

WAVERLEY BOROUGH COUNCIL

COUNCIL

13 DECEMBER 2022

Title:

HRA BUSINESS PLAN REVIEW
NEW BUILD HOUSING DELIVERY

Portfolio Holder: Cllr Nick Palmer, Co - Portfolio Holder for Housing (Delivery)

Head of Service: Andrew Smith, Joint Executive Head of Housing

Key decision: Yes

Access: Part Exempt (Annexes 1-3 inclusive)

Note pursuant to Section 100B(5) of the Local Government Act 1972

These Annexes to this report contain exempt information by virtue of which the public is likely to be excluded during the item to which the report relates, as specified in Paragraph 3 of Part I of Schedule 12A to the Local Government Act 1972, namely:

Paragraph 3

Information relating to the financial or business affairs of any particular person (including the authority holding that information).

1. Purpose and summary

1.1 Purpose of this report:

- Is to provide members with an overview of the proposed new build housing schemes which are in a position to deliver through entry into a build contract with a contractor.
- Seek member approval to the recommendations made for each project as set out in business cases within Annexe 1 using the financial strategy as set out in the Housing Revenue Account Business Plan Strategic Review Report and Annexes 1-3.
- Seek member approval of the revised budgets as set out in Annexe 2.

2. Recommendation

- 2.1 It is recommended that the Council, consider this report and information within the Annexes and approve recommendations as set out in business cases in Annexe 1 of this report and summarised Annexe 2.

- Annexe 1a - Site C Ockford Ridge, Godalming – members previously approved budgets for the scheme in annual Budget Council Meeting for the delivery of 30 new homes and retrospective approval is sought for transparency of the total scheme cost (full cost not previously reported) supported by the viability assessment and net revenue impact in the business case
- Annexe 1b - Aarons Hill, Godalming – members approve the delivery of 4 new homes and scheme costs
- Annexe 1c - Hartsgrove, Chiddingfold – members approve the delivery of 5 new homes and scheme costs
- Annexe 1d - Pathfield, Chiddingfold – members approve the delivery of 11 new homes and scheme costs
- Annexe 1e - Queens Mead, Chiddingfold – members approve the delivery of 8 new homes and scheme costs
- Annexe 1f - Turners Mead, Chiddingfold – members approve the delivery of 2 new homes and scheme costs
- Annexe 1g - Riverside Court, Farnham – members approve the delivery of 2 new homes and the scheme cost
- Annexe 1h – Woodside Park, Cattershall Lane – members approve the delivery of 12 new homes and scheme costs

2.2 It is recommended that Council approve the budgets for each scheme totalling £21,252,208m as set out in Annexe 2.

3. Reason for the recommendation

3.1 To seek Full Council approval for the development projects described in this report and Annexe 1 a–h as part of the council’s new affordable homes programme financed in compliance with the HRA Business Plan Strategic Review report.

4. Background

4.1 The annual update of the self-financing HRA 30-year Business Plan considered by Full Council on 22 February 2022 included a recommendation to undertake a strategic review to address the challenges faced within the HRA business plan and return it to a sustainable financial footing, including the affordability of continuing with the new homes building programme. The outcome of this review is reported in the HRA Business Plan Strategic Review report to Full Council on 13 December 2022. Pending the outcome of the strategic review, the new affordable home building programme was put on hold by the Strategic Director for Resources (Section 151 officer) in anticipation of the ratification of a new HRA Business plan financial strategy, including the funding strategy for the new homes building programme. This report proposes a schedule of schemes ready for Full Council approval to proceed under the new strategy. The detailed business case for each proposed scheme is set out in Annexes 1 (a-h) of this report.

5. Relationship to the Corporate Strategy and Affordable Homes Delivery Strategy 2022 – 2025

5.1 Affordable housing is central to community wellbeing. It is consistent with the

Council's Corporate Strategy 2020 – 2025, strategic priority to deliver 'good quality housing for all income levels and age groups' and 'Effective strategic planning and development management to meet the needs of our communities.

As set out in the Build More, Build Better, Build for Life, Affordable Homes Delivery Strategy 2022-2025, the Council is committed to build homes to buy or rent for households from all income levels. The strategy sets out priorities and objectives for the development of new affordable homes by the Council and our partners for the next 3 years.

One of the actions within the Affordable Homes Delivery Strategy Action Plan is to deliver 15% of the new homes, 60 over the life of strategy with the remaining 85% delivered by other registered providers. Another action is to introduce a rent cap for affordable rents set at 70% of market rent for 1 and 2 bed homes and 65% for 3 bed homes to reflect local income levels and affordability. The delivery of the new homes programme will increase the number of affordable homes available for those that are in housing need and registered on the Council's housing register or seeking to own their own home through purchase of a percentage share of a shared ownership home.

6. Implications of decision

6.1 Resource (Finance, procurement, staffing, IT)

Decisions made regarding budget to deliver the new build housing delivery programme will impact on the Council's financial resources as set out in this report.

The projects within the programme can be delivered with staffing resource of the Housing Development Team and other council service areas who support the delivery together with the external specialist consultant teams.

Procurement of consultancy services and contractors will be undertaken in accordance with the Council's Contract Procedure Rules and approved delegations.

6.2 Risk management

Risk will be managed in accordance with the Council Risk Management Framework with consideration of the Council's Risk Appetite Statement and risk domains.

Identification, assessment, and management of site-specific risks will be undertaken using the project risk register and management practice, including appropriate internal reporting should risks become issues.

The risk that a preferred contractor goes into administration either when in a pre-contract services agreement or in JCT Contract has now become an issue in one project. The risk of this can be assessed through thorough due diligence and financial assessment and mitigation actions should this happen when in contract through seeking a parent company guarantee and / or bond.

The cost over the Business Plan and over the life of the asset rent, maintenance and management cost increases, actual experience may be different to these assumptions and the impact will be on the net revenue position and mitigated where possible through the New Development Impact Reserve.

Risk of the Right to Buy sale and loss of income to the business plan. Where the council has financed the property through borrowing, the asset could be lost before the debt is cleared. A debt repayment allowance is included within the Right to Buy retention calculation and the net debt impact will be managed through the New Development Impact Reserve.

When a main contractor is appointed, they will be responsible for paying the sub-contractors, there is a risk that this may not happen. Mitigation measures implemented through the monitoring of work completed by the sub-contractors by the project quantity surveyor and a requirement for the main contractor to evidence payment.

There is a risk that planning permissions secured for developments will lapse.

6.3 Legal

The Council has functions to provide social housing and to build and develop these schemes. The individual projects are at various stages of the development cycle and accordingly the legal risks and elements with these projects is kept under review to ensure the Council's position is protected and appropriate advice and support is sought. The decision to approve the development of sites in this programme does not prejudice or determine the proper functions of the Council as Planning Authority or in any other regulatory function and appropriate approval and consideration under the relevant frameworks must be considered in light of those frameworks.

6.4 Value for money

The Council commissioned Haverly Consulting Limited to undertake a development appraisal, value for money and benchmarking assessment of each of the schemes which concluded that the Council are using robust development assumptions that are in line with the sector comparison and market levels. This assessment can be found at Annexe 3 to this report.

6.5 Equality, diversity, and inclusion

There are no direct equality, diversity, or inclusion implications in this report. Equality impact assessments are carried out, when necessary, across the council to ensure service delivery meets the requirements of the Public Sector Equality Duty under the Equality Act 2010.

7. Climate emergency declaration

- 7.1 The New Build contribution to the Council's environmental and sustainability objectives include working with consultants to develop climate positive design and developing carbon off-set opportunities in materials used in construction.

- 7.2 The consultant and contractor shortlisting / tender process supports the Council's ambition of being carbon neutral by 2030. Tender criteria are used to enable the Council to take account of the qualitative, technical and sustainability aspects of the tender as well as price when evaluating and reaching a contract award decision.
- 7.3 Demolition contractors are required to operate in an environmentally responsible manner with a firm commitment to recycle and reclaim the maximum materials recovered during the demolition and dismantling process.
- 7.4 Our build contractor appointment includes an assessment of responses in relation to minimise the carbon impact on delivery of schemes with specific references to addressing their environmental impact, pre-construction activity, build and post construction phases and management of their supply chain.
- 7.5 Contractors are required to demonstrate areas of innovation that they have developed, or suggest products and advise how they might be used in projects delivered with the council; having regard to the council's current Design Standards and Employers Requirements to deliver energy efficient and sustainable homes for existing and future tenants
- 7.6 The Waverley Borough Council Housing Design Standards were reviewed by the Housing Overview and Scrutiny Working Group and the resulting recommendations were formally adopted by the Executive in September 2021. The focus of the review was on opportunities and methods of delivery of carbon neutral / Passivhaus homes and value for money. The homes included in the Council New Build Housing Delivery Programme will be net zero carbon in operation.
- 7.7 The Housing Development Team work with other teams to identify ways the delivery of the Council's new build and regeneration programme can support delivery of other elements of the Council's Climate Change and Sustainability Strategy and Strategic Carbon Neutrality Action Plan.

8. Consultation and engagement

The Resources Overview and Scrutiny Committee scrutinised the HRA New Build Housing Delivery Programme as set out in the HRA Business Plan Strategic Review report, Annexe 3 at their meeting on 7th November 2022.

9. Other options considered

- 8.1 Cease delivery of the pipeline of new build homes by the Council, however delivery of good quality affordable homes for local people in housing need is a strategic priority within the Council's Corporate Strategy 2020 – 2025 and commitment within the Affordable Homes Delivery Strategy 2022 – 2025 to deliver 60 new homes over the life of the strategy.

Options for each of the schemes are set out in the individual business case for each scheme in Annexe 1a–h.

10. Governance journey

10.1 Executive on 29 November and Council 13 December 2022.

Annexe 1a-h - Business Cases in respect of each site and sub annexe (i) valuation reports

Annexe 2 – Revised Budgets

Annexe 3 – Haverly Consulting Limited Development Appraisal, value for money and benchmarking assessment and appendices 1-4.

Background Papers

There are no background papers, as defined by Section 100D(5) of the Local Government Act 1972).

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Head of Finance: 17/11/22
Strategic Director: 15/11/22
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