

Wiltshire Council

Cabinet

13 July 2021

Subject: Council House Build Programme

Cabinet Member: Councillor Phil Alford, Cabinet Member for Housing, Strategic Assets and Asset Transfer

Key Decision: Key

Executive Summary

In 2018 the Cabinet approved the proposal to proceed with the Council House Build Programme Phase 2 on the back of a successful Phase 1 Programme.

Phase 2 was established with a budget of £9.4m and in 2019 the Cabinet approved proposals for the Housing Revenue Account to commit to a 10 Year Programme delivering 1000 new affordable homes.

Since this time, the Residential Development team has developed a Housing Estate and Development proposal, setting out the plan for growing the stock throughout the County, has explored and implemented opportunities to deliver zero carbon homes in line with the Council's climate emergency declaration and has been developing a programme to deliver the 1000 homes needed over the next 10 years.

This paper sets out updates on the 3 phases that have been brought before Cabinet previously (Phase 2, Phase 3.1 and Phase 3.2) as well as introducing Phase 3.3 and Phase 3.4 to the Cabinet.

This paper also introduces the proposed review of the Council's existing sheltered housing stock and the proposals to commence public engagement and consultation with existing residents.

Proposal(s)

- a) **To note the updates to Council House Build Programme (CHBP) phases 2, 3.1 and 3.2**
- b) **To agree to the increase in costs associated with Phase 3.1 to £21,950,972 and 3.2 to £20,446,014 with the understanding that the homes are early adopters for testing modern methods of construction (MMC), whilst also developing homes to zero carbon standards. Budget will be pulled back from future years and the overall capital programme total remains unchanged.**

- c) To agree the proposed budget of £20,000,000 for Phase 3.3 and 3.4 respectively. Budget will be pulled back from future years and the overall capital programme total remains unchanged.**
- d) To delegate to Director of Housing and Commercial authority to seek planning permission for and to enter into contracts for professional services and construction of Phases 2, 3.1, 3.2, 3.3 and 3.4**
- e) To delegate to Director of Housing and Commercial, in consultation with the Cabinet Member for Housing, Strategic Assets and Asset Transfer the authority to purchase the freehold of land for the purposes of new build developments in relation to Phases 3.1, 3.2, 3.3 and 3.4.**
- f) To delegate to Director of Housing and Commercial, in consultation with Cabinet Member for Housing, Strategic Assets and Asset Transfer the authority to make offers for affordable housing purchases to meet an identified housing need (i.e purchase single property from open market) for Phase 3.1, 3.2, 3.3 and 3.4.**
- g) To delegate to Director of Housing and Commercial, in consultation with the Cabinet Member for Housing, Strategic Assets and Asset Transfer the authority to make offers for affordable housing offered by developers in lieu of compliance with affordable housing obligations in Section 106 agreements in relation to phases 3.1, 3.2, 3.3 and 3.4**
- h) To delegate to the Director of Housing and Commercial authority to make bids to Homes England for grant funding to assist with the financial viability of CHBP projects in phases 3.1, 3.2, 3.3 and 3.4 and to enter into funding agreements if the bids are successful**
- i) To delegate to the Director of Housing and Commercial, in consultation with the Cabinet Member for Housing, Strategic Assets and Asset Transfer the authority to approve substitution of schemes identified in the CHBP Phase 2, 3.1 and 3.2 (as set out in Appendix 1) if, following more detailed investigation do not prove not to be viable. Substitution schemes must fit within the existing budget allowance.**
- j) To delegate to the Director of Housing and Commercial authority to substitute and change funding streams as identified in CHBP Phase 2, 3.1 and 3.2 (as set out in Appendix 1 (part 2 paper)) to optimise financing of the CHBP.**
- k) To commence consultation with the existing Sheltered Housing residents on the options for the future housing offer at the sites listed in appendix 2.**
- l) To delegate to the Director of Housing and Commercial, in consultation with the Cabinet Member for Housing, Strategic Assets and Asset Transfer the authority to approve front-loading of funds into phase 3.3 and 3.4 where opportunities allow, with a reduction in funding in future years.**
- m) To delegate to the Director of Housing and Commercial, in consultation with the Cabinet Member for Housing, Strategic Assets and Asset Transfer the authority for Financial Viability Appraisals to extend to a 40 year payback where necessary to deliver the Council Housing Build Programme with the increased requirements.**

Reason for Proposal(s)

A review of the Housing Revenue Account (HRA) business plan following the removal of the cap on borrowing enabled capacity to support a new build programme.

On 3rd November 2020, £195m was agreed by Cabinet within the HRA 30-year business plan. The proposals set out above enable the effective delivery of the new build programme within the agreed parameters. At this stage there is no request to change the total allocated funding of £195m, but to consider that costs within these early phases are higher whilst the Residential Development Team explore new delivery mechanisms and technology. It is anticipated that these costs are expected to come down for the future phases when products have matured and become more common in the marketplace.

Terence Herbert
Chief Executive

Wiltshire Council

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Purpose of Report

1. The purpose of this report is to seek Cabinet approval to proceed with developing a programme of opportunities for 3.3 and 3.4 of the Council House Build Programme (CHBP).
2. This report will also provide an update on the current programmes associated with Phase 2, 3.1 and 3.2.
3. Finally, this report will seek to onboard the Cabinet to the plans for review of the Council's existing sheltered housing stock. Several of the schemes have been identified for a detailed review to ensure they are fit for purpose for current and future needs.

Relevance to the Council's Business Plan

4. The delivery of new affordable council homes in Wiltshire will meet the following priorities and goals within the Council's business plan;
 - a. Growing the economy**

The programme offers opportunities to stimulate growth of green jobs with local contractors and business to support the development of new affordable housing, sourcing local consultants, surveyors & contractors where possible to deliver homes that will be highly energy efficient and therefore cheap to run for the resident.
 - b. Strong communities**

The CHBP invites communities to be involved with the development process, with a dedicated Community Led Housing fund to support groups to bring forward housing opportunities.
The programme looks to also develop opportunities for self and custom build homes unlocking potential for the communities to take responsibility for solving individual housing needs and creating a positive and lasting role in the community.
 - c. Protecting the most vulnerable**

The CHBP works closely with colleagues in Whole Life Commissioning, Adult Social Care, and Children and Families teams to identify suitable opportunities to meet specific needs. Current workstreams include buying and adapting homes for those on the housing register with specific housing needs, buying and

leasing homes to meet the needs of adults with learning disabilities and building bespoke accommodation to meet the very specific needs of a family with multiple disabilities.

d. An innovative and effective council

Within phase 3.1 the Residential Development Team will be piloting 3 sites to be delivered using modern methods of construction (MMC), delivering zero carbon homes. The first “all electric” homes will be powered by air source heat pumps, waste water heat recovery system, PV panels and developed with fabric first approaches to reduce thermal bridging.

Background

5. The borrowing cap for the (HRA) 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.
6. In February 2019 the Council declared a climate emergency and stated its ambition to seek to make Wiltshire carbon neutral by 2030.
7. A further decision was taken in November 2019 by the Residential Development Team, in consultation with the Director for Housing and Commercial and the then Cabinet Member for Housing to remove all gas from new build specifications and explore opportunities to deliver new build homes to Passivhaus standards or to develop zero carbon homes.
8. Nationally the Government has committed £11.5b to fund 180,000 new affordable homes, with £7.4b of this allocation for homes outside of London.
9. In Sept 2020 Housing Secretary Robert Jenrick announced that he was making modern methods of construction central to the Government’s new affordable homes programme.
10. The Council’s Phase 1 programme delivered 150 new homes at Affordable Rent levels, however Phase 2 and beyond have all been modelled on delivering Social Rents (with the exception of properties purchased through S106 agreements that are specified as affordable rent within contractual agreements)
11. The Residential Development team utilises a mixture HRA borrowing, Right to Buy (RTB) receipts, Commuted Sums from S106 Agreements and Homes England funding to deliver the new build programme.
12. In March 2021, following years in consultation, the Government amended RTB receipt expenditure guidance, allowing up to 40% (from 1st April 2021) of RTB receipts to be utilised on new build projects encouraging Local Authorities to become active developers of affordable housing.

Main Considerations for the Council

Council House Build Programme – Phase 2 update

13. The phase 2 programme (as set out in Appendix 1) consisted predominantly of RTB re-purchases which enabled the Residential Development Team to continue to deliver a Phase 2 programme, carry out research and market engagement to address the carbon agenda, and develop the Housing Estate and Development Plan.
14. The phase 2 programme has enabled the purchase of 12 properties which had previously been sold under the RTB. This enabled the use of time limited RTB Receipts and allows the Council to bring stock back in house that will support the future retro-fit or regeneration agendas.
15. Within phase 2, the Residential Development Team also secured the first s106 purchase of properties in Porton, which has now been completed and handed over to the Council.
16. Phase 2 also included the purchase of 2 shared ownership properties from Phase 1 sheltered housing schemes to meet the growing rental demand.
17. The only new build element of phase 2, comes with the site known as New Zealand Avenue, a former youth centre in Salisbury that was appropriated from the General Fund to the HRA for development of affordable housing. This project has just appointed a contractor and will be starting on site in July 2021.
18. This phase is currently projecting to spend £5,773,788 to deliver 28 units of affordable housing.

Council House Build Programme – Phase 3.1 update

19. Phase 3.1 began in April 2020, with rental income expected to hit in April 2023, allowing 3 years from inception to completion.
20. Phase 3.1 includes 66 new build units, developed by the Council through MMC at zero carbon standards, 18 units purchased from Redcliffe Homes through a s106 purchase and 8 RTB purchases, delivering a total of 91 homes.
21. In 2019 the Cabinet approved funding of £18,984.890 for the delivery of 95 units, however the current programme budget is estimating £21,950,972 for the delivery of 91 units.
22. The increased cost has been attributed to meeting the higher environmental standards and achieving zero carbon. The new standards have seen a £14k increase per property for increased specification of fabric/materials and technology.
23. In addition to the increased standards, the cost of delivering homes using MMC solutions currently comes at a premium. The benefits of speed is expected to outweigh the majority of the increased costs, as it is intended that the rental income will be achieved much earlier in the programme.
24. As it stands, the house price of the MMC element has been confirmed and agreed in contract, however the ground works element is still out to tender and

therefore the Residential Development Team is working on a Quantity Surveyor estimate at this stage.

25. When working with MMC solutions, it has become clear that the benefits of MCC are in the ability to bulk order stock; offering a factory a clear pipeline of work for a 2-3 year period. The Residential Development Team have been working closely with Magna Housing Association and Sedgemoor Homes to aggregate the demand of the three organisation's requirements, which will see prices come down through collective and competitive tender, plus has enabled an opportunity to work collaboratively to develop existing designs and save costs.
26. MMC development currently comes at a premium, the market for residential MMC is immature but growing rapidly. It is anticipated that the cost of delivering MMC will be reduced in future phases as the product becomes more widely available, driving down the premium currently associated.

Council House Build Programme – Phase 3.2 update

27. Phase 3.2 began in April 2021, therefore the Residential Development Team are early in the programme and only just starting to commence works on due diligence.
28. This phase has recently seen 2 large sites fall out of the programme due to negotiations with landowners. Therefore, the team is currently in the process of bidding for some Brownfield Land Release funding through One Public Estate (OPE) to release some garage sites for new build opportunities and also bidding for some s106 purchase opportunities to complete the programme.
29. As it stands, assuming all bids for funding and purchase of s106 units prove successful the programme consists of 98 units with a budget of £20,446,014 this is also above the Cabinet approved budget of £18,565,220 to deliver 102 units. However, this phase still has an element of uncertainty given that a number of sites are subject to s106 bids and funding opportunities.
30. It is proposed that with Phase 3.2 an agreed budget of £20.4m to deliver 98 units should be agreed knowing that the cost of the carbon agenda going to impact the budget but also with the knowledge that an aggregated tender will bring costs of MMC orders down.

Council House Build Programme – Phase 3.3 & 3.4 – Introduction

31. Phase 3.3 is due to commence in April 2022 and 3.4 in April 2023. In order to develop a clear programme of pipeline sites, opportunities need to be identified in advance to build a programme of continuous projects.
32. The opportunities currently being explored for Phases 3.3 and 3.4 amount to a possible 299 units at a total of £61m. It is not anticipated that all of these opportunities will come to fruition, but the large majority will involve purchasing land to develop new schemes.

33. For the purposes of planning, this report seeks to allocate £20m per phase for the delivery of 100 homes in each phase, but also seeks the flexibility of bringing forward 150 homes or 200 homes in a given phase where the opportunities allow effectively frontloading some of the funding and reducing the reliance in later years.

Sheltered Housing Review

34. The Phase 1 programme saw the development of two new enhanced sheltered housing facilities through Needham House, Devizes and Evergreen Court, Amesbury. These two sites have proven to be well received by the residents and create exemplar sheltered housing in the context of a portfolio of existing homes that need investment.

35. The disparity between the existing sheltered housing stock and the new sheltered development standards has created a need to review the existing sheltered facilities and a need to bring the Council's historic schemes up to a similar standard as the two new sheltered housing schemes.

36. Of the 24 historic sheltered housing schemes 16 were identified for full options appraisals to ascertain the best option going forward and make the schemes fit for purpose for current and future needs (appendix 2). The 16 identified, were primarily not fit for sheltered housing due to the location, the lack of lift access or were offering bedsit style accommodation. In addition, some sites offer purely bungalow accommodation and do not represent a full sheltered housing scheme.

37. The remaining sites have been identified for renovation and refurbishment that will bring the schemes up to date and offer longevity for the current and future occupants.

38. A number of the sites identified in Phase 3.3 and 3.4 would offer the opportunities to develop some more enhanced sheltered housing within Salisbury where schemes will offer an array of facilities on-site, as well as comfortable, level access, 1 and 2 bedroom apartments.

39. In order to progress the options appraisal process, the Residential Development Team will work closely with the Council's Housing Management and Resident Engagement teams to consult existing residents on the options determined within the options appraisal. Residents will be involved in the process and invited to comment on options and subsequently involved in decisions on designs and scheme finishes.

40. In addition to the resident consultation the Residential Development Team will also engage the wider public to develop a picture of what is important within a sheltered housing scheme assisting with anticipating future demand for the schemes as well as wider community benefits that can be delivered from the Council's assets.

Overview and Scrutiny Engagement

41. The Environment Select Committee receives the Housing Board's annual report (4th March 2020) which includes updates on the council house build programme.
42. The Global Warming & Climate Emergency Global Warming task group has produced recommendations to support the council's zero carbon targets relating to energy, transport, air quality and planning. These include recommendations for retro-fitting existing council houses and more energy efficient new council house builds (29 September 2020) to which the Executive responded (13 January 2021)

Safeguarding Implications

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

Public Health Implications

44. Having a safe and secure affordable home has been shown to deliver health benefits alongside benefits relating to accessing education and employment.
45. Delivering homes on brownfield garage sites will improve ongoing issues with anti-social behaviour experienced and will improve these local communities. Further benefits to developing brownfield land is the location tends to be already well serviced and within established communities, reducing isolation and better opportunities to access town/cities by walking and cycling.
46. The zero carbon new build stock will create added benefits to the environment and air quality.

Procurement Implications

47. The Residential Development Team work closely with their Procurement lead, creating sourcing plans and attending Commercial Board for all new procurements.
48. The sourcing plan for the MMC 3 year supply is currently with Procurement for review with initial conversations well received, clearly seeing the benefits of aggregating the demand and driving costs down.
49. Where possible utilising existing Frameworks for procurement have proven to be successful.
50. Any procurement routes taken will be in line with the Council's procurement regulations and public procurement rules and advice will be sought from Legal Services as needed.

Equalities Impact of the Proposal

51. Equality impacts will be monitored as projects progress. 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 support the delivery of the Council's vision to create strong communities meeting the needs of all protected characteristics.
52. The use of MMC housing enables homes to be built at 100% of the Nationally Described Space Standard, and bungalows are built to M4(2) standard which is suitable for residents with physical disabilities and easily adaptable to those in need of full wheelchair accessible accommodation.
53. An Equality Impact Assessment has been completed against the Council House Build Programme.

Environmental and Climate Change Considerations

54. The Council House Build Programme is committed to delivering energy efficient homes that will not only benefit the end-user in terms of cost and comfort, but will also provide a long term climate benefit.
55. The environmental benefits of delivering homes through MMC are much greater than traditional means;
 - a. Reduced waste
 - b. Reduced transport to local communities
 - c. Reduced emissions from construction
 - d. End of life opportunities to recycle materials
56. The MMC pilot will deliver homes that offer a 54% reduction in U-Values from current Building Regulation requirements, delivering a fabric first product with 55mm increase on insulation, improving thermal efficiency.
57. The MMC pilot will also deliver the Council's first all electric homes, utilising air source heat pumps and waste water heat recovery systems with the opportunity to off-set the electricity costs with 3kw of PV on each property.
58. The calculated fuel cost benefit to the end-user is expected to be around £365 per year without including the PV benefits. This will reduce fuel poverty and yield health benefits for tenants.
59. The MMC 3 year supply will seek future proof solutions to ensure the homes do not only meet the current environmental needs but will also meet the future pressures expected for cooling homes as well as heating them.
60. As part of the demand aggregation process (bulk ordering of units), it is understood that not all clients will have the same drive as the Council to deliver zero-carbon now, therefore the MMC 3 year tender will enable manufacturers to price for added technology that will increase the homes environmental benefits (such as PV, batteries).

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

61. If the proposals presented in this paper are not approved, it will not be possible to meet the Council's carbon reduction agenda with the Council's new build programme.
62. The opportunities to test MMC on a larger scale will not be realised, resulting in small scale, more expensive procurements for each individual project.
63. Without the ability to purchase land opportunities it will not be possible to achieve the target of meeting 1000 new affordable homes.
64. If the Council is not building new stock, but relying on s106 opportunities, new housing stock will not be developed to the zero carbon standards.

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

65. There is a multitude of risks associated with any new build construction project, the most generic risks that will apply to each project have been outlined below with mitigating action:

	Risk	Mitigating action
a)	Funding viability risks	Financial Viability Appraisals (FVAs) are completed prior to projects progressing to ensure that the anticipated costs can be achieved within the set parameters
b)	Cost of delivery – unforeseen costs	Experience from previous projects and an element of unforeseen risk is factored into each project through a contingency sum
c)	Planning	Early conversations and pre-application advice is sought to eliminate the risk of adverse planning decisions
d)	Community support	Early consultation with local parish and town councils is key to engaging the community and councillors to support the delivery. Regular attendance at parish council meetings and area boards to promote the opportunities and the benefits of new affordable housing. Community consultation opportunities to take place when designs begin to take shape Recent engagement on the emerging climate strategy has shown a very strong desire by the community for zero carbon new homes.

e)	Availability of land	Where possible the Residential Development Team will use land already within the Council's ownership. Where this is not possible, land will be purchased for the purpose of meeting the programme targets
f)	Meeting delivery timescales	Funding streams can often come with delivery timescales. When tendering for contractors timescales will be communicated through the tender process to ensure that deadlines can be met. Bids for funding will HE funding will only be made when a project is a "firm" scheme, reducing the risk of having to hand back funds.
g)	Frontloading risk	The programme currently sees a lot of the £195m expenditure being brought forward for the delivery of the first 4 phases. This is with the intention that the costs will reduce in later phases, but there is a risk that the reduction will not be realised in later phases.
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 the cost of the building or of acquiring the home is covered by the receipt from the property to enable repayment of the capital.
i)	Increased costs and shortages of materials since Covid Pandemic	The approach taken by the team to secure a 3 year MMC Manufacturer enables this risk to be mitigated to some extent. The super-structure will be in a factory pipeline, defined over a 3 year period, enabling creative procurement by the manufacturer.

Financial Implications

66. This report is seeking to reprofile the capital budget for the Council House Build Programme. The overall capital budget will remain at the level of £195m as previously approved and the objective remains to deliver 1000 units. The report is seeking approval to front-load and increase the budgets for Phases 3.1, 3.2, 3.3, 3.4 of the Council House Build

Programme.

67. It is then anticipated that costs of delivery will reduce over time as methods of procurement become more established and we can take advantage of economies of scale, bulk buying and collaboration with other authorities in order to reduce the price.
68. The Residential Development Team will need to purchase land in order to deliver early phases of the programme
69. Costs of modular construction are expected to come down as the technology develops and becomes more standardised.
70. Furthermore, this report is also seeking approval from Cabinet for the flexibility for the payback to be pushed back from 30 years to 40 years when building homes to a higher, more energy efficient standard.
71. There is a risk that the cost of the units will not reduce in later phases. Furthermore, it should be noted that the cost of construction might be greater than anticipated as a result of the Covid pandemic; easing of lockdown measures has led to a surge in demand for construction projects and shortages of some materials have led to delays and driven up prices.

Legal Implications

72. Full title reports will be required for land identified within the programme to ensure the land is free of any covenants or other legal matters that could impact the delivery of the site.
73. Advice from Legal Services will be sought when entering into funding agreements for the programme
74. Advice from Legal Services will be sought for entering contracts with consultants, contractors and developers.
75. Officers in Legal Services will be required to assist with the appropriation of land from the General Fund to the Housing Revenue Account where necessary
76. Advice will be needed from officers in Legal Services to ensure compliance with relevant legislation and any other legal issues arising during the sheltered housing consultation exercise.

Workforce Implications

77. None.

Options Considered

78. The Council could limit the development programme to be solely funded from the HRA business plan (which includes use of Commuted Sums and Right to Buy Receipts) and not bid for social housing grant (Homes England grant). This would not maximise development capacity and in turn would limit the ability to meet housing need and as such it has not been recommended.
79. The Council could limit development of new homes to sites in the ownership of the HRA and Council's General Fund, not seeking affordable housing offered as a planning obligation under s106 agreements. 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 Council owned land.
80. The Council could limit developments of new homes to sites in the current ownership of the HRA and Council's General Fund, not seeking opportunities to purchase the freehold of land for new build purposes. Land opportunities within the HRA are limited to small in-fill sites that will not generate the economies of scale needed when developing a programme of this scale and the Residential Development Team cannot rely on appropriation of land from the Council's General Fund which is already in high demand. Taking opportunities to purchase freehold land available outside the Council's existing landholdings enables the programme to meet the targets to deliver 1000 homes, whilst also generating some economies of scale.
81. The Council could look at simple redecoration of existing sheltered stock, keeping all stock as is with some updating. The stock identified for options appraisal has been identified through a matrix of information with housing management and maintenance input as stock that cannot be simply updated. The location and layout or lack of basic facilities render the sites unsuitable for long term sheltered offering. Therefore, it is recommended to proceed with reviewing the stock, as identified, and consulting with residents throughout the review process.

Conclusions

82. The conclusions reached, having taken the above into account is that the CHBP is progressing well; albeit with some overspend to agreed budgets. The overspend, has been encapsulated within the HRA business plan with clear measures in place to manage the increased costs. The growing housing need, particularly in the wake of the Covid-19 pandemic has emphasized the need for the Council to continue to develop more affordable housing and the clear direction within the programme to focus on delivering zero carbon homes whilst testing MMC solutions should be encouraged.

Simon Hendeby – Director for Housing and Commercial

Report Author: Laura Young – Residential Development Manager

Date of report 01/06/2021

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