

TITLE	Gorrick Square Development
FOR CONSIDERATION BY	The Executive on Thursday, 28 November 2019
WARD	Wescott;
LEAD OFFICER	Deputy Chief Executive - Graham Ebers
LEAD MEMBER	Executive Member for Finance and Housing - John Kaiser

PURPOSE OF REPORT (INC STRATEGIC OUTCOMES)

To obtain Executive approval for a revised funding model to develop a 3 bedroom bespoke bungalow on land between 24 and 25 Gorrick Square to meet the specialist housing needs of 3 individuals with learning/physical difficulties.

RECOMMENDATION

That the Executive approve the revised funding model for the proposed revised development totalling £815,000 including confirming the allocation of up to £349,000 of Section 106 receipts and approving a long term loan to Loddon Homes of £231,000.

EXECUTIVE SUMMARY

The Executive agreed at its meeting on 29th September 2016 that the Housing Revenue Account (HRA) land between 24 & 25 Gorrick Square be transferred to Wokingham Housing Limited (WHL) or its subsidiary (Loddon Homes) to be developed out for an affordable home.

The proposal at the time was to develop a single detached 3 or 4 bed bungalow on the site that would be allocated to a family requiring a wheelchair accessible home. At the time it was estimated that the total cost of the development would be £348,962 and Executive approved the funding of this from Section 106 receipts received for the provision of affordable housing.

Prior to a planning application being submitted the Council's Adult Social Care Team identified a more appropriate need for the site and asked that the scheme be completely redesigned to provide a bespoke bungalow for three individuals with learning/physical difficulties.

As a result the scheme has changed significantly from the 2016 proposals and plans now include 3 en-suite bedrooms, staff office, shared kitchen and living rooms – totalling 155sqm rather than the previous estimated maximum 100sqm. The property will also contain additional items required by the residents, including specialist bathroom equipment and allowances in the structure for future hoists etc. The proposed bungalow now has planning permission and the works tendered with the successful contractor approved by Loddon Homes Board and WBC (Holdings) Ltd.

All 3 prospective residents for the bungalow have been identified.

The changes in requirements coupled with additional unforeseen costs associated with investigative and other site works and 3 years build cost inflation from 2016, has resulted in final estimated scheme costs of £815,000.

It is proposed that this will be funded by:

£349,000 - Section 106 receipts (as previously agreed)

£135,000 – Grant from Homes England

£100,000 – Disabled Facilities Grant

£231,000 – Loan from WBC to Loddon Homes

£815,000 - TOTAL

If this revised funding model is approved the lease transferring the land to Loddon Homes would be completed and work would start on site immediately after.

BACKGROUND

A report was tabled to The Executive 29th September 2016 titled '*Wokingham Housing Limited (WHL) Development Opportunities – Housing Revenue Account (HRA) sites*'.

That report identified 5 HRA sites as potential affordable housing projects and asked for approval to transfer the sites to WHL and allocate sufficient Section 106 receipts (earmarked for the provision of affordable housing) to fund the estimated total scheme costs. One of those sites was land between 24 & 25 Gorrick Square where it was proposed to build a wheelchair accessible 3-4 bedroom family bungalow at an estimate total scheme cost of £349,000 – based on tender build costs at the time for other schemes in the Borough.

The recommendations were approved by Executive and, commissioned by WBC, WHL began some initial investigative and design works in consultation with colleagues in Adult Social Care. However in late 2016 Adult Social Care identified a greater need for the proposed property and requested that the property be redesigned to provide a bespoke bungalow for 3 individuals with physical/learning difficulties.

The proposed property was redesigned based on the brief provided by Adult Social Care and planning approval obtained in March 2018. The proposed property now contains 3 en-suite bedrooms, staff office, shared kitchen and living rooms – totalling 155sqm rather than the previous estimated maximum 100sqm. The property will also contain additional items required by the residents, including specialist bathroom equipment and allowances in the structure for future hoists etc.

The scheme was then tendered later in 2018 and the appointment of the successful contractor approved by Loddon Homes Board and WBC (Holdings) Ltd in April 2019.

Since then WHL have been working to discharge the planning conditions and to safely remove slow worms from the site. There remains an outstanding drainage issue that is currently being resolved to allow start on site at the end of November 2019 subject to the revised funding model being approved.

All 3 prospective residents for the bungalow have been identified.

The original estimated scheme cost of £349,000 was based on a significantly different and smaller property and based on other tender build costs being received at the time.

The changes in design and requirements coupled with additional unforeseen costs associated with investigative and other site works and 3 years build cost inflation from 2016, has resulted in final estimated scheme costs of £815,000.

However Loddon Homes have secured £135,000 of Homes England grant to support the project along with £100,000 Disabled Facilities Grant to help fund some of the additional requirements of the prospective residents.

As a result there is a current funding shortfall of £231,000:

Total scheme cost:	£815,000
Less Section 106 receipts (previously approved):	£349,000
Less Homes England Grant:	£135,000
Less Disabled Facilities Grant:	£100,000
Funding Shortfall:	£231,000

The recommendation is for WBC to provide Loddon Homes with a long term loan of £231,000 under the standard terms and conditions. Loddon Homes Board have confirmed that repayment of this loan is affordable and could be paid back in 19 years.

If this revised funding model is approved the lease transferring the land to Loddon Homes would be completed and work would start on site immediately after.

BUSINESS CASE

Total Cost to Council: £231,000
(Total scheme cost of £815,000 less total Grants and Section 106 receipts of £584,000)

Rental Income: £23,100 per annum

Rate of Return: 10%

Savings in Care Costs: £22,000 per annum
(estimated based on economies of scale from living in shared accommodation)

Total Income & Savings: £55,100 per annum

Overall rate of Return to Council (including Loddon Homes): 24%

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

The Council continues to face severe financial challenges over the coming years as a result of reductions to public sector funding and growing pressures in our statutory services. It is estimated that Wokingham Borough Council will be required to make budget reductions of approximately £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)	£329,500	Yes	Capital
Next Financial Year (Year 2)	£250,500	Yes	Capital
Following Financial Year (Year 3)	Nil	Yes	

Other Financial Information
The £580,000 of funding highlighted in the table above is made up of £349,000 of Section 106 receipts and £231,000 of loan finance.

Stakeholder Considerations and Consultation
The proposed scheme has been developed in consultation between Housing & Place Commissioning, Adult Social Care, WHL and Loddon Homes.

Public Sector Equality Duty
Completed.

List of Background Papers
None

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