

## SOUTH HOLLAND DISTRICT COUNCIL

**Report of:** Portfolio Holder Housing (Share-Holders Representative) and the Board Chairman of Welland Homes

**To:** Cabinet – 12 July 2016

**(Author:** Julie Kennealy – Executive Director Commercialisation (S151))

**Subject:** Housing Delivery/Welland Homes Interim Business Plan

**Purpose:** To consider, in light of the new housing and planning bill and the anticipated impact on and implications for the council as a Landlord in housing delivery across the District, an interim business plan for Welland Homes Limited (“Welland Homes”) and to agree arrangements to accommodate an anticipated increase in housing delivery requirements in the longer term. This report summarises the information contained in the confidential appendices 1, attached.

### **Recommendations to Full Council:**

- 1) That the following matters are recommended to Council:
  - a) That the interim business plan for Welland Homes is approved in order to provide fast tracked delivery of 82 homes (46 to the HRA) with a projected contribution, over the term of the programme, to the general fund of £1.039 million alongside contribution to the HRA of £139k;
  - b) That the current £2.5million funding limit for acquisition of residential housing investments is increased to £3million; and
  - c) That, subject to obtaining planning consent, redevelopment of council owned land and assets at Small Drove, Weston be approved with a view to facilitating a development of a 34 affordable homes for the benefit of the Council’s Housing Revenue Account.

### **Recommendations to Cabinet:**

- 2) That officers are requested to consider the emerging details, of the housing and planning bill, alongside the housing delivery ambitions under devolution to identify the impact, risks and opportunities for the council and to provide options for future consideration by Cabinet to support any expanded housing delivery programme;
- 3) That (subject to Council approval of the revised business plan, including the development of Small Drove) delegated authority be granted to the Portfolio Holder for Housing, in consultation with the Council’s S151 Officer, to approve detailed matters in relation to Small Drove, including design, development layout, build specification and the nature of the affordable tenure; and
- 4) That Councillor Malcolm Chandler is appointed as a Director of Welland Homes, to replace Julie Kennealy.

## 1.0 BACKGROUND

- 1.1 Welland Homes is the Council's wholly owned housing development company established in July 2015 to support the delivery of a range of much needed housing solutions across the district. The current business plan for the company focuses on 3 main strands of activity:
- Direct development of housing for sale and market rent
  - 3<sup>rd</sup> party acquisition of housing investment properties
  - Management of market rent housing.
- 1.2 Six sites were identified as the development focus for the company and these were centric to the initial business approved by Council in 2014. A number of constraints around the sites have since emerged, resulting in an inability to deliver a number of the approved component parts of the approved business plan.
- 1.3 Welland Homes has made significant progress in relation to 2 of the 6 sites, in addition to finalising the acquisition of 15 market rental units at a cost of £2.1 million for investment purposes. A formal procurement process has been concluded to secure value for money delivery of developments. An architect has been appointed and appropriate resources recruited to ensure the company has the capacity and capability to deliver its objectives.
- 1.4 Since the original business plan was approved, The Council's need for affordable rented stock has increased significantly. This increased requirement for additional council housing stock is due to a combination of: replacements needed for a re-invigorated right to buy programme, the need to deliver low cost home ownership solutions and increased availability of capital to invest in social housing as a result of successful efficiencies within the Council's own landlord function.
- 1.5 The Housing and Planning Act received Royal Assent on May 12th 2016, passing the Housing and Planning Bill into law. During its transition onto the statute books the bill was heavily debated, with over 250 amendments proposed by the House of Lords. The committee processes that followed were complex with further changes to the bill taking place. Full details of the implications of these changes will be known as and when different aspects of the Act are rolled-out by government. It is expected that many of the proposed changes to legislation will be realised through changes to the NPPF and the NPPG, alongside Secretary of State Regulations.
- 1.6 Whilst the detail of the actual impact on the Council of the implementation of various component parts of the Act remains to be seen, it is certain that the Act will drive a substantial change in the housing and planning landscape. This in turn will have a direct impact on the housing delivery and associated land requirements for the council.
- 1.7 Given the uncertainty around the scale of the future housing delivery requirement for the district, the proposed interim Welland Homes Business Plan will enable us to focus on what we do know and fast track delivery of some new housing whilst the emerging details of future development requirements are understood.
- 1.8 The new business plan proposes agreement for the development of 82 homes on 4 sites. Some of these sites will be owned by Welland Homes – for sale or rent. There will also be an increased investment budget for market rental units and importantly, a new approach to development on behalf of the Council's HRA. This is achieved via a delivery arrangement where the Council commissions the work (for its HRA) directly from Welland Homes; whilst retaining directly the ownership of land and associated uplifts in land values as a result of any planning approvals which may be secured. This gives the Council a

route to increase its HRA stock at lower cost than the alternative acquisition at open market value. The first such development proposed for this route is the redevelopment of council owned land and assets at Small Drove, Weston with a view to facilitate a development of a 34 affordable homes for the benefit of the Council's Housing Revenue Account. This report seeks Cabinet approval to proceed with this development, subject to planning. It is proposed that matters in relation to design, development layout, build specification and the nature of the affordable tenure be reserved as matters delegated to the Portfolio Holder for Housing, in conjunction with the Council's s.151 Officer.

- 1.9 The interim business plan also provides an opportunity to test the various development activity streams within the company. The individual streams will be the focus of the company in the immediate future and separate projects can and will run in parallel providing a fast tracked mechanism for delivery in a risk managed controlled and structured way.
- 1.10 The activity for the period of this interim business plan is summarised by project below.  
  
Site 1 (Severn Road Spalding) – 24 homes, 12 HRA, 12 retained by Welland Homes for market sale/rent  
Site 2 (Parkside Crescent, Spalding) – 9 homes for retained by Welland Homes for market sale/rent  
Site 3 (Small Drove Weston,) - 34 homes phased development on behalf of the Council  
Site 4 (Green Lane Spalding) - 15 market rent homes retained by Welland Homes
- 1.11 It is proposed that all land transfers from the Council to Welland homes will be at market value post planning process and in the case of Small Drove, Weston no transfer of land will take place; the Council will retain full ownership of the land.
- 1.12 It is proposed the current allocation of £2.5million for the acquisition and holding of residential investment property will be increased to a maximum of £3million.
- 1.13 The company operates via a board of 7 Directors currently made up of 6 elected members (politically balanced) and one senior officer. The current officer director is leaving the council's employment in the near future and in considering a replacement it is proposed to change the make-up of the Board to reflect only elected Members. It is proposed that the Deputy Leader of the Council, Malcom Chandler is appointed as a Director of the company.
- 2.0 **OPTIONS**
- 2.1 Do nothing
- 2.1.1 Whilst this option would provide time to consider the longer term implications of the Housing and Planning Act and Devolution, it would in the meantime limit the delivery of housing from Welland Homes under the existing business plan
- 2.2 Agree a full business case revision now
- 2.2.1 Given we don't yet know the impact of the Planning and Housing Act or the increased housing requirement under devolution any such exercise at this stage could not consider accurately the detail of the longer term strategic picture.
- 2.3 Agree an interim Business Case Revision

2.3.1 This has the advantage of securing quick delivery of some important projects, enabling further consideration of a longer term business case for the company once detailed analyses of the impact of imminent changes to the housing landscape have been considered alongside all options for securing delivery of housing in greater numbers.

### 3.0 REASONS FOR RECOMMENDATIONS

3.1 An interim business plan provides the best delivery option during a period of uncertainty in relation to the future scale of development required.

### 4.0 EXPECTED BENEFITS

4.1 Delivery of 82 homes by Welland Homes, including 46 homes for the Council's HRA, together with an income of £1.039 million to the General Fund and £139,000 to the HRA. The breakdown of new properties is:

- Site 1 (Severn Road Spalding) – 24 homes, 12 HRA 12 Market sale/rent
- Site 2 (Parkside Crescent, Spalding) – 9 homes for market sale/rent
- Site 3 (Small Drove Weston,) - 34 homes phased development on behalf of the HRA
- Site 4 (Green Lane Spalding) - 15 market rent homes

### 5.0 IMPLICATIONS

#### 5.1 Constitution & Legal

5.1.1 The proposed interim business plan is consistent with the agreed objectives of the Development Company and legal advice previously commissioned from Eversheds. Part of the decision is executive in nature and therefore falls to the Cabinet to determine. Changes to the business plan result in a need for additional funding, outside of the existing budget, and is therefore a matter for Council approval.

#### 5.2 Contracts

5.2.1 The Teckell compliant status of Welland Homes enables the council to use the company as in internal delivery vehicle to provide development services to the HRA.

#### 5.3 Corporate Priorities

5.3.1 The interim business plan and associated future review of options in the light of the Housing and Planning Act meet the council's medium term financial plan and commitment to housing and growth in the district

#### 5.4 Financial

5.4.1 Detail attached as Appendix 1.

5.4.2 The business plan was approved by the council on 25<sup>th</sup> March 2015 with delegated authority to the S151 Officer, to approve the final mix of use of reserves and borrowing in line with the business plan and Council Treasury Management Strategy.

5.4.3 No borrowing has been undertaken since the business plan was approved and the revised interim business plan assumes all funding will be from existing council reserves.

- 5.4.4 The 2016/17 Budget and Medium Term Financial Plan did not include income from the business plan approved in March 2015 which was replaced by the financial implications of the progress of known elements at that time.
- 5.4.5 The HRA 2016/17 budget includes £2,295,000 in the capital programme for affordable housing and over £3m per annum in the following years up to 2019/20. The delivery of this medium to long term plan is central to the long term viability of the HRA as approximately 20 properties per year are projected to be sold under the reinvigorated Right to Buy regulations.
- 5.4.6 Total direct contribution to the General Fund is projected to be £1,039,000 over the life of the interim business plan which is £238,000 higher than the original business plan contribution of £801,000. In addition contributions of £139,000 are expected to be paid to the HRA (Nil in the original plan).
- 5.4.7 These financial contributions comprise of both capital and revenue items. The capital receipt contributions are advantageous given the capital growth programme of circa £21million, largely financed by revenue sources, agreed as part of the council budget process in February 2016. Further, the council may be able to take advantage in utilising the capital receipts to finance the previously revenue funded transformation programme under the Governments newly introduced flexible financing arrangements as part of our four year settlement.
- 5.4.8 Indirect contributions include £14k per annum increased Council Tax by year 3 of the plan and approximately £96k of New Homes Bonus during the period of the plan (The outcome of a consultation on this income is due shortly and it is possible that NHB will only be received for 3 years rather than the current 6 years).

## 5.5 **Risk Management**

- 5.5.1 The approach set out in the interim business plan will be underpinned by strong risk management. The interim business plan provides reduced risk to the council that the original business plan by giving greater certainty and increased contributions to the council.
- 5.5.2 It should be noted that the value of the residential assets held may go up or down in line with market forces.

## 5.6 **Stakeholders / Consultation / Timescales**

- 5.6.1 All housing development will be subject to the appropriate consultation processes.

## 5.7 **Transformation Programme**

- 5.7.1 The proposed levels of investment secure ongoing financial returns to support front line service delivery entirely in keeping with our medium term financial strategy, housing delivery for the HRA and Welland homes are key projects within our transformation programme.

## 6.0 **WARDS/COMMUNITIES AFFECTED**

- 6.1 All as the Growth agenda is extended.

## 7.0 ACRONYMS

- 7.1 NPPF – National Planning Policy Framework  
NPPG – National Planning Policy Guideline  
HRA – Housing Revenue Account  
GF – General Fund  
NHB – New Homes Bonus

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Background papers:- None

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### Lead Contact Officer

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**Key Decision:** No

**Exempt Decision:** No

### Appendices attached to this report:

***(Please note that the appendix is not for publication by virtue of Paragraphs 3 (Information relating to the financial or business affairs of any particular person (including the authority holding that information)) and 5 (Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings) in Part 1 of Schedule 12a of the Local Government Act 1972.)***

Appendix 1 – Financial Detail