

Decision Maker: EXECUTIVE AND FULL COUNCIL

For pre-decision scrutiny by the Renewal, Recreation and
Housing Committee on 14 March 2024

Date
Executive: 27 March 2024
Full Council: 8 July 2024

Decision Type: Non-Urgent Executive Key

Title: PROVISION OF AFFORDABLE HOUSING IN WEST WICKHAM

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Chief Officer: Director of Housing, Planning, Property and Regeneration

Ward: West Wickham

1. Reason for decision/report and options

- 1.1 This report is recommending to the Executive that the West Wickham Housing Scheme is developed and funded as a fully socially rented housing scheme, note that this amends the previously agreed scheme, which was a mix of affordable and private, approved in February 2023 (report no. HPR 2023/009)
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2. **RECOMMENDATION(S)**

2.1 **That the Members of the RRH PDS: -**

- 1) **Note the contents of this report and make any comments available to the Executive.**

2.2 **That the Members of the Executive and Full Council: -**

- 1) **Approve the Capital Investment for the delivery of 26 new homes, on the basis that all homes will be held for affordable housing, on the assumption the increase of GLA grant is approved. Noting this requires £4,717k of external borrowing for the Council (as detailed in section 6 of this report). If the revised GLA grant is not received, the scheme will remain as was previously agreed;**
- 2) **Approve an additional revenue contribution of £244k to part-finance the capital costs of the Library element of scheme, as detailed in section 6 of this report. Provision for this sum will be identified in central contingency as part of the 2023/24 revenue budget outturn (see also Q3 2023/24 Revenue budget monitoring report on agenda for this meeting of Executive);**

- 3) Approve required changes to be submitted via a planning variation; and,
- 4) Accept any additional grants in relation to this scheme.

Impact on Vulnerable Adults and Children

1. Summary of Impact: If this scheme is delivered, vulnerable children and adults will be supported through the provision of an improved library and the provision of affordable housing that is suitable for individuals and families.
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Transformation Policy

1. Policy Status: Existing Policy:
 2. Making Bromley Even Better Priority:
 - (1) For children and young People to grow up, thrive and have the best life chances in families who flourish and are happy to call Bromley home.
 - (2) For adults and older people to enjoy fulfilled and successful lives in Bromley, ageing well, retaining independence and making choices.
 - (3) For people to make their homes in Bromley and for business, enterprise and the third sector to prosper.
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Financial

1. Cost of proposal: Estimated Cost: £13,600k approved capital programme budget
 2. Ongoing costs: Net savings of £31k per annum
 3. Budget head/performance centre: West Wickham capital budget
 4. Total current budget for this head:£13,600k
 5. Source of funding: GLA grant, Section 106 contributions, long-term external borrowing, capital receipts, earmarked reserves, revenue contribution and UKSPF funding allocation.
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Personnel

1. Number of staff (current and additional): 1
 2. If from existing staff resources, number of staff hours: n/a
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Legal

1. Legal Requirement: Non statutory Requirement.
 2. Call-in: Applicable.
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Procurement

1. Summary of Procurement Implications: N/A
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Property

1. Summary of Property Implications: See para 9
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Carbon Reduction and Social Value

1. Summary of Carbon Reduction/Sustainability Implications: N/A
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Customer Impact

1. More affordable homes in Bromley at affordable rent level. Affordable rent is set at the lowest rent level available.
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Ward Councillor Views

1. Have Ward Councillors been asked for comments? Yes
2. Summary of Ward Councillors comments: Two of the ward Councilors confirmed they were happy with the conversion of the development to fully affordable given the need for more affordable homes.

3. COMMENTARY

- 3.1. Following an options appraisal presented to Members in November 2021 (report no HPR 2021/059) the Council approved the provision of 26 new homes to be built in an underutilised car park in West Wickham to the rear of the library, 14 of which were to be for affordable housing. Following planning permission being sought and granted in April 2022, and a tender for the works contract, an updated report in February 2023, approved funding of £9,641k to the Capital programme for the development of the housing and the library in West Wickham. This approval included a GLA grant of £148k per affordable home. The total capital financing required by the Council was based on 12 of the 26 residential units being sold privately, which were deigned to yield circa £4m towards the costs of the development. Given the ongoing and increasing housing pressures, combined with the rising costs of temporary accommodation to the Council, officers have reviewed this position, and this report sets out proposals to retain the 12 housing units originally to be sold for much needed affordable housing.
- 3.2. Construction on the site commenced in March 2023 and the 26 homes are now being built. There have been some delays on the works; firstly, TFL works that delayed access, a substation requirement as well as additional surveys for the road adoption. Following these delays the homes are now due for completion in January 2025, with handover to the housing team for tenanting by February 2025.
- 3.3. In the time since the scheme was originally approved, housing pressures have increased; combined with the increased costs of temporary accommodation, and like many Councils across the country the shortage of housing is having significant budgetary pressures for the Authority. Therefore, the savings that can be made from retaining the 12 residential homes for affordable housing, is now more favourable than the £4m originally being sought from the private market sales.
- 3.4. Temporary accommodation costs have increased to nearly £10k per annum per household. Given that this scheme is on site, with contracts already in place, there is a considerably lower risk of further costs inflation, and so the opportunity to maximise the savings of TA costs can be realised quickly. It should also be noted that in the current climate the previously estimated private sales may be at risk of now being fully realised. This is set out in more detail in section 6.

4. IMPACT ON VULNERABLE ADULTS AND CHILDREN

- 4.1. Delivery of the scheme supports vulnerable children and adults through the provision of increased affordable housing that is suitable for individuals and families.

5. TRANSFORMATION/POLICY IMPLICATIONS

- 5.1. The project contributes to the Corporate Strategy to Make Bromley Even Better. It will meet the following objectives:
- For children and young People to grow up, thrive and have the best life chances in families who flourish and are happy to call Bromley home.
 - For adults and older people to enjoy fulfilled and successful lives in Bromley, ageing well, retaining independence and making choices.
 - For people to make their homes in Bromley and for business, enterprise and the third sector to prosper.
 - To manage our resources well, providing value for money, and efficient and effective services for Bromley's residents.
- 5.2. The housing element of the project will contribute to the Council and borough housing targets as set out in the Housing Strategy and the new London Plan.

5.3. The project will contribute to delivery of the Regeneration Strategy.

6. FINANCIAL IMPLICATIONS

6.1 This report is recommending to the Executive that the West Wickham scheme is now a fully socially rented housing scheme, with no private sale units. This amends aspects of the scheme previously approved by Executive in February 2023 (report no. HPR 2023/009). The revised scheme will now comprise 26 social housing units, compared to the previous assumption of there being 14 social units and 12 units delivered for private sale.

6.2 The changes to the Financing of the scheme are set out in the table below:

	Report to Exec Feb 2023 (HPR2023/009)				Revised March 2024			
	Library	Private Sale	Social Hsg	Total	Library	Private Sale	Social Hsg	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Total cost	4,813	4,042	4,745	13,600	3,927	0	9,673	13,600
Financed by	-				-			
GLA grant			1,960	1,960			4,600	4,600
S106			356	356			356	356
External Borrowing			2,429	2,429			4,717	4,717
UKSPF grant	1,226			1,226	1,226			1,226
Private sale receipts	1,130	4,042		5,172	0	0		0
Capital receipts	1,386			1,386	1,386			1,386
Earmarked reserves	1,071			1,071	1,071			1,071
Additional capital contribution (Library)	0			0	244			244
	4,813	4,042	4,745	13,600	3,927	0	9,673	13,600

6.3 The total cost remains at £13,600k, however the cost of delivering the Library element of the scheme is now expected to be £886k less than estimated in February 2023, with a corresponding increase to the Housing element of the scheme.

6.4 There will now be no financing through private sale income, which was previously forecast to deliver £5,172k of capital receipts. The increased funding requirement is being met by total GLA grant of £4,600k (an increase of £2,640k), External Borrowing of £4,717k (an increase of £2,288k), and an additional capital contribution of £244k towards the Library. The additional capital contribution of £244k will be provided for from central contingency as part of the 2023/24 revenue budget outturn (see also Q3 23/24 Revenue Budget monitoring report on the agenda for 27 March 2024 meeting of Executive).

6.5 The indicative financial appraisal of the revised scheme to deliver 20 x 1 bed and 6 x 3 bed affordable units is set out below:

	£'000
Total cost	9,673
Financed by:	
GLA grant	-4,600
S106	-356
Net borrowing requirement	4,717

- 6.6 With a net borrowing requirement of £4,717k, the scheme would be expected to deliver an initial net cost of £227k per annum. Once factoring in the savings on the current rates being paid for placing households in temporary accommodation, this becomes a net benefit of £31k per annum, which improves in subsequent years. Including savings on temporary accommodation, the revised scheme has an indicative Net Present Value over 40 years of £4,065k. This is subject to any change in assumptions around external financing costs, rental yields, temporary accommodation, and management costs.
- 6.7 As a comparison, if 12 units were still earmarked for private sale, there would be a lower net borrowing requirement (£2,599k) and a lower initial net cost per annum after financing (£121k). However, once temporary accommodation savings are factored in, this produces a lower initial net benefit per annum (£9k) and a lower net Net Present Value over 40 years of £2,021k. This comparison is set out in the table below:

	26 social units	14 social, 12 private sale
	£'000	£'000
Total build costs	£9,673	£9,673
CIL costs	£0	£170
Land appropriation value	£0	£0
GLA grant	-£4,600	-£1,960
S106 & BLRF grant used	-£356	-£356
Private sale income	£0	-£4,928
Capital financing requirement	£4,717	£2,599
Initial net cost after financing	-£227	-£121
Initial net benefit after TA savings	£31	£9
NPV 40 years including TA savings	£4,065	£2,021

- 6.8 It must also be noted that whilst the financial modelling indicates a financial benefit to the Council from making the change to 100% social housing, the Council is foregoing forecast capital receipts of £5,172k on the sale of private rented units (of which £244k would be required to part-finance the library element of the scheme). However, the increased number of social housing units will provide an on-going income to the Council and help to alleviate pressure on the temporary accommodation budget and will enable a higher level of grant funding from the GLA to contribute towards capital costs.

7. PERSONNEL IMPLICATIONS

- 7.1. There are additional project management costs within this the regeneration team as a result of the over run of the project, but these will be contained within the budget.

8. LEGAL IMPLICATIONS

- 8.1. This report requests members approve amending the West Wickham Housing Scheme in order that all 26 new homes are provided as fully socially rented accommodation rather than selling 12 of those units for private sale. This is on the basis that there will be an increase in the GLA grant. If the revised GLA grant is not received, the scheme will remain as previously agreed.
- 8.2 The Council has various statutory powers to provide, maintain and improve housing under the Housing Act 1985. There is also a duty under section 193 of the Housing Act 1996 to provide

accommodation to those in the borough who are homeless, eligible for assistance and have a priority need.

9. PROPERTY IMPLICATIONS

- 9.1. This report seeks approval for all 26 new build homes being delivered as part of the scheme to be Affordable social rent. This is a change from the original intention of 12 new build homes being for private sale. The proposals for the library remain unaffected. The decision to change the tenure of the 12 private sale to affordable is being driven by the escalating costs to the Council of Temporary Accommodation and a lack of supply of affordable homes to mitigate this.
- 9.2. Construction on site commenced in March 2023 and the Council will need to satisfy itself that the design and layout of what were intended to be private homes can be adapted as necessary to meet the Councils Affordable Housing requirements as well as those of the GLA from a funding perspective.
- 9.3. The properties will be handed over to the Councils Housing Management Agent at completion. The financial appraisal takes into consideration management costs which have increased since last reported.
- 9.4. Strategic Property will work with the Councils Housing Management Agent and the wider Council to develop\implement Asset Management Strategy, subject to the necessary approvals. There will also need to be future consideration given to resource implications as part of the agreement of the Asset Management Strategy

10. CUSTOMER IMPACT

- 10.1. The delivery of affordable housing will benefit Bromley households that are currently in temporary accommodation. The change in proposed mix, will provide a direct and positive impact for residents given that there will be 12 more properties available at affordable rent for local people.
- 10.2. The adoption of the service road will improve access for new and existing residents, as well as local businesses which utilise the road.

11. WARD COUNCILLOR VIEWS

- 11.1. Ward Cllrs were consulted on the proposals in this report, and given the additional affordable homes combined with the longer term savings to the general fund through Temporary Accommodation were supportive.

Non-Applicable Headings:	Procurement implications
Background Documents: (Access via Contact Officer)	HPR2021/059, PROVISION OF HOUSING AND LIBRARY IMPROVEMENT WORKS IN WEST WICKHAM TOWN CENTRE, November 2021 HPR2022/057, UK SHARED PROSPERITY FUND (UKSPF) – BOROUGH ALLOCATION, November 2022