Spelthorne Borough Council

Extraordinary Council Meeting

Thursday, 21 January 2021

13 January 2021

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To the Councillors of Spelthorne Borough Council

I hereby summon you to attend an Extraordinary meeting of the Council to be held remotely via Skype for Business video conferencing on **Thursday, 21 January 2021** commencing at **6.00 pm** for the transaction of the following business.

Daniel Mouawad
Chief Executive

Councillors are encouraged to wear their badge of past office at the Council meeting.

Councillors are reminded to notify Committee Services of any Gifts and Hospitality offered to you since the last Council meeting so that these may be entered in the Gifts and Hospitality Declaration book.

AGENDA

Description		Page nos.
1.	**Apologies for absence** To receive any apologies for non-attendance.	
2.	**Disclosures of Interest** To receive any disclosures of interest from Councillors in accordance with the Council's Code of Conduct for Members.	
3.	**Capital Budgets for Council Development Programme** To consider a report on the Capital Budgets for Council Development Programme. The appendices to this report contain exempt information within the meaning of Part 1 of Schedule 12A to the Local Government Act 1972, as amended by the Local Government (Access to Information) Act 1985 and by the Local Government (Access to information) (Variation) Order 2006: Paragraph 3 – Information relating to the financial or business affairs of any particular person (including the authority holding that information) and in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information because, disclosure to the public would prejudice the financial position of the authority.	5 - 60

Extraordinary Council Meeting

21 January 2021

Title	**Capital Budgets for Council Development Programme**
Purpose of the report	To make a decision
Report Author	Terry Collier, Deputy Chief Executive Heather Morgan, Group Head Regeneration and Growth
Cabinet Member	Cllr John Boughtflower
Confidential	Report is not confidential but appendices 2 and 3 are
Corporate Priority	Financial Sustainability Housing
Recommendations	Ahead of the February 2021 Council meeting and the setting of the Capital Programme for the years 2021/22 to 2024/25, Councillors are asked to decide whether the capital provision for the developments listed below (being those development projects where budget provision has been approved in the general budget cycle rather than specific reports to the Council) are to be included in such Capital Programme: 1.Ceaser Court phase II, Sunbury (£14.6m phases 1 and 2 (£6.3m in 21/22 for phase 2) 2.Thameside House, Staines-upon-Thames (£46.45m) 3.Ashford Multi-Storey Car Park (Funded initially from £10m capital provision 2021/21 for Regeneration and Housing Opportunities) 4.Oast House, Staines-upon-Thames (£77.678m excluding purchase cost) 5.Tothill car park, Staines-upon-Thames (within £8m provision for Elmsleigh Centre) 6.Vodaphone/William Hill, Staines-upon-Thames (within £8m for Elmsleigh Centre)
Reason for Recommendations	The allocation of capital for development projects is approved during the usual budget cycle. In order to inform the final preparations for the Council meeting in February, and to enable full debate by Councillors without time constraints, Councillors are asked to make a decision on the recommendations.

1. Key issues

1.1 At Council on 10 December 2020, the Leader announced that he was calling for an Extraordinary Council Meeting (ECM) in January 2021 to consider the Councils development portfolio. It was noted that there was a great deal of opposition to high-rise development in Staines-upon-Thames, but at the same time it was recognised that these developments have the opportunity to bring forward a very significant level of affordable housing in the borough for Spelthorne residents.

1.2 As a major landowner in the borough, the Council has a critical role in place making on several fronts. These re expressed in a number of corporate policies that have been adopted by Full Council:

(1) helping deliver the housing numbers required as part of the Local Plan which links to corporate objectives and priorities for housing delivery upfront

(2) delivering mixed use regeneration schemes which are focused on much needed residential housing, and in particular housing that is affordable to local residents

(3) civic leadership role in ensuring a prosperous local economy especially in terms of the need to ensure a robust recovery post-COVID-19 (retailers and restaurants need local residents to create footfall).

<u>Schemes for consideration</u>

1.3 The Councils development programme looks to deliver on the above. There are a number of schemes which are not for consideration by Council this evening, and the rationale for this is set out below:

(a) Occupied (Churchill Way and Bugle)

(b) Under construction - White House (homeless accommodation), Harper House (temporary accommodation for families), Ceaser Court Phase 1 (50% affordable and 50% private sector rented) and West Wing at Knowle Green (100% affordable)

(c) Non-residential (Leisure)

(d) Where Council has very recently approved a construction budget based on fully tendered costs for a development – Ashford Victory Place (Council approved the construction budget on 23 October 2020)

1.4 The sites forming part of the development portfolio which are for consideration by Council under this report are set out below:

Location	Stage	Accommodation type
Ceaser Court phase 2 (39 units)	Planning	Can be 50% affordable, remainder to be private rented
Thameside House (140 units)	Planning	50% affordable, 50% private rented
Ashford multi-storey car park (potential 48 units)	Feasibility	100% affordable

Oast House (potential 217 units plus creative workspace and potential theatre)	Feasibility	100% affordable
Tothill car park (potential 250 units plus commercial and retail)	Feasibility	50% affordable, 50% private rented
William Hill/Vodaphone (14 units)	Feasibility	100% affordable

1.5 It will be evident from the final column in the table that all the schemes would deliver at least 50% affordable rented accommodation (80% of market rent). Of the 708 units above, 493 would be affordable rented which equates to 70%.

Headline information

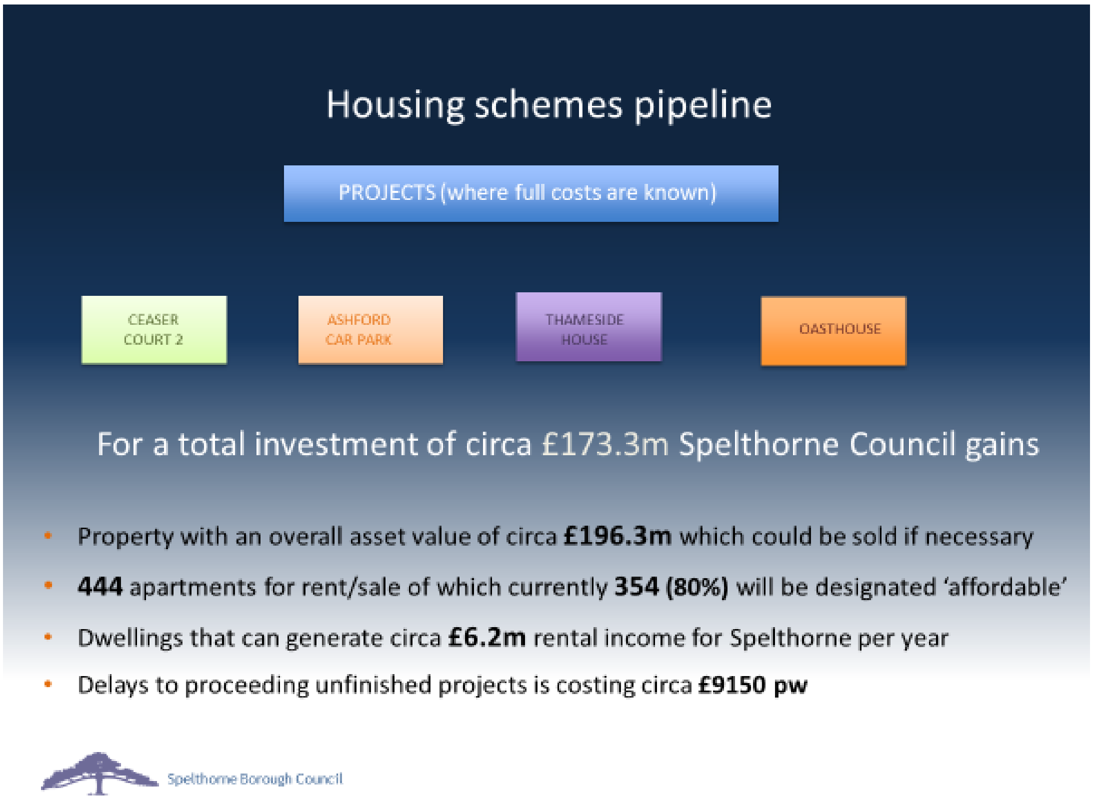
1.6 To aid councillors in their decision making, an overarching picture of the pipeline for the schemes in the table is provided below. The first ‘slide’ sets out information on the overall costs to date for the portfolio, the cost to completion, gross development cost, gross development value, number of units, number and percentage of affordable units, net annual rental income (to Knowle Green Estates [KGE] which is 100% owned by the Council) and the cost of delay per week for the portfolio (£9,150). The second ‘slide’ sets out in simple terms what the level of investment will deliver for the Council and its residents. It should be noted that the amount of information which can be provided varies depending on how well progressed each development is.

Housing schemes pipeline (where all costs are known)

PROJECT	COST TO DATE £m	TOTAL COST TO COMPLETION	GROSS DEVELOPMENT VALUE	No. OF FLATS	% AFFORDABLE	AFFORD UNITS	NET RENTAL INCOME P/A	DELAY COST PER WEEK
CEASER COURT 2	0.2	8.22	12.6	39	50%	19	£0.443m	
ASHFORD CAR PARK	0	15.5	16.6	48	100%	48	£0.54m	£0
THAMESIDE HOUSE	10.1	60.96	72.4	140	50%	70	£2.34m	£2922
OASTHOUSE	21.3	88.6	94.7	217	100%	217	£2.88m	£6,150
	£31.6m	£173.3m	£196.3m	444	80%	354	£6.2mpa	£9072

Income to Council each year
35 years = £217m

Spelthorne Borough Council



1.7 **Appendix 1** is an aggregated slide to shoe the impact if none of the six development proposed were agreed by this ECM to be included in the Capital Programme for 2021/21 to 2024/25 at the February Council meeting. **Confidential Appendix 2** provides detail on an individual site basis and includes costs to date, cost of completion, gross development values, gross development costs, number of flats, percentage and number of affordable units, rental income and the cost of delayed development per week. This gives a very clear picture of the potential impacts which will arise because of individual decisions on whether a development proposal should go forward or not.

1.8 **Confidential Appendix 3** includes more on financial aspects of the developments as well as an up-to-date position on where they are in the development process. Councillors can then understand exactly what work has been undertaken to date, and abortive costs/work if a scheme does not go forwards**.**

Delivery of affordable housing

1.9 Historically, the private sector has failed to deliver the number of new homes that Government requires of the Borough. The Council is not presently meeting the development management requirements imposed by national policy in relation to housing land supply. We do not have a five-year housing land supply so we are already at the level where the presumption in favour of sustainable development applies for all schemes within the developed area.

1.10 We are therefore required to put in place an annual Housing Delivery Test Action Plan (HDTAP) setting out how we will increase our supply. Our delivery in 2019/20 was only 60% of Government requirements (using the 606 units per annum figure).

1.11 The lack of delivery of Section 106 affordable housing is particularly concerning when you consider that between 2015 and 2020 only 199 units have been delivered (and mostly in the early years as a result of A2D's Stanwell New Start regeneration programme). No net additional affordable units have been provided by developers in the past two years. There are nearly 2,100 residents currently on our Housing Register, and 11 households on average are 'chasing' each new affordable property that comes forward for letting.

1.12 The delivery of a high percentage of affordable housing for our residents is a cornerstone of the Councils development programme. Any of the developments outlined in this report which Council decide not proceed will impact on that delivery to the detriment of residents in the borough.

<u>Impact on the Local Plan and Green Belt</u>

1.13 It is clear that if Council development schemes are not agreed by this ECM to go into the capital programme, the early years of the plan will under-deliver on housing numbers. Put simply this means that more sites will have to be identified over and above the number actually required to meet the current annual number of 606 units pa in order for the plan to be found sound.

1.14 Council owned sites are expected to deliver a significant proportion of the identified housing need over the Local Plan period. The six sites under consideration this evening will contribute 444 units to the 5-year land supply and a further 264 units are projected to be delivered in years 6-15. Overall, they account for 19% of the total SLAA sites and therefore our supply as a whole

1.15 Failing to agree to move forward on these six schemes could affect the Green Belt. If there are not sufficient sites to otherwise meet the housing supply in the developed area then this will undoubtedly lead to a greater pressure through the Examination process to release additional Green Belt land to compensate (with all the additional environmental implications which will also fall out as a result).

1.16 If the 'brownfield only' approach cannot deliver the required numbers then the only alternative is to go back to the approach being taken in 2019/20 and consider some limited release of Green Belt sites. Failing to agree these six sites for inclusion in the Capital Programme would increase the deficit by 78% (using the 489 units pa figure), by adding *another 708 units*. This would inevitably mean reverting back to similar numbers of Green Belt sites to the Preferred Options rather than being able to remove from consideration some of the larger and most contentious sites.

<u>How decisions of this ECM feed into February Council</u>

1.17 The steer provided by the ECM as to which schemes are to be moved forward, will feed into the Capital Programme 2021-22 to 2024-25 report to be approved by full Council in February 2021, as required by statutory regulations. The Capital Programme formally represents the budget for approved schemes and will set out how these schemes will be financed. It also demonstrates how that funding of the total Capital Programme is compliant with the requirements of the CIPFA Prudential Code, including setting out the required Prudential Indicators covering both required borrowing limits of the Operational Boundary and the Authorised Limit. Additionally, the

Capital Programme report will confirm that the Council's proposals are compliant with the new borrowing terms of the Public Works Loan Board (PWLB).

2. Options analysis and proposal

2.1 Council is being asked to decide which of the developments set out in the table at para 1.4 they wish to proceed with from a *budgetary point of view only, and this will then feed into the Capital Programme 2021/22 to 2024/25 report which the Council will approve in February 2021.* It is for Cabinet (until the committee system is in place) to decide on how to actually spend the money that Council 'approves' as part of the 2021/22 to 2024/25 capital programme. Cleary it is expected that this will sit within the parameters set out in the confidential appendices in order to give confidence to Council that if they agree individual developments they will come forward in the manner expected.

2.2 Once the committee system is in place (subject to agreement by Council at an extraordinary meeting on 25 March 2021) these matters would be within the remit of the Corporate Policy and Resources Committee which is proposed to be responsible for financial, budgetary and asset matters.

2.3 Those schemes that are proceeded with would then be reflected in the Capital Programme for 2021/22 to 2024/25 and the Capital Strategy for 2021 which is going to February Council as well.

<u>Risk and impacts</u>

2.4 Councillors will be aware that there is an Extraordinary Cabinet meeting on 25 January 2021 for Cabinet to decide whether "any proposed development of Staines Town Centre by Spelthorne Borough Council should be kept on hold until the Staines Development Framework has been adopted". The schemes for consideration at this ECM include all those development sites within Staines-upon-Thames plus two others, namely Ceaser Court Phase 2 Sunbury and Ashford multi-storey car park.

2.5 As a result, the moratorium report and this ECM report are inextricably linked and bring up the same issues. It is therefore necessary to ensure that all the risks and issues are identified to both meetings in the interests of openness and transparency. In fact, if anything, the consequences of not proceeding with the development schemes is potentially more serious if the decision is not to proceed with any of the developments as opposed to the Moratorium which will delay matters until the adoption of the Local Plan and the Staines Development Framework which is realistically expected to be in March 2023. The decisions made as part of the Local Plan may effectively mean that the schemes do not go ahead for viability reasons.

2.6 The risks of not agreeing development schemes are very significant, and cannot be under-estimated. If the developments do not proceed it will fundamentally affect the future of the Council through:

(a) Increased budgetary and financial pressures

(b) Lower levels of affordable housing

(c) Reduction and delay in development activity

(d) An increased risk the Local Plan cannot deliver the required housing numbers and is found 'unsound'

2.7 The key risks and impacts of these development schemes not moving forwards are set out in the boxes below. Full details are provided in **Appendix 4**.

Financial Impacts
Adverse impact on the Council's Revenue budget requiring additional budget savings and/or generating alternative income. Thameside expected to contribute **£1.1m** per annum (net interest margin). Lost rental income for KGE for all development would be in the order of **£12m** Holding costs for all developments of **£8.87m** Adverse impact on the net interest margin on mixed schemes Smaller schemes are likely to result in a net loss once the cost of purchase of site is taken into account. Cost of compulsorily acquiring housing sites to ensure we can deliver Local Plan housing numbers

Affordable/Development
Delay in affordable housing (2,100 households in need on the housing register) Schemes can deliver between 50 – 100% affordable rented Development schemes could deliver c.493 units (24% of current need) Last year no net new additional affordable units were delivered by developers Capital monies on abortive development projects will have to be converted into revenue **(£3.95m**) Reduction in CIL payments will impact on the 'pot' available for infrastructure projects (**£650k** known costs) Market conditions are not favourable for securing a realistic price for sale (due to COVID-19 and Brexit concerns)

Strategic Planning
Housing figure back up to 606 from 489 per annum Pressure to provide alternative sites especially if brownfield only option is pursued (need to find around a *further* **708** units over the life of the plan on top of the deficit of 2,614 homes if the housing number is 603 pa and 931 if the number is 489 pa) Concerns over the deliverability - Council schemes for ECM consideration are delivering 19% of the Strategic Land Availability Assessment (SLAA) sites (444 units in years 1 to 5 and 264 in years 6 to 15)

Threat of Green Belt sites coming forward via planning applications, including those rejected at the Preferred Options stage Contrary to national policy/guidance (would fundamentally restrict the use of significantly increased densities in sustainable areas) Increased risk that the examining inspector will end up picking sites which the Council, left to its own choices, would not have brought forward Worsen position in terms of housing land supply (only delivering 60% of government requirement)

3. Financial implications

Borrowing

3.1 Alongside approving the Capital Programme provision for all capital projects including housing delivery pipeline schemes (February 2020 Council), the Council has already set (as required by the Prudential Code), borrowing limits for its total capital expenditure (Operational Boundary and Authorised Limit). These limits have been agreed for the current financial year and the following three financial years to fund all the schemes in the current Capital Programme.

3.2 The Council at its February 2021 meeting will be refreshing the Capital Programme (alongside the Capital Strategy) by rolling forward the period covered by the Programme by one year to cover the period of 2021-22 to 2024-25 and will be updating its Borrowing Limits for that period. Currently the Operational Boundary borrowing limit is as follows:

2020-21 £1,250m

2021-22 £1,250m

2022-22 £1,300m

2023-24 £1,350m

3.3 and the Authorised Limit (which is a worst-case limit and allows for unforeseen cashflow events) is as follows:

2020-21 £1,350m

2021-22 £1,350m

2022-23 £1,400m

2023-24 £1,450m

3.4 These limits include borrowing already undertaken by the Council. As a result of the initial work by officers on the draft Capital Programme for 2021-22 to 2024-25 (with some general contingency provisions being removed), it is anticipated that the total Capital Spend over the next four years will reduce. Initial modelling suggests a reduction from £326m for the current 4-year period to approximately £250m for the new 4 year period (a reduction of £76m). Current borrowing limits are likely to be more than sufficient for the next four years and indeed may be reduced slightly. Council are therefore not required to extend the borrowing limit.

3.5 Clearly the decisions of this ECM will inform and shape the schemes moving forward for inclusion in the Capital Programme which the Council is required by statute to approve at its February 2021 Council meeting.

3.6 From a risk point of view, the financial implications of not proceeding with any of the individual sites are set out in full in the two confidential appendices and in the first section of **Appendix 3.**

4. Other considerations

4.1 These are covered in **Appendix 3.**

5. Sustainability/Climate Change Implications

5.1 Not applicable.

6. Timetable for implementation

6.1 The decision will feed into the Capital Programme for 2021/22 to 2024/25 which will be considered at Council on 25 February 2021 as part of the annual budget setting process.

Background papers: There are none

Appendices:

1 Aggregated of Council schemes under consideration at ECM
2 Information on development costs, rental income and levels of affordable housing across the portfolio **(confidential)**
3 Information on individual development schemes **(confidential)**
4 Risks and Issues around not delivering on the Council’s development programme.

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APPENDIX 1

Aggregate of Council schemes for consideration at ECM
Thameside, Oast House, Tothill, William Hill (WH), Ceaser Court Phase 2 (CCP2) & Ashford Multi Storey Car Park (AMSCP)

Acquisition Costs-Thameside House/Oast House sites:£28m. CCP2 & AMSCP held at nil cost.

Cost to date for all schemes: £31.95m.
Total cost to completion: £173.31m + Tothill/WH (£113.2m). Total £286.5m
End value for Thameside, Oast House, CCP2 and AMSCP only: £196.25m. Tothill/WH tbc.
Total Income for Thameside, Oast House, AMSCP and CCP2 only : £6.21mpa net.
Number of affordable units: 493 (70% provision across all sites)
Total number of units: 708
Delivery Timeline: assumes no schemes come forward until adoption of the Local Plan
Estimated holding cost until adoption of Local Plan - Thameside, Oast House, Tothill, William Hill, CCP2 and AMSCP : £8.87m.
Approx Value of Lost Rent Due To Delay for Thameside and Oast House only : £12m
No of Storeys – between ground and 5 and ground + 14 upper floors (Staines)

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of the Local Government Act 1972.

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Risks and Issues around not delivering on the Councils development programme

1. Background

1.1 For the purposes of this Appendix it is assumed that the Staines Development Framework is adopted in parallel with the Local Plan and that they are both adopted in March 2023. All the figures are presented on this basis. Councillors should bear in mind that if schemes do not progress at all, then the lost revenue impacts will be on-going in perpetuity.

Financial Impacts
Adverse impact on Council's Revenue budget requiring additional budget savings and/or generating alternative income: Thameside expected to contribute **£1.1m** per annum (net interest margin). Lost rental income for KGE for development would be in the order of **£12m** Holding costs for all schemes **£8.87m** Adverse impact on the net interest margin on mixed schemes Smaller schemes are likely to result in a net loss once the cost of purchase of site is taken into account. Cost of compulsorily acquiring housing sites to ensure we can deliver Local Plan housing numbers

<u>Budget pressures</u>

1.2 2020 was an unprecedented year due to the worldwide coronavirus pandemic. In his statement on 25 November 2020, the Chancellor highlighted that the Office for Budget Responsibility forecasts that the economy will contract by 11.3% this financial year, the biggest drop in one year in 300 years (since 1709). He also recognised the long-term scarring of the economy with GDP likely to be 3% lower than otherwise would have been the case in 2025.

1.3 The full economic and financial impacts of COVID-19 on the Borough and the Council are not yet known. Spelthorne, along with the whole of England, is currently under a new lockdown, and it is anticipated that this regime will be in place until the country starts to see the positive impacts of the vaccination programme. In particular, the Council needs to wait to see what impact the ending of the national furlough scheme will have on unemployment numbers, and the number of families needing to claim benefits, receiving localised council tax support or housing support. The collection fund is already being impacted by economic situation. In turn, the future impacts on the economy and how it recovers will have an impact on the Council's service fees and charges income for a number of years to come (which will be supressed).The Council also needs to be mindful of how local development can support the economic recovery post COVID-19.

1.4 These pressures are in addition to the 'normal' budget pressures we as a Council already face. Councillors will be aware that as a result of the impacts of COVID-19 and the shift in policy towards greater Affordable Housing delivery the revenue gaps for the Outline Budget are more challenging than previously.

1.5 The removal of any of the Council's development schemes from the Capital Programme 2021/22 to 2024/25 would have a negative impact on the overall fiscal position of the Council at a time it will already be under strain. With limited options for alternative income generation, significant savings are likely to be required. This could result in potentially very painful decisions having to be made around service delivery, with potential cuts and/or possible future redundancies.

1.6 Difficult conversations would potentially have to be made around non-statutory services such as those delivered for the community, for example Day Centres/Independent Living services, Spelride, and leisure/cultural activities. Clearly these non-statutory services are incredibly important to our residents and it was one of the great strengths that has come through in our proactive approach to dealing with the current coronavirus pandemic. Longer term potential redundancies could impact across the board, and would affect the level of service that could be provided.

<u>Impact of schemes not progressing on rental income</u>

1.7 The schemes which the ECM are considering are Ceaser Court Phase 2, Thameside House, Ashford MSCP, Oast House and Kingston Road car park, Tothill car park and William Hill/Vodaphone unit. **Confidential Appendices 1 and 2** provide further details.

1.8 As Council are aware, once development schemes are completed they are currently transferred to Knowle Green Estates Ltd (a 100% wholly owned Council company), who are responsible for managing the residential portfolio on behalf of Spelthorne. Deciding not to proceed with all or some of the development projects as part of the capital programme, or delaying them will have a knock-on effect on the rental income stream and the net interest margin the Council will earn on mixed tenure schemes.

1.9 Whilst removing any of the development schemes will have an adverse effect on the Council's financial position, Thameside House is by far the most progressed. The current timeline assumes that permission is granted in Spring 2021, work starts in the last quarter of 2021 (calendar year) and is completed in the last quarter of 2023 (calendar year). The financial consequences of either not developing at all, changing the scheme dramatically, or delaying until the adoption of the Local Plan would be considerable.

1.10 All borrowing on completed residential schemes will be more than covered by the loan repayments made by Knowle Green Estates (KGE) to the Council which are entered into on completion of schemes. In the case of mixed tenure schemes such as Thameside House, Ceaser Court Phase 2 and Tothill car park, the Council will earn a considerable margin between the rate it is able to borrow (say 1.5% based on current PWLB rates) and the “market rate” it will charge to KGE. This is called the net interest margin.

1.11 As an example, the annual net interest margin by to the Council is expected to be £1.1m per annum once Thameside is completed, and will help support the Councils budget with an on-going revenue stream. If the development does not go ahead at all then this receipt cannot be used to offset future budget gaps. Even delaying the development in line with the adoption of the Local Plan would result in lost rental receipts. This rental income shortfall would remain until March 2026 when the development is completed and can be let. The total cost in terms of lost rental income from Thameside to KGE would be in the order of £5.26m to March 2026.

1.12 Assuming the Oast House development comes forward as 100% affordable housing, there will be no net interest margin to be gained by the Council as the borrowing rate and the market rate charged to KGE will be the same. Were the affordable figure to drop however there would be a net interest margin which would add to the gap already created if the Thameside House scheme is delayed. The total cost in terms of lost rental income from Oast House to KGE would be in the order of £4.326m to March 2026.

1.13 There is no net interest margin to be gained for the other sites being considered by this ECM as the sites are already in the ownership of the Council.

Impact on ‘holding’ costs of development schemes

1.14 Of the six development schemes under consideration by the ECM, four have been directly acquired for redevelopment and regeneration purposes – Thameside House (£8.5m), Oast House and Kingston Road car park (£19.5m), Ceaser Court phases 1 and 2 (£9.5m) and William Hill/Vodaphone (which formed part of the Elmsleigh Centre acquisition). These were acquired through borrowing from the Public Works Loan Board, and these loans have to be paid back over a 50-year period. Delaying completion of the developments up until the adoption of the Local Plan, for example, will impact on the holding costs (monthly loan payments, insurance etc) which will still accumulate whilst the schemes are ‘on ice’. These impacts would be magnified exponentially if any of the developments were not agreed to go forward at all, as the loans would still need to be repaid regardless of whether there was any development income to KGE to then cover the net interest margin paid back to the Council..

The ‘holding’ costs if schemes did not progress until the adoption of the Local plan would total £8.87m. These ‘holding’ costs include interest costs and security.

Affordable/Development
Delay in affordable housing by 2 years (2,100 households in need on the housing register) Schemes deliver between 50 – 100% affordable rented

Development schemes could deliver c.493 units (24% of current need)

Last year no net new additional affordable units were delivered by developers

Capital monies on abortive development projects will have to be converted into revenue **(£3.95m**)

Reduction in CIL payments will impact on the 'pot' available for infrastructure projects **(£650k)**– Thameside and Ceaser Court phase 2)

Market conditions are not favourable for securing a realistic price for sale (due to COVID-19 and Brexit concerns)

Affordable Housing

1.15 Any delay in delivering Council schemes will have a significant impact on the number, type and size of affordable housing units coming forward in the town centre.

1.16 Delivery of section 106 affordable housing is particularly concerning when you consider that between 2015 and 2020 only 199 units have been delivered (and mostly in the early years as a result of A2D's Stanwell New Start regeneration programme). No net additional affordable units have been provided by developers in the past two years. There are nearly 2,100 residents currently on our Housing Register, and on average 11 households are 'chasing' each new affordable property that comes forward for letting.

1.17 Levels of section 106 affordable are determined through a viability assessment which is undertaken as part of the planning application process. Within the borough, the most recent large-scale schemes have delivered a mere handful of units through this process. For example, the London Square and Berkeley Homes developments between them have only provided around 10% affordable across their sites.

1.18 Often, the Council are offered shared ownership rather than affordable rented units (which are out of reach of the vast majority of our residents), and officers also have to negotiate very hard to achieve the right outcome in terms of the size of unit (two beds rather and one). The viability process acts as a constraint on delivery.

1.19 Whilst Council applications have to go through the same viability assessment to determine the level of s106 affordable, the Council can voluntarily decide to provide more affordable if it so wishes. That decision has been made on all the Council's development schemes which are under consideration by the ECM this evening. 50% of the units at Thameside House can be delivered as affordable (70 flats), in addition to the possibility of 100% on the Oast House site (217 units), 100% at William Hill/Vodaphone (14 units), 100% affordable for Ashford MSCP (48 units) and a target of 50% for both the Tothill site (c125 units) and Ceaser Court Phase 2 (19 units).

1.20 In total these six schemes could deliver 493 affordable rented units which would meet around 24% of the current need on the Housing Register. Holding developments until the adoption of the Local Plan would put delivery of these units back by over 2 years by the time a planning application is worked up, submitted post March 2022 and then approved (a 12 month process). In those 2 years, with the current economic position of the Country, the housing register numbers are likely to materially increase with more residents in the borough being unable to live here. (The register has increased from 1,600 on 2016 up to 2,100 in 2020 without the economic shock of COVID-19 having taken hold - so we can expect an increase of at least the same level if not more within the next 2 years).

1.21 The lack of affordable housing provision, if development schemes are not agreed by this ECM to be put forward within the capital programme, will undoubtedly result in greater pressure on front line services. Housing register numbers will increase and there is a greater risk that the Council will be failing to meet basic needs of residents and local communities (social housing provision). It may well result in increased levels of homelessness and impact on mental health/wellbeing within the community.

Development matters

1.22 A number of development specific matters would further compound the fiscal challenge which the Council will face in terms of its budgetary position:

- Added pressure on the revenue budget. Any capital monies on abortive development projects will have to be converted into revenue (£3.95m)

- High risk of claims from contractors due to delays. Furthermore a hold on construction does not support the Governments steer for public bodies to financially support its key suppliers in order to stay afloat in the current challenging COVID economic situation

- Reduced level of Community Infrastructure Levy (CIL) payments to the Council as a result of delayed projects (set out above). This will adversely impact the amount of money available to deliver infrastructure projects (£650k) (which is only for Thameside and Ceaser Court Phase 2 as the other Council schemes are not sufficiently progressed to determine the CIL payment)

- The scope to recharge assets, legal and finance costs to KGE would be diminished if schemes did not progress, putting further additional pressure on the Council’s revenue budget.

1.23 One option for Council to consider would be to proceed with the development schemes at a reduced scale and therefore a reduction in Capital budget. However, any significant changes (e.g. drastically reducing the height of the developments to address the concerns of some residents and councillors) would result in a net loss once the cost of purchasing the site is taken into account. This does not make sound financial sense.

1.24 The only other option available if the developments are not agreed and do not go forward as part of the capital programme would be to sell the assets. Market conditions are not favourable for securing a realistic price (due to COVID-19 and Brexit concerns), and conceivably the Council may have to dispose of sites for less than the price we acquired them for. In addition, those developers would then be able to submit a planning application and would be looking to maximise density and height, whilst only delivering affordable at a level determined by a viability assessment. ‘Forced’ disposal would not only put the Council at a considerable disadvantage it would also not prevent developments coming forward in any event and would not fulfil the Council’s stated aim of providing affordable homes.

Strategic Planning
Housing figure back up to 606 from 489 per annum Pressure to provide alternative sites especially if brownfield only option is pursued (need to find around a *further* **708** units over the life of the plan on top of the deficit of 2,614 homes if the housing number is 603 pa and 931 if the number is 489 pa) Concerns over the deliverability - Council schemes for ECM consideration are delivering 19% of the SLAA sites (444 units in years 1 to 5 and 264 in years 6 to 15) Threat of Green Belt sites coming forward via planning applications, including those rejected at the Preferred Options stage Contrary to national policy/guidance (would fundamentally restrict the use of significantly increased densities in sustainable areas) Increased risk that the examining inspector will end up picking sites which the Council, left to its own choices, would not have brought forward Worsen position in terms of housing land supply (only delivering 60% of government requirement)

Local Plan matters

1.25 There are a number of very significant implications arising if Council decide not to agree the inclusion of any developments as part of the capital programme, both in terms of the Local Plan process itself and in ensuring that there is a Local Plan which is capable of being adopted. If the latter cannot be achieved, then there are severe ramifications not only in terms of delivering the Council’s schemes (and the additional financial costs and housing implications falling out of this), but also more broadly in terms of planning the future of the whole of the borough against unacceptable forms of development, particularly in terms of large-scale release of Green Belt sites.

<u>Current Housing Delivery</u>

1.26 As a Council we are not presently meeting the development management requirements imposed by national policy in relation to housing land supply. We do not have a five-year supply so we are already at the level where the presumption in favour of sustainable development applies for all schemes within the developed area.

1.27 We are therefore required to put in place an annual Housing Delivery Test Action Plan (HDTAP) setting out how we will increase our supply. Our delivery in 2019/20 was only 60% of what the Government requires (using the 606 units per annum figure).

1.28 The ultimate sanction in terms of failure to deliver would be for government to directly intervene and take over the planning service and taking away local democratic accountability from the Council. However, this would be as a last resort, and the step before this would be for external advice and support to be brought in.

1.29 Within the HDTAP, the Council is required to set out what steps it is taking to boost supply. Two of the key elements are the delivery of a revised Local Plan with a Staines Development Framework which 'will review and update existing policies acting as a barrier to delivery to help development come forward such as densities, design and parking' and using the Councils strategic landholdings to deliver the lion's share of new development.

Impact on Housing Land Supply

1.30 It is clear that if Council development schemes are not agreed by this ECM to go into the capital programme, the early years of the plan will under-deliver on housing numbers and will require even greater volumes of delivery in later years usually Local Plans are front loaded as the early years give certainty). The problem that the authority already faces will be compounded. As a result, an Inspector is likely to conclude that this requires increased flexibility within the housing land supply so that the plan can deliver over its time horizon to 2035.

1.31 Put simply this means that more sites will have to be identified *over and above* the number actually required to meet the current annual number of 606 units pa (called the objectively assessed need) in order for the plan to be found sound. (Council is reminded that shortly before Christmas 2020 the Government back-tracked on its housing methodology which means our figure has gone back up to 606 from 489 per annum under the methodology consulted upon).

1.32 Strategic sites such as those owned by the Council have the ability to deliver at a high rate for a number of years later in the plan period, and the risk of additional strategic sites needing to come forward if these Council sites are not agreed and do not come forward as part of the capital programme is not something that can be ignored.

1.33 Council owned sites are expected (within the Strategic Land Availability Assessment - SLAA) to deliver a significant proportion of the identified housing need over the Local Plan period. The six sites under consideration this evening will contribute 444 units to the 5-year land supply and a further 264 units are projected to be delivered in years 6-15. Overall, they account for **19%** of the total SLAA sites and therefore our supply as a whole.

1.34 The Local Plan Task Group has determined that the current deficit of 913 homes over the life of the Local Plan (using the 489 units pa figure) should be met on brownfield sites alone unless sufficient supply can be identified. This means the Task Group (then Cabinet and ultimately Council) will need to agree significant increases in density, heights and the number of units which can be delivered on sites which have already been identified across the borough.

1.35 If the six development schemes for consideration by the ECM do not get agreed for the capital programme, then they are in effect also being taken 'off the table' for consideration within the Local Plan process. This would leave us with a deficit of 1,621 homes over the Local Plan period rather than the current 913 figure in order to meet our housing need – *another 708 units*.

1.36 The Council would then be required to find an even greater number of units than those ‘lost’. This might involve further significant financial outlay (when budgets are still expected to be tight in future years) if the only way the Council can guarantee delivery of the housing numbers required by government is through compulsory acquisition of completely new sites. These would be sites that have not been identified either as available or deliverable up until now. There would be a significant cost to the Council, and we would in effect be paying twice for having to deliver the housing numbers dictated to us by central government (once for the town centres sites which may not come forward and once for the new sites in order to demonstrate we have a ‘sound plan’).

Impact on the Green Belt

1.37 Failing to agree to move forward on these six schemes could also affect the Green Belt. As has been set out above, if there are not sufficient sites to otherwise meet the housing supply in the developed area then this will undoubtedly lead to a greater pressure through the Examination process to release additional Green Belt land to compensate (with all the additional environmental implications which will also fall out as a result). Developers will always look for ways to push greenfield sites where the costs are lower and the rewards higher. Experience has shown that they will engage legal counsel, even Queen’s Counsel, to represent their interests at Examination, and exploit every potential weakness in the Plan to argue the case for releasing their site.

1.38 If the ‘brownfield only’ approach cannot deliver the required numbers then the only alternative is to go back to the approach being taken in 2019/20 and consider some limited release of Green Belt sites (though there would be fewer sites than proposed in the Preferred Options consultation). Failing to agree these six sites for inclusion in the Capital Programme would increase the deficit by 78% (using the 489 units pa figure), and this would inevitably mean reverting back to similar numbers of Green Belt sites to the Preferred Options rather than being able to remove from consideration some of the larger and most contentious sites.

1.39 There would also undoubtedly be the additional threat of Green Belt sites coming forward for development via planning applications, including those sites rejected at the Preferred Options stage. The consequences of not having a 5-year housing land supply become more onerous as the supply declines. Green Belt policy would still apply but a landowner or developer could make a case for very special circumstances and the weight given to meeting housing need alongside other benefits could help tip the balance to outweighing the harm to the Green Belt.

Staines Development Framework

1.40 If the ECM do not agree the four Staines-upon-Thames sites for inclusion in the Capital Programme, it would be unreasonable to include them for consideration at any stage in the Staines Development Framework, when the consultants who are producing the SDF are in discussion with landowners and developers, to ensure their schemes do not compromise the aspirations of the Framework. There would be a risk that those sites outside the Council’s control that are put ‘on hold’ never come forward if there is a change in the viability of the site in that period, for example. An Inspector examining the

Local Plan and SDF may have significant concerns over the deliverability of housing supply as a whole if the Council itself has decided not to proceed with a number of developments that could already be contributing to the 5-year housing land supply and the overall supply within the Local Plan.

Other matters

1.41 When making a decision of whether to include such sites in the Capital Programme it should be considered that such a decision would run counter to a whole raft of policies which set the direction of the Council, causing misalignment in delivering the Council's overall vision and corporate strategy. This includes the current Corporate Plan 2015 – 2019, Capital Strategy (though this is due for review and will be considered at February Cabinet and Council), Housing Strategy 2020 – 2025, Asset Management Plan 2020 – 2025, and the Housing Delivery Test Action Plan 2020 amongst others. This may increase the risk of a judicial review of the Local Plan, as well significantly undermining the Council's ability to achieve/deliver the Council's corporate priorities relating to financial sustainability and housing.

Key affordable housing information

Number on Housing Register as at 1 April

	2016	2017	2018	2019	2020
Number	1,598	1,869	2,186	1,245[1]	2,098

Number of social housing vacancies offered to the Council for re-letting

	2015/16	2016/17	2017/18	2018/19	2019/20
Number of lettings	249	197	199	170	196
Ratio applicants to vacancies	6:1	9:1	11:1	7:1	11:1

Ratio of median house prices to median wages by region

	2015/16	2016/17	2017/18	2018/19	2019/20
Spelthorne	9.39	10.42	11.16	11.06	11.61
South East	8.81	9.43	9.79	9.93	9.74
England	7.53	7.72	7.91	8	7.8

Number of affordable homes completed under s106 by tenure

Year	Affordable dwelling completions (Gross)	Affordable dwellings lost (Gross)	Affordable dwellings completed (Net)	Rented (Gross)	%	Shared Ownership (Gross)	%
2015-16	138	14	124	82	59%	56	41%
2016-17	46	0	46	46	100%	0	0%
2017-18	9	0	9	5	55%	4	45%
2018-19	6	0	6	6	100%	0	0%

2019-20	0	0	0	0	0%	0	0%
Total	**199**	**14**	**185**	**139**	**70%**	**60**	**30%**

Risk Assessment

The Council evaluates its risks on a four-point scale on the likelihood of the risk occurring and the impact caused should the risk occur. Risks are evaluated with their controls in place. Risks are plotted on a risk matrix (see below) and prompt action is taken on those risks that fall into the red zone. Action is considered for “yellow” risks while “green” risks are regarded as acceptable.

Cause of risk

Council development schemes not agreed by ECM for inclusion in the capital programme 2021/22 to 2024/25

Consequences of risk

Risk 1	Financial	as per blue boxes above
Risk 2	Affordable Housing	as per blue boxes above
Risk 3	Development Impacts	as per blue boxes above
Risk 4	Strategic Planning	as per blue boxes above

Matrix for impacts of ECM decisions

Impact	**4 (Catastrophic)**				**1 4**
	3 (Major)				**2 3**
	2 (Medium)				
	1 (Trivial)				
		1 (Rare)	**2 (Unlikely)**	**3 (Likely)**	**4 (Almost certain)**
		Likelihood (over 4 years)			

Impact Rating

	Trivial (1)	Medium (2)	Major (3)	Catastrophic (4)
Financial	Less than £20k Up to 2% of value of project or activity	£20k - £200k Up to 5% of value of project or activity	£200k - £2m Up to 10% of value of project or activity	More than £2m More than 10% of value of project or activity
Corporate Objectives	No effect	One objective cannot be delivered OR Some noticeable effect on several objectives	Failure to deliver more than one objective AND impact on others OR All objectives significantly effected	Cannot deliver most objectives
Service provision	No effect	Slightly reduced	Service suspended in the short term Reduced level over the longer term	Service suspended long term Statutory duties not delivered
Health & safety	Sticking plaster First aider	Broken bones/illness Lost time, accident or occupational ill health	Loss of life/major illness Major injury, including broken limbs/hospital admittance	Major loss of life Large scale major illness
Morale	No effect	Some hostile relationships and minor non cooperation	Industrial action	Mass staff resignation Unable to attract staff
Reputation	No media attention Minor letters	Adverse local media Leader column	Adverse national publicity	Remembered for years
Government relations	One-off single complaint	Poor assessment(s)	Service taken over temporarily	Service taken over permanently

Likelihood rating

Likelihood	Description
1 Rare	Once in every four years
2 Unlikely	A few times over four years but less than annually
3 Likely	Several times over four years, more than annually
4 Almost certain	Will probably happen several times a year

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