

Wiltshire Council

Cabinet

9 October 2018

Subject:

Housing revenue account additional borrowing programme

Cabinet Member: Councillor Richard Clewer - Cabinet Member for Housing, Corporate Services, Arts, Heritage and Tourism

Key Decision: Key

Executive Summary

The purpose of this report is to seek Cabinet endorsement of the bid that have been submitted to Homes England for HRA Borrowing approval and for Homes England grant funding. If successful, the funding sought will enable the delivery of 49 new affordable rented council homes and increase the HRA debt cap by £7.5m.

Proposal(s)

- 1.To endorse the bid to Homes England for £7.51 million additional borrowing approval and £0.61m Homes England grant funding.
- 2.Subject to the success of the funding bid to endorse the use of £1.36 million Right to buy capital receipts to part fund the overall development
- 3.Subject to the success of the bid and planning permission to endorse a programme to develop 49 new affordable homes across 16 sites as set out in appendix A.

Reason for Proposal(s)

The bid for funding if successful will deliver additional funding and borrowing approval to deliver 49 affordable homes across the County for people in housing need.

Alistair Cunningham Corporate Director Place

Wiltshire Council

Cabinet

9 October 2018

Subject:

Housing revenue account additional borrowing programme

Cabinet Member: Councillor Richard Clewer - Cabinet Member for Housing, Corporate Services, Arts, Heritage and Tourism

Key Decision: Key

Purpose of Report

1. The purpose of the report is to seek Cabinet endorsement of the bid that has been made for Housing revenue account borrowing to enable development of 49 new affordable homes.

Relevance to the Council's Business Plan

2. The proposals in the report directly support the business plan key priority of Growing the economy and specifically providing more affordable homes to rent and buy.

Background

3. The Council was invited to bid for Housing revenue account (HRA) borrowing approval by Homes England (HE) on the 26th June with bids to be submitted by the 30th September 2018.
4. Officers were not able to report to the September meeting of Cabinet as the work on the bid had not been concluded at that stage.

Main Considerations for the Council

5. The bid for HRA borrowing approval has to balance the competitiveness of the request for HRA borrowing approval, the amount of HE social housing grant required and deliverability of the proposed developments. There is £200m available to local Authorities outside London that can demonstrate affordability pressures where average private sector rents are £50 a week more than average affordable rents. Bids will be assessed against the three criteria of: value for money, deliverability and affordability.
6. The bid proposes delivering 49 units of accommodation across 16 sites, 14 of which are held in the HRA and two that are held in the Council's general fund. The details of the proposed schemes are included in the

exempt part of the agenda due to the commercially sensitive nature of the information.

7. The bid is for £7.5 m increased in the HRA debt cap to increase it from £127m to £134.5m. The total scheme costs are estimated to be £9.48m which will be funded with £7.51m borrowing approval, £1.36m RTB receipts and £0.61m Homes England grant funding. All the schemes will pay back within 30 years and peak additional borrowing will be in 2020/21.
8. The average estimated cost of each unit is £193k net of land.
9. The outcome of the bid is expected in the Autumn and following this revised indebtedness determinations will be made for April 2019.

Overview and Scrutiny Engagement

10. The timescale for the bid to be made has meant that it has not been possible to engage with overview and scrutiny.

Safeguarding Implications

11. There are no safeguarding implications stemming from this report as at this stage it is seeking endorsement of a bid for funding to deliver new affordable homes.

Public Health Implications

12. There are no direct public health implications stemming from this report although if the bid is successful and new affordable homes are delivered there will be positive public health impacts.

Procurement Implications

13. The sites are small sites of between 1 and 6 units and therefore there are some fixed costs that do not enable economies of scale. However, it is intended to seek economies through tendering packages of sites and looking at efficient construction methods where possible.

Equalities Impact of the Proposal

14. There are no direct equality implications stemming from this report as it seeks endorsement of a funding bid. As the new homes will be held in the HRA and will be subject to the Council's allocation policy equality considerations will be catered for within that policy context.

Environmental and Climate Change Considerations

15. There are no direct environmental and climate change considerations stemming from this report as it concerns a funding bid. Subject to the success of the bid the implications will be addressed once the programme is known.

Risks that may arise if the proposed decision and related work is not taken

16. If the bid is not endorsed the opportunity to secure additional funding for new affordable homes will be lost.

Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks

17. If the funding bid is successful the Council will need to consider the best way to procure the new homes. The proposed development sites are small between 1 and 6 units and therefore there are some fixed costs that do not enable economies of scale. However, it is intended to seek economies through tendering packages of sites and looking at efficient construction methods where possible.

Financial Implications

18. The bid in total for the 16 schemes is for additional borrowing of £7.51m as there are no available reserves. Both the current debt cap and the Capital Financing Requirement (CFR) will increase by this amount to £134.75m and £132.18m respectively. The headroom will therefore remain at £2.57m. In total, 49 new units will be provided.
19. A review of the proposed 16 schemes has confirmed that the estimated financial position meets the required payback period of less than 30 years in each case. Therefore, the bid is expected to break-even within the term of the borrowing proposed. Overall, net revenue flows for the additional rental income will exceed the additional costs of management, maintenance and the cost of borrowing in this time frame. The proposed bid has the approval of the Chief Financial Officer.

Legal Implications

20. The proposal in the report concerns making a bid for additional funding to finance a programme of development of new homes in the HRA. Subject to the outcome of the bid it will be necessary to report back to Cabinet so that the programme can be considered and procurement agreed.

Options Considered

21. The Council is not obliged to make a bid for funding. However, failure to make a bid would not be consistent with the Council's business plan and therefore that course of action has not been pursued.

Conclusions

22. In conclusion, it is recommended that the Cabinet endorses the bid for HRA borrowing approval and HE social housing grant.

Simon Hendey (Director - Housing and Commercial)

Report Author: Janet O'Brien, Head of Housing Strategy and Assets,
janet.obrien@wiltshire.gov.uk, Tel: 01249 706550

20th September 2018

Background Papers

The following documents have been relied on in the preparation of this report:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/738566/Additional_housing_revenue_account_borrowing_programme_prospectus.pdf