

Wiltshire Council

Cabinet Capital Assets Committee

15 September 2015

Subject: Council House Building Programme Review

Cabinet member: Councillor Jonathon Seed – Housing, Leisure, Libraries and Flooding

Key Decision: Yes

Executive Summary

In September 2014 Cabinet Capital Assets Committee approved a programme to deliver 240 new council homes between 2015 and 2020.

As work has progressed, the schemes and funding streams have been firmed up and, as a result, there are changes to the approved programme.

This report seeks approval for the revised programme to deliver around 226 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, finance, procurement, legal and assets in consultation with the Cabinet Member for Housing, Leisure, Libraries and Flooding, 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 2 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) A total budget of £42.5m with delegated authority to substitute and change funding streams within the programme for individual sites to optimise financing. HRA funding will not exceed £32.8m 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.**

- d) Entering contracts for consultants, construction and other elements of the project to enable the delivery of around 226 new homes within the total scheme costs identified in Appendix 2 in accordance with the Corporate Procurement & Commissioning Board approach.**
- e) Entering funding agreements with HCA/CLG/DOH as required to secure the grant funding and borrowing approval required.**

Reason for Proposal

Since the council house building programme was first approved in September 2014, further site feasibility work has been undertaken, consultation with local communities has taken place, schemes have been fully designed and costed and some of the projects have been tendered. This has resulted in changes to the estimated costs of schemes, the proposed sites and the number of homes that can be delivered with the available funding.

This report seeks approval for a revised programme to deliver around 226 new homes as detailed in Appendix 2.

Maggie Rae
Corporate Director

Wiltshire Council

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Key Decision: Yes

Purpose of Report

1. To gain delegated approval to deliver a revised programme of around 226 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, social care and housing capital 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 around 226 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 There is a range of funding streams available to support the delivery of new council housing. These include HRA self-financing, HRA borrowing approval granted by the Department for Communities and Local Government (DCLG), Homes and Communities Agency (HCA) grant, Department of Health (DoH) grant, Right to Buy (RTB) receipts and commuted sum funding secured through planning gain.

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

3.3 The provision of new council housing will help to meet the housing needs in Wiltshire, particularly those of older people, enabling them to remain living independently in the community.

Background

4.1 Since September 2014, further work has been done to assess the feasibility of sites, work with local parishes and communities, carry out more detailed design and costing work and two sites have been tendered. As a result, the projected cost of delivering the new homes has exceeded the budget approved. This report seeks a revised approval for around 226 new homes based on the latest Quantity Surveyor estimated costs of delivering the schemes as detailed in Appendix 2.

4.2 The sum of £34m has been set aside as part of the HRA Business Plan to invest in new homes. This cannot be exceeded.

4.3 The remainder of the funding required to support the delivery of the programme will come from HRA borrowing approval, Homes and Communities Agency (HCA) grant, Department of Health (DH) grant, commuted sum funding, Right to Buy (RTB) receipts and adult care and housing capital funding as detailed in Appendix 2.

4.4 The council has entered into a funding agreement with the HCA for the 2015-18 Affordable Homes Programme and will need to enter into further funding agreements to agree to the conditions around the Department of Health grant funding and HRA borrowing approval. This report requests authority is delegated to the relevant directors in consultation with key Cabinet Members to approve those agreements.

Land

4.5 A number of the rural sites approved in September 2014 have not progressed due to lack of support from the parish councils. The revised proposed sites are detailed in Appendix 2. Planning permission has been achieved for the Coombe Bissett site. Planning applications are due to be submitted for three rural sites in Autumn 2015 and the remaining rural sites towards the end of 2015 following consultation with local communities.

4.6 The Devizes extra care scheme has achieved planning permission, been tendered and is due to start on site in October 2015 and complete in March 2017. The Salisbury and Amesbury schemes are being delivered on land secured through planning agreements and negotiations have commenced with the developers involved.

4.7 The Coombe Bissett site was approved for development of affordable housing by Cabinet Capital Assets Committee on 19th March 2013. The site has achieved planning permission and negotiations have commenced with the

utilities providers to supply services to the site to enable construction to commence this year.

4.8 The Southview sites are four parcels of land that were transferred to the council for the Housing PFI scheme in 2008. It is proposed that two of these parcels of land are developed by the council as part of this programme to deliver a range of new affordable homes. These parcels already have planning permission and work has commenced to determine the procurement route to appoint a build contractor.

Consultation

4.9 Consultation has taken place with 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

4.10 The Coombe Bissett scheme was approved by Cabinet Capital Assets Committee in March 2013, has achieved planning permission and is due to start on site this year.

4.16 The Devizes extra care scheme has planning permission, has been tendered and is due to start on site in October 2015 and complete in March 2017. The Amesbury and Salisbury extra care schemes are programmed to start on site in Summer 2016 and complete in 2017. The first rural bungalow sites are due to be submitted for planning in August with a target start on site date of January 2016 and completion at the end of 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 Council House Building Programme Board has been set up to monitor the delivery of the programme together with a project delivery group.

4.19 The Corporate Procurement & Commissioning Board ensures effective implementation of procurement policies and regulations, agreeing routes to market and determining where appropriate frameworks may be utilised instead of a compliant OJEU process.

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, be able to accommodate hoists if required 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.

Corporate Procurement Implications

7.1 Corporate Procurement Board has approved a strategy for procurement of the council house building programme and is monitoring the outcomes of that strategy. 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.

7.2 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 (detailing conclusions identified from Equality Analysis, sections 4 and 5)

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

Environmental and Climate Change Considerations

9.1 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.

9.2 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.

9.3 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 used alongside use of solar panels, particularly in rural areas where there is no mains gas.

9.4 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.

Risk Assessment

10.

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

11.

- 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) Funding timescales are not met for external funding streams

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

12.

	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	Scheme feasibilities have been completed. Contingencies have been allowed within the feasibilities to enable some flexibility.
c)	Cost of delivery	There is a risk that with a more buoyant construction sector the cost of building is increasing. This could cause increased build costs or lack of interest from developers. Through ensuring that all required information is available and the adoption of a competitive and compliant procurement process, the risk of increased costs can be managed.
d)	Planning	Three schemes have already achieved planning permission. There is a risk that the remaining schemes will not achieve planning permission. Discussions are ongoing with planning officers.
e)	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.
f)	Availability of land	Land has been identified for a number of schemes. The schemes identified are on land that has been secured for affordable housing.
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. The projects will not be viable with HRA funding alone. Every effort will be made to secure the grant and other funding committed to this programme.
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 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.
i	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

- 13.1 Capital funding will be required to support the delivery of around 226 new affordable council homes. Details of the proposed funding streams are outlined in Appendix 2. There have been significant cost increases as detailed in this Appendix, which if the programme is to be delivered could be met by increasing other funding streams as shown. This assumes that the Adult Social Care Grant continues to be drawn down through Better Care Fund to Wiltshire Council and is at the same level as 15/16. The updated programme now shows that it will deliver fewer units for an increased budget.
- 13.2 The Average cost per unit has increased. Ultimately this is due to the additional costs incurred of developing in rural areas on a small scale where economies of scale cannot be achieved and site issues have to be overcome including the costs of providing infrastructure and utilities. The average cost is roughly £30,000 per home more than the average to build in more built up communities. The benefits to be secured are wrapped around keeping individuals and families in communities where they have family or friend support. This provides support that may otherwise be borne by the Council in relation to costs for care, or transport say. We have yet to quantify this as the schemes are in design and clearly we need to assess each area by area on need. The same is true for extra care whereby the basic assumption is that the schemes deliver avoidance of cost, in particular care, that may otherwise be incurred by the Council.
- 13.3 This programme is based on the principle that Council owned land is appropriated from the General Fund into the HRA at nil value. There is an opportunity cost of using the 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.

- 13.4 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
- 13.5 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. 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. The HRA will require further remodelling following both the Chancellor of the Exchequer's recent announcement on rent decreases and right to buy; as well as any revisions to the Council's 30 year Business Plan. In addition the ongoing spend and rent from these new homes will need to be carefully monitored as if either costs increase or rent is below assumed levels there is a risk that the HRA reserves will be adversely affected. This could be mitigated by reducing repairs and maintenance for example, or possibly rent reviews or debt rescheduling.
- 13.6 The scheme costs have been modelled using Quantity Surveyor estimates. The procurement process will ensure best value is achieved both for consultants and professional fees and for construction costs through tendering and benchmarking.
- 13.7 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. New homes bonus has already been factored into the Medium Term Financial Plan and is subject to future changes in Government policy. 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.
- 13.8 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

- 14.1 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.

- 14.2 Legal advice will be required for entering into both funding and legal agreements in relation to the programme.
- 14.3 Legal advice and support will also be required for entering into contracts with consultants and contractors.
- 14.4 Land will need to be appropriated to be held for housing purposes
- 14.5 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

- 15. 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. Failure to take up grant funding may carry a future reputational risk.
 - 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

- 16. 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

The following documents have been relied on in the preparation of this report:

CCAC Report September 2014

<https://cms.wiltshire.gov.uk/ieListDocuments.aspx?CId=980&MId=8136&Ver=4>

Appendices

Appendix 1 – original programme

Appendix 2 – revised programme

Appendix 3 – programme comparison