

Wiltshire Council

Cabinet Capital Assets Committee

16th September 2014

Subject: Council house building programme

Cabinet members: Cllr Keith Humphries – Public Health, Protection Services, Adult Care and Housing (excluding strategic housing)

Cllr Toby Sturgis – Strategic Planning, Development Management, Strategic Housing, Property and Waste

Key Decision: Yes

Executive Summary

The council has the opportunity to invest in a programme to deliver new council owned and managed homes. Land has been identified within both the council's asset base and the housing revenue account (HRA) and funding has been identified to support the programme. The proposal is to deliver around 240 new council homes between 2015 and 2020.

This report seeks approval to use council land and funding for the delivery of 240 new affordable council homes and delegated approval to enter contracts and legal agreements as required.

Proposal(s)

Members are recommended to delegate authority to the Associate Directors responsible for housing and finance and the Corporate Director responsible for assets in consultation with the Cabinet Member for Public Health, Protection Services, Adult Care and Housing (excluding strategic housing), the Cabinet Member for Strategic Planning, Development Management, Strategic Housing, Property and Waste and the Cabinet Member for Finance, Performance, Risk, Procurement and Welfare Reform to approve:

- a) The use of sites in Appendix 1 for affordable housing with delegated authority to substitute alternative sites of similar value as appropriate**
- b) Any appropriations necessary pursuant to s122 LGA 1972 to ensure that the sites in a) are held by the Council for housing purposes.**
- c) Use of funding for affordable housing as detailed in Appendix 1 with delegated authority to substitute different funding streams as required**
- d) Entering contracts for consultants, construction and other elements**

- of the project to enable the delivery of around 240 new homes within the funding parameters identified in Appendix 1**
- e) Entering funding agreements with HCA/CLG/DOH as required to secure the grant funding and borrowing approval required.**

Reason for Proposal

There are more than 20,000 households on the council's housing register of which 11,000 households are assessed as in housing need. There is also a growing older population within Wiltshire and demands on health and social care services are increasing. In line with the council's business plan, it is a priority to enable people to remain living independently within their communities.

The council has the opportunity to assist with addressing these needs through the delivery of new council housing suitable for use as a home for life in communities across Wiltshire. These homes will add to the affordable homes delivered through planning agreements and with our Housing Association partners.

Housing revenue account (HRA) funding and land is restricted to use for affordable homes. This funding and land can be used to lever in additional resources, such as grant funding, to enable the delivery of approximately 240 new council homes to meet identified need between 2015 and 2020.

Maggie Rae
Corporate Director

Wiltshire Council

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Purpose of Report

1. To gain delegated approval to deliver a programme of around 240 new council homes across Wiltshire to meet identified need using council owned land and funding from a range of sources including housing revenue account (HRA) reserves and borrowing, right to buy receipts, commuted sum funding and grant funding secured from the Homes and Communities Agency (HCA), Department of Health (DoH) and other funding bodies.

Relevance to the Council's Business Plan

2. The delivery of 240 new affordable council homes across Wiltshire including homes for older people and adapted homes will meet the following priorities, objectives and outcomes in the council's business plan;
- a) Priority – protect those who are most vulnerable
 - b) Key Action 6 – invest to refurbish council housing and encourage the development of new affordable homes, including supported living in rural areas
 - c) Outcome 3 – Everyone in Wiltshire lives in a high quality environment
 - d) Outcome 4 – Wiltshire has inclusive communities where everyone can achieve their potential
 - e) Outcome 5 – People in Wiltshire have healthy, active and high quality lives
 - f) Outcome 6 – People are as protected from harm as possible and feel safe.

Main Considerations for the Council

3.1 Through HRA self-financing, the council is able to retain all rental income from homes it owns to invest in existing stock and to consider investment in new affordable homes.

3.2 Through the development of the HRA Business plan, £34m has been identified in reserves and projected surpluses that can be used to support the delivery of new homes up to 2020.

3.3 In addition the council successfully bid for a further £2.7m HRA borrowing approval through the Local Growth Fund to invest in new affordable homes in Wiltshire.

3.4 There are a range of other funding streams that the council has been successful in securing to support affordable housing delivery including Homes and Communities Agency (HCA) grant, Department of Health (DoH) grant, Right to Buy (RTB) receipts and commuted sum funding secured through planning gain.

3.5 Some of this funding could be used to support delivery by Registered Providers. However, the HRA funding can only be used for council homes.

3.6 There are a number of parcels of land in the council's ownership both within the HRA and within the council's asset portfolio that can be made available to enable affordable housing delivery while the council continues to retain the value of the asset and enhances it through the provision of homes generating a rental income.

3.7 There are significant pressures on affordable housing supply. There are currently 20,000 households on the council's housing register, with 11,000 of those identified as having a housing need.

3.8 In line with the council's business plan it is a priority to enable Wiltshire's residents to live independently within their communities for as long as possible. Together with reshaping the way health and social care services are provided to people, the delivery of suitable affordable accommodation within both towns and rural communities enables people to be able to continue to live in their local areas. This in turn enables them to be supported through networks of family and friends as well as care and health services to maintain their independence and well-being at home.

3.9 It is proposed that the investment in new homes is targeted at;

- a) Delivery of bungalows in rural communities to enable older people to downsize from family accommodation to ground floor accommodation built to lifetime homes standards. This will enable older people both to remain living independently for longer and to remain in their local community so that they can continue to receive support from friends, family and neighbours. It will also free up affordable family accommodation both owned by the council and our Housing Association partners across the county.
- b) Delivery of extra care schemes in towns. Extra care schemes enable older people to live in a safe and secure environment with 24 hour, 7 days a week care and support services available on site. This type of accommodation can be an option of choice for older people who will benefit from a 24/7 service. This can also enable people to downsize from family accommodation and to remain living independently for longer. A

target of the Better Care Plan is to reduce the number of placements into residential care. The provision of this type of accommodation, that can support older people with high care needs including dementia, will enable people to have the option of independent living that meets their needs rather than only having the option of moving into residential care.

- c) Where possible, and where a need has been identified, specialist adapted properties will be built as part of the programme. This also enables households to remain living independently in their communities and avoids the need for residential care placements.

Background

Funding

4.1 The proposal to invest capital resources in the delivery of new council accommodation is included as part of the development of the HRA Business Plan alongside investment in existing council stock. Both the Business Plan and the proposal for investment of new homes have been considered by the Housing Board. There is £34m in HRA reserves and projected surpluses to 2020 available to invest in new council homes.

4.2 The council has also been successful in securing £2.7m HRA borrowing approval through the Local Growth Fund to deliver additional council housing.

4.3 There are a number of funding streams that will be used in conjunction with the HRA funding to stretch the funding further and maximise the delivery of new homes. These funding streams have time constraints and schemes will need to be progressed quickly in order to meet these funding timescales.

4.4 The council has been successful in securing an allocation of £5.885m grant funding from the Homes and Communities Agency (HCA) for their 2015-18 programme to deliver 5 new extra care schemes and to support the bungalow programme. It is proposed to use £1.385m of the £5.885m to support the delivery of one extra care scheme and the bungalow programme. The remaining funding will be used to support Registered Providers (RPs) to deliver four further extra care housing schemes.

4.5 The council also secured £2.5m Department of Health (DoH) funding to support the delivery of extra care and adapted housing in Wiltshire. It is proposed to use £1.1m of this funding to support the council house building programme. It will be used to deliver one extra care scheme and a number of adapted properties. The remaining funding will be used to support the delivery of a further extra care scheme in Malmesbury by Abbeyfield and adapted properties on sites across Wiltshire by RPs.

4.6 Other funding streams include commuted sum funding secured for affordable housing through planning gain and retained Right To Buy (RTB) receipts. It is proposed that £0.47m of RTB receipts and £0.37m of commuted sum funding are used to support this programme. There are conditions around the use of both these funding streams that will need to be met. RTB receipts can only represent

30% of total scheme costs and cannot be used in conjunction with any other funding streams. There are also time limits on spending. Commuted sum funding can be restricted to geographical locations and also has to be spent within a specified timescale. The proposed use of these funding streams ensures these conditions can be met.

4.7 The council will need to enter into funding agreements with the HCA, DoH and possibly the CLG to agree to the conditions around the grant funding and HRA borrowing approval. This report requests authority be delegated to the relevant directors in consultation with key Cabinet Members to approve those agreements.

Land

4.8 There are a number of council owned rural sites on the edge of villages that have been identified for potential affordable housing development. The majority of these sites are currently used as farmland and therefore have agricultural value. Details of the current use values of these sites are attached in Appendix 1. These sites would not have potential for open market housing but do have potential for affordable housing through the council's exception site policy.

4.9 There are also a number of sites currently used as residential care home sites. Through the council's adopted Older People's Accommodation Development Strategy, the council is working with partners to decommission these residential care homes and develop new specialist nursing and dementia care homes alongside new extra care housing and other independent living options for older people, such as bungalows in rural communities. It is proposed that three of the sites currently used as care homes, when vacated, are developed as new council-owned extra care schemes through this programme. The value of these sites is detailed in the attached appendix.

4.10 The Coombe Bissett site was approved for development of affordable housing by Cabinet Capital Assets Committee on 19th March 2013. It is anticipated that this site will achieve planning permission in September and will start on site in January 2015.

4.11 The Southview sites are four parcels of land that were transferred to the council for the Housing PFI scheme in 2008. The intention was that these sites would be developed for affordable housing using PFI funding. Cabinet Capital Assets Committee gave approval to use these sites for affordable housing as part of the approval of the Final Business Case for the Housing PFI project in December 2011. However, these sites were not used to deliver the housing PFI project and they remain vacant and the use of the land is not restricted to affordable housing. It is proposed that these parcels of land are developed by the council as part of this programme to deliver a range of new affordable homes, including housing suitable for older people, adapted properties and some general needs homes for households in Trowbridge in housing need. The value of these sites is also detailed in Appendix 1.

Procurement

4.12 The procurement of the consultants for the bungalow programme and the first extra care scheme is underway using the council's framework. It is proposed that the procurement of the build contractors will be carried out through a range of methods to ensure best value is achieved and may include the use of existing constructor frameworks. Procurement decisions will also be scrutinised through the Corporate Procurement Board as required. 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 1.

4.13 Any procurement routes taken will be in line with the council's procurement rules and will be expedited in the appropriate timeframes to enable effective reporting and decision making.

Consultation

4.14 Consultation has been taking place with a range of parish councils where the council has land that could be used to deliver new rural homes. Consultation has also taken place with local working groups in relation to proposals for new extra care accommodation. Further consultation is planned to ensure communities are in support of the proposals and that there is local support for any proposed planning applications. Consultation has also been carried out with communities and organisations representing disabled and older people to ensure that the design guides for the new build properties meet the needs of those it's intending to target.

Timescales

4.15 The Coombe Bissett scheme was approved by Cabinet Capital Assets Committee in March 2013 and is due to achieve planning permission in September 2014 and start on site in January 2015.

4.16 The first of the remaining schemes are proposed to be submitted for planning by the end of 2014/early 2015 with an aim to start on site with the first new rural bungalows in Summer 2015 with the first completions in Spring 2016.

4.17 The programme has been structured to enable starts and completions to meet the funding deadlines of the various funding streams available, particularly the grant funding and the HRA borrowing approval.

Governance

4.18 A governance structure will be set up for the project including a Project Board and a project delivery group.

Safeguarding Implications

5. The provision of suitable accommodation for older people and people in need of adapted properties with care and support services provided at

home will contribute to ensuring vulnerable people are protected and able to live in a safe and secure environment.

Public Health Implications

- 6.1 The provision of suitable accommodation for older people and people in need of adapted properties will enable them to maintain both mental and physical health more easily. The older people's bungalows will have lifeline facilities installed and will be fully accessible. They will also be enabled for assistive technology to ensure that as the residents become more frail, they can be fully supported to live safely and healthily within their home.
- 6.2 The extra care accommodation will also have communal facilities and on-site 24/7 care and support services available to respond quickly and flexibly to the health and care needs of residents. The communal facilities and well-being suites will be available for health services and community groups to use to provide clinics and therapy sessions to benefit both residents and members of the wider community. The apartments and communal spaces will also be designed to be dementia-friendly. In addition, the ability to host social activities will help combat social isolation and thereby help to reduce the incidence of mental health issues such as depression.
- 6.3 Public Health will support the development of the programme by advising on Health Impact Assessments at an early stage and identifying what the scope and design of relevant HIAs would be.

Environmental and Climate Change Considerations

- 7.1 The sustainability of the new accommodation proposed is a key consideration in the development of the design briefs for the projects. The brief for the bungalow programme includes an aspiration to achieve standards equivalent to Passivhaus. This involves ensuring the walls and roof of the building are heavily insulated and airtight. This could reduce energy costs from a current household average of £1200 per year to around £120 per year. The aim is for all the new homes to meet code for sustainable homes level 4 and to be built to lifetime homes standards.
- 7.2 The extra care housing will also be built to a high standard to reduce energy consumption. Lower fuel bills will enable residents to manage their household bills more effectively. The aim is to achieve BREEAM very good standard.
- 7.3 As well as use of a highly insulated shell for the buildings, use of alternative technologies such as ground source and air source heating will be explored alongside use of solar panels, particularly in rural areas where there is no mains gas. Opportunities for combined heat and power systems are also being explored, particularly for the extra care housing.

7.4 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.

Equalities Impact of the Proposal

8.1 The new affordable homes programme will promote equality, reduce social exclusion and enable personal independence particularly for older, disabled and vulnerable adults and their carers. This meets both the Council's proactive duties under the Public Sector Equality Duty but also commitments under the Human Rights Act (1998). New affordable homes help to ensure that all members of the community have access to decent, affordable accommodation to meet their needs. Many of the health and well-being benefits (tackling health inequality) are outlined in section 6: It has been proven that good quality accommodation can contribute to overall health and wellbeing and that secure, safe and stable accommodation can enable households to contribute positively to their communities. .

8.2 Equality impacts will be monitored as the programme progresses and will be integrated throughout the life of the programme including the procurement processes. 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 stronger and more resilient communities

Risk Assessment

9.

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

- a) Affordable housing needs for Wiltshire residents are not met.
- b) Care costs increase
- c) Wider impact on health and wellbeing and therefore demands on health services
- d) Communities less able to support local people to remain in their community
- e) Individuals and households less able to contribute positively to their communities
- f) HRA funding is not spent
- g) Funding timescales are not met for external funding streams.

10.

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

	Risk	Mitigating Action
a)	Insufficient resources to deliver the projects	Project plans have been developed and multi-disciplinary project teams established to make best use of available resources. Funding has been allowed within the project feasibilities to manage the

		projects.
b)	Funding viability risks	Initial scheme feasibilities have been completed. However, these will be firmed up when more detailed cost appraisal work has been done. Contingencies have been allowed within the feasibilities to enable some flexibility.
c)	Planning	There is a risk that schemes will not achieve planning permission. Initial discussions have taken place with planning officers.
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 as the projects progress.
e)	Availability of land	Land has been identified for a number of schemes. However, to enable the delivery of a rolling programme, more sites will need to be identified and progressed. These will be identified through working with local communities.
f)	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. The projects will be viable with HRA funding alone. However, every effort will be made to secure the grant and other funding committed to this programme.
g)	Right to Buy	Council tenants will have the right to buy their property. However a new tenant will 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.
h)	Reputational risk of using farm land for developments	Build up proposals with local communities in line with their needs and the feedback about affordable housing through the JSNA events

Financial Implications

- 11.1 Capital funding will be required to support the delivery of 240 new affordable council homes. Details of the proposed funding streams are outlined in Appendix 1.
- 11.2 There is an opportunity cost of using these assets as described in this report. For example some of these sites could be sold on the open market. However, there would be costs of acquiring land for the purposes of Council House building. These costs and income would depend on the individual schemes. The ongoing impact on revenue budgets on capital receipts foregone, due to represent the cost of additional borrowing, is taken as 10% of any amount not received.
- 11.3 The details of the sites proposed for the project and their estimated values are outlined in Appendix 1.

- 11.4 All of the projects have been modelled on the basis of borrowing the funding from the HRA and paying back over a period of 30 – 40 years with 5% interest. The model includes cost projections for management & maintenance (£1,000 per year per property increasing by RPI annually), bad debt and voids (2.5% of rental income). Models will be finalised as each project comes forward to ensure the rental income is sufficient and that there is a continued revenue stream to re-build the reserves, which can then be recycled for future investment. Full costings will be produced for each scheme that is approved
- 11.5 The use of the HRA reserves has been modelled to still enable repayment of the original debt and cover responsive and cyclical maintenance and repairs (Salisbury Gold). In line with HRA legislation the reserve will be kept in surplus, the HRA account will be monitored to ensure funds are only drawn down at a suitable level and time.
- 11.6 The scheme costs have been modelled using outturn costs from the 65 new council homes built between 2009-11 for the bungalows and tender costs received for the extra care housing to ensure they represent good value for money. The procurement process will ensure best value is achieved both for consultants and professional fees and for construction costs.
- 11.7 These new homes will generate new homes bonus and householders will be required to pay council tax. New homes bonus is higher for affordable homes than for open market homes. This funding will help to finance any additional costs to the public realm such as waste collection. In addition, the project costs have allowed for s.106 contributions where required through planning policy.
- 11.8 Tenants will have the right to buy for any general needs homes. The extra care housing will be protected as part of a scheme with communal space specifically for older people. In the event of the right to buy being exercised the discount can be restricted to ensure the level of debt is covered. This will ensure that although the council will no longer receive the rental income it will no longer have the debt or the costs modelled in relation to that property.

Legal Implications

- 12.1 Full title reports will be required for any land used as part of this project to ensure there are no covenants or other issues affecting the development of the sites.
- 12.2 Legal advice will be required for entering into both funding and legal agreements in relation to the programme.
- 12.3 Legal advice and support will also be required for entering into contracts with consultants and contractors.
- 12.4 Land will need to be appropriated to be held for housing purposes

12.5 EU Procurement rules will apply to those site where the value of the contracts exceed the EU thresholds set from time to time

Options Considered

13.1 Do not build new council homes.

- a) HRA funding and land can only be used to support investment in council stock. If the funding is not used to develop new homes it could be used to invest in existing stock or community activities. However a substantial programme of investment in existing stock is already proposed within the HRA business plan. The funding set aside for this project is in addition to requirements for investment in existing stock within the business plan.
- b) The council has also secured grant funding, commuted sum funding and right to buy (RTB) receipts. There is an option with these funding streams to passport them to Registered Providers for investment in affordable housing. However, by using these funding streams to invest in council homes the council retains the value of the asset and receives the rental income stream for those properties. The council also has more control over allocations and use of these homes. All of the new homes will be let in line with the council's allocations policy.
- c) Registered Provider partners are becoming more risk averse and there are cases where their business plans do not propose investment in the council's priority areas. These include areas such as rural housing and extra care housing provision. The council is able to fill these gaps through investment in council homes.

Conclusions

14. The delivery of new council homes targeted at meeting the needs of older people meets a range of objectives identified within the council's business plan and makes best use of capital funding and land resources.

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Background Papers

None

Appendices:

Appendix 1 – Summary of proposed programme (CONFIDENTIAL)

Appendix 2 – Questions and Answers factsheet