

TITLE	Delivery of Wellington Road Affordable Housing Scheme
FOR CONSIDERATION BY	The Executive on Thursday, 27 July 2023
WARD	Emmbrook;
LEAD OFFICER	Director, Place and Growth - Giorgio Framilico
LEAD MEMBER	Leader of the Council and Executive Member for Housing and Partnerships - Stephen Conway

PURPOSE OF REPORT (INC STRATEGIC OUTCOMES)

By agreeing to develop out Wellington Road site for 100% affordable housing based on the funding model outlined in this paper, there is an opportunity to contribute to meeting housing needs in the Borough and address areas of high need by prioritising some of the units as move-on accommodation for care leavers and the other units for key workers who will help support the local economy.

RECOMMENDATION

That Executive approves:

- (1) The expenditure budget of the total costs of the scheme of up to £6,600,000 funded through a combination of borrowing, capital receipts, developer contributions and Homes England funding. To note: budget approval would be dependent on Homes England grant being awarded;
- (2) The release of up to £3m commuted sums (developer contributions for affordable housing) to be used in conjunction with borrowing via the Housing Revenue Account ("HRA") and Homes England grant as per the proposed funding model;
- (3) That the scheme goes into the Housing Revenue Account ("HRA").

EXECUTIVE SUMMARY

There is an opportunity to develop a key vacant and sustainable Council owned site within Wokingham town centre opposite the train station and close to town centre facilities including shops, supermarkets, leisure and transport facilities. The proposal is to develop a scheme of 18 apartments, with all apartments being affordable housing. A planning requirement may be to have one of the units as a commercial unit. One of the apartments will be built to full wheelchair accessible standards M4(3). The proposal is for 5 of the flats to be prioritised as move on accommodation for care leavers, with the remaining 13 flats to be prioritised for key workers.

The total cost of developing this scheme is anticipated to be up to £6.6m. This project was in the MTFP at a capital cost of £5.930m, however, due to inflationary costs since the initial feasibility work was done the total capital cost has been revised to take into

account inflation plus additional contingency to cover any further increases in build costs.

The scheme will be funded through developer contributions for affordable housing (up to £3m), proposed Homes England grant funding of around £1,440,000 (assuming a grant rate of £80k per unit for 18 units), with the remainder funded through borrowing in the Housing Revenue Account. By providing additional subsidy in the form of developer contributions for affordable housing, as well as potential funding from Homes England, this would enable the scheme to be delivered as 100% affordable housing with all the dwellings being let as social rent.

The Executive is asked to approve the total expenditure of up to £6,600,000 and the release of £3m developer contributions for affordable housing towards the development of the scheme. The Executive is also asked to approve that the scheme sits within the HRA.

BACKGROUND

There is an opportunity to develop a key vacant and sustainable Council owned site Wellington Road, within Wokingham town centre opposite the train station and close to town centre facilities including shops, supermarkets, leisure and transport facilities into a 18 dwelling scheme containing a mix of 1 and 2 bed apartments. A planning requirement may be to have one of the units as a commercial unit.

There is a real need to provide affordable housing in the Borough. The Local Housing Needs Assessment report in 2020 indicated a net need of 403 affordable homes per annum. The demand for care leaver accommodation is rising, with the Council having a duty of care to provide accommodation for care leavers. The demand for key worker accommodation (and in particular, accommodation for care and support workers) is continuing to rise. It is proposed that as 100% of the dwellings will be affordable and all social rented (the most affordable of all tenures). Allocations of the homes would be prioritised for two key groups:

- **Move-on accommodation for care leavers** – proposal to have 5 x 1 bed flats to be prioritised for care leavers under standard tenancy arrangements.
- **Key workers** – defined as someone who lives or works in the Borough, providing an essential service to the local economy – proposal to have the remaining 13 flats prioritised for key workers.

To note; if none of these priority groups are in need of housing at the time of allocation, they would be offered to those on the housing register in order of prioritisation.

BUSINESS CASE

The total cost of developing this scheme is anticipated to be up to £6.6m. This project was in the MTFP at a capital cost of £5.930m, however, due to inflationary costs since the initial feasibility work was done the total capital cost has been revised to take into account inflation plus additional contingency to cover any further increases in build costs.

This scheme will be funded through developer contributions for affordable housing (up to £3m), proposed Homes England grant funding of around £1,440,000 (assuming a grant rate of £80k per dwelling for 18 units), with the remainder funded through borrowing through the HRA. The Council currently has in excess of £3m of developer contributions available for affordable housing which can be used for this scheme. In the unlikely instance that Homes England funding is not granted, further developer contributions would be used. The Council currently has over £3m developer contributions for affordable housing in the bank and provisionally allocated to this scheme (subject to Exec approval for release). The Council is also awaiting the outcome of a funding bid to the Brownfield Land Release Fund through One Public Estate for just under £157k. If this were to be unsuccessful, this would increase the amount of commuted sums required. By providing additional subsidy in the form of developer contributions for affordable housing as well as potential funding from Homes England, this would enable to scheme to become 100% affordable housing with a tenure of all the units being social rent.

Financially, having the 18 dwellings in the HRA is viable:

	Housing Revenue Account
Total Scheme Cost	£6,561,752
Less	
Grant funding from Government*	£1,440,000
Brownfield Land Release Funding**	£157,000
Developer contributions for affordable housing	£3,000,000
Net capital cost (borrowing)	£1,964,752
Total interest on loan***	£1,244,509
Profit	From year 1
Return on initial investment over a 60 year period	7.81%
Loan/borrowing payback period	31
Net Present Value	£846,417

*this assumes £80k per unit grant funding through Homes England Affordable Homes Programme. A bid will be submitted once full planning permission on the scheme has been granted.

**this assumes success in our grant application through the BLRF Round 2 fund submitted in April 2023 and the result of which anticipated in Summer/Autumn 2023.

*** A rate of 4.84% has been used for the HRA given the current PWLB borrowing rate as of June 2023.

Any surplus generated from this scheme will be ringfenced in the HRA. From year 31 there is an annual surplus of circa £183k increasing to £580k. As the HRA is a ringfenced account, where income exceeds expenditure, this net income will be factored into supporting the overall HRA business plan and supporting the costs of running the HRA service.

If the commercial unit required by planning (to replace an existing unit which would have been lost to the development of the scheme). The commercial unit will be let at the market rate and will generate an income of approximately £20-25k each year once occupied. Market analysis indicates that the unit is in an attractive location and could be let relatively easily. The costs of delivering the commercial unit and any associated rents and operating costs will be excluded from the affordable dwellings. Whilst a financial appraisal for a standalone commercial unit does not work as well as if the unit was residential, it still has a positive Net Present Value and IRR (Internal Rate of Return) of 6.31%, with the loan paid back at year 51.

Project Timescales

Once the Executive has agreed the recommendations the next steps will be to

- Finalise the design and submit a planning application to the Local Planning Authority – approximately 3 months
- Planning application determination – 3 months
- Submission of bid to Homes England for grant funding – 1 month

- Procurement of Contractor for the construction works – 3 months
- Contractor Lead in and mobilisation – 3 months
- Start of site for construction – likely Summer 2024
- Completion and occupation - December 2025 / January 2026

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

The Council faces unprecedented financial pressures as a result of; the longer term impact of the COVID-19 crisis, Brexit, the war in Ukraine and the general economic climate of rising prices and the increasing cost of debt. It is therefore imperative that Council resources are optimised and are focused on the vulnerable and on its highest priorities.

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	nil	N/A	
Next Financial Year (Year 2)	£6.6m	Yes, through borrowing, external grant and developer contributions for affordable housing	Capital
Following Financial Year (Year 3)	To note the £6.6m is likely to be split between years 2 & 3	See above	Capital

Other Financial Information

The Council is also awaiting the outcome of a funding bid to the Brownfield Land Release Fund through One Public Estate for just under £157k, which has been factored into the financial modelling. If this were to be unsuccessful this would increase the amount of commuted sums required.

This scheme will help address other service area budget pressures. For example, by providing 5 units of move on accommodation for care leavers will help create a saving elsewhere in the Council. For every care leaver who remains in SiL (semi independent living) for longer than needed costs WBC between £600 - £1000 per week. If that care leaver moves into temporary accommodation than average weekly costs are £350.

The scheme has received positive pre-application feedback, and subject to Executive approval of the scheme, the design team will be instructed to proceed with the detailed planning application. The cost to achieve this, including architect fees, surveys and planning fees, will be in the region of £95,000.

Stakeholder Considerations and Consultation

Public consultation with local residents and ward members has been carried out as part of the planning application process.

Public Sector Equality Duty

An EQIA has been completed and signed off by the Inclusion Team. The Initial Impact Assessment did not identify any potentially negative impact upon persons with protected characteristics.

Climate Emergency – This Council has declared a climate emergency and is committed to playing as full a role as possible – leading by example as well as by exhortation – in achieving a carbon neutral Wokingham Borough by 2030

The development would deliver in accordance with current planning policy and building regulation requirements. Where possible the scheme will look to achieve a higher than current regulatory standard to help reduce carbon emissions to meet the priorities set out in the CEAP (Climate Emergency Action Plan) and also to help residents minimise utility costs, given they will be low income earners. The extent to which carbon savings can be made (in both build and operation) will be explored as the scheme progresses towards procurement. The aim will be to secure the most sustainable construction possible within the available budget. The scheme costs outlined in the report currently take into account provision for green roofs, thicker insulation, PV panels, renewable technologies and carbon emission reductions.

Due to the location of the development close to the town centre and rail and bus links, the development will include a very small number of parking spaces, thus encouraging active transport and a reduction in vehicle emissions.

Reasons for considering the report in Part 2

Not applicable.

List of Background Papers

A copy of the associated Equality Impact Assessment is attached in Appendix 1.

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