

Wiltshire Council

Cabinet

8th October 2019

Subject: Housing Revenue account business plan and Council House Build Programme phase 3.1 and 3.2

Cabinet Member: Cllr Richard Clewer, Deputy Leader of the Council and Cabinet member for Corporate services, Heritage, Arts, Tourism, Housing and MCI

Key Decision: Key

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.

Subsequently, the cap on borrowing funded by the Housing revenue account(HRA) has been lifted. A review of the HRA business plan has identified the capacity to fund a new Council house development programme. This report seeks cabinet consideration of the HRA business plan model and a phase 3 development programme.

Proposal(s)

- a) **To agree the Housing revenue account business plan 2020/21-2050 as set out in Appendix 1**
- b) **To agree to Council house, build programme phases 3.1 and 3.2 as set out in Appendix 1 at total cost of £18.717m and £ 18.754m**
- c) **To agree to delegate to Director of Housing and Commercial development authority to seek planning permission for sites within CHBP 3.1 and 3.2 and enter into contracts for Professional Services and Construction.**
- 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 the authority to make offers for affordable housing offered by developers in lieu of compliance with affordable housing obligations in Section 106 agreements up to no more than 10% above the amounts as set out in Appendix 2.**

- e) To agree to delegate to the Director of Housing and Commercial Development authority to make bids to Homes England for social housing grant in line with assumptions set in Appendix 2 and enter into funding agreements if the bids are successful.
- f) To agree that if individual schemes identified in the council house build programme phase 3.1 and phase 3.2 as set out in Appendix 2 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 for Corporate Services, Housing, Heritage, Arts and Tourism.
- g) 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 Council house build programme phase 3.1 and 3.2. HRA borrowing will not exceed £ 8.762m in 2020/21 and £ 11.986m in 2021/22 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)

A review of the HRA business plan following the removal of the cap on borrowing that can be financed by the HRA has shown that there is capacity to support a new Council House Build Programme phase 3. Subject to the assumptions in the HRA business plan there is capacity to support development of 1000 new Council homes over the next 10 years. This report seeks agreement to the first element of that phase 3 programme and delegation of authority to procure that programme of 228 units

Alistair Cunningham OBE
Executive Director

Wiltshire Council

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8th October 2019

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Cabinet Member: Cllr Richard Clewer, Deputy Leader of the Council and Cabinet Member for Corporate services, Heritage, Arts, Tourism, Housing and MCI

Key Decision: Key

Purpose of Report

1. The purpose of the report is to seek consideration of the remodelled HRA business plan 2020 - 2050. Following this to consider approval of the Council house build programme phase 3 and the detailed first phase of that programme and delegations to allow that programme to be procured.

Relevance to the Council's Business Plan

2. The delivery of 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. The Borrowing cap for the Housing revenue account was lifted in October 2018. This allows the Council to model the borrowing capacity that the HRA has over the next 30 years to support the next phase of council house building.
4. Appendix 1 includes a summary of the remodelled HRA business plan 2020-2050. Based on a number of assumptions as set out below the business plan has the capacity to fund the procurement of 1000 new council homes over the next ten years.
5. Appendix 2 sets out the first element of the phase 3 council house build programme based drawing on a range of funding streams and approaches to procurement 228 new homes. This programme is included in the HRA business plan.

Main Considerations for the Council

6. Council house build programme phase 3.1.

The programme is structured around three main approaches to procurement. Firstly, the Council will develop HRA owned land or land it has secured through planning agreements for the delivery of social rented and shared ownership housing. Where the Council is in control of the development it will seek to deliver carbon neutral housing and rents set at social rent levels (social rents are set based on a formula which uses capital values, local income and property size and is on average 30% below affordable rent levels which are 80% of relevant market rents). All Units will be constructed to M42 adaptable standards. The Council's ability to deliver this housing will be dependent upon being able to secure social housing grant funding from Homes England at the levels set out in Appendix 2. In addition, it may be necessary to identify affordable housing need in the areas stated and any development proposal will be subject to planning.

Secondly, the Council will seek to procure affordable housing offered by developers to discharge their affordable housing obligation as required by a section 106 planning agreement. As the Council will not be in control of the development the rent levels are likely to be set at affordable levels, the sustainability at Code 4 and 70% of the homes to be affordable rented and 30% shared ownership. This will enable the Council to seek opportunities outside the south of Wiltshire where currently the majority of the stock it owns is located. The Council will need to compete against other registered providers of social housing and so this is not a guaranteed element of the programme. Estimated cost of units has been modelled to allow competitive offers to be made. This part of the phase 3.1 programme includes 22 units that will be developed by the Council's development company Stone Circle Development Company Limited.

Lastly, the programme includes the re-purchase of ex- Right to buy properties. This has been modelled to provide those units at social rent levels with half of the costs of purchase to be funded by right to buy receipts. This secures RTB receipts so they are not returned to central Government and allows a certain level of bespoke purchase to meet identified needs.

7. Subject to the decision of Cabinet, work will begin on developing proposals including consultation with ward Councillors and local communities where the Council is proposing development.

Overview and Scrutiny Engagement

8. The Chair of Environment Select Committee has been consulted on the contents of the report.

Safeguarding Implications

9. 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

10. 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

11. 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 2.
12. 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

13. 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

14. 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.
15. 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

16. The capacity within the HRA business plan will not be utilised to support new council house provision. In addition, it will prove more difficult to meet housing need.
17. The available council housing to meet housing need will reduce over time due to the impact of Right to buy thus meaning those in housing need will wait longer to be rehoused.

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

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

	Risk	Mitigating Action
a)	Funding viability risks	Scheme feasibility has been assessed on a worst-case scenario basis to build in contingency. These costs will be revised as design increases
b)	Cost of delivery	There is a risk that unforeseen costs, such as for utility provision or abnormal site remediation will arise during construction. However, the scheme has a contingency sum included in the budget to allow for this
c)	Planning	New build schemes will receive pre-application advice to mitigate risk of delay in obtaining planning consent.
d)	Community support	Consultation with local parish and town councils will be undertaken to ensure in-principle approval. Further consultation will be undertaken with communities with regard to this particular project
f)	Availability of land	New build schemes are proposed on land owned by the Council.
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.
h)	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 3 years before they can exercise this right. The Council can also reduce the discount to which the tenant would be eligible by up to 100% for 15 years from the date of acquisition or construction of the property to ensure that the cost of building or of acquiring the home is covered by the receipt from the property to enable repayment of the capital. There may be individual cases where the cost floor analysis means there may be a shortfall to the Council

Financial Implications

19. This report is seeking approval of the HRA 30 year Business model which based on a number of assumptions (please see detail in Appendix 1) shows the capacity to fund development of 1000 homes over the next 10 years. The HRA would have a forecast closing Debt figure of circa £100 million.
20. Approval is sought for build programme phase 3.1 and 3.2 as set out in Appendix 1 a total cost of £37.4713 million, £16.662 m in 2020/21 and £18.561m in 2021/22 for a total of 228 units.
21. For full financial implications please see appendix 1.

Legal Implications

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

Options Considered

26. The Council could limit the development programme to that which could be funded solely from the HRA business plan and not bid for social housing grant. This would not maximise development capacity and in turn limit the ability to meet housing need and as such it has not been recommended.
27. The Council could limit development of new homes to sites in the ownership of the HRA and not seek to secure affordable housing offered as a planning obligation. Affordable housing offered as a planning obligation can be an economic way of securing new affordable housing and does allow the Council the ability to expend its sphere of operation across the County. Therefore, it is not recommended to limit development to take place only on HRA owned land.
28. The Council could decide not to use right to buy receipts to re-purchase ex- right to buy properties and instead offer the funding to other registered providers. Other registered providers can only use such funding on land led developments which are limited in Wiltshire and are unlikely to deliver affordable housing at social rent levels and therefore that is not recommended.

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Conclusions

29. The remodelled HRA business plan has capacity to fund development of 1000 homes over the next 10 years. This report sets out the first stage of that programme to deliver 228 units which will start in 2020/21 being developed over a three-year period.

Simon Hendey Director of Housing and commercial development

Appendices in exempt part of agenda

Appendix 1 – HRA business plan 2020/21 to 2050/51

Appendix 2 – Proposed programme phase 3.1 for 2020/21 and phase 3.2 2021/22

Background Papers

None