

# Affordable Housing Development Programme

**Cabinet**

**Date: 22<sup>nd</sup> April 2020**

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Author: Cabinet Member for Housing & Public Safety  
Director of Housing

Wards: Lydiard and Freshbrook, Liden, Eldene, and Park South, Walcot and Park North

Parishes Affected: Central Swindon South, West

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## **1. Purpose and Reasons**

- 1.1 The report sets out the current position of the Affordable Housing Development Programme and emerging projects and to seek approval for the Director of Housing to be authorised to use Housing Revenue Account resources to develop sites set out in the report.
- 1.2 This supports the strategic priorities of making the best use of Swindon's resources inside the Borough.
- 1.3 These developments links to Priority One to improve infrastructure and housing to support a growing, low carbon economy and Pledge 6f "Ensure that there is a range of good quality housing options in Swindon, including affordable opportunities to buy and rent".

## **2. Recommendations**

Cabinet is recommended to:

- 2.1 The Director of Housing is authorised to design and carry out a consultation to complete the construction of 64 units at Windmill Hill site at an estimated cost of £15.1 million
- 2.2 The Director of Housing is authorised to complete the construction of the Queens Drive Regeneration at a cost of £34 million
- 2.3 The Director of Housing is authorised to design and carry out a consultation on a development on land at Bromley Close.

## **3. Detail**

Windmill Hill

- 3.1 Approval for the allocation of the land at Windmill Hill was previously agreed at Cabinet (Cabinet Minute 51, 2019/20 refers)
- 3.2 Following further feasibilities an indicative scheme has been produced. The scheme comprises of 64 units. 15 x 1 bed flats, 15 x 2 bed flats, 7 x 1 bed bungalows and 27 x 3 bed houses.

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Further information on the subject of this report can be obtained from Mike Ash, Direct 01793 464402, mash@swindon.gov.uk.

# Affordable Housing Development Programme

Cabinet

Date: 22<sup>nd</sup> April 2020

- 3.3 The total estimated cost is £15.1m. £10.9m of this is construction costs. The remainder is made up of client costs, design fees, site clearance costs and a HRA client contingency of £1.5m. The estimated cost also includes a provision of £0.98m to cover inflation based on BCIS Indices. The Building Cost Information Service, known as BCIS is a provider of cost and price information for the UK construction industry. The BCIS Indices are used for adjusting estimates and budgets to different dates.
- 3.4 The current Government Shared Ownership and Affordable Housing Programmes expires in March 2021, however the Government is highly likely to continue the programme beyond 2021. The Council will therefore apply for grant to develop these homes.
- 3.5 Subject to approval at Cabinet, a Planning Application will be submitted in February 2021, with approval in July 2021. Start on site is expected in December 2021, with completion in May 2023.
- 3.6 The table below shows the funding model and the payback period for the Windmill Hill development. The model requires additional funding in terms of the use of existing services and the conversion of existing social rented properties to affordable rents. This is due to rentals from the new units not being sufficient to cover the additional borrowing needed to build them.

HRA Reserves	£2,000,000.00
Homes England Grant & Sales	£4,873,100.00
Borrowing	£8,226,900.00
Total	£15,100,000.00
No.of conversions to Affordable Rent	40
Payback period in years	41

## Queens Drive

- 3.7 Approval for the regeneration of Queens Drive was previously agreed at Cabinet (Cabinet Minute 87 2017/18 refers).
- 3.8 The revised total estimated cost is £34m. £28m of this is construction cost. The remainder is made up of client costs, design fees, demolition costs and a HRA client contingency of £2m. The estimated cost also includes a provision of £1.5m to cover inflation (BCIS Indices)

# Affordable Housing Development Programme

**Cabinet**

**Date: 22<sup>nd</sup> April 2020**

- 3.9 The estimated cost has increased by £3.5m due to, compliancy with inflationary costs associated with the construction industry including the cost of materials, market forces relating to the shortage of skilled labour and changes to Part L and Part F of the Building Regulations for new dwellings. It should be noted that changes to the Building Regulations are designed to improve the energy efficiency of resident's homes and reduce household costs.
- 3.10 Subject to approval at Cabinet, preparation and evaluation work is expected to start at Queens Drive Phase 1A in March 2020, with contract works due to start May 2020 and a completion in August 2021. Queens Drive Phase 1B is expected to start on site in August 2021, with completion in May 2023.
- 3.11 Since the Cabinet Report we have revised the tenure mix based on Homes England advice, the funding available and the demand to deliver a diverse housing product. The table below shows the proposed tenure mix.

Landlord	Property Type	Units	Rent Type
SBC	1B Flat	41	Affordable
SBC	2B Flat	35	Affordable
SBC	2B House	5	Social
SBC	3B House	15	Social
SBC	4B House	12	Social
	2B House	10	Shared Ownership
	3B House	7	Shared Ownership
RentCo	1B Flat	11	Market
RentCo	2B Flat	13	Market

- 3.12 The previous proposed funding models relied heavily on charging affordable rents at 100% of the Local Housing Allowance, and a requirement to convert up to 138 pre-existing properties from social rents to the higher affordable rents. Without additional funding from either reserves or from additional conversions to affordable rents, this scheme would not be able to cover its costs within the timeframe of the HRA Business Plan. However, given a wider tenure mix, the use of varying levels of HRA reserves and varying numbers of conversions of rents from social to affordable rents within existing stock, the scheme can reach a payback period of between 30 and 40 years as shown below.

# Affordable Housing Development Programme

Cabinet

Date: 22<sup>nd</sup> April 2020

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Financial Model	
Already Funded by Reserves	£2,000,000.00
HRA Reserves	£4,000,000.00
Right to Buy receipts	£2,640,000.00
Homes England Grant and Sales	£9,784,000.00
Borrowing	£15,576,000.00
Total	£34,000,000.00
No.of conversions to Affordable Rent	50
Payback period in years	38

## Bromley Close

- 3.13 Given its prominence and profile further design work is required to meet the expectations of such a high profile development. Subject to a positive consultation it is anticipated that a suitable design with full cost details will be brought back to Cabinet later this year.

## High-Rise update

- 3.14 Work continues in developing proposals for the two High Rise blocks in Park North. The Public consultation has now been completed and in the main, residents favour demolition and re-provision on site and in the immediate area where possible. It is anticipated that a further report will be available for Cabinet in June 2020

## **4. Alternative Options**

- 4.1 Cabinet has already agreed the redeveloping of Queens Drive, accepting that the existing accommodation is no longer fit for purpose and would require significant investment.
- 4.2 The Council could decide not to develop the sites for housing purposes. The decision not to agree the future development of these sites would have a

# Affordable Housing Development Programme

Cabinet

Date: 22<sup>nd</sup> April 2020

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significant impact on the Council delivering a supply of Affordable Housing over the next 3 years.

- 4.3 Advertise the sites on the open market as an opportunity for residential development.

## **5. Implications, Diversity Impact Assessment and Risk Management**

### Financial and Procurement Implications

- 5.1 Of the projects outlined in this report, only the Queens Drive project had received previous Cabinet approval and was incorporated into the HRA Capital Budgets approved by Cabinet in February. Since the February report, further work on the Queens Drive project has resulted in a revision of costs resulting in an increased budget requirement of £3.5m bringing the total budget requirement to £34m.
- 5.2 Revisions to the total cost of the project in terms of both cost and the tenure mix will result in the borrowing for this scheme rising to £15.5m, the balance of the cost being met from grant funding, sales, right-to-buy-receipts and the use of £4m HRA reserves. The rents generated from this project will take approximately 38 years to repay the borrowing required for the scheme.
- 5.3 Windmill Hill is a new £15.1m scheme proposed for inclusion in the HRA capital programme. It will require £8.2m of additional borrowing, with the balance of the scheme being funded from sales and HRA reserves. As a result of using a lower level of reserves on Queens Drive, £2m reserves can be utilised on the Windmill Hill project, and the borrowing can therefore be repaid from rent income in approximately 41 years.
- 5.4 The developments have been assessed at an early stage, and can be delivered within significantly affecting the HRA business plan set out in Februarys Cabinet Report, drawing down HRA reserves to the minimum working balance of £4m as set out in the Business Plan.
- 5.5 Feasibility costs for the Bromley Close project and consultation will be met from within existing HRA revenue budgets until such time that the project receives formal Cabinet approval as a capital scheme.
- 5.6 Work for the projects will be tendered out in line with Council contract standing orders

### Legal and Human Rights Implications

- 5.7 Legal and Human Rights implications were taken into account in drafting this report. It is considered that the recommendations are compatible with Convention Rights.

# Affordable Housing Development Programme

Cabinet

Date: 22<sup>nd</sup> April 2020

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## Climate Change Impact

- 5.8 The recommendations would bring about a reduction in the Council's carbon footprint with the development of quality, modern and energy efficient homes.
- 5.9 The Council is committed to building sustainable, energy and thermally efficient homes that are resilient to climate change. It will achieve this by creating great places to live, in mixed and balanced communities and contribute towards the Council's ambition towards net zero carbon.
- 5.10 Whilst embracing the need for all new mixed tenure homes to move towards zero carbon, financial viability assessments show a need to balance this with the number of homes built and the level of affordable housing.
- 5.11 Notwithstanding the current constraints of the residential design and construction industry and supply chains. The Council has sought to establish the most cost effective approach to maximising the reduction of carbon in the design and construction approaches for new homes.

## All Other Implications (including Staff, Sustainability, Health, Rural, Crime and Disorder)

- 5.12 None

## Diversity Impact Assessment

- 5.13 A Diversity Impact Assessment has been carried out on the Housing Development Programme, and there are no adverse implications for consideration. A copy of the DIA is available from the report author.

## Risk Management

- 5.14 A risk register has been done for each project and forms part of the standard project management approach

## **6. Consultees**

- 6.1 The Corporate Director of Finance and Assets (s151 officer) and Chief Legal Officer (Monitoring Officer) are consulted in respect of all reports.

## **7. Background Papers**

- 7.1 None

## **8. Appendices**

- 8.1 Appendix 1 – Queens Drive Site Plan

# **Affordable Housing Development Programme**

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## **9. Key Decision/Decision in Cabinet Work Programme and Forward Plan**

- 9.1 This is a Key Decision and is included in the Cabinet Work Programme for March 2020.