

## Annex 1

### Capital Strategy - NWDC

1. Planned capital expenditure is affordable over a three year period. This is calculated as:
  - Capital Receipts paid/agreed in the year immediately before the three year budget period, and 20% of 'non controversial' capital receipts to be generated during the planning period;
  - Interest on capital receipts;
  - Capital grants.
2. In addition, the Prudential Indicators set a maximum level of affordability. The affordability will set the maximum cash limit for capital. Spend to Save Schemes that generate a return of 15% and over, will be self funding, and will be in addition to this cash limit.
3. There is a hierarchy of choice that promotes Spend to Save schemes. Three layers of choice are set out below, with each sub-divided between those that meet Council priorities, and those that do not.
  - Spend to save
    - Council priorities that generate savings, that are cashable or non-cashable, or spend to avoid costs;
    - Spend that generates a return of 15% or more;
  - Business critical
    - Council priorities.
    - Non-priorities
  - Other schemes
    - Council priorities
    - Non-priorities
4. The policy on capital funding now includes borrowing, as well as the recycling of assets.
5. A de minimus level for Capital expenditure is set at £1k, or a lower sum if it generates external funding.

#### **Spend to Save criteria**

- 6 The investment generates a revenue saving, expressed as a rate of return on the capital expenditure;
- 7 The revenue saving has to be realised by the reduction in the revenue base budget;
- 8 The rate of return is set in relation to:
  - 8.1 Council priorities that generate savings, that are cashable, non-cashable, or spend to avoid costs;
  - 8.2 Spend that generates a return of 15% or more



<b>Summary</b>					
Expenditure	6251	2902	3042	12195	12195
<b>Funding</b>					
Capital Receipts	8322	630	930	9882	
Grants	650	600	600	1850	
Interest	333	127	61	521	
	<u>9305</u>	<u>1357</u>	<u>1591</u>	<u>12253</u>	<u>12253</u>
					58

**Detail**

	2007-08	2007-09	2007-10	Total	
<b>Expenditure</b>					
Total Expenditure 2007-10 at Dec 14	5871	2452	2342	10665	
<b>Add</b>					
1 Housing private sector - gross up [matches income, already counted]	400	400	400	1200	
2 Streetwork Area Schemes - reinstated		50	50	100	
3 New Affordable Housing - 3rd yr increased			250	250	
4 B&SP WG Jan 18 Redn Exec Feb 8 Executive	-20			-20	
5 NW Leisure Centres Addt funding	123				
6 Rudloe Community Centre bid removed	-75				
7 New Affordable Housing bid reduced	-48				
Revised Total Expenditure 2007-10 at Feb 8	<u>6251</u>	<u>2902</u>	<u>3042</u>	<u>12195</u>	12195
<b>Analysis</b>					
To be Funded by Capital Receipts/Interest	5601	2302	2442	10345	
To be Funded by Grants	650	600	600	1850	
	<u>6251</u>	<u>2902</u>	<u>3042</u>	<u>12195</u>	
<b>Income</b>					
CR Brought Forward from 2006-07	177	0	0	177	
Capital receipts	8145	300	930	9375	
Avail CR's	<u>8322</u>	<u>300</u>	<u>930</u>	<u>9552</u>	
Grants	450	400	400	1250	
Total Income 2007-10 at Dec 14	<u>8772</u>	<u>700</u>	<u>1330</u>	<u>10802</u>	
<b>Add</b>					
1 Housing - Disabled Facilities Grant	200	200	200	600	
2 Assume 20% of possible future capital recei	n/a	330	0	330	
2 Interest on CR 2006-07 slippage £3m	53	0	0	53	
3 Interest on CR's 2007-08	142	0	0	142	
4 Interest on unspent CR 2007-08	138	0	0	138	
	333				
5 Interest on CR's 2008-09		58	0	58	
6 Interest on unspent CR 2008-09		69	0	69	
		127			
7 Interest on CR's 2009-10			61	61	
6 Interest on unspent CR 2009-10			0	0	
	<u>9305</u>	<u>1357</u>	<u>1591</u>	<u>12253</u>	12253

Surplus	-3054	1545	1451	-58	58
<b>Interest calculations</b>					
<b>2006-07</b>					
Spend from CR's	3000				
Interest rate 5.25%	157.5				
4 months ie 8months at 50%	53				
<b>2007-08</b>					
Avail CR's	8322				
Spend from CR's	5601				5601
Interest rate 5.083%	285				
Even spend, x 50%	142				
Capital receipts unspent	2721				
Interest rate 5.083%	138				
<b>2008-09</b>					
CR unspent		2721			
Interest last year		333			
New CR's		630			
Total CR's		3684			
Spend from CR's		2302			2302
Interest rate 5.0%		115			
Even spend, x 50%		58			
Capital receipts unspent		1382			
Interest rate 5.0%		69			
<b>2009-10</b>					
CR unspent			1382		
Interest last year			127		
New CR's			930		
Total CR's			2439		
Spend from CR's			2442		2442
Interest rate 5.0%			122		
Even spend, x 50%			61		
Capital receipts unspent			-3		
Interest rate 5.0%			0		
Funding generated					10345
Interest for next year used in 2009-10			61		
CR's unspent			-3		
			58		

No.	Priority H - High M - Med L - Low	Title	Total		
			(a) Old Plan	(b) New Plan	
<b>INVEST TO SAVE SCHEMES</b>					
CS3	1	H	Improving Customer Experience (ICE)	49	49
26	2	H	IT Software in Homelessness	37	37
31	3	H	Software Integration CRM BPR & Workflow	42	42
27	6	H	Corporate Electronic Document System	32	37
24	7	H	Cale Birparc Parking Software	32	27
21	4	H	Redevelopment of Phelps Parade	10	15
CS6	5	H	Bath Road Development Brief	10	15
28	8	M	Flexible Working	33	38
16	9	M	Carbon Reduction	47	57
CS7	10	M	Compulsory Purchase	25	25
17	11	L	Cycleway Land Purchase v2	30	30
<b>BUSINESS CRITICAL</b>					
14	12	H	C&A software package	22	26
29	13	H	Microsoft Office Changeover	29	29
30	14	H	Update Members IT Equipment	39	39
3	15	M	Finance System	24	33
13	16	H	Workshop Extension	26	26
12	17	H	Office accommodation - Parsonage Way	23	23
CS4	18	H	North Wiltshire Art Centre Contract	28	28
19			NW Enhancements		
20	20	M	NW Leisure Maintenance Programme	54	64
1	21	M	Additional repair & maintenance requirements	53	53
<b>CONTINUING/NEW SCHEMES</b>					
22	22	H	New Affordable Housing	48	48
23	23	H	Private Sector Housing Renewal	46	46
24		H	Cricklade County Way (5yrs 50k per year)		
5	25	H	WCC Job evaluation partnership	33	42
CS5	26	L	Other Transportation Initiatives	38	43
27			Emery Gate Surfacing Etc		
4	28	L	Cycleway construction	32	37
CS2	29	L	Streetworks Area Schemes	32	32
25	30	L	Executive Capital Funding Scheme	31	31
CS1	31	L	Community Area Schemes	28	28
2	32	L	Rudloe Community Centre	27	27
18	33	L	Railings/Grillage for Emery Gate	22	22
R50	34		60 000 Chipped wheel bins - not required if Revenue Bid for AWC is not successful		

Net Capital 2007/08		Revenue 2007/08	£000's	£000's
			120	0
			25	0
			30	0
			54	(10)
			15	0
			90	0
			22	
			41	0
			75	0
			(470)	0
			90	0
			30	0
			125	25
			30	0
			79	(6)
			250	0
			100	0
			120	0
			200	0
			873	0
			270	0
			225	45
			1,452	0
			1,000	0
			50	0
			40	0
			150	0
			75	
			50	0
			50	0
			80	0
			200	0
			0	
			6,251	54

832	(10)
2,272	64
3,147	0
<u>6,251</u>	<u>54</u>

Net Capital 2008/09		Revenue 2008/09	£000's	£000's
			0	0
			0	0
			30	0
			104	(3)
			0	0
			0	
			0	0
			150	0
			(470)	0
			90	0
			30	0
			50	0
			8	0
			0	0
			0	0
			0	0
			0	0
			0	0
			180	0
			130	38
			1,000	0
			900	0
			50	0
			0	0
			0	0
			150	75
			0	0
			50	0
			50	0
			50	0
			100	0
			0	0
			0	0
			300	
			2,902	37

(96)	(3)
398	38
2,600	2
<u>2,902</u>	<u>37</u>

Net Capital 2009/10		Revenue 2009/10	£000's	£000's
			0	0
			0	0
			30	0
			54	(54)
			0	0
			0	
			0	0
			0	0
			90	0
			50	0
			8	0
			0	0
			0	0
			0	0
			0	0
			0	0
			180	0
			105	0
			1,000	0
			900	0
			50	0
			0	0
			75	75
			0	0
			50	0
			50	0
			50	0
			100	0
			0	0
			0	0
			300	
			3,042	(54)

174	(54)
343	0
2,525	0
<u>3,042</u>	<u>(54)</u>

Trans	Hsng	Ref
270		
		600
620	6,252	600
	3,452	
	2,800	

910
3,013
8,272
<u>12,195</u>
<u>Total 3 Year Programme</u>
<u>(12,253) Resources + Slippage</u>
<u>(58)</u>



## Projected Capital Resources 2007-08 to 2009-10

Description	2007/08 £'000's	2008/09 £'000's	2009/10 £'000's
<b>Capital Receipts</b>			
Mainesbury Outdoor Pool Site	200		
Westlea Housing	500	300	100
Cattle Market Site	7,200		
Wilts & Swindon Records Office			830
Calne Northern Distributor Road			
Sewage Treatment Works	79		
Compulsory Purchase Deposit Returned	113		
Miscellaneous	53		
<b>Grants</b>			
Regional Housing Pot	400	400	400
Disabled Facilities Grant	200	200	200
Sustrans - Cycle Path	50		
<b>Resources B/Fwd from prior years</b>			
<b>Savings</b>			
Mainesbury Town Walls	16		
Churchill Close	100		
Litter Picking & Streetscene Vans	5		
<b>Uncommitted Schemes</b>			
Skateparks	42		
Play Areas	74		
<b>Less</b>			
Possible overspend on existing scheme	(60)		
<b>Interest</b>			
2006-07 Slippage	53		
2007-08 Capital Receipts	280		
2008-09 Capital Receipts		126	
2008-09 20% of possible future capital receipts		330	
2009-10 Capital Receipts			60
<b>Total Available</b>	<b>9,305</b>	<b>1,356</b>	<b>1,590</b>

Total Resources + Slippage (12,250)  
Total 3 Year Programme 12,195  
(55)

	2007/08	2008/09	2009/10
Analysis	177	-	-
Slippage	8,145	630	930
Capital Receipts	8,322	630	930
Grants	650	600	600
Interest	333	126	60
	9,305	1,356	1,590





## BRIEFING PAPER – Impact of reducing Affordable Housing Grant

### SUMMARY

With £2m programme per year

Year	LA grant funding	Projected completions with grant	**Projected completions without grant	Total projected completions
2006/07	£2,000,000	104	31	135
2007/08	£2,000,000	42	128	170
2008/09	£2,000,000	82	206	288
2009/10	£2,000,000	65	166	231

With reduced capital programme

Year	LA capital grant	Projected completions with grant	**Projected completions without grant	Total projected completions
2006/07	£2,000,000	104	31	135
2007/08	£1,500,000	32	128	160
2008/09	£1,000,000	30	206	236
2009/10	£750,000	25	166	191

\*\* These include both schemes delivered through the planning system without grant and Housing Corporation funded schemes.

As there is a delay to the impact of reducing the capital grant funding, it is likely that the greatest impact of reducing the commitment of funding to new schemes will be felt in 2009/10 and beyond.

There is a significant no. of units in the pipeline to be delivered through s.106 agreements negotiated since the adoption of the SPG in 2004 with nil subsidy. However, some of these s.106 agreements are still being negotiated. Others have just been agreed but we are not clear on timescales for delivery. It is extremely difficult to accurately predict this more than 12 months in advance.

However, in the short term (i.e. the next 2 – 3 years) it appears that, as there are a large number of new affordable housing completions projected through the planning system, **there is scope to reduce the capital grant commitment.**

I would recommend though, that this be **reviewed annually** to take account of changes in regional and national planning policies and to take account of the speed of sites being brought forward. This is often dependent on market forces i.e. a buoyant housing market should ensure development takes place within a short timescale. A slow down in the market could lead to developers delaying completions, which will have a knock on effect on affordable housing completions. For example, this time last year we were projecting more than 200 completions for 2006/07. Due to development delays we are now expecting around 135 completions for this year with a higher completion rate in 2007/08 and 2008/09.

The increased reliance on affordable housing through the planning system rather than by other means will mean we are much more sensitive to these changes and are **less in control of delivery to meet our targets.**

## BACKGROUND

### Affordable Housing Need

The District Wide Housing Needs Survey identified a need for **780** new affordable homes **per year** in North Wiltshire.

There are currently **2014** households on the housing needs register (November 2006).

In 2005/06 we accepted **155** households as **homeless**. Accepting this duty means we are obliged to secure permanent accommodation and, if necessary, temporary accommodation for these households.

In 2006/07 we increased our target for affordable housing completions from 100 per year to 150 per year in order to try to meet the need of homeless households, those on the register and those in unsuitable housing (e.g. overcrowded).

### Development funded through the LA programme to date

Year	LA funding committed	HC match funding	Completions achieved	% of total completions
2004/05	£575,000	£683,686	21	27%
2005/06	£2,363,087	£687,322	89	56%
2006/07	*£3,067,667	£1,226,844	*104	77%

Although the LA capital programme commenced in 2004/05, due to the nature of development there were only two schemes completed using LA capital grant funding in that year.

### Development funded without LA grant

Year	Delivery method	Completions achieved	% of total completions
2004/05	Housing Corporation funding only	56	73%
2005/06	Housing Corporation only	47	29%
	Planning gain – nil grant	24	15%
2006/07	Housing Corporation only	*5	4%
	Planning gain – nil grant	*26	19%

\*projected to year end

LA funding has enabled the delivery of a significant proportion of the new affordable homes completed each year. In addition, the ability to offer match funding has attracted substantial investment from the Housing Corporation. In 2004/05 and 2005/06 a number of the completions wholly funded by the Housing Corporation were schemes approved prior to the abolition of LASHG in April 2003 and were therefore funded partly by transitional LASHG. The Housing Corporation is now clearly targeting spend at joint-funded schemes and strategic schemes in Principal Urban Areas such as Swindon & Bath. **Therefore, our best chance of securing future Housing Corporation funding is through working jointly with Swindon & Bath and/or through offering match funding.**

Through adoption of our Affordable Housing Supplementary Planning Guidance in May 2004 we have been able to achieve 30% affordable housing on urban sites over 25 units without recourse to public subsidy. However, due to the timescales involved

in these sites coming forward they have not yet provided the volume of affordable housing we require.

## **OPTIONS FOR AFFORDABLE HOUSING DELIVERY**

The Housing Strategy 2005 – 2008 identifies delivery of Affordable Housing as the top priority with a number of options to enable that delivery. Progress with exploring these options is as follows;

### **Option 1 – Affordable Housing through planning gain**

The District Wide Needs Survey 2000 proposed a target of 30% affordable housing on urban sites and 50% on rural sites with a threshold of 15 units in urban areas. This proposal was incorporated in the Local Plan 2011 adopted in June 2006.

The District Wide Needs Survey 2005 proposes a target of 40% affordable housing on urban sites and 50% on rural sites with a threshold of 10 units in urban areas. It is anticipated that these proposals will be taken forward in the Local Development Framework. The latest proposed revision to the Local Development Scheme suggests that a new policy will not be adopted until April 2009 at the earliest. It is also important to note that completions negotiated via s.106 agreements can take 18 months or more to be achieved. For example, completions achieved this year at Saxon Court, Chippenham (Flowers Yard) are as a result of a planning permission and condition for affordable housing granted in November 2002. On this basis, any additional completions achieved as a result of increasing the %age of affordable housing and reducing the threshold through the introduction of a revised planning policy through the planning process will not be achieved until 2010/11 at the earliest.

The regional planning framework currently allows for the development of around 500 new homes in the district per year. If we assume that, between 2007/08 and 2010/11 (4 years) there will be 2000 additional homes built in the district and that around 60% of those will be above the 15 threshold limit, 30% affordable housing will deliver approximately 360 units, an average of **90 units per year**.

From adoption of the new policy in 2009 and negotiations from that point on the basis of 40% affordable and a threshold of 10 units, with around 500 new dwelling completions annually, the no. of affordable homes achieve could increase to around **140 – 160 from 2010/11** (assuming 70 - 80% of sites above 10 units).

### **Option 2 – Social housing built with grant**

As described above, the ability to commit capital funding to enable affordable housing on non-planning gain sites makes a significant contribution to the overall achievement of completions and meeting need. In particular, the ability to use funding to bring forward supported housing schemes, which are difficult to achieve through the planning system, is particularly valuable. Rural exception sites require grant funding to enable them to proceed so commitment of grant funding enables us to meet rural housing targets.

By pushing schemes back we are able to continue to support proposed schemes. However, we will not be able to offer support to new opportunities that might arise.

### **Option 3 – Cross subsidising affordable homes with private market housing.**

Malmesbury pool is our only example of this to date. The affordable housing is being subsidised through a combination of below market value LA and Westlea land

together with profit generated from sale of a number of units on the open market. If successful as a model, Westlea are considering purchasing sites on the open market in competition with developers to progress more affordable housing development in this way. In theory this could deliver more than 30 – 40% affordable housing on sites as there will be no requirement for profit. Alternatively the profit could subsidise affordable housing on other sites. Other RSLs are also considering using this model.

#### **Option 4 – Making the best use of land resources**

We are working with the Asset, Design & Regeneration Team to bring forward small sites in the Council's ownership where there is potential for affordable housing development. In addition we are working with Westlea to use their land assets in conjunction with ours where this increases development potential. There are currently 4 sites being progressed in this way with potential for more. The land value is being used as subsidy in order to achieve affordable housing.

#### **Option 5 – Making best use of existing stock**

As well as new development, we are working to make sure we make the best use of the housing stock available to us through;

- improvements and adaptations to existing housing in the district
- bringing empty properties back into use
- discouraging second homes through reduced Council Tax discounts
- encouraging moves where appropriate e.g. where households are underoccupying
- offering rent deposits and rent in advance to enable households to access the private sector
- reviewing the allocations policy to ensure lettings offer choice and enable good use of existing social housing.

#### **Option 6 – Alternative funding models**

The team is also considering alternative funding options for affordable housing delivery. There are a number of new models being proposed by financial institutions such as Lloyds TSB as well as PFI for newbuild social housing and new models being developed by our Housing Association partners.

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