



Cabinet

Item
7(i)

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Report of	Assistant Director Policy & Corporate	Author	Andrew Tyrrell
Title	Potential New Housing Projects Using HRA Borrowing		
Wards affected	All Wards		

1. Executive Summary

- 1.1 The Council has an established and clear ambition to provide more new affordable homes for our community; however, Colchester was one of over 50% of Councils in the UK that were restrained from building any properties in 2017/18 after the housebuilding programme was drastically halted by a Government-induced “debt cap” and “rent reduction” policy. The 2015 rent reduction announcement, introducing a 1% rent reduction for 4 consecutive years, removed around £140m of rental income from the Housing Revenue Account (HRA) 30-year Business Plan at the time. The existence of the debt cap then provided an insurmountable barrier, as it placed a limit on how much additional money we could borrow within these limitations.
- 1.2 After 3 years since the rent reduction came into force, the Government has now recognised the role that local authorities have in helping to solve the housing crisis, and has abolished the HRA debt cap (through the Budget announcements at the end of October 2018). The abolition of this HRA borrowing limit means that the Council is once again able to build new affordable homes (and improve the existing stock) through the HRA.
- 1.3 Since the Budget announcement, the Council has used the 3 months to explore some initial ways to use of the new borrowing capabilities to provide much-needed affordable housing without delay. Potentially viable schemes have been identified, with some possible sites earmarked. This report (and the accompanying confidential paper that provides estimated financial information) sets out the potential new affordable housing schemes that have been identified to date, and that the Council would now require some budget provisions in order to evolve. These schemes could be a first new wave of projects that would later be expanded, and will provide 100% affordable housing that could, based on provisional estimates, result in anything up to 350 new properties.
- 1.4 Part of this concept would be to rekindle the previous affordable housebuilding programme that was halted in 2015. However, other opportunities also exist that need further investigation and feasibility work to complete proper due diligence. Even revisiting previous sites, construction has changed even within this short time (and more feasibility work would be required anyway), but new opportunities have arisen such as the use of modular construction for an emerging rooftop development trend known as “Airspace”. The Council has also, in the intervening years, formed a wholly-owned company, Colchester Amphora Homes Limited (CAHL), so that it could deliver some affordable housing on mixed tenure sites and the projects will require collaborative partnership working with both (CAHL) and Colchester Borough Homes (CBH).

2. Recommended Decision

- 2.1 To agree that the Council should continue to explore further options, but will now actively pursue viable development opportunities that are set out in this report, from feasibility through to the completion of the relevant viable projects.
- 2.2 To appoint Colchester Amphora Housing Ltd (CAHL) and Colchester Borough Homes (CBH) to help the Council progress the projects as set out in the report, and advance the viable schemes through to completed delivery.
- 2.3 To note that the Housing Revenue Account (HRA) budget and Housing Investment Programme (HIP) for 2019/20, as reported elsewhere on this Agenda, have been prepared with the inclusion of financial provisions to continue to actively progress these projects over the 2019/20 financial period.
- 2.4 To agree that these budgets should, in subsequent years, continue to include further provisions in order to continue to drive forwards the proposals that are set out in the report for the short and medium term projects, that remain viable once the necessary due diligence is completed.

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. This decision is required in order to make any further progress in advancing schemes and take the first decisive steps, following the abolition of the HRA debt cap, to deliver more affordable homes. To do so, a budget provision now needs to be made for the next financial year, within which time the feasibility works would be completed, consultation and engagement would need to take place, planning applications would be submitted, contractors appointed and possibly even commencement of some sites. This means that the Council needs to decide whether or not to commit to the exploration of this programme of development, which could see up to 350 homes delivered in total over the next 5 or 6 years (subject to how feasibility works evolve), in order that it is not avoidably delayed as schemes can progress.
- 3.2 Whilst these may not be the only steps that are taken over the next few years, a decision to pursue these does not prejudice further development opportunities coming forward and would allow for new affordable homes to be provided without delay, so that the community can benefit from them as soon as possible. The programme as set out includes short, medium and long term ambitions; making a sustainable programme of new affordable housing that can be further developed over time. It is an early statement of intent to deliver a significant number of affordable homes moving forwards.
- 3.2 There is an acute need for more affordable home in Colchester. "Affordable housing" is a term that includes social rented, affordable rented and intermediate housing. This is provided to eligible households whose needs are not met by the open housing market and whose eligibility is determined with regard to local incomes and house prices. The definition now originates from the National Planning Policy Framework (2018). Rents for affordable housing should be set in accordance with the Government's rent policy for social rent or affordable rent, at least 20% below local market rents (including service charges where applicable). Affordable housing should also include provisions to remain

at an affordable price for future eligible households, or for any subsidy to be recycled for alternative affordable housing provision.

- 3.3 The homes that the Council creates will be used to accommodate people from our housing needs register. This means that the new homes address local need. The demand for this new affordable housing, and an illustration of why not acting is not an option, is demonstrated by the figures on the housing needs register as shown in Table 1 below:

Table 1

Households on the register according to number of bedrooms required

Number of bedrooms required	Number of households on the register
One	1111
Two	1671
Three	1079
Four or more	258
Total	4119

Gateway to Homechoice, 30 September 2018

4. Alternative Options

- 4.1 The Council could decide 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 now been given, consequently missing an excellent opportunity to provide affordable housing for those most in need; which is a key priority of the Council as set out in the Strategic Plan. It would also mean that the Council may not be able to use the retained 1-4-1 Right To Buy receipts it holds, which must be returned plus interest to the Treasury if they are not spent within 3 years; whereby these developments should ensure that the Council would not need return any receipts for the foreseeable future due to the increased opportunities to reinvest them in new affordable homes, if delivered as planned.
- 4.2 The Council could decide not to pursue some of the individual projects identified in this report. However, at this time it is considered that all of the projects should be explored further and that the shorter term projects are all expected to be deliverable.
- 4.3 The Council could seek to identify alternative projects to those in this report. However, the project set out herein are those that have been identified as the most appropriate at this time. This decision does not rule out seeking further opportunities in due course and the additional borrowing, which under the prudential code must be affordable, would not prejudice any further borrowing for additional schemes that are identified in due course.
- 4.4 The Council could pursue the Airspace scheme without using HRA borrowing; however the “traditional” delivery model used by modular construction companies who build airspace schemes would return only a smaller percentage of the units to the Council to use as affordable housing, whilst most of the properties (which would be built by the developers at their cost) would be retained by the partnering company for them to sell or lease. As this does not provide as many affordable homes for the council it is not recommended during the few suggested pilot schemes, but could be revisited should a larger roll out follow. Whilst risk and cost is taken on by the Council from using the

proposed 100% affordable housing model, this risk is being managed by use of a “pilot” to minimise implications until the chosen schemes can demonstrate their potential.

5. Background Information

- 5.1 The Council previously utilised HRA borrowing to undertake housebuilding by delivering 34 units on garage sites that were completed in 2015. These were the first Council built homes for over 2 decades and the Council had always intended to continue to deliver more new homes (and refurbishment projects) until it was halted by the Government policy changes (in 2015) that saw rent reduced by 1% per annum for 4 years. This national policy change removed around £140m of rental income from the 30-year HRA business plan when it was introduced. It meant that the Council could no longer build new affordable homes for local people, and would return, like most Councils, to a reliance on homes delivered via s106 planning agreements, that secure a percentage of affordable units on major sites (those over 10 dwellings) that were developed by private housebuilders.
- 5.2 The significant change in Government policy with the announcement of the abolition of the HRA debt cap, gave a clear signal that Councils should undertake new housebuilding funded from within their HRA. Prime Minister Theresa May stated, at her 2018 party conference, that housing was “the biggest domestic policy challenge of our generation”, unexpectedly announcing that “local authorities were being held back from building by fiscal rules” that would be removed. That was immediately followed by the Budget announcement (at the end of October), that the Government had indeed decided to abolish the HRA borrowing restrictions placed upon all Councils, with an unexpected “immediate effect”. Chancellor Philip Hammond stated during his Budget speech that the Government “are giving councils greater control over the money they raise...by removing the Housing Revenue Account cap so that councils can help to build the homes this country needs”.
- 5.3 Prudential borrowing, which is now the only constraint on HRA borrowing, 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”. This is covered in more detail within the related Housing Revenue Account and Housing Improvement Programme Budgets, and Treasury Management Strategy, as reported elsewhere on this Agenda, but simplistically it means that the amount borrowed to build will be affordable over the long-term.
- 5.4 The Council now has an exciting and valuable opportunity to re-start and expand its Council housebuilding programme in order to provide for local people on our housing needs register. There are numerous other benefits to the Council building new affordable homes that include:
- making the most effective use of the Councils assets, and maximising their benefit to the community;
 - the potential to deliver sites that other developers would not be willing to deliver (e.g. small infill plots, garage sites) because they have social value as well as economic sustainability; and
 - helping to fulfil planning policies aimed at improving the quality of life for residents, and assisting the supply of land for residential development that meets specialist demands.
- 5.4 Indeed, the Council would fulfil a leadership (and enabling) role through delivery of the identified affordable housing projects. As with the wholly-owned company (formed to

continue to deliver housing including 30% affordable homes), by building more new affordable housing stock using HRA borrowing we are ensuring that the provision of affordable rented housing is high on the local agenda; bringing together housing, planning and regeneration activities. It demonstrates that the Council is committed to taking proactive steps to address the shortfall in supply of affordable homes, and is investing resources in neighbourhoods that may otherwise see limited amounts of development by private developers.

- 5.5 The Council housebuilding projects outlined below seek to create homes that meet local needs and in particular those of households with mobility needs and disabilities; provide energy efficient housing that can deliver affordable energy bills, and involving existing tenants and communities in the process.

Projects That Can Be Completed Within 1-3 Years

5.6 The “Phase 2” Garage Sites

- 5.6.1 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 and disused garage sites have been demonstrated to make a valuable contribution to communities, improving neighbourhoods, reducing anti-social behaviour and providing much needed affordable housing. The Council demonstrated the success of “Phase 1”, with a proven track record for “Phase 2”.
- 5.6.2 Some early desk-top exploration work has already been undertaken, though more detailed work is required to progress the schemes. Some sites have been identified but more feasibility, such as searches, surveys, design concepts and other work would need to be completed in order to refine their potential. This work, if agreed herein, could be completed in a relatively short time; with preliminary scheme layouts that could be provided for planning advice (prior to making formal applications), and other due diligence work to be undertaken as the next step.
- 5.6.3 It is currently anticipated that the garage sites could deliver approximately 35 new affordable homes, including the potential for the Council to proactively provide some Part M compliant adaptable properties, which are adaptable, as well as a proportionate mix of 1, 2 and 3 bed properties that reflects our local affordable housing needs. Should these schemes progress smoothly (without unexpected complications from the feasibility work, delay in the planning process, or issues during procurement) it is expected that they would be commenced within the next financial year (2019/20). Therefore, the budget (also on this Agenda) reflects this possibility.
- 5.6.4 It is proposed that the Council instructs CAHL to act as lead development manager on the new garage site projects, working in partnership with CBH project management services (and alongside the Councils own services). The combination of these 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 alongside our own planning service expertise, managing construction on site and working with the Councils tenant services teams to ensure local consultation is undertaken.
- 5.6.5 The scope of services that CAHL would provide reflect a role acting as development management agent and will lead the programme across the various stages of the development process from RIBA stage 1 to 7. The Council will act as client, monitoring

the progress of the development and working in partnership with CAHL as well as with CBH.

5.7 Purchasing Affordable Housing on the Colchester Amphora Homes Ltd (CAHL) Sites

- 5.7.1 As set out in an accompanying paper on this Cabinet Agenda, it is proposed that the HRA borrowing should be used to purchase all of the affordable housing units delivered from the 4 forthcoming development sites being built by Colchester Amphora Homes Ltd (CAHL). More detail is set out in the report specifically on that proposal elsewhere to this Agenda.
- 5.7.2 The HRA budget paper, also on this Agenda, includes the purchase of these properties by the Council. The sites are expected to start on site this year, and the next step would be to finalise the transactions and agreements that have been agreed, prior to the commencement of the developments.

5.8 Using the Right to Buy Back (RTBB)

- 5.8.1 In order to increase the supply of affordable housing in Colchester as part of the “Action to tackle homelessness” initiative, the Council agreed to purchase up to 10 properties using the “Right to Buy Back” (RTBB) in 2018/2019. The Right to Buy is a government scheme that enables council tenants to buy their home but, 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).
- 5.8.2 It is now proposed to continue this project as a rolling programme in order to increase the supply of affordable rented homes in Colchester. The programme is kept at a modest level as it relies on properties coming forward from owners who wish to sell, and that those properties provide good value for money to the Council. This will require budget provision for 2019/20, as set out elsewhere on this Agenda.
- 5.8.3 The next steps would be to allocate budget for this to continue and implement this continues programme. In the medium term, it is proposed that the programme runs for 5 years with an annual review to consider if it still delivers in terms of value for money compared to other options.

5.9 Purchasing (Non-RTBB) Former Council Homes

- 5.9.1 In order to increase the supply of temporary affordable housing in Colchester as part of the “Action to tackle homelessness” initiative, the Council successfully purchased former Council homes sold under the right to buy that were not subject to the right of first refusal clause (RTBB), as this had expired. It is proposed that HRA capital resources are used to purchase up to 20 former Council properties via the open market, to be used as permanent homes.
- 5.9.2 As with the above proposal on RTBB, the programme is kept at a modest level as it relies on properties coming forward that are viable for the Council; this includes considerations that they contain elements that can be sustained within the Council’s asset management strategy.
- 5.9.3 The next step would be to allocate further budget for this to continue during 2019/20 and continue to explore forthcoming opportunities throughout the next financial year. There is no “lead in” time for this project as it was already running as a pilot within 2018/19 and will simply expand and continue now there is more borrowing capacity available.

5.10 Utilising “Airspace” Above Existing Buildings

- 5.10.1 There are some recent, and emerging, examples of modular construction that has created an additional storey in unused “airspace”, on the roofs of existing occupied buildings, to add additional homes. This has been used to effect in London, and has even received specific reference in the Government’s 2018 revisions to the National Planning Policy Framework, in paragraph 118(e), that states that Local Planning Authorities should:
- “support opportunities to use the airspace above existing residential and commercial premises for new homes. In particular, they should allow upward extensions where the development would be consistent with the prevailing height and form of neighbouring properties and the overall street scene, is well-designed (including complying with any local design policies and standards), and can maintain safe access and egress for occupiers.”*
- 5.10.2 From initial research, the usual business operating model is for such companies to purchase “airspace rights” from a Council to develop (at their own risk) rooftop apartments. The majority of the units created are normally retained by the company to generate their financial returns for the works, but as the owners of the host property (sometimes a partnering Council) is usually given some of the completed units as affordable housing. However, whilst this is the typical delivery model, the Council would seek to draw on the specialist expertise of an airspace company to act as a means to deliver a scheme with 100% affordable housing provision; funded by the Council with the partnering-company acting solely as a contractor/developer. Whilst this model would see cost and risk remain with the Council, it would utilise the partnering company’s experience to manage that risk whilst creating more affordable homes in total. CBH would also partner within this project, which would require consultation and engagement with residents, and be on properties that they manage for the Council.
- 5.10.3 It is recommended that a pilot is pursued, at locations with fewer constraints (e.g. parking pressures, etc). This would allow the model to be tested prior to any larger roll out because, although it is well-tried in other areas (such as London), it is new to Colchester. The pilot would be required to deliver 100% affordable housing schemes to maximise the affordable homes provided from the risk-limiting pilot scheme, as first-hand experience is gained.
- 5.10.4 Based on an initial assessment of rooftops and unit sizes on other schemes, the pilot scheme would achieve approximately 32 new affordable homes, provided as 2-bed flats, over existing Council properties. Subject to a successful consultation with residents, it is anticipated that a potential scheme could be delivered in 2020. From case studies, there are benefits to existing residents, as the developments also add value to the whole building through refurbishment of worn facades and other improvements, such as entrances and communal areas. The existing residents would benefit from these enhancements, at no cost to them, which has been demonstrated to help gain support. It also benefits the HRA, which would usually fund repair and improvement works, as the buildings’ lifecycle is generally improved as a result.
- 5.10.5 As the project utilises modular construction, the Council may look to use the experience gained on other sites; potentially making marginal or difficult sites more viable opportunities. The schemes can also be installed within a single day (as the units are built offsite); minimising disruption to tenants (who do not need to move out) and neighbours. The associated improvement works to the existing building are typically, according to case studies, completed in 50% less onsite build time and 90% fewer vehicle journeys to and from the site (compared to traditional constructions).

Projects That Can Be Completed Within 3-5 Years

5.11 “Fit for the Future”: Reinvigorating the Sheltered Housing Improvement Programme

5.11.1 The Council, in partnership with CBH, previously undertook a programme of works to make our sheltered housing stock “fit for the future”. The refurbishment of previous sheltered housing properties saw the accommodation converted into self-contained flats with fitted kitchens and bathrooms that are fully adapted to Part M accessibility requirements. The schemes also incorporated energy efficiency measures that benefitted residents; including photovoltaic electrical generation systems, solar hot water heating systems and triple glazed windows and doors.

5.11.2 With the 1% rent reduction the sheltered housing refurbishment programme was scaled back and then halted. The removal of the borrowing restriction on the HRA now gives the Council the opportunity to reconsider how best to use its sheltered housing stock and make it “fit for the future”. The priority will be to pursue a modernisation and improvement programme with all options having been considered

5.11.3 Such 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 2022 or 2023.

5.12 Continued Programme for the RTBB and Purchasing Former Council Houses

5.12.1 As set out above, in paras 5.8.3 and 5.9.3, the Council would continue to buy back former Council properties. In the medium term this would have established as a rolling programme (with annual review).

5.13 “Phase 3” Garage Sites and Other “Incidental Spaces”

5.13.1 As soon as the Phase 2 sites have been advanced, the Council could progress the third phase of garage sites. Initial desk top work to identify the potential of sites may also be possible at the same time, or overlapping with Phase 2. These are sites that were previously considered to be more difficult sites, and will take longer to get delivery “on the ground” even if they are started at the same time. It would also be prudent to revisit some of them and check that conditions have not changed on the ground, whether positively or negatively.

5.13.2 The Council can utilise the continued learning from both phases 1 and 2 of the garage sites, alongside that which will be gained from use of modular construction on the “Airspace” pilot. This should allow time to overcome (and ways to reduce) some of the challenges previously forecast by utilising innovative solutions that may increase feasibility of some of the more difficult sites and provide better quality outcomes.

5.13.3 The Council could also evaluate and progress some of the incidental sites that it owns. These are primarily left over parcels of open spaces or smaller/irregular shaped plots on estates that may be possible to put to more effective and efficient use. This poses more challenges, but work could be undertaken to identify feasible sites in due course. Although work on this will start as soon as possible, it is forecast as a medium term delivery due to the additional challenges that need to be explored, and will follow on behind phase 2 (which can be advanced to delivery without delay).

5.14 Purchase of Properties for Conversion

- 5.14.1 The Council could monitor the market for properties that become available that are suitable for small-scale 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. A quick market assessment of current opportunities for office/retail conversion to housing presented only one property. This was considered to be too large for a pilot 100% affordable housing scheme, and would have resulted in the loss of office space near to the town centre that was undesirable. However, it is possible that opportunities may arise that would be suitable for consideration; this opportunity will be market-led.
- 5.14.2 Increasingly flexible permitted development rights introduced over the last few years (and expected to broaden further in future) allow for more types of properties to be converted into housing. The Council could consider using these rights, which are available to any developer, where this would not be detrimental to the localities and would accord with our other policies (e.g. the Local Plan, etc). The Council would continue to keep a watching brief on the availability of units that could be converted without causing any harm to their local areas, or the town as a whole, such as single units that have not been let very successfully for commercial uses in the past, but could enhance areas by bringing disused or under-used property back in beneficial purposes.

5.15 Further Colchester Amphora Homes Development Sites

- 5.15.1 The Council would look to use HRA funds to secure ownership of the affordable housing as part of 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.

5.16 Large Regeneration Site

- 5.16.1 There is potential for a large mixed-use regeneration scheme to evolve over the next few years. This will not be coming forward immediately, and it not at a detailed stage yet, but as it evolves the scheme could provide further opportunities for Council-owned housing utilising the prudential borrowing and right to buy receipts. This will need to be explored in more detail at a later, suitable, date.

Projects with Longer Term Delivery Timetables

- 5.17 Subject to a successful pilot explored over the next few years, the "Airspace" project detailed above would have more potential to be rolled out across a wider area, and a larger number of properties, to provide affordable homes. There was potential for up to 250 properties to be provided through a large roll out but this requires more feasibility that is not proposed until the pilot demonstrates some early success. Depending on the pilot, this could be brought forward faster, but would need to be monitored based on the first phase, as well as the individual complexities of the wider potential sites (which needs more feasibility work before its potential is more predictable).
- 5.18 The Council would continue development using HRA funds in conjunction with housebuilding by CAHL to create mixed-tenure schemes as set out above. The Council could also continue to buy back former Council properties over a longer period. It could also review the use of incidental spaces, garage sites, and other property that it owns. All of these longer term projects will need to be reviewed in due course, and will be subject to further papers at more appropriate times.
- 5.19 Finally, as the Garden Communities evolve it will present opportunities to acquire land for affordable housing provision. The HRA could also purchase properties, or be used in

partnership with other providers. There would be a number of opportunities that would arise from Garden communities in the longer term. This would be a potentially significant opportunity in the longer term, for delivery beyond 5 years.

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 most (if not all) of these 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 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. Similarly, for the "Airspace"

projects there would be legal duties to consult tenants and leaseholders. 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 consultation once progressing.

10. Financial implications

10.1 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 (for example Phase 2 garage sites, purchase of Buybacks)
- Capital expenditure on converting dwellings/remodelling
- Undertaking prudential borrowing to fund capital expenditure
- 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

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 (see other Agenda items). 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 set out in this report, 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 continue repaying receipts plus interest to the Government in the future. Indeed, there is the potential that we could need to borrow up to 100% of scheme costs in future years (receipts would currently cover 7% of the estimated/assumed costs). As previously indicated, this would be considered annually as part of Cabinet's approval of the Housing Revenue Account (HRA) estimates and Housing Investment Programme (HIP).

11. Health, Wellbeing and Community Safety Implications

11.1 There are no specific implications but generally the proposal aim 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. There is a recent rhetoric that changes would not seek to obstruct Council housebuilding, but this reality is that this remains uncontrollable, and increasingly unpredictable the further ahead you try to look. This is even more true with the additional "Brexit" considerations.