

**Wiltshire Council**

**Cabinet**

**23<sup>rd</sup> July 2019**

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<b>Subject:</b>	<b>Council House Build Programme 2</b>
<b>Cabinet Member:</b>	<b>Cllr Richard Clewer Deputy Leader of the Council and Cabinet member for Corporate services, Heritage, Arts, Tourism and Housing</b>
<b>Key Decision:</b>	<b>Key</b>

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**Executive Summary**

In October 2018 the Cabinet approved the proposal to proceed with Council House Build Programme Phase 2, committing £9.48m into the development of 49 units over 16 sites. The approval outlined 16 sites that had been identified which would be taken forward subject to the successful approval of the Homes England bids and successful planning permission.

Homes England bids were approved in December, confirming the additional grant borrowing of £0.6m for the development of the accommodation.

Following further investigation, several sites are considered not viable due the nature of the sites and further ground investigation works. As such, a “pot” of reserve sites were identified for this very reason to enable the Council House Build Programme to deliver the programme offering the much-needed Affordable Housing for Wiltshire.

Opportunities have presented themselves since the endorsements in October 2018, to enable us to continue to deliver the programme offering maximum value for money. Such as looking at Right to Buy re-purchases using retained RTB receipts and purchasing s106 units.

**Proposal(s)**

- a) **To agree to remove 4 schemes from CHBP 2 as no longer viable as stated in Appendix 1**
- b) **To agree to include 2 reserve/substitute sites within the programme as stated in Appendix 2**
- c) **To agree to purchase of 116 Carmelite Way (Re-Purchase RTB)**
- d) **To agree to delegate to the Director of housing and commercial development in consultation with the cabinet member for Corporate**

services, housing , heritage arts and tourism authority to purchase an additional property to be part funded by right to buy receipts outstanding at quarter 2 2019/20.

- e) To agree to make an offer for 5 units at Porton replacing 5 units from the existing Council House Build Programme as stated in Appendix 3
- f) To agree to delegate to Director of Housing and Commercial development authority to enter into contract for the purchase of 5 units at Porton .
- g) To agree to delegate to Director of Housing and Commercial development authority to seek planning permission for sites within CHBP 2 and enter into contracts for Professional Services and Construction.
- h) To agree that if individual schemes prove not to be viable the substitution of schemes within the overall programme budget is delegated to the Director of Housing and commercial development and Director of Finance and procurement in consultation with the cabinet member Cabinet member for Corporate services, Housing, Heritage, Arts and Tourism.
- i) To delegate authority to the Director of Housing and Commercial Development in liaison with the cabinet member for Corporate services, Housing, Heritage, Arts and Tourism and the Director Finance & Procurement to substitute and change funding streams to optimise financing of the programme. HRA borrowing will not exceed £7.5m but other funding streams may be increased or decreased as required providing that they stay within available allocation and do not affect the total budget position.

#### **Reason for Proposal(s)**

The Council has c.£9.48m capital funding set aside within the Council's capital budget for investment in affordable housing. The existing approval to deliver 49 units within this budget does not allow for flexibility within the £9.48m, allowing for sites and finance to be substituted where sites are not viable, nor does it allow for Contracts to be entered for the construction and professional services required to deliver this programme. This paper seeks that the ability to make the necessary changes within the parameters of the agreed budget with delegated authority to the Director of Housing and Commercial Development, in consultation with the Cabinet Member for Housing.

Alistair Cunningham OBE  
**Corporate Director**

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### **Purpose of Report**

1. The purpose of the report is to seek approval to allow the delivery of the Council House Build Programme 2 in line with the approval to spend £9.48m to deliver 49 units, but with the opportunity to substitute sites where further investigation has deemed sites not viable. In addition, to utilise other opportunities such as purchasing s106 units and re-purchasing RTB properties to ensure best value and maximising opportunities for the Council.

### **Relevance to the Council's Business Plan**

2. The delivery of 49 new affordable council homes in Wiltshire will meet the following priorities and goals in the council's business plan;
  - a. Priority – growing the economy
  - b. Goal – more affordable homes to rent and buy
  - c. Priority – protecting the most vulnerable
  - d. Goal – Suitable accommodation in place for vulnerable younger and older people

### **Background**

3. On 9<sup>th</sup> October 2018, Cabinet approved a programme to build 49 new affordable council homes funded with a combination of Housing Revenue Account (HRA) reserves and borrowing with other sources of capital including Right to Buy (RTB) receipts and grant funding secured by bidding to Homes England.
4. The 49 units had been identified over 16 sites, 14 of which were HRA land and 2 within the general fund (to be appropriated).
5. The 14 sites of HRA land, were a mixture of redundant garage sites or sites that created a maintenance liability to the HRA.
6. The 16 identified sites have since undergone further surveys and ground investigations which has resulted in some sites proving to be not viable.

7. Enabling the flexibility to deliver this programme by substituting sites and considering other opportunities available to us, will enable us to deliver maximum value within the agreed budget of £9.48m.
8. Following the refurbishment works that have been undertaken at the Friary housing estate, a previous tenant who purchased their property under the RTB approached the Council consider re-purchasing the property due to the leaseholder not having the funds to pay for their share of the works. The Council has agreed a market valuation with the vendor. The cost of purchase and necessary works will be repaid in the HRA over 25 years. The purchase will be funded by borrowing funded by the HRA, commuted sums and RTB receipts. This purchase secures the use of the RTB receipts which need to be defrayed by Quarter 2 2019/20 or returned to Government.
9. There is a further £ 27,383 of right to buy receipts which if not spent by the end of quarter 2 2019/20 will have to returned to central Government. The resources identified have arisen due to slippage on both a Council house build programme phase 2 and a scheme being undertaken by a registered provider which is part funded by right to buy receipts. Any purchase opportunity identified by the end of the second quarter will need to comply with the RTB funding restrictions.
10. A site in Porton has received planning consent including an affordable housing obligation to provide 5 units of affordable housing. To date registered provider partners have not shown interest in acquiring the units. The refusal reasons given by Registered Providers indicated that the number of units was too small in too remote a location from the rest of their housing stock. We find ourselves in a position to replace 5 of the units identified across two sites on CHBP2 to bring forward 5 units of accommodation that will otherwise be offered outside of our partnership and will not deliver the accommodation that has been identified as the need for the area. The 5 units that will be moved from the programme to make way for the additional 5 units at Porton will be moved into Phase 3 of Council House development thus not lost opportunities.

### **Main Considerations for the Council**

11. Funding. There is £9.48m capital funding available for investment in the Council house build programme phase 2.
12. The use of Right to Buy (RTB) receipts is restricted and can only be used to fund up to 30% of total scheme costs with the remainder expected to be raised through borrowing. Therefore, discounting use of RTB receipts, there remains £8.12m capital funding available for investment. However, when re-purchasing RTB stock, up to 50% can be used.
13. Land. In the main, the land is within the HRA, located on existing housing developments throughout predominantly the South of the County.
14. Planning. Planning permission will be sought once detailed designs have been completed.

15. Housing need. At 28 June 2019 there were 3286 households on the housing register of which 851 were on the open market register and 2453 were on the main register.

16. Timescales. Work has begun on the procurement of a design team, with application for four of the sites expected to go in for planning in early Autumn. It is expected that the first four sites will be on site in the Spring with subsequent sites following closely behind.

### **Overview and Scrutiny Engagement**

17. The Environment Select Committee Chairman received an informal briefing on this item, prior to the report's circulation.

### **Safeguarding Implications**

18. New affordable homes enable children, their families, young people and vulnerable people to live in a safe and secure, affordable and sustainable environment.

### **Public Health Implications**

19. New affordable homes will enable households to live safely and healthily within their home. Having a safe, secure and affordable home has been shown to deliver health benefits alongside benefits relating to accessing education and employment.

### **Procurement Implications**

20. This report seeks authority for directors in consultation with Cabinet Members to agree the appropriate procurement routes and to enter into contracts as required within the funding parameters identified in Appendix 3.

21. Any procurement routes taken will be in line with the council's procurement regulations and the overall direction set by the Corporate Procurement Board requiring that an open and competitive process is used. It will be expedited in the appropriate timeframes to enable effective reporting, decision making and evaluation of the approach taken and benefits arising.

### **Equalities Impact of the Proposal**

22. Equality impacts will be monitored as project progresses. This is to ensure that the Council's statutory commitments to promoting equality and inclusion and tackling inequality are maintained. The delivery of these homes will also support the delivery of the council's vision to create strong communities.

### **Environmental and Climate Change Considerations**

23. The new homes will be built to high standards of energy efficiency. Where possible we will look at piloting different energy models that will future proof our buildings and will create efficient homes for residents and reduce the cost to the Council for maintenance.

- 24. Sustainable building standards link with the equalities and health impacts in terms of reducing the likelihood of fuel poverty and achieving a comfortable living temperature for residents.

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

- 25. If approval is not granted to substitute the schemes we will lose 8 units from the programme
- 26. There is a reputational risk with Homes England, as we will need to hand back £150,000 of grant funding back to Homes England and they will need to re-adjust their programme
- 27. If we do not look to re-purchase the property in Carmelite Way, we risk difficulty in being able to recover the costs from the existing leaseholder for the roof repairs and may lose RTB funds if we cannot use them effectively
- 28. If we do receive approval to purchase 5 units at Porton, we lose the opportunity to optimise the programme offering value for money

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

- 29. There are several risks in association with any housing development as follows;

	<b>Risk</b>	<b>Mitigating Action</b>
a)	Funding viability risks	The proposed build has already been tendered and therefore funding required is known.
b)	Cost of delivery	There is a risk that unforeseen costs will arise during construction. However, the scheme has a contingency sum included in the budget to allow for this
c)	Planning	The scheme has secured planning permission. There are planning conditions to be discharged but the risk of not being able to discharge these conditions is low.
d)	Community support	Consultation with local parish and town councils has been undertaken to ensure in-principle approval. Further consultation will be undertaken with communities with regard to this particular project
f)	Availability of land	The scheme identified is on land that has been secured for affordable housing.
g)	Meeting delivery timescales	A number of the funding streams are tied to delivery timescales. There is a risk of losing the funding if these timescales are not met. Delivery of this project will ensure the funding is retained for affordable housing delivery in Wiltshire.
h)	Right to Buy	Council tenants will have the right to buy their property. However a new tenant will

		<p>have to hold a tenancy for a minimum of 5 years before they can exercise this right. The council can also restrict the discount to ensure that the cost of building the home is covered by the receipt from the property to enable repayment of the capital.</p>
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## Financial Implications

30. This report is seeking delegated authority to the Director of Housing and Commercial Development to substitute schemes and budget financing within the approved budget envelope of £9.48 million. All budget financing options will be completed in liaison with the Director of Finance and Procurement to ensure the optimal financing for the programme and for the HRA Business Plan

## Legal Implications

31. Full title reports will be required for the land used as part of this project to ensure there are no covenants or other issues affecting the development of the sites.
32. Legal advice will be required for entering into both funding and legal agreements in relation to the programme.
33. Legal advice and support will also be required for entering into contracts with consultants and contractors.
34. Land will need to be appropriated to be held for housing purposes if not already held in the Housing revenue account.

## Options Considered

35. Other options to secure the commitment of the capital funding available are;
  - a. Use as grant funding for Housing Associations to deliver new affordable homes. There is potential for use of the funds in this way. This will avoid hand back of any funding.
  - b. Hand the funding back to central government/developers. This is not a preferred option as the funding has been secured through either sale of council housing in Wiltshire through Right To Buy sales or planning gain for the purpose of investment in affordable housing. Best use of the funding for Wiltshire is to use the funding to benefit Wiltshire residents in need of affordable homes.
  - c. Retain the funding to use for other potential schemes in the future. This is an option but runs the risk of hand back of funding if alternative opportunities do not arise prior to time limits for use of

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funding expiring. In addition, the Southview sites already have planning permission and the schemes have been tendered. The successful bidder is already on site with two parcels being delivered as part of the council house building programme so is prepared to stand by their tender price to enable quick delivery.

## **Conclusions**

36. These amendments to the programme increase the number of units that can be delivered, bringing the total number of homes to 50 within the same budget parameters as agreed to in October 2019. The homes will help meet the needs and ensure the funding available is committed to Wiltshire for Wiltshire residents.

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## **Appendices in exempt part of agenda**

- Appendix 1 – Funding table indicating 4 “not viable” sites  
Appendix 2 – Funding table indicating the replacement sites  
Appendix 3 – Funding table indicating the proposed programme for approval

## **Background Papers**

None