

Report to Warham Parish Council from Homes for Wells

I attended the last Warham Parish Council meeting and said that the pandemic lockdown is likely to impact some of our tenants' ability to pay their rent, which in turn forced us to freeze all expenditure until we know the extent of the damage to our finances.

The initial impact has been less severe than our worst case scenario and we are helping tenants in difficulty to seek other sources of help to minimise rent arrears. However, we do not know how long the lockdown will continue. This is delaying the affordable homes project.

Also, since the last meeting, we have come to an insurmountable financial and legal obstacle to the project as originally conceived. For the sake of transparency, I would like to explain how we have reached where we are today.

After being approached about the availability of the plot for affordable housing, we applied to the main grant-awarding authority, Homes England (HE). The terms of the grant required completion by March 2020. The only way the project could be completed so quickly was by using modular, and not conventional, construction. Michael Martin recommended this as the solution to the HfW Board. Modular is costlier than conventional build – to be viable, it needs very large scale production lines, in the hundreds of units – and the plant needs to be as near as possible to the plot, to contain the high transport costs. Michael believed that significant extra funding was available from HE to offset the extra cost of modular.

The Board was dismayed when the grant offered by HE did not allow an extra amount to offset the cost of modular. There were also delays to the award of Planning consent. The Board voted unanimously to seek a partner organisation to enter a joint venture or acquire the plot. Michael's approaches did not generate any interest. Michael then sought to review the costs and achieved significant reductions. Support was also forthcoming from NNDC to help with some of the site development costs. However, by December, it was clear that we had run out of time and the project costs were still too high. The next step was to apply to HE for an extension. With a new government in place, we had to wait for a Cabinet reshuffle, but eventually an extension of two years was offered.

It had been hoped to raise a loan to bridge the gap between the project costs and the grant, and to cover the loan costs with the rental income. Unfortunately, the loan funds backed by the government are not available for modular construction. Michael then sought a leasing solution, which is available to schools and universities and hospitals, for modular construction. Michael put the proposal to HfW's Board. The proposed lease cost would rise each year by a sum which was unlikely to be matched by the increase in rents HfW is permitted to charge. After about ten years, the lease would have become unaffordable and ownership of the whole development would have to transfer to the leasing company. This was not permissible under the terms of HE's grant, because

ownership has to remain with the Registered Housing Provider. The HfW Board could not sign the contract for the grant from HE because, to do so would have entailed a serious misrepresentation.

The lease company then offered to finance the whole project itself, bypassing the need for a grant from HE, but operating with HfW's allocations policy. I advised NNDC of this approach and was told that it would not be acceptable because the Planning Consent requires the ownership of the plot to be an Affordable Housing Provider. Michael resigned from HfW's Board.

HfW's Board meets again next week and will look at conventional build, along with some site alterations, to reduce the costs by about 25%. This would bring the average dwelling costs in line with our normal cost per dwelling. HfW will also approach NNDC Planning to ask whether we can amend our Planning consent, rather than have to submit a new one. If successful, HfW will put the revised project to tender and, if the new quotes are viable, we will reapply to HE and NNDC for a new grant and will seek loan finance from the government loan fund.

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