

Wiltshire Council

Full Council

26 November 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 Council consideration of the HRA business plan model and a phase 3 development programme.

At its meeting on the 8th October the cabinet considered the detailed proposed programme for phase 3.1 and 3.2 of the next phase of council house development. The minutes of that meeting are available [here](#).

Proposals

- a) To agree the Housing revenue account business plan 2020/21-2050 to deliver 1000 new homes over the next 10 years**
- b) To agree to Council house, build programme phases 3.1 and 3.2 at total cost of £18.717m and £ 18.754m respectively**

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

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Purpose of Report

1. The purpose of the report is to seek consideration of the remodelled HRA business plan 2020 – 2050 and agree the Council house build programme phase 3 and the detailed first phases of that programme following the decision of Cabinet at their October meeting.

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. Cabinet agreed 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. The detailed HRA business plan and proposed phase 3.1 and 3.2 development proposals can be made available to Councillors upon request and are not included as part of this report due to the confidential nature of information which is commercially sensitive.
5. Cabinet agreed the first element of phase 3 council house build programme 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

Council house build programme phase 3.1.

6. 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 the HRA business plan. In addition, it may be necessary to identify affordable housing need in the areas stated and any development proposal will be subject to planning.
7. 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.
8. 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.

Overview and Scrutiny Engagement

9. The Chair of Environment Select Committee was consulted on the contents of the report.

Safeguarding Implications

10. 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

11. 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

12. 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 .
13. 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

14. 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

15. 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.
16. 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

17. 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.
18. 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

19. 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

20. This report is seeking approval of the cabinet decision to agree the HRA 30 year Business model which based on a number of assumptions 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.
21. Approval is sought for build programme phase 3.1 and 3.2 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.

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 expand 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.

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.

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