

SYTHWOOD RESIDENTIAL UNITS

Executive Summary

As part of its commitment to the provision of affordable housing the Council is proposing the delivery of specialist residential accommodation at Sythwood, opposite Lakeview and adjacent to the Salvation Army Centre.

Rutland Woking has developed the proposal and presented it to the Council. It is currently subject to a Planning Application awaiting determination.

This report seeks a recommendation to the Council that the accommodation be developed and leased to a specialist housing provider. It will be a General Fund project, not part of the Housing Revenue Account, and the Lease will be long term.

The proposed development cost is £3.564m, excluding land which is already owned by the Council. It is proposed that this is financed by a combination of Capital Receipts (30%) and Loan (70%).

The proposed development cost excludes furnishing and does not allow a rent free period which would be reasonable. If the Council supports the development it is proposed that a revenue sum of £250,000 be set aside over the period 2018/19 and 2019/10 to pay a one off contribution to the specialist provider to support the cost of furnishing (£180,000) and to cover the first year's rent (£70,000).

There will be an annual net cost of £25,000 (@ an interest rate of 2.9%) to the Council of providing these specialist premises as the specialist operator can only afford a net £70,000 for the Lease, after allowing for a 10% void provision, compared to the annual financing cost of £95,000 (@ an interest rate of 2.9%). It is considered that this net cost is reasonable.

If approved by the Council, Rutland Woking will deliver the project, subject to obtaining Planning Consent. A contractor has been provisionally appointed and works could start by April 2019 with completion by June 2020. Accordingly the annual additional net cost of £25,000 for the Council will arise from 2020/21 onwards.

Recommendations

The Executive is requested to:

RECOMMEND TO COUNCIL That

- (i) the provision of new premises at Sythwood for a specialist housing provider be approved subject to Planning Consent, at a Project Cost of £3.564m;**
- (ii) the project be included in the Investment Programme to be financed by Right to Buy Retained Capital Receipts (30%) and Loan (70%);**
- (iii) a revenue provision of £250,000 be set aside over 2018/19 to 2019/20 to support the cost of furnishing and to cover the first year's rent; and**

- (iv) the net additional annual cost of £25,000 be taken into account in the Medium Term Financial Strategy for 2020/21 onwards.

Reasons for Decision

Reason: To enable proper provision of specialist residential facilities.

The item(s) above will need to be dealt with by way of a recommendation to Council.

Background Papers: None.

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1.0 Introduction

- 1.1 For many years the Council has worked with a specialist residential provider to meet the needs of vulnerable people.
- 1.2 The specialist provider needs new accommodation to more effectively provide its services; it is considered to be in the interests of the Council and residents that this service be accommodated in new premises.
- 1.3 This report recommends supporting the provision of new premises subject to Planning Consent.

2.0 Sythwood Residential Units

- 2.1 A copy of the proposed residential units at Sythwood is attached at Appendix 1. A Planning Application is currently under consideration and it is understood that it is only the issue of overcoming its proximity to the Special Protection Area that is delaying the officer recommendation to the Planning Committee for approval.
- 2.2 The development cost is £3.564m as set out below:-

			£
Construction Cost			2,800,000
Professional and Planning Fees			330,000
SPA/SAMM/CIL			170,000
Rutland Working Overhead and Profit	8%		264,000
Construction Contingency	10%		280,000
Gross Development Cost			3,564,000

- 2.3 The construction cost is considered reliable as it is based on a recently tendered price with the contractor provisionally appointed. However a construction contingency of 10% is proposed to cover any unforeseen items that may arise during construction.
- 2.4 It is proposed that the development, when complete, will be leased to the specialist provider for 100 years for a rent of £70,000 per annum which is some 10% less than it could afford so as to allow for voids and for assisting clients who may not have recourse to public funds. A short summary of the specialist provider and its budget proposal, based upon current experience, is set out in the Part 2 report later in the Agenda. The Part 2 report should be taken into account when considering this Public report but Members should avoid discussing the name of the provider and/or the nature of its operations; if there is a need to do so it should be undertaken in Part 2.
- 2.5 If approved by Council, and subject to obtaining Planning Consent, construction should commence in April 2019 and be complete by June 2020.

3.0 Implications

Financial

- 3.1 The development cost of £3.564m is set out above at paragraph 2.2 excluding land which is already owned by the Council. It is proposed that this is financed by a combination of Capital Receipts (30%) and Loan (70%).
- 3.2 The annual financing cost of the project, based on a 50 year Annuity Loan @ 2.9%, is £95,000.

Sythwood Residential Units

- 3.3 The proposed development cost excludes furnishing and does not allow a rent free period which would be reasonable and is requested by the specialist provider. If the Council supports the development it is proposed that a revenue sum of £250,000 be set aside over the period 2018/19 and 2019/10 to pay a one off contribution to the specialist provider to support the cost of furnishing (£180,000) and to cover the first year's rent (£70,000).
- 3.4 There will be an annual net cost of £25,000 (@ an interest rate of 2.9%) to the Council of providing these specialist premises as the specialist operator can only afford a net £70,000 for the Lease, after allowing for a 10% void provision, compared to the annual financing cost of £95,000 (@ an interest rate of 2.9%). It is considered that this net cost is reasonable.

Human Resource/Training and Development

- 3.5 There are no human resources or training needs arising from this report.

Community Safety

- 3.6 Provision of more suitable premises for dealing with specialist needs will make a positive contribution to improving community safety.

Risk Management

- 3.7 The project will be managed by Rutland Woking which will be responsible for all on site risk management.

Sustainability

- 3.8 The new premises will meet all building sustainability requirements.
- 3.9 Providing new premises for the specialist housing provider will enhance Woking's social sustainability.

Equalities

- 3.10 The new premises will enable the specialist housing provider to meet the needs of the wider community.

Safeguarding

- 3.11 The specialist housing provider will address all safeguarding issues in its operation of the new premises.

4.0 Consultations

- 4.1 The Portfolio Holder has been consulted in the preparation of this report.

REPORT ENDS