

Agenda Item 47.

TITLE	Council Owned Companies Business – Phoenix Avenue and Fosters
FOR CONSIDERATION BY	The Executive on 30 July 2015
WARD	Norreys and Bulmershe and Whitegates
DIRECTOR	Graham Ebers, Director of Finance and Resources
LEAD MEMBER	Keith Baker, Leader of The Council

OUTCOME / BENEFITS TO THE COMMUNITY

The regeneration of Phoenix Avenue will provide high quality, flagship, mixed tenancy housing development that will promote a cohesive, safe and sustainable community for local residents. It will contribute to meeting housing needs for the Borough. Fosters will provide much needed older people's housing options in the Borough. It will allow older people in Woodley to remain in the community they are familiar with, and be close to their friends and families.

RECOMMENDATION

The Executive is asked to:

- 1) note the resolution of WBC (Holdings) Limited to approve further funding for the build of Phoenix Avenue and Fosters;
- 2) approve confirmation of further funding of up to £2.141million for the development of Phoenix Avenue and Fosters Extra Care from Council capital resources and to on-lend to WBC (Holdings) Limited at interest rate of 6%.

SUMMARY OF REPORT

1. Background

- 1.1. Executive has authorised on 30th January 2014 a sum of £10.5million to develop Phoenix Avenue (formally Eustace Crescent) and further authorised £5.923million for Fosters Extra Care scheme. The Fosters Care scheme includes a sum of £1.4m of grant funding secured provisionally through the HCA. Both these developments are due to be funded by the Council through commuted and general funds by Loddon Homes Limited.
- 1.2. Executive Item 98 on 30th January 2014 also agreed a further sum of £18m should be made available for future Wokingham Housing Limited (WHL) developments. Use of this fund required further authority from Executive following a recommendation from WBC (Holdings) Limited (Holdco).

2. The latest position

- 2.1. Since these reports were submitted, WHL has refined the scheme and obtained better and up to date pricing through the tendering process for Phoenix Avenue.

The tenders for Phoenix Avenue have been returned. The estimated scheme costs are £12.094million. Cost consultants have also recommended that allowance be added for theoretical contingencies in the sum of £350,000

- 2.1. On Fosters Extra Care scheme the internal specification has been refined to meet stakeholders' requirements. WHL has advised the Holdco of the current position with tendering and the current market increase in price for build costs being driven by a more buoyant housing market. Therefore WHL's Employers Agent has advised them that estimated costs for the scheme will be in the region of £6.470million.

3. The case for requesting additional funding

- 3.1. Presently Executive has provided Holdco with approval of £16.423million to develop both Phoenix Avenue and Fosters. WHL's current estimate to deliver both schemes is £18.564million. This leaves a shortfall of £2.141million.
- 3.2. The final differential between the estimate and the current approved amount is likely to be less when considering the £1.4million of HCA grant. WHL's current negotiations over the final contract sum is also anticipated to identify potential savings as value engineering is expected to reduce the actual gap. Allowance is also to be made for contingencies, as a prudent precaution that may not need to be spent.
- 3.3. The request to approve additional funding at this stage is to guarantee full funding regardless of any grant provision thus enabling WHL to submit its submission for Registration Provider (RP) status for Loddon Homes by demonstrating to the HCA that the funding to deliver both projects will be available irrespective of any other funding or savings that may or may not materialise. Without this authorisation and approval it may be difficult to register Loddon Homes. The impact of this is that the most secure way to use the Council's commuted sums through Loddon Homes as a For-Profit Registered Provider may not be available to the Council and put the best route to develop both Phoenix Avenue and Fosters at risk.

4. Approval process

- 4.1. Executive exercises its shareholder rights in WHL through its wholly owned company Holdco. Holdco has reviewed WHL's request for funding, approved the business case and passed a resolution to approve the request at a board meeting dated 17th July 2015.
- 4.2. Holdco is requesting that funding is available immediately for drawdown when required by the development timetable. Holdco will utilise the funding through Loddon Homes Limited or WHL as necessary to secure the development.
- 4.3. The sums will be lent to Holdco under a loan agreement with interest payable at 6%. Holdco will on-lend to WHL when required by the build timetable.

5. Recommendation

- 5.1. Executive is asked to note the resolution of 17th July 2015 of Holdco Board to approve the funding request from WHL.

5.2. Executive is asked to approve the authorisation of a further £2.141million for the development of Phoenix Avenue and Fosters Extra Care scheme from Council capital resources and to on-lend to WBC (Holdings) Limited at interest rate of 6%.

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)	£2.141 million	No	Capital
Next Financial Year (Year 2)	£2.141 million	No	Capital
Following Financial Year (Year 3)	£2.141 million	No	Capital

Other financial information relevant to the Recommendation/Decision

The Council will benefit from reduced costs in commissioning services and receive income from securing services within the Council (via WHL).

Cross-Council Implications

No Cross-Council Implications

Reasons for considering the report in Part 2

The report contains references to commercially sensitive information that would compromise Wokingham Housing Limited in procurement of contractors. These references are provided in a separate Part 2 schedule.

List of Background Papers

None

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