
 - Land between 68 and 69 Orchard Estate, Twyford; and
 - Land between 24 and 25 Gorrick Square, Wokingham.
- 2) that the Council transfers the above 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 £3,054,123 Section 106 receipts for the provision of affordable housing towards these sites 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 Emmbrook Road, Middlefields, Orchard Estate and Gorrick Square developments will be subject to WHL securing a planning consent for the schemes.
- 7) That the transfer of land and funding for the Elizabeth Road development to WHL will be subject to attracting grant funding from the Homes and Communities Agency (HCA).

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 five affordable housing schemes on Housing Revenue Account (HRA) sites at Elizabeth Road, Emmbrook Road, Middlefields, Orchard Estate and Gorrick Square.

The five sites will deliver twelve new affordable homes in the Borough, comprising a mix of rented properties and shared ownership homes (including a large bungalow for a disabled family). It is proposed that funding is provided through the use of Section 106 commuted sums for affordable housing.

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 Elizabeth Road, Emmbrook Road, Middlefields, Orchard Estate and Gorrick Square, 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. Council Housing Building – the Council is able to build within the Housing Revenue Account. However, currently general needs housing built as such would still be subject to rent controls, Right to Buy provisions, etc. which do not apply to WHL.
3. Site Disposal – This would generate a capital receipt to the Housing Revenue Account (HRA) but may be a missed opportunity to deliver affordable homes in the Borough.

Land Transfer

All of the sites are currently held for housing purposes under Part II of the 1985 Act (i.e. within the Housing Revenue Account).

The Elizabeth Road site comprises of garages, which have been identified as beyond economic repair and there was insufficient demand for garages at this location.

The Emmbrook Road site also comprises of under-used garages, which are in poor condition.

The Middlefields site has been used for informal resident parking. It is believed that the land was once a potential garage site with concrete slabs in a stepped up arrangement, but the garages were never built. Surveys have demonstrated that the loss of informal parking will not have a detrimental effect on the surrounding roads.

The Orchard Estate site is formed from under-used garages, along with some of the

large garden to 69 Orchard Estate (now fenced off from the property).

The Gorrick Square site is currently a piece of unused land between 24-25 Gorrick Square.

The proposal is to transfer the above HRA sites to Wokingham Housing Limited (WHL), or a subsidiary, on terms to be agreed by the Director of Finance and Resources in consultation with the Leader of the Council. The sites have all been valued (see Part 2 Schedule). It is necessary to appropriate the sites from the Housing Revenue Account 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 developments proposed by WHL.

The relevant powers to dispose of HRA land (i.e. Elizabeth Road, Emmbrook Road, Middlefields, Orchard Estate and Gorrick Square) are contained in Section 32 of the Housing Act 1985 and Section 25 of the Local Government Act 1988. General Consents under Section 25 of the Local Government Act 1988 (Local Authority assistance for privately let housing) were published in April 2014. A new General Consent AA allows a council to dispose of vacant HRA land to any organisation at less than market value for housing development, subject to certain conditions, without the need for Secretary of State consent.

Proposed Funding Model

It is intended that s106 affordable housing commuted sums will be used to fund these developments.

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

The new developments will all provide 100% 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 properties.

The development at Elizabeth Road will consist of a 2 x semi-detached three-bedroom houses and has full planning permission (reference: F/2015/0008). The scheme is quite marginal in terms of development viability, and therefore, it is proposed that the houses be provided for shared ownership. There will be an opportunity for WHL to bid for grant from the Homes and Communities Agency (HCA) Shared Ownership and Affordable Homes Programme 2016-2021 for these units. The transfer of land and funding for the Elizabeth Road development will be subject to achieving this grant. In the event that this is not forthcoming, it is assumed that the site will be disposed of on the open market

and the capital receipt re-invested in the HRA.

The development at Emmbrook Road is anticipated to consist of 2 x three-bedroom and 1 x two-bedroom terrace houses. A planning application will be submitted once the principle of transferring the site and funding to WHL has been agreed. It is envisaged that the houses be provided for shared ownership with HCA grant sought to support delivery of the scheme.

The development at Middlefields is anticipated to consist of 2 x two-bedroom semi-detached houses. A planning application will be submitted once the principle of transferring the site and funding to WHL has been agreed. It is envisaged that one house will be let at an Affordable Rent capped at Local Housing Allowance (in this case, circa 65% of market rent) and one house will be provided for shared ownership.

The development at Orchard Estate is anticipated to consist of 4 x three-bedroom semi-detached houses. A planning application will be submitted once the principle of transferring the site and funding to WHL has been agreed. It is envisaged that two houses be let at target social rents and two houses be provided for shared ownership.

The proposal for the Gorrick Square site is to commission a single detached 3 or 4-bedroom bungalow to be built on the site. The property would be allocated to a family requiring a wheelchair accessible home. There are for example 14 families with disabled children currently waiting for suitable properties to become available. The intention is to identify a family specifically for this bungalow, so that it can be designed and adapted from the outset to meet their needs, whilst also being flexible to the needs of future occupiers. It is envisaged that the bungalow be let at target social rents.

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.

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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| Contact Louise Strongitharm | Service Environment |
| Telephone No 0118 974 6779 | Email louise.strongitharm@wokingham.gov.uk |
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