

CYNGOR SIR POWYS COUNTY COUNCIL.

**CABINET REPORT
7th November 2017**

REPORT AUTHOR: County Councillor Jonathan Wilkinson
Portfolio Holder for Housing and Countryside Services

SUBJECT: Powys County Council Affordable Housing Programme

REPORT FOR: Decision and Information

1. Summary

- 1.1 This report seeks approval for the Housing Service:
- to develop a phased five year programme for the development of new council rent homes and the development of low cost home ownership homes;
 - to create a project board to develop a Powys specific housing development framework within the next 12 months; and
 - to procure individual housing development schemes as pilot schemes whilst the framework is being developed.
- 1.2 In addition, the report also provides information to members regarding the Planned Delivery Programme (PDP) submitted to Welsh Government which details the allocation of Social Housing Grant (SHG), Housing Finance Grant (HFG), Recycled Capital Grant (RCG) and Affordable Housing Grant (AHG) in Powys in the period 2017-18 to 2020-21. These are the resources utilised by housing associations to part fund the development of new units of social housing.

2. Background

- 2.1 The Housing Service has previously reported that since the reform of the Housing Revenue Account (HRA) subsidy reform (2015) it is now in a position to acquire and build new council homes.
- 2.2 Since 2014 the Housing Service have been creating a land bank for the HRA by buying land when the opportunity arose and by participating in the Strategic Asset Management Plan (STAMP) process and acquiring land from other services. The Housing Service has assessed up to 90 different sites across Powys and the service are currently assessing the viability of the preferred 39 areas of land.
- 2.3 The service has in the last 12 months purchased land, the site of the former Red Dragon public house and the Bowling Green site in Newtown. In 2017 the HRA acquired 7 properties, some via the open market purchase and some by purchase from other council services. In

addition in October 2017 the HRA will purchase 6 one bedroom flats in Crickhowell, developed on the council's behalf by Melin Homes. These will be the first new purpose built council homes in Powys since the 1980s. The council plans to deliver 85 new council homes over the next four years.

- 2.4 The current Welsh Government is committed to delivering 20,000 new affordable homes across Wales, in the term of the current National Assembly. Capital resources made available for the development of new homes have been increased significantly and programmes of funding which had previously been only available to housing associations have been extended to local authority landlords. In addition the existing rules regarding HRA capital borrowing, which limits each local authority to a borrowing ceiling may be changed by the Welsh Government, to ensure that all Welsh borrowing capacity is used to deliver new council homes. This in effect will mean that un-used borrowing capacity held by some local authorities will be redistributed to others who are more likely to utilise the funds. Powys is one of the councils' who will potentially benefit from this change, enabling the council to significant increase its development programme over the next 4 years.
- 2.5 The Housing Service and Commercial Services have over the last two years been considering existing frameworks available to the Council, to enable it to accelerate the development of new council homes. Officers considered the Flintshire County Council SHARP framework in particular but considered that this approach, whilst appearing to operate well in Flintshire would not work as well in Powys (due to the geography of the county) and was also not in keeping with the priorities of the Cabinet in respect of developing a vibrant local economy.
- 2.6 In order to assist the Council in assessing its approach the Housing Service appointed Nicola Cole Consultancy (Nicola was until recently the Head of Development at Wales and West Housing Association) to run a facilitated workshop with officers from Housing, Commercial Services and Finance. A copy of the consultant's report is attached to this report at appendix 1.
- 2.7 The Housing Service and Commercial Services have concluded that existing frameworks have been developed with specific strategic aims and objectives. These do not entirely align with those of Powys County Council and therefore the council would have to compromise on its vision and priorities should it utilise an existing framework agreement. In particular, the size and scale of contractors who work in the county and the rurality of the county were issues which were not adequately catered for in existing frameworks. A framework which is structured to address the unique economic and social characteristics of Powys is the preferred option.
- 2.8 In January 2017 the Cabinet approved the Wood Encouragement policy and the Housing Service recently received confirmation that the Council

has secured £1.5 million “Co-operation & Supply Chain Development Scheme” European Rural Development Programme grant (RDP) with regard to progressing the Home Grown Homes project. All new council homes developed from this point on will seek to maximise the use of locally grown and home grown timber.

3. Proposal

- 3.1 It is proposed that the Housing Service develop a phased five year programme for the development of new council homes and homes for low cost home ownership, to take advantage of the increased capital funding made available by the Welsh Government.
- 3.2 The first phase of the programme will focus on the land which is currently within the ownership of the HRA. The second phase will utilise land which will be transferring to the HRA from other services, or will be purchased by the HRA from other services.
- 3.3 Land currently within the ownership of the HRA, subject to due diligence, is deliverable now and means the council can apply for the increased capital finance that Welsh Government has made available for the next two years. The Housing Service has recently applied for £2.25 million Innovative Finance Grant from the Welsh Government to help meet the development costs of the Bowling Green site in Newtown.
- 3.4 The programme will need to align with the plans of other social landlords in Powys and those of the Regeneration and Regulatory Service. In addition the programme will need to fit within the broader context set by the Local Development Plan (LDP).
- 3.5 It is therefore proposed that the Housing Service procure developments via competitive tender, whilst the framework and programme are being developed and have included in the PDP an allocation of £1.9 million AHG for the schemes at the Bowling Green, Sarn Farm Land and Heol y Ffynnon (Cradoc Close), Brecon. These schemes will be used to develop pattern books of house types for the Housing Service ensuring that we fulfil the intentions of the Wood Encouragement policy and the wider Home Grown Homes project.
- 3.6 It is also proposed that a Project Board is established, which will include representatives from Housing, Finance, Commercial Services, Legal Services, Planning Services, Regeneration, Property and specialist design/build services in order to develop a Powys Housing Development Framework but to also ensure that the progress of the phased five year programme aligns with the Councils strategic priorities. The framework developed will be based on the “Lots of Values and geographic areas” as referenced in the attached report which will enable a number of contractors ranging in size and scale to be considered as development partners rather than a large, single development partner.

- 3.7 The spreadsheet attached at appendix 2 is the PDP submitted to Welsh Government in September 2017. The PDP tab shows the developments agreed between the Housing Service and housing associations who are able to develop in Powys. Previously the annual guaranteed allocation of SHG in Powys was £1.56 million the allocation has been increased to £7.2 million but also now includes HFG and schemes can be funded with a blend of SHG and HFG. Those schemes listed on the PDP tab are therefore guaranteed.
- 3.8 In addition, the Welsh Government request that housing associations and local authorities include reserve schemes in the PDP, as additional finance may become available during the year. The reserve and potential tab on the attached spreadsheet shows the housing association schemes listed. The local authority build scheme tab shows the allocation of AHG referenced in paragraph 3.5 above but also the Councils potential capacity to deliver if finance was available. The combined potential development spend from housing associations and the council between would be the equivalent of £28 million grant finance, £8million by the Council. The RCG tab shows the levels of RCG available and with each housing association. Member may wish to note that in future the PDP will also include Innovative Housing Programme (IHP), Health & Housing and Rent to Buy grants.

4. Options Considered / Available

- 4.1 The Housing Service and Commercial Services have undertaken an assessment of the frameworks available and have concluded at the facilitated workshop that the following are the most appropriate options available:
- to develop phased five year programme for the provision of new Council housing and low cost home ownership.
 - establish a project board to develop a Powys specific housing development framework which based on the “Lots of Values and geographic areas” as referenced in the attached report which will enable a number of contractors ranging in size and scale to be considered as development partners rather than a large single development partner and ensure the development programme addresses the Councils strategic priorities within the next 12 months.
 - the Housing Service procure individual housing development schemes by competitive tender, as pilot schemes ensuring that the opportunities for housing capital investment are taken while the programme and framework are being developed.

5. Preferred Choice and Reasons

- 5.1 As stated above officers have assessed a number of options and concluded that those stated above are the only options available.

6. Impact Assessment

6.1 Is an impact assessment required? No

6.2 If yes is it attached? N/A

7. Corporate Improvement Plan

7.1 The provision of additional housing will support the priority of supporting people in the communities across Powys to live fulfilled lives. By aligning the new build programme to the Home Grown Homes initiative there will significant economic benefits for the area and opportunities for employment and a the development of a skilled workforce. By lotting the requirements sensitively the programme will align with the Council's 2025 Vision for a vibrant economy by providing opportunities for local contractors and /or directly or through the supply chain.

8. Local Member(s)

8.1 This will have an equal impact across the County.

9. Other Front Line Services

9.1 Does the recommendation impact on other services run by the Council or on behalf of the Council? No

If so please provide their comments

10. Communications

10.1 Have Communications seen a copy of this report? Yes
Have they made a comment? If Yes insert here.
The report is of public interest and requires use of proactive news release and appropriate social media to publicise the recommendation/decision and will require specific communication action to inform the public about individual projects.

11. Support Services (Legal, Finance, Corporate Property, HR, ICT, Business Services)

11.1 The Professional Lead Legal confirms that the Legal Services will support the proposals and subsequent aims set out in this report as and when required.

- 11.2 The Capital and Financial Planning Accountant supports the development of a phased five year programme for the development of new council rent homes and the development of low cost home ownership homes. The creation of a Project Board will provide the governance and support for this project. The procurement of individual housing development schemes as pilot schemes whilst the framework is being developed, will allow the project to progress. The 2017/18 to 2019/20 capital programme includes £12.1m funded from Prudential Borrowing and WG grants for the development of new builds.
- 11.3 The Finance Business Partner notes the content of the report and will work with the service area to progress. The funding of the affordable housing programme is already included in the Capital programme and the business plan in respect of the prudential borrowing costs. Ongoing the future rental income and service costs need to be sustainable within the Housing Revenue Account (HRA) financial envelope included in the 30 year business plan and within Welsh Government (WG) guidelines.

12. Scrutiny

- 12.1 Has this report been scrutinised? No

If Yes what version or date of report has been scrutinised?
Please insert the comments.

What changes have been made since the date of Scrutiny and explain why Scrutiny recommendations have been accepted or rejected?

13. Statutory Officers

- 13.1 The Solicitor to the Council (Monitoring Officer) has commented as follows: "I note the legal comment and have nothing to add to the report".
- 13.2 The Head of Financial Services (acting Section 151 Officer) notes the comments from Finance and reinforces the requirement that the programme is developed ensuring it is sustainable and affordable within the Housing Revenue Account Business Plan.

14. Members' Interests

The Monitoring Officer is not aware of any specific interests that may arise in relation to this report. If Members have an interest they should declare it at the start of the meeting and complete the relevant notification form.

Recommendation:	Reason for Recommendation:
<p>1. Approve the Housing Service develop a phased five year programme for the development of new council homes for rent and homes for low cost home ownership.</p> <p>2. Approve the creation of a project board in accordance with paragraph 3.6 of the report to oversee the development of a Powys specific housing development framework which is based on the “Lots of Values and geographic areas” as referenced in the attached report within 12 months.</p> <p>3. To approve the Housing Service procure by competitive tender individual housing development schemes as pilot schemes.</p> <p>4. The PDP is noted</p>	<p>1. A development programme will assist the Council in meeting identified housing need across Powys and ensure the appropriate allocation of resources by the Council and its partners. It is also an essential component in developing a housing development framework.</p> <p>2. Project Board will ensure that all relevant services are involved in the framework enable a number of local contractors ranging in size and scale to be considered as development partners rather than a large single development partner and will ensure that the programme developed meets the Councils strategic priorities</p> <p>3. Ensuring that the opportunities for housing capital investment are taken while the programme and framework are being developed.</p> <p>4. To provide information about new and potential social housing development in Powys and the levels of investment.</p>

Relevant Policy (ies):			
Within Policy:	Y	Within Budget:	Y

Relevant Local Member(s):	All Members
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Person(s) To Implement Decision:	Dafydd Evans, Service Manager Housing Solutions, Mark Davies, Affordable Housing Team Leader, Vincent Hanly, Commercial Services Lead.
Date By When Decision To Be Implemented:	April 2018

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Background Papers used to prepare Report: