

8 July 2020

Report of	Assistant Director(s) Place & Client / Corporate & Improvement Services	Author s	Andrew Tyrrell / Darren Brown ☎ 282390 / 282891
Title	Housing Revenue Account: Financial Model and New Council Housebuilding Programme Updates		
Wards affected	All Wards		

1. Executive Summary

- 1.1 This Council has an established and clear ambition to provide more new affordable homes for our community. At the Cabinet meeting on 30 January 2019 a “New Council Housebuilding Programme” (NCHP) was established to deliver 350 additional affordable homes over the next 5 years. This report provides an update on the current HRA finances since the commencement of the NCHP. It explains improvements on our borrowing assumptions before exploring new scenarios should the Council decide to undertake additional HRA borrowing in order to carry out even more housebuilding and improvement works. The report then summarises progress to date and concludes by giving some examples of the ways that additional housing could be delivered in order to provide more homes for local families on the housing needs register (and also assist the economic recovery of Colchester).
- 1.2 The report recommends that the Council should commence detailed work on some specific projects that could be started immediately in order to continue the current NCHP. It also suggests that some sample testing of other general ideas should be conducted through broader feasibility work designed to explore the viability of potential future options for additional house building over a longer period. Finally, it concludes that any feasible options would feed into a planned review of the HRA Business Plan and Asset Management Strategy that was due to start in 2021, but that effectively starts now.
- 1.3 Apart from the already established desire to increase the provision of affordable housing for the benefit of our residents, and improve existing homes for our tenants, there is also an opportunity for the Council to act as a catalyst to economic recovery, as well as lead in its climate change role. Housebuilding usually immediately reduces whenever an economic crisis occurs (seen after the 1987 stock market collapse, the 9/11 tragedy in 2001, and the 2008 banking crisis). The last “dip” saw a 2-year national decline before taking 10 years for UK housebuilding to return to pre-crisis levels in 2018. As the Covid-19 pandemic continues to affect the global economy we will potentially see the biggest impact of all over the next few years.
- 1.4 All parts of the housing market were affected, from the supply chains, storage and distribution, contractor resources and the ability to work on site, even viewings, sales and lettings were unable to take place for a period. 7% of UK employment is related to construction, with circa 60% working for small to medium sized businesses (that have less than 100 employees). If this type of dip were to occur, reduced household incomes and resultant spending could then indirectly affect others as housing construction has the third highest economic spend “multiplier” in the UK with just over £2 recirculated for every £1 invested. Social housing is even more beneficial to the local economy; with

every £1 invested in new affordable housing generating £2.84 in the wider economy. Colchester could have thousands of residents affected directly and indirectly by these housing issues.

- 1.5 Locally, the success of long-term recovery can be greatly affected by the initial response; a positive response now could ensure the Borough will be comparatively better positioned in 5 or 10 years. This kind of housebuilding programme could facilitate economic recovery by creating the right conditions for more homes to be built, encouraging investment and employment, and creating more affordable homes for the local community.

2. Recommended Decision

- 2.1 To note the positive changes to the 30-year HRA financial model since the commencement of the 2019 “New Council Housebuilding Programme” as set out in the report.
- 2.2 To agree that, given the improved position of the HRA, additional proposals to increase and extend the “New Council Housebuilding Programme” that are described broadly in this report should be explored through provisional feasibility work in the manner that is described herein, in order to sample test the viability of different affordable housing delivery methods.
- 2.3 To agree that the more specific options identified for further phases of the “garage sites” and “sheltered housing”, “targeted acquisition(s)”, “town centre site” and “acquisitions” should be actively pursued and taken forwards as soon as practicable; and through to their completion and future occupation wherever they remain considered viable.
- 2.4 To agree to make financial provision in the Housing Revenue Account (HRA) New Council Housebuilding budget for 2020/21, up to £4.585million as set out in Section 10 and the accompanying Confidential Part B Report; and to agree that future financial provisions should be included within the annual budget setting processes as required to continue to drive forwards the viable proposals and create a “pipeline” of housing development from 1 April 2021 onwards.
- 2.5 To agree that work should commence on a new HRA Asset Management Strategy and 30-year HRA Business Plan in 2021, which any progressed options will form a part of, and that these plans will come into effect from 1 April 2022.
- 2.6 To delegate authority to the Assistant Director Place & Client Services, in consultation with the Portfolio Holder for Housing to appoint Colchester Amphora Homes Ltd (CAHL) and Colchester Borough Homes (CBH), where required, to help the Council progress any housing projects as set out herein.
- 2.7 To approve additional HRA expenditure in 2020/21 of up to £4.585million as set out in paragraph 2.4, section 10 and the accompanying Confidential Part B Report, and delegate authority to the s.151 Officer to determine the split of funding of this additional expenditure between additional HRA borrowing and HRA revenue funding, which will be reported to Members as part of the regular financial monitoring of the HRA and Housing Investment Programme throughout the financial year.

3. Reason for Recommended Decision

- 3.1 There is a national housing crisis and Colchester is no different to anywhere else in requiring more homes, especially with regard to affordable homes. The Council is already starting to tackle this issue directly through its housing company, Colchester Amphora Homes Ltd, and through borrowing within the HRA to deliver the “New Council Housebuilding Programme” (NCHP), both of which are beginning to deliver homes for local residents in 2020. The Council appears on course to meet its ambition to deliver 350 new affordable homes over 5 years set in 2019. However, this decision is required in order to make further progress in advancing more schemes; continuing to provide a pipeline of affordable housing delivery that will run over a longer period.
- 3.2 The proposals to increase housebuilding considers the positive changes to the borrowing rates available to the HRA that have improved its current business modelling for the NHCP. With the improved business model position, additional borrowing is affordable and more attractive, being absorbed prudently in financial terms. The budget provisions need to be made for any meaningful work to be undertaken before April 2021, in order to explore options, with only those that are then assessed to be viable to be taken forwards to planning and construction phases.
- 3.3 Even when the 350 homes target was set in 2019, the current NHCP was agreed on the basis that these may not be the only steps that were taken over the next few years, and this decision to pursue further schemes again demonstrates the Council’s commitment to delivering high quality affordable homes for the local communities that would otherwise remain on our housing needs register.

4. Alternative Options

- 4.1 The Council could decide not to pursue individual projects, or not to pursue any of the projects at all; however this would not make the maximum use of the borrowing capacity that the Council has, consequently missing an excellent opportunity to provide even more affordable housing for those most in need; which is a key priority of the Council as set out in the Strategic Plan. Whilst not all of the ideas may prove to be feasible or viable, it is too early to make an informed decision on this without undertaking some investigative work.

5. Background Information

5.1 Context

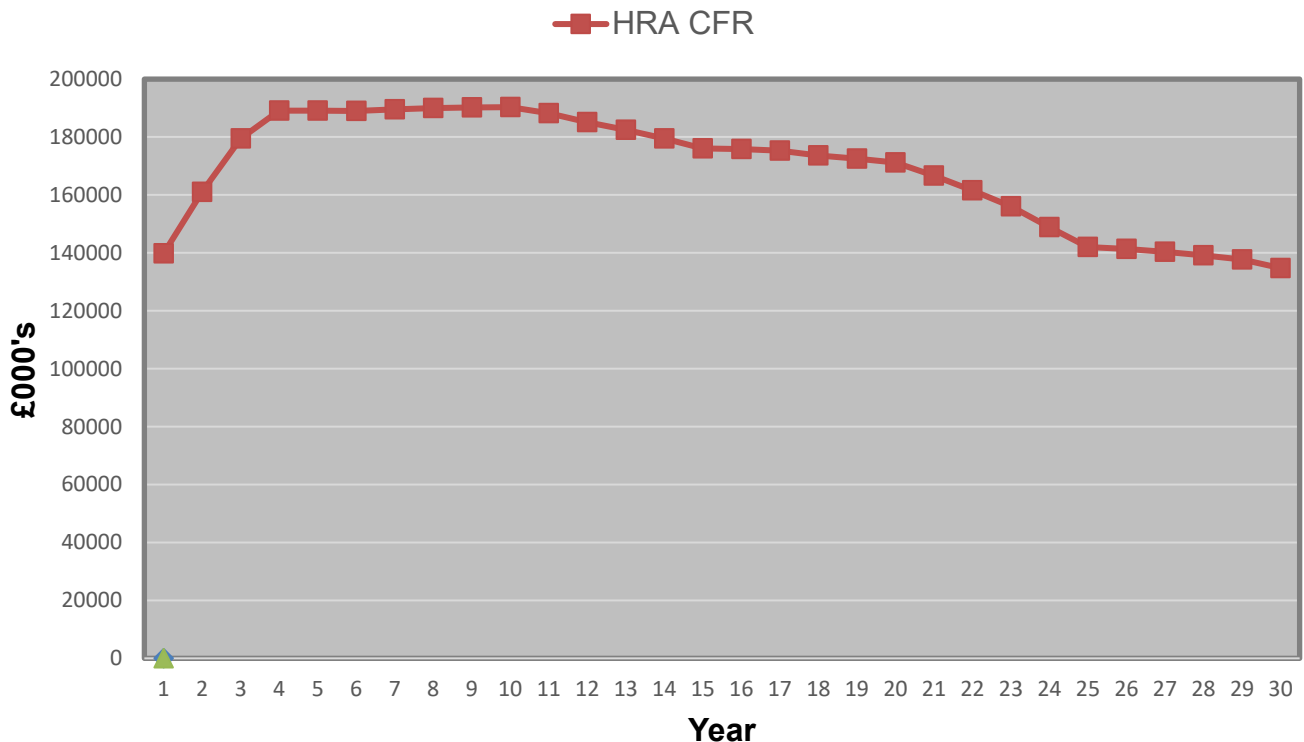
- 5.1.1 The Council has a Housing Revenue Account (HRA); a statutory ring-fenced landlord account that includes income from Council's affordable housing rental income, which can only be spent in return on affordable housing. "Affordable housing" is a term with a definition that now originates from the National Planning Policy Framework (2018) and includes social rent (usually around 60% of market rent), affordable rent (no more than 80% of market rent) and intermediate housing. It is provided for eligible households whose needs are not met by the open housing market and whose eligibility is determined against published criteria and national legislation and guidance.
- 5.1.2 The HRA has a 30-year Business Plan to ensure finances are managed strategically over a long period, supporting debt and ensuring that expenditure can be maximised in a prudent manner.
- 5.1.3 There is also an Asset Management Strategy that allows a planned approach to maintaining the existing stock. Every year works to maintain and improve the affordable housing stock is undertaken within a continuous Housing Investment Programme (HIP). Simplistically, this means that the rent the Council receives from its housing stock is reinvested to maintain and enhance the quality of that stock for the benefit of tenants. The HIP includes elements such as fire doors, windows, kitchens, bathrooms, boilers replacement and adaptations for disabled residents amongst many other elements.
- 5.1.4 In addition to investing in existing stock, the HRA can also invest in building or acquiring extra housing stock (which in turn increases the income back in to the HRA via additional rents). The HRA can support investment through prudential borrowing, as long as it is affordable over the long term (similar to typical mortgage arrangements); informing, and informed by, the 30-year HRA Business Plan mentioned above.
- 5.1.5 In January 2019, following changes to national policies on rent reduction and debt caps, this Council agreed a "New Council Housebuilding Programme (NCHP) to create 350 new affordable homes over 5 years.

5.2 HRA Financial Modelling

- 5.2.1 At its meeting in January 2020, Cabinet considered the 30-year HRA financial model as part of the 2020/21 HRA Revenue Estimates report. This set out the existing levels of borrowing within the HRA, and also planned to borrow over the next 5 years to support the Housing Investment Programme. The HRA can afford to undertake development and acquisitions through use of Right-to-Buy (RTB) receipts and prudential borrowing. "Prudential borrowing" is now the only constraint on HRA borrowing, and means that the total amount of debt the HRA can hold is no longer subject to a cap. Instead, the Council's borrowing must conform to the Prudential Code; that borrowing must remain "affordable".
- 5.2.2 This was also covered in more detail within the 2019/20 Housing Revenue Account and Housing Improvement Programme Budgets, and Treasury Management Strategy, as reported to Cabinet on 30 January 2019; but in essence it means that if the amount borrowed to build can be serviced and repaid from the rental income generated from the properties it creates then it will be affordable over the long-term. The measure of an authority's HRA debt is the Capital Financing Requirement (HRA CFR). Our opening HRA debt on 1st April 2020 is £130.933million. As the HRA debt cap has been abolished by Government, the only constraint on borrowing now is that it is affordable under the prudential borrowing code.

5.2.3 The following graph shows the debt profile that was generated by the 30-year financial model in January 2020. This works on the principle that once all of the costs of managing & maintaining our housing stock have been met, and the interest costs of our HRA borrowing have been paid, any residual income can be used to repay debt. It is important to state that this is an indication of the ability to repay debt, as what actually dictates whether debt is reduced is where the Council actually repay loans as they mature.

Debt Profile - Original Base Position



5.2.4 The above debt curve is consistent with a business plan for the HRA where a significant level of new build/stock acquisitions etc are being undertaken. In the early years, debt increases and then levels out around mid-way through the plan, then starts to reduce in the second half of the plan as rents have increased sufficiently to enable repayment of debt. The above debt curve shows HRA debt in Year 30 at circa £134m.

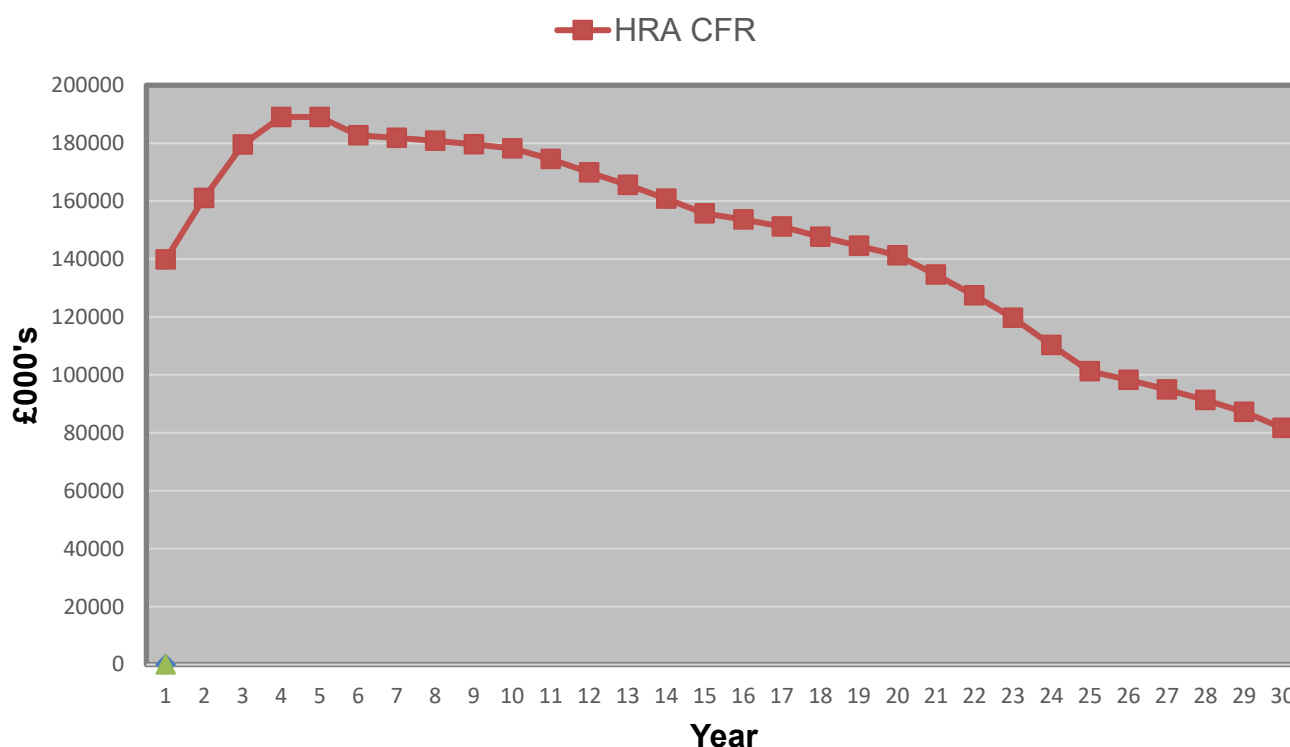
5.2.5 The assumption in the 30-year model on any future borrowing undertaken to support the NCHP was that it would be at an interest rate of 3.5%. It should also be noted that there is no statutory duty to provide for the repayment of HRA debt, although the Council is statutorily responsible for self-managing its long-term indebtedness.

5.3 Borrowing Rate Changes

5.3.1 In the March 2020 budget, the Government announced a 1% reduction in PWLB borrowing rates for the HRA, in a drive to stimulate the housing sector. It is not clear how long the 1% reduction will be in place for, but the prudent assumption for planning purposes is that we would be able to borrow for the HRA over a 50 year period at an interest rate of 2%.

5.3.2 The following table is the Original Base Position 2020/21, updated for the reduced interest rate payable assumption of 2% on new borrowing. This clearly shows that based on all other assumptions remaining the same, that the reduction in interest rate assumptions reduces HRA debt in Year 30 to circa £82million.

Debt Profile - Revised Base Position

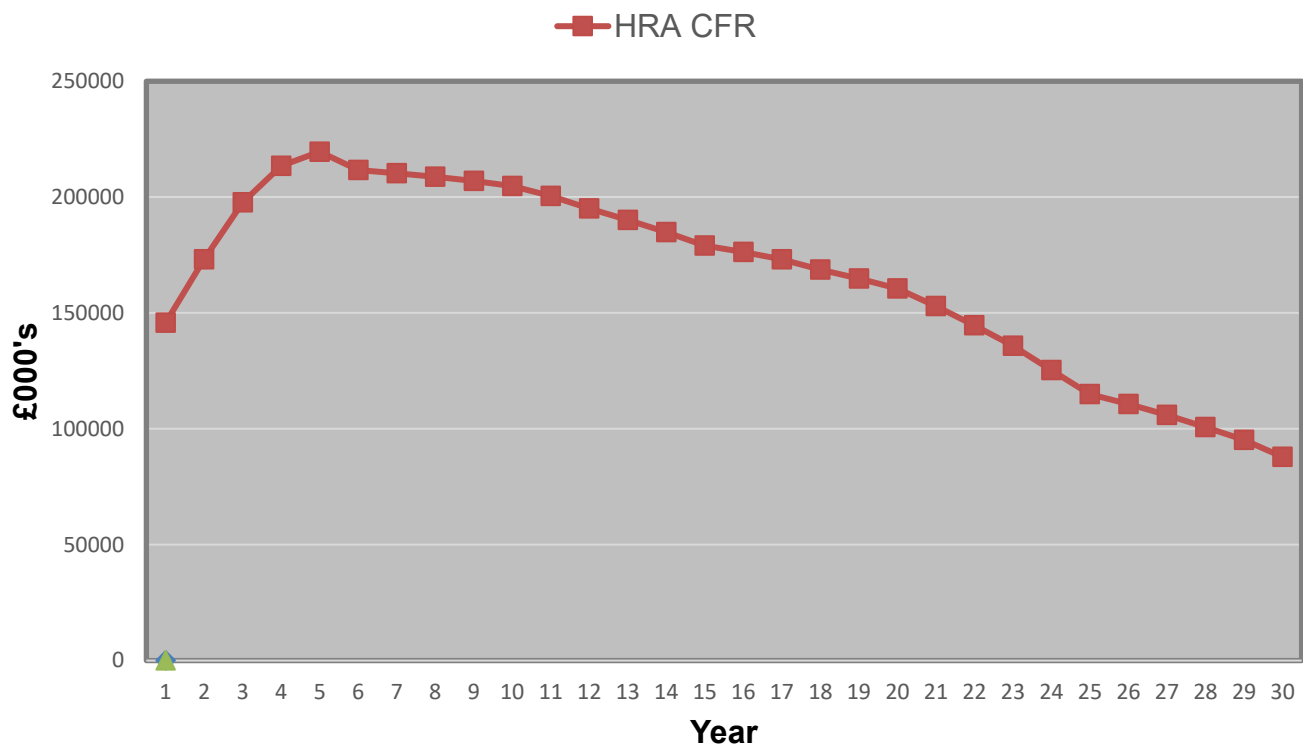


5.4 Indicative Scenarios for Further Borrowing

5.4.1 As set out in this report, there are a number of options that will be explored to increase the supply of Council Housing, utilising the cheaper HRA borrowing currently available. Further proposals will be modelled and included in the relevant financial years' budget setting cycle. However, to give an indication on the likely impact additional borrowing would have on the HRA debt curve and the affordability of the additional investment, 3 scenarios which purely deliver additional units have been modelled at the reduced interest rate assumption. These are additional borrowing of £30million, £40million and £50 million over the next 5 years. Each scenario assumes the cost of £200k per unit, that social rent is charged, and all other assumptions are unchanged.

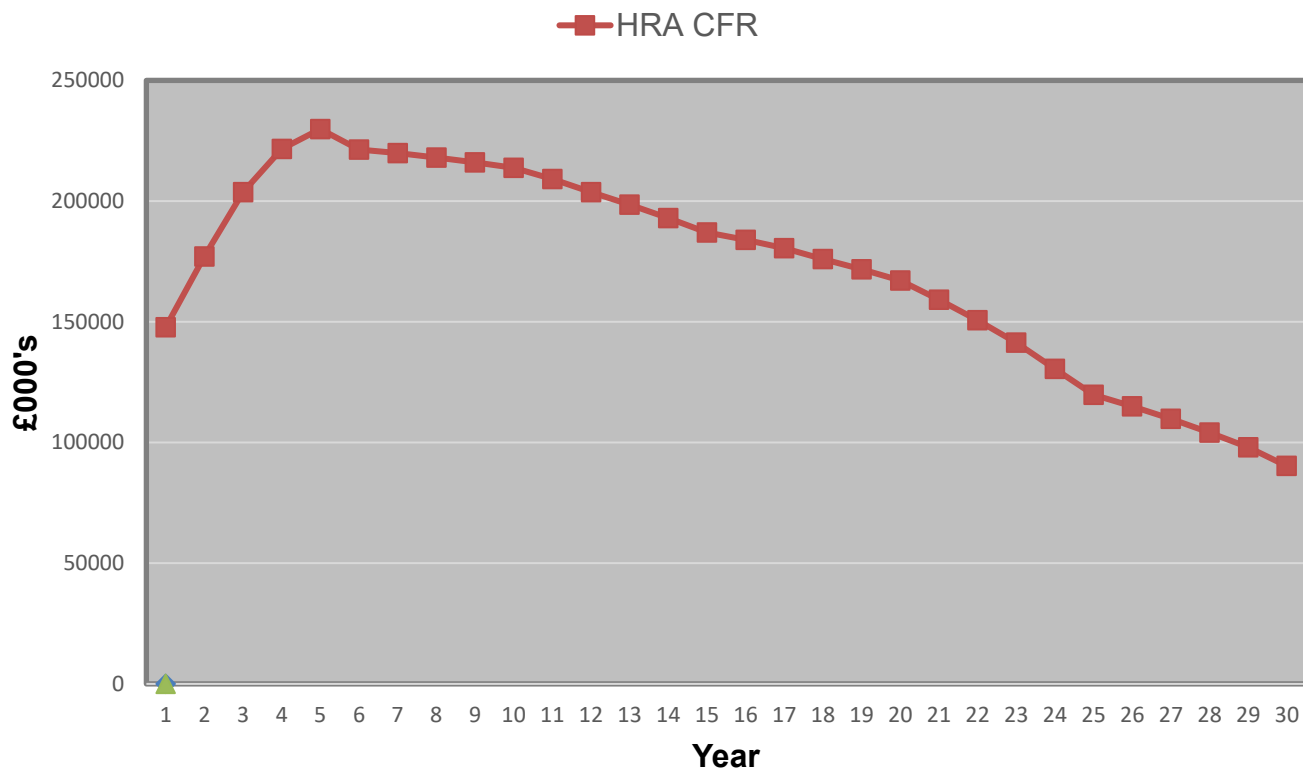
Scenario 1

Debt Profile - Extra £30m (150 units)



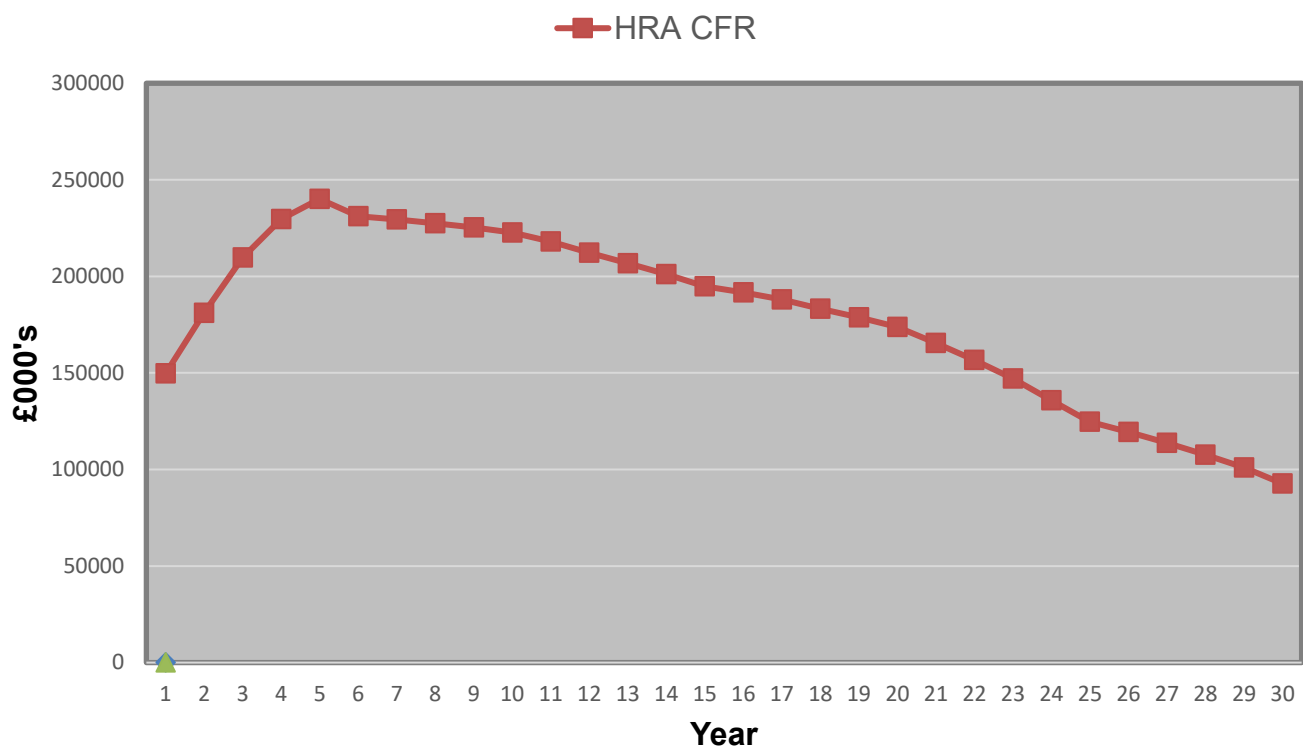
Scenario 2

Debt Profile - Extra £40m (200 Units)



Scenario 3

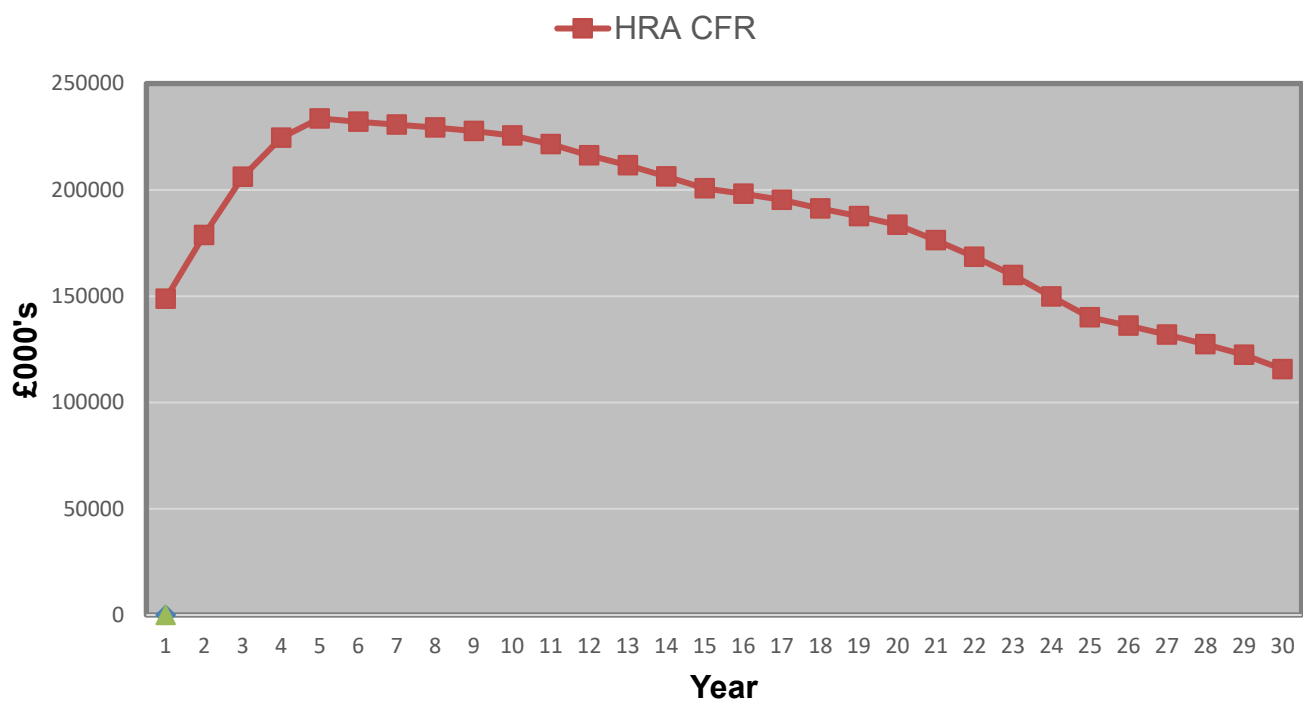
Debt Profile - Extra £50m (250 Units)



5.4.2 However, not all of the potential investment would create additional numbers. Some will generate better quality replacement housing, improve the life expectancy and reduce the carbon footprint. The graph below therefore shows £50m of additional expenditure, but where only £30m of the additional investment increases stock numbers.

Scenario 4

Debt Profile - Extra £50m (150 Units)



- 5.4.3 The above graph demonstrates that a mixture of stock increasing investment and stock improvement investment can be balanced whilst not increasing the overall debt in the original base position over a 30-year period. The following table then sets out summary information on the 3 indicative scenarios modelled, and their indicative resultant impact upon the 30-year HRA model, compared to the revised base position shown at paragraph 5.3.2.

		Variation to Base Position			
		Scenario 1	Scenario 2	Scenario 3	Scenario 4
	Base Position (reduced interest rate assumption)	£30million additional investment over 5 years (150 units)	£40million additional investment over 5 years (200 units)	£50million additional investment over 5 years (250 units)	£50million additional investment over 5 years (150 units)
Peak Debt Year	Year 5	Year 5	Year 5	Year 5	Year 5
Peak Debt	£189million	£220million	£230million	£240million	£234million
Debt at Year 30	£82million	£88million	£90million	£93million	£116million

5.5 Update on the Existing New Council Housebuilding Programme Progress

- 5.5.1 The Council's Client Team is managing the NCHP in partnership with the Housing Strategy Team, Finance, Colchester Amphora Homes Ltd (CAHL) and Colchester Borough Homes (CBH). The table below shows how the Council is currently forecasting that it will meet the target to deliver 350 new affordable homes by 2024:

Project	Number of Additional Homes
Military Road	8
Garage Sites "Phase 2"	16
Elfreda House	5
Acquisitions 2019/20	35
Acquisitions 2020/21	34
Acquisitions 2021/22	34
Acquisitions 2022/23	33
Acquisitions 2023/24	33
CAHL "Phase 1" Sites	122
Garage Sites "Phase 3"	30
Total	350

- 5.5.2 The redevelopment of the vacant site at Military Road is providing 8 new affordable homes, (6 no.) 1 and 2-bed flats and 2 mews houses. The contract for this development is being tendered across July and August and will result in new homes being commenced in November 2020. The homes should meet “Secure by Design” accreditation and all have parking and garden/amenity areas. The ground floor flats are also designed with adaptability for accessibility, including additional weight bearing walls for future lifting equipment that could be needed. As with all of the HRA-led schemes the properties are also being designed to meet “Future Homes 2025” principles to promote the Council’s leadership in the climate change agenda, helped by energy efficient design and renewable energy sources.
- 5.5.3 The “Phase 2” garage sites are delivering slightly more complicated sites than the “Phase 1” sites. The original 5 sites all remain “ongoing” projects, although 2 sites will take longer to bring forwards (and will come alongside a “Phase 3”. Nonetheless, 3 sites have been successfully navigated through feasibility work, public consultation, planning applications and they are now at procurement stages (see other report on this same Agenda).
- 5.5.4 Hardings Close will be the first site to commence; a scheme for 4 houses scheduled to start on site in September 2020. Two 2-bed and two 3-bed houses will be ready in Aldham for April 2021 for local families on the housing needs register.
- 5.5.5 At Buffett Way (Greenstead) development will bring another 6 homes, all 2-bed flats. This, and the nearby site at Scarfe Way, are being combined into a single contract for construction, now tendered and at bids evaluation and scoring stage. Scarfe Way adds another 6 x 2-bed units to make a contract for 12 homes to be ready for occupation by families by June 2021.
- 5.5.6 The Council has then been reinvesting RTB receipts and borrowing in order to increase the supply of affordable housing in Colchester through the acquisition of former Council homes. The NCHP 5-year delivery plans include budget provisions that resulted in 35 homes in 2019/20, already having created new homes to benefit families from the housing needs register. This year’s acquisitions are already in progress.
- 5.5.7 Conversely, the innovative exploration of “Airspace, a form of rooftop development on top of existing flat roofed apartment blocks, has been closed. Whilst there are some recent, and emerging, examples of modular construction to create an additional storey on the roofs of existing occupied buildings, the exploration of this idea in Colchester has raised some current issues. Other Local Authorities, following on from Colchester pioneering work, have also found challenges because the Housing Associations and private developers who have so far delivered the successful schemes operate under slightly different rules. Whilst it is still possible for the Council to pursue these schemes, it was decided that other alternatives were more effective for the time being, and progress of other Local Authorities is being monitored to see if they can deliver the first Council-built “Airspace” scheme as the National Planning Policy Framework is still promoting this idea.
- 5.5.8 The learning about our property from exploration of “Airspace” has been useful to inform the redevelopment proposals at Elfreda House (and will be useful for future works) where the Council has reinvigorated the previous programme of works to make our sheltered housing stock “fit for the future”. The refurbishment of several sheltered housing schemes at property such as Enoch House and Worsnop House saw them converted into self-contained flats (from bed-sit) with fitted kitchens and bathrooms that are fully adapted to Part M accessibility requirements. Past schemes had also incorporated energy efficiency measures that benefitted residents; including photovoltaic electrical

generation systems, solar hot water heating systems and triple glazed windows and doors.

- 5.5.9 In January 2019, picking up from the previous plans to focus on sheltered housing schemes which still contain bedsit accommodation, redevelopment of Elfreda House was kick started to create a completely new “fit for the future” sheltered housing development. Since then, the Council and CBH have been working in partnership to rehome the current tenants, with only 3 now remaining at the property. The building is temporarily providing emergency “shield” accommodation for people during the coronavirus lockdown. It will still be vacated by the end of the year as planned.
- 5.5.10 With demolition due in March. A planning application is about to be submitted for the finalised design so that a new sheltered housing facility will be ready for 2024; consisting of 36 residential flats that comply with Approved Document M of the Building Regulations as “Category 2: Accessible and adaptable dwellings”. In order to achieve a significant reduction in net Carbon emissions, the design and construction of the building is to be in accordance with the Future Homes Standard 2025, have dementia-friendly features, and Smart Homes technology.
- 5.5.11 Also progressing are the Colchester Amphora Homes Ltd (CAHL) “Phase 1” sites. The Councils housing company has also tendered its first scheme, at Creffield Road. Planning permission was gained for 6 Flats and 2 houses there, where 2 of the properties will be owned by the Council for affordable rent mixed with 6 private market homes sold by CAHL (with all profit returned to the Council to reinvest in its public services). The planning application for Mill Road, part of the Colchester Northern Gateway (south), is currently expected to obtain planning permission in September and will deliver 105 affordable homes. St Runwald Street then follows, having been through several design consultations, and now subject to RIBA Stage 2 viability evaluations, before proceeding.
- 5.5.12 In order to maximise the opportunity that HRA borrowing now brings, and home as many families as possible, and increased number of new affordable homes can be delivered over a more sustained programme beyond five years. A number of options could be explored, and (also to help the town economy recover) now is considered to be a good time to evaluate how the Council could increase its plans and build or acquire more homes.
- 5.5.13 Where the Council undertakes feasibility work, this generates some external work and consultancy in the form of some of the required specialist surveys (arboricultural, archaeological etc), before leading to construction contracts that can bring significant boosts to local contractors, who employ workers who then consequently create “secondary” spend in the local economy. Where acquisitions occur, this creates income for estate agents, surveyors and solicitors (as an example. In all cases, the outcome is more affordable homes that benefit the local population who find themselves on the housing needs register who need good, affordable, housing.

5.6 Additional New Affordable Housing via Acquisitions

- 5.6.1 The best “immediate” solution to create new homes (to benefit local families in this financial year) is to increase the Council’s acquisition of properties through the HRA. The Council is already committed to another 4 years of acquisitions to a set budget that remains constant over that period. The availability of properties coming forwards is more than adequate, and value for money is evident from the first year of purchases. It is therefore proposed that acquisitions could be increased.

5.6.2 If the Council increased the acquisitions budget by the amount detailed in the accompanying confidential report, it could potentially purchase up to 40-45 properties this year (at market values that vary with each property and over time), compared to the planned 30-35. Should the Council then wish to increase the annual acquisitions budget further from 2021/22, this could result in even more properties in subsequent years but would also require an assessment of the resource implications needed to deliver greater numbers from within the Council and CBH. This assessment can be prepared in time for the annual budget setting process, which will see the HRA budget for 2021/22 agreed in January.

5.7 Additional New Affordable Housing via Garage Sites and Other “Incidental Spaces”

5.7.1 The January 2019 Cabinet agreement requested that as soon as the “Phase 2” sites had been advanced; the Council should progress the “Phase 3” of the garage sites concept. A sum for early work, of £30k, was provided in the 2019/20 budget and initial desk top work commenced in January 2020 to identify potential sites that may also be possible in future, looking at over 180 sites. Increasingly, these are sites that were previously considered to be more challenging, but the Council can utilise the continued learning from phases 1 and 2; being increasingly well-placed to identify sites, understand probable issues, how it may (or may not) overcome some of the challenges and how realistic they may be.

5.7.2 The Council has already demonstrated that building on garage sites that are under-used releases land for a better use and makes more efficient and effective use of assets that the HRA already owns. Small infill sites have been demonstrated to make a valuable contribution to communities, improving neighbourhoods, reducing anti-social behaviour and providing much needed affordable housing. “Phase 2” is now realised some high-quality homes built to Future Homes 2025 principles (ample space, good energy efficiency, renewable energy sources, parking, amenity areas etc).

5.7.3 the ongoing early desk-top exploration work to create a list of sites with potential now needs to be advanced though more detailed work including other internal Council services before site survey work that is required to progress the schemes. There are currently 7 identified sites that can potentially accommodate more than 2 dwellings (though work continues) and as such it is estimated that circa 30-35 properties may be achieved across these sites if detailed feasibility proves fruitful. Design concepts can now be carried out in order to refine their potential. Schemes that then appear viable would be consulted upon and subject to a planning application.

5.7.4 The first 30 homes on Phase 3 would meet the target set to build 350 new homes in five years provided these are delivered by 2024, which is entirely realistic. A budget of £100k would be needed to pursue these in 2020/21 and then further budget, including construction budgets, would be set in the normal annual budget setting process. More sites would then be added as the current work concludes, with a Phase 3 and 4 structure should this be necessary.

5.7.5 There remains the potential for the Council to explore further sustainability agenda role modelling, to proactively provide some Part M compliant adaptable properties that are adaptable, as well as modern methods of construction in order to provide a proportionate mix of 1, 2 and 3 bed properties that reflects our local affordable housing needs.

5.7.6 The Council has instructed CAHL to act as lead development manager on the new garage site projects, working in partnership with the CBH design team. To progress further now, these arrangements would be continued to explore options alongside the Councils own services and some external consultancy will be required. The combination

of the two Council owned companies, working on behalf of the Council, brings together staff experienced in delivering garage site development, and will see a wide range of services provided including; concept scheme design and costings for the development, developing planning applications, managing construction on site and working with the Councils tenant services teams to ensure local consultation is undertaken.

5.8 Additional New Affordable Housing via Sheltered Housing Sites

- 5.8.1 From the 2011 and 2017 Sheltered Housing Reviews it is already known that there are 2 sites that have the next highest priority need for refurbishment or redevelopment, and then 3 others that also have some substandard accommodation. There is a scheduled review due in 2022 and this review could be brought forward to explore how the top 2 priority schemes may be redeveloped.
- 5.8.2 It is possible that the 2 highest priority Sheltered Housing scheme may focus primarily on creating better accommodation, without generating additional housing numbers as these sites would require larger individual units to remove bedsit accommodation. This makes a net loss in units possible unless acquiring more land. However, modernising the stock has its own benefits, ensuring that existing assets continue to offer an excellent service and home to our tenants.
- 5.8.3 The Council has the opportunity to reconsider how best to use its sheltered housing stock and make it “fit for the future”. This could result in options to change the use, or to combine development plans (whereby some sites expand, and others reduce as a collective package that maintains numbers but improves quality across the whole stock). The priority will be to pursue a modernisation and improvement programme with all options having been considered for the next highest priority sites that were identified in previous reviews.
- 5.8.4 Previous schemes have demonstrated that the consultation period for this can take time. Therefore, it is anticipated that any preliminary work, consultation and engagement will need to be factored into any development aspirations, and that, even if work was started soon to initiate this, any finished works may not be completed until 2025 or 2026.
- 5.8.5 Issues that have prevented refurbishment since 2011 remain (overall design and layout of the buildings do not provide effective provision of self-contained accommodation), but land acquisitions were not previously explored, and this may increase sites capabilities. It is important to do so as every previous scheme that has been undertaken has resulted in increased popularity, better living experience feedback, fewer voids and more bids when units do become available via the Gateway to Homechoice lettings system.
- 5.8.6 Apart from the many benefits that we have seen from other refurbishment or redevelopment projects at Sheltered Housing sites, the risks of not doing work remain that the problem will not otherwise solve itself and modern living will become increasingly difficult, in addition to the increasing potential of failing heating systems, lifts, increasingly high cost of repairs outstanding.
- 5.8.7 The Council should undertake initial feasibility. It should also consider conditions surveys of 16 properties to prepare for consideration of carbon reduction measures. Should the feasibility prove that it is not possible to develop the sites in an economical way then an informed decision could be taken over alternative options that may include disposal of the sites or a change in the type of accommodation available (and alternative sheltered provision elsewhere).
- 5.8.8 The proposal herein would be that CBH are appointed to undertake feasibility work as outlined above and in the Part B Report. Work would be designed to explore options, set

realistic timelines and present budget proposals for the Council to consider in due course. This does not commit to undertaking any of the schemes beyond feasibility phases at this time.

5.9 Additional Affordable Housing via “Targeted” Acquisitions and/or Changes of Use

- 5.9.1 The above indicates that the Council could increase its proactive “targeted acquisitions” that could also be used in order to try and compile larger development sites around existing assets in order to increase redevelopment opportunities; or “leaseholder free” properties that are then easier to redevelop. The option to target acquisitions would also include strategies such as purchasing vacant units (where this does not adversely affect the wider area) that may become available with changing markets trends.
- 5.9.2 In the same manner, other land holders could also be approached directly in order to proactively ascertain if land acquisition opportunities can be identified, including larger estate holders in the borough. It may be possible to establish new partnerships working to bring forward housing and make the best use of land and finance between public sector organisations.
- 5.9.3 This could also include the private sector, with the Council contacting housebuilders who may require more certainty over sales in order to commence sites. In this scenario, the Council may be able to “bulk buy” new homes that represent value for money and meet the required specification, providing a supply of additional affordable homes. This would benefit developers who are concerned about the market, and have either ceased or slowed construction, potentially reducing jobs. The Council would buy “off plan” and therefore be able to influence matters early, and guarantee an early sale upon completion, effectively as a “cash buyer” that helps the developers manage their own cashflow and risk, securing employment. The Council could make initial approaches quickly, if agreed herein, to understand this market better.
- 5.9.4 Similarly, where targeted acquisitions could obtain premises that could have a change of use to residential purposes, the Council should consider putting these units into more effective and beneficial use where this does not come at a detriment to the broader area, and its economy. This would often be preferable to empty units that could now potentially remain vacant for a longer period due to the changes to different economic markets that coronavirus has inflicted upon every town and city.
- 5.9.5 The Council could monitor the market for properties that become available that are suitable for conversions, potentially using permitted development rights for changes from office to residential, retail to residential, and or other flexible uses allowed under national planning legislation.
- 5.9.6 There are currently 2 specific land acquisitions that have been identified that would unlock housing development. If these opportunities are to be actively pursued, then budget is recommended for the 2020/21 financial year to target them (at market value). Moving forwards, budget would need to be requested as and when an opportunity arises.

5.10 Additional New Affordable Housing via A “Town Centre Site”

- 5.10.1 The Council previously agreed to pursue a variation to a leasehold deal that would remove some restrictions on the use of a building by the Council. This deal is currently being negotiated between solicitors; however, should it conclude successfully then the Council could consider converting the premises to create additional affordable homes.

5.11 Additional New Affordable Housing via Estate Regeneration and Greenfield Sites

- 5.11.1 The January 2019 decision also identified that the Council would also evaluate and progress some of the incidental and open space sites that it owns (then estimated to occur in 2023-2025). This work could now be commenced in 2020 with a small sample of 2 sites tested in order to explore potential development benefits and disbenefits, potential layouts, specifications/standards and cost effectiveness. Whilst left-over parcels of open spaces or smaller/irregular shaped plots on estates could be explored, for reasonable numbers to be returned on any one site this would involve considering some larger sites. This poses more challenges, but work could be undertaken to identify feasible sites and select 2 sites as the viability examples.
- 5.11.2 Also tying in with Asset Management Strategy work, there is potential to explore regeneration of some of our older estates. This would entail redevelopment of specific sites in order to modernise and improve the quality of homes, increase their energy efficiency and reduce their energy consumption. This is also likely to form a package of additional works in the HIP that are extra to ongoing investment, as a tool to stimulate the local construction economy.
- 5.11.3 However, estate regeneration would be a larger-scale project that would require consideration and consultation; eventually leading to scenarios that may combine differing mixtures of refurbishment or complete redevelopment. It may also require combination with targeted acquisitions, aimed at leaseholders and buy-to-let landlords in order to include any sold properties and maximise the economies of scale of holistic redevelopment.
- 5.11.4 It is proposed that two estates are selected as samples to test the benefits and disbenefits of estate regeneration, including some planning, design and layout work that can be costed to test the economic viability of a sample scheme. This information would then inform any future strategy. Again, older property may present more opportunities for redesign and sustainability enhancements for modern living, which could help with the Council's carbon reduction ambitions. Therefore, whilst this type of development would be long-term and ambitious, it could produce significant enhancement of parts of Colchester over many years.
- 5.11.5 Estate Regeneration could also be undertaken at a smaller scale by exploring areas where there is the opportunity to build in larger gardens, especially where several HRA-owned sites are adjacent to one another. There may also be a small number of sites that could provide "hidden homes" a term for properties that other Council have created by converting former laundry areas, storage buildings and other outbuildings that are already found on their estates. As no work has been undertaken on this it would need to be explored.

5.12 Additional New Affordable Housing via Further CAHL "Phase 2" Sites

- 5.12.1 The Council would still look to use HRA funds to secure ownership of the affordable housing as part of any future CAHL developments. This would continue to see development where the Councils HRA-funded house building forms a part of a larger mixed-tenure schemes. This would continue to encourage social cohesion and integration at the completed sites. As sites come forwards with plans, part of their feasibility work should include not just the physical design, but also the design of the delivery methods, and business model (which could be varied from that used on Phase 1 sites). The Phase 2 CAHL sites will begin some planning in 2020 and come forwards from there as part of the Business Plan for Colchester Amphora Homes Ltd, which the Council needs to agree shortly, for the period 2021-2024, as the current Business Plans mature in March.

5.13 Asset Management Strategy and 30 Year Business Plan

5.13.1 Work on the HRA Asset Management Strategy and 30 Year Business Plan will commence as soon as possible and be ready for use in the HRA budget setting process for 2022/23, which will come to Cabinet in January 2022. The Portfolio Holder for Housing will be kept informed and updated on these projects as they progress. As well as working with Colchester Borough Homes on this project there will be consultation with Cabinet, Portfolio Holder, partners and tenants and leaseholders. Reviewing these documents will allow the Council to take account of any programmes brought forward from this report and those previously agreed. It will also offer an opportunity to review and evaluate the green revolution and carbon footprint of our stock.

6. Equality, Diversity and Human Rights implications

6.1 The proposals are considered to have an overall positive impact on protected groups, and they will have a positive impact on the availability of housing in Colchester, especially the availability of affordable housing. Maximising the supply of new homes is part of the Council's commitment to improving communities and our town as a place to live. In implementing the recommendations, the Council will have due regard to its Public Sector Duty and will continue to work to tackle discrimination and inequality and help to create a fairer society, improve housing choice and social mobility (including for protected groups). The proposals will help to improve the housing conditions and life chances of people with protected characteristics, including homeless people, low-income households, people with disabilities and families on the housing needs register. They will therefore have a positive impact on Equality and Diversity.

6. Equality, Diversity and Human Rights implications

6.1 The proposals are considered to have an overall positive impact on protected groups, and they will have a positive impact on the availability of housing in Colchester, especially the availability of affordable housing. Maximising the supply of new homes is part of the Council's commitment to improving communities and our town as a place to live. In implementing the recommendations, the Council will have due regard to its Public Sector Duty and will continue to work to tackle discrimination and inequality and help to create a fairer society, improve housing choice and social mobility (including for protected groups). The proposals will help to improve the housing conditions and life chances of people with protected characteristics, including homeless people, low-income households, people with disabilities and families on the housing needs register. They will therefore have a positive impact on Equality and Diversity.

6. Equality, Diversity and Human Rights implications

6.1 The proposals are considered to have an overall positive impact on protected groups, and they will have a positive impact on the availability of housing in Colchester, especially the availability of affordable housing. Maximising the supply of new homes is part of the Council's commitment to improving communities and our town as a place to live. In implementing the recommendations, the Council will have due regard to its Public Sector Duty and will continue to work to tackle discrimination and inequality and help to create a fairer society, improve housing choice and social mobility (including for protected groups). The proposals will help to improve the housing conditions and life chances of people with protected characteristics, including homeless people, low-income households, people with disabilities and families on the housing needs register. They will therefore have a positive impact on Equality and Diversity.

6.2 Further Equality Impact Assessment information can be found [here](#)

7. Strategic Plan References

7.1 The following Strategic Plan References are relevant:

Growth: Ensuring all residents benefit from the growth of the borough

- Help make sure Colchester is a welcoming place for all residents and visitors

Responsibility: Encouraging everyone to do their bit to making our borough even better

- Promote responsible citizenship by encouraging residents to get involved in their communities and to identify solutions to local issues

Wellbeing: Making Colchester an even better place to live and supporting those who need most help

- Encourage belonging, involvement and responsibility in all the borough's communities
- Create new social housing by building Council homes and supporting Registered Providers
- Target support to the most disadvantaged residents and communities

8. Consultation

8.1 The required planning applications for projects would be subject to public consultation with residents at, adjacent or nearby to any individual sites involved. All of the new build projects would be subject to planning consultation requirements.

8.2 Other consultation and engagement would be undertaken in regard to the individual projects as appropriate. On previous garage redevelopment sites additional consultation was undertaken, for example attending Parish Council meetings in Aldham prior to submission of the planning application, and this would be continued over future sites.

8.3 Sheltered housing projects would require consultation with tenants as early as possible. The Council has legal duties to consult that would be met. Elfreda House has demonstrated how well this could be undertaken, with all residents being rehomed without objections and CBH and CBC working together with families of more vulnerable tenants. Many of these are looking forwards to having the chance to return to a fit for purpose modern development. Consultation would also involve residents and businesses adjacent and nearby the sites.

9. Publicity Considerations

9.1 None specific to this report. Individual schemes will require different publicity once progressing.

10. Financial implications

10.1 A detailed breakdown of the costs is given in the confidential Part B Report. However, the total amount required is £4.585m. The proposals in this report have a combination of capital and revenue implications which are set out in the following paragraphs.

10.2 The main capital considerations of the proposals revolve around capital expenditure and funding. These can be summarised as:

- Capital expenditure on purchasing/building dwellings
- Capital expenditure on converting dwellings/remodelling
- Undertaking prudential borrowing to fund capital expenditure
- Potential Use of 1-4-1 retained Right to Buy reserve to partially fund expenditure
- On-going capital improvements to additional properties (for example kitchens/bathrooms etc)

- 10.3 The main revenue considerations of the proposals revolve around the day to day running of the dwellings, and servicing of any additional borrowing undertaken. These can be summarised as:
- Additional rental income from properties built or purchased.
 - Additional management and maintenance costs
 - Interest cost resulting from any additional borrowing undertaken
 - Provision for the repayment of debt
- 10.4 It is proposed that the approach taken is consistent with that previously, which is to seek approval from Cabinet for the indicative proposals, and then include detailed financial implications in the Housing Revenue Account (HRA) estimates and Housing Investment Programme (HIP) reports agreed by Cabinet in January each year. This approach has the benefit of being able to see the impact of the proposals on the overall financial position of the 30-year HRA model, determine affordability and ensure the long-term sustainability of the HRA.
- 10.5 It should also be noted that given the scale of some of the projects already underway it is likely that we will fully utilise our retained 1-4-1 RTB receipts reserve; which means it would be unlikely that we would repay any receipts plus interest to the Government in the future. Indeed, there is the highly likely potential that we could need to borrow up to 100% of scheme costs in future years. As previously indicated, this would be considered annually as part of Cabinets approval of the Housing Revenue Account (HRA) estimates and Housing Investment Programme (HIP).
- 10.6 After 5 years a property in the HRA can be subject to the Right to Buy. Whilst the Right to Buy is a government scheme that enables council tenants to buy their home, since 2005, any tenant who has bought their council home has to give the Council first refusal to buy it back if they wish to sell it within the first 10 years (in typical property covenants). In addition, the Council does not have to conclude a right to buy request unless the sale is for the market value of a property. For any new build/acquisition, cost floor rules apply, meaning the Council cannot sell the property for anything less than it has spent building, acquiring and maintaining it for the first 15 years. This offers the Council some protection for the first 15 years. The proposals herein therefore also mean that any Right to Buy receipt could be reinvested in replacement and/or additional stock without delay.
- 10.7 It is proposed that the 2020/21 additional expenditure outlined in paragraph 10.1 be funded from a combination of new borrowing, using existing HRA budgets and a proportion of the HRA balance. The final split of funding is to be delegated to be determined by the Councils S151 officer and will be reported to Members as part of the regular financial management of the HRA and Housing Investment Programme throughout the financial year.
- 10.8 Whilst the proposals within this report mean an increase in the level of the Councils HRA debt, it should be noted that in each of the 4 Scenarios set out in section 5.4, the modelling shows that surpluses within the Business Plan are available to reduce debt over the 30 year period. The main risk to this position is Government rent policy, although prudent assumptions have been used. The other risk that potentially exists relates to interest rate increases, but any additional borrowing would be through fixed rate long-term loans, which would mean certainty on borrowing once undertaken. Should interest rates increase in the short to medium term, then the affordability of additional borrowing yet to be undertaken would be considered as part of the relevant budget setting cycle, as is currently the practice.

11. Health, Wellbeing and Community Safety Implications

- 11.1 There are no specific implications but generally the proposal aims to promote positive health and well-being for our residents.

12. Health and Safety Implications

- 12.1 There are no specific concerns related to proposals outlines herein.

13. Risk Management Implications

- 13.1 There are two broad categories of risks; local and national. Local risks offer some degree of control and influence, revolving around prioritising HRA spending in a period of change. National risks relate to Government policies the Council cannot control, but that can have a major impact.
- 13.2 Locally, prioritising new council housebuilding should not be at the cost of current stock modernisation and repair. HRA finances and resources are used for maintaining and improving the existing stock, as a priority, and therefore new council housebuilding needs to be achieved without harm to current or future maintenance programmes. This risk is being managed by a coordinated and collaborative approach between key stakeholders, considering the budget implications over short, medium and long-term periods.
- 13.3 Another locally managed risk will be development process issues. For example, skills, land supply, site development, funding, planning, commissioning and construction costs. There are some obstacles to overcome in undertaking housebuilding, but the Council would mitigate these risks by working with CAHL and CBH as we evolve and develop an expanding housebuilding programme.
- 13.4 Sites are often small, neglected, vacant or constrained sites held in the HRA account. They may have issues that affect the viability of development (for example clearance and decontamination costs, size and shape, surroundings) that affects the achievable numbers and design of new units. This is why further feasibility work is proposed to identify the issues and costs involved to develop sites, and why it is important that a decision is taken to undertake this work without delay. Until feasibility work is complete, and sometimes beyond, there remain hidden risks that we cannot uncover until we start to progress concepts through to design and build.
- 13.5 For reasons related to the above, obtaining planning permission can be challenging, especially if there are objections from the local community. This can be mitigated as far as possible by early engagement with our Planning Services, and consultation with affected residents. Again, this is why a decision is required, because that will allow exploration with tenants and residents to be planned and undertaken.
- 13.6 Similarly, commissioning and procuring construction can be difficult. Some sites may not be attractive to builders and, in addition, construction costs have been rising over recent years. It may not be possible to receive satisfactory prices to build the schemes once approved. However, the proposals herein will seek to attract interest by evolving attractive and exciting schemes.
- 13.7 Nationally, the Government is known to be rethinking the right-to-buy policy, and contemplating other ideas, so the future is uncertain. The cumulative effect of numerous welfare changes in policies that affect the HRA are still becoming apparent too. Recent years have shown how much things can change with the 'bedroom tax', the benefits cap, direct payment of benefits to claimants, the roll-out of universal credit and the freezing of benefit rates for 4 years from 2016/17 before the more recent positive changes through the debt cap abolition and move away from further rent reduction.

14. Background Papers

14.1 None