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OVERVIEW & SCRUTINY PANEL

20 JULY 2023

A meeting of the Overview & Scrutiny Panel will be held at **7.00 pm on Thursday, 20 July 2023** in the Council Chamber, Council Offices, Cecil Street, Margate, Kent.

Membership:

Councillor Fellows (Chair); Councillors: D Green (Vice-Chair), Austin, Bright, Britcher, Currie, d'Abbro, Davis, Farooki, Kup, Paul Moore, Packman, Pope, Wing and Worrow

SUPPLEMENTARY AGENDA

Item
No

Subject

5. **PURCHASE OF 42 HOMES AT SPITFIRE GREEN FOR AFFORDABLE RENT** (Pages 3 - 8)
6. **LOCAL AUTHORITY HOUSING FUND: PURCHASE OF 9 HOMES** (Pages 9 - 14)



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Purchase of 42 Homes at Spitfire Green for Affordable Rent

Overview and Scrutiny Panel	20th July 2023
Report Author	Ashley Jackson, Housing Strategy & Projects Manager
Portfolio Holder	Cllr Helen Whitehead, Deputy Leader and Cabinet Member for Housing
Status	For Recommendation
Classification:	Unrestricted
Key Decision	Yes
Reasons for Key	Budget
Ward:	All Wards

Executive Summary:

This report invites members of the Overview and Scrutiny Panel to review the proposals for purchasing the additional 42 affordable homes as part of the accelerated affordable housing programme, ahead of seeking approval at Cabinet on 27 July 2023. The Tenancy Strategy defines an affordable rent, as a rent that is no more than 80% of the local market rent and does not exceed the relevant Local Housing Allowance rate.

Recommendation(s):

Members of the Overview and Scrutiny Panel are asked to:

1. Note and scrutinise the report and consider any representations to Cabinet in advance of its meeting on 27 July 2023.

Corporate Implications

Financial and Value for Money

The detailed financial implications are set out in the body of this report. Notably, the financial modelling undertaken has demonstrated that across the long-term the HRA business plan will benefit from the proposed acquisitions.

Legal

Section 106 of the Town and Country Planning Act 1990, as amended by Section 12 of the Planning and Compensation Act (1991) and the Community Infrastructure Levy Regulations

2010 (as amended), provides the legislative framework for planning obligations. The Council has acted in accordance with this legislation.

Risk Management

Acquisition and development activity has within it inherent risks. Officers strive to identify and manage risk at each stage of projects. The acquisition project will have a risk register that is reviewed throughout the lifecycle of the project by the Housing Strategy & Projects Team. Risks around acquisition activity are sought to be mitigated through regular review and the appointment of professional expertise to provide legal due diligence, and accredited valuation advice to ensure value for money, in terms of the cost of the project.

Corporate

This proposal supports the Council Corporate Statement 2019-2023 , Communities. Work to prevent homelessness and increase housing options including additional social housing.

Equality Act 2010 & Public Sector Equality Duty

Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to the aims of the Duty at the time the decision is taken. The aims of the Duty are: (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people who share a protected characteristic and people who do not share it, and (iii) foster good relations between people who share a protected characteristic and people who do not share it.

Protected characteristics: age, sex, disability, race, sexual orientation, gender reassignment, religion or belief and pregnancy & maternity. Only aim (i) of the Duty applies to Marriage & civil partnership.

This report relates to the following aim of the equality duty: -

- To eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act.
- To advance equality of opportunity between people who share a protected characteristic and people who do not share it
- To foster good relations between people who share a protected characteristic and people who do not share it.

The new homes will be let in line with the council's allocations policy, which has had an Equalities Impact assessment completed.

Corporate Priorities

This report relates to the following corporate priorities: -

- Communities

1.0 Introduction and Background

- 1.1 Council has recently approved an accelerated affordable housing development programme.
- 1.2 Section 106 of the Town and Country Planning Act 1990 provides an opportunity for local planning authorities to negotiate with housing developers for the provision of affordable housing, on qualifying sites. The council's local plan policies set out a preference for these requirements to be discharged through the provision of affordable homes within the application site.
- 1.3 The purchase of section 106 units requires developers to transfer completed homes to an affordable housing provider at a value that makes an affordable rent viable. This means that the developer effectively provides the necessary subsidy in the form of a discounted purchase price below market value. Officers have been contacted by a number of developers who have been unable to secure an affordable housing provider partner to purchase section 106 units and deliver affordable homes.
- 1.4 Failure to secure an affordable housing delivery partner can encourage developers to request the S106 agreement be amended to provide a commuted sum in lieu of housing.

2.0 Spitfire Green

- 2.1 Officers were contacted by BDW (Barretts) Homes, who are required to deliver 42 new affordable homes, as part of their development at Spitfire Green, Westwood. This requirement is set out in the section 106 obligations for the development. They have been unable to secure an affordable housing provider to deliver these homes.
- 2.2 The capital cost for the 42 homes is £5m and an amount of £50k has been allocated for other associated costs.
- 2.3 Officers have developed a detailed viability assessment tool to assess the viability of individual schemes, which is used to inform a go/no-go decision for individual proposals. It is essential for the viability of the overall HRA programme that only schemes that have a positive impact on the HRA Business Plan are delivered.
- 2.4 To be viable, schemes need to show an overall surplus over a 30 to 50 year timescale. The assessment tool operates like a mini business plan and takes into account all relevant costs and income, including rent income, capital costs, professional fees and project management, the costs of borrowing and management, maintenance costs and depreciation over the lifetime of the homes. A summary of the income and costs for the proposed purchase are shown in the table below.

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Year	1	2	3	4	18
Revenue Income					
Rental income	(259,536.37)	(259,536.37)	(270,696.43)	(277,355.56)	(419,525.17)
Revenue Costs					
Management Contribution	6,720.00	7,056.00	7,408.80	7,779.24	10,264.54
Revenue Repairs	3,192.00	3,351.60	7,038.36	7,390.28	68,259.20
Major Repairs (Capital contrib)	58,380.00	61,299.00	64,363.95	67,582.15	89,173.21
Insurance	8,400.00	8,820.00	9,261.00	9,724.05	12,830.68
Saving before MRP and interest	(182,844.37)	(179,009.77)	(182,624.32)	(184,879.85)	(238,997.54)
Interest on debt	236,845.00	236,845.00	236,845.00	236,845.00	236,845.00
Net cost/(saving)	54,000.63	57,835.23	54,220.68	51,965.15	(2,152.54)

- 2.5 This shows that the proposed purchase would generate a cash flow deficit in year 1 of £54k with a break even point in year 18, with surpluses accumulating between year 18 and year 50. The project shows a surplus over a 30 to 50 year period, and a cash flow summary is shown in the table below:



- 2.6 £54k will be utilised of the £300k annual contribution to the New Properties Reserve to offset the early years financial deficit.
- 2.7 As the homes have been designated as affordable homes in the planning consent and section 106 agreement, they have been designed specifically for that purpose and accordingly are considered appropriate for the HRA, in line with the needs of households on the council's register or those living in temporary accommodation.

There is a significant level of need for 1 bedroom homes, as well as for larger family homes.

2.8 The unit sizes and the mix of dwellings are as follows:

- 33 x 1 bed flats
- 4 x 2 bed houses
- 1 x 2 bed flat
- 4 x 3 bed flat

2.9 An provisional offer of £5m has been made to the developer and subject to contract, legal due diligence, formal valuation and full approval this offer has been accepted.

2.10 It is proposed that the new homes are let in accordance with the council's adopted allocations policy. It is also proposed that they are let at an affordable rent, inline with the council's approved Tenancy Strategy. As a Registered Social Landlord the council is required to consult with Homes England and the Regulator for Social Housing about its rent policy.

3.0 Options

3.3 Members of the Overview and Scrutiny Panel are invited to review and scrutinise this report, making any agreed recommendations to Cabinet in advance of its meeting on 27 July 2023.

4.0 Next Steps

4.1 This proposal will be presented to the cabinet at its meeting on 27 July 2023.

Contact Officer: Ashley Jackson, Housing Strategy & Projects Manager
Reporting to: Bob Porter, Director of Place

Corporate Consultation

Finance: Chris Blundell (Director of Corporate Services - Section 151)

Legal: Sameera Khan (Interim Head of legal & Monitoring Officer)

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Local Authority Housing Fund: Purchase of 9 Homes

Overview and Scrutiny Panel	20th July 2023
Report Author	Ashley Jackson, Housing Strategy & Projects Manager
Portfolio Holder	Cllr Helen Whitehead, Deputy Leader and Cabinet Member for Housing
Status	For Recommendation
Classification:	Unrestricted
Key Decision	Yes
Reasons for Key	Budget
Ward:	All Wards

Executive Summary:

The Government allocated £1.19m of Local Authority Housing Fund (LAHF) grant to Thanet. The funding is to facilitate the purchase of nine properties to temporarily accommodate Ukrainian and Afghan refugees.

A Memorandum of Understanding was returned to the Department for Levelling Up, Housing and Communities (DLUHC) in March 2023 which registered the council's interest in the scheme. In order to utilise the grant it was necessary to match fund the acquisitions with £1.245m of borrowing within the HRA capital programme, this was approved at Cabinet on 15th June. The properties have been identified and must be purchased by 30th November 2023.

Business plan modelling shows that the scheme generates a surplus from year 1 due to the grant subsidy. This surplus could be used to subsidise other parts of the Affordable Homes Programme.

This report invites members of the Overview and Scrutiny Panel to review the proposal, ahead of seeking approval at Cabinet on 27 July 2023.

Business plan modelling shows that the scheme generates a surplus from year 1 due to the grant subsidy. This surplus could be used to subsidise other parts of the Affordable Homes Programme.

Recommendation(s):

Members of the Overview and Scrutiny Panel are asked to:

1. Note and scrutinise the report and make any recommendations to Cabinet in advance of its meeting on 27 July 2023.

Corporate Implications

Financial and Value for Money

The Council has considered the financial implications of the purchase of the 9 units. The Council will have on-going borrowing and maintenance costs that will be offset via the rental income generated from the purchased units.

The financial modelling undertaken has demonstrated that the HRA business plan will benefit from the proposed acquisitions.

Legal

The grant provided to the local authority is pursuant to section [31(3) and] 31(4) of the Local Government Act 2003, whereby the Secretary of State has determined that the grant will be paid subject to the condition in Annex B of the schedule.

The main condition of the grant is that it will only be used for the purposes that a capital receipt in accordance with regulations made under section 11 of the Local Government Act 2003.

<https://www.gov.uk/government/publications/local-authority-housing-fund/local-authority-housing-fund-grant-determination-capital-2022-23-316497>

The law states that Provided that the use of the property (or at least, that part of it which will be funded with subsidy) is regarded as the provision of social housing (as defined in s68 onwards of the Housing and Regeneration Act 2008), and expenditure is incurred on or after 15/03/2023, the transaction would be exempt from SDLT under s71 of the Finance Act 2003 which would be advantageous to the authority.

In addition to the above, the Council has a general power under section 1 of the Localism Act 2011 to do anything that an individual may generally do provided it is not prohibited by other legislation and the power is exercised in accordance with the limitations specified in the Act. The council is therefore able to accept and receive the funds and utilise it in line with the government guidelines.

Risk Management

The potential risks and implications associated with the grant are as follows

- The target date for completion is challenging and failure to deliver homes within the 2023/24 financial year may lead to funding being clawed back. This can be mitigated by purchasing completed homes on existing developments.

Risks to not taking the funding are

- We risk losing the opportunity to add affordable housing stock to our portfolio.
- We risk not meeting the housing needs of the funds eligible households and fulfilling statutory functions.
- We risk not meeting wider housing and homelessness pressures.
- We risk increasing the use of inappropriate and expensive temporary accommodation in particular bed and breakfast.

Corporate

This proposal supports the Council Corporate Statement 2019-2023 , Communities. Work to prevent homelessness and increase housing options including additional social housing.

Equality Act 2010 & Public Sector Equality Duty

Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to the aims of the Duty at the time the decision is taken. The aims of the Duty are: (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people who share a protected characteristic and people who do not share it, and (iii) foster good relations between people who share a protected characteristic and people who do not share it.

Protected characteristics: age, sex, disability, race, sexual orientation, gender reassignment, religion or belief and pregnancy & maternity. Only aim (i) of the Duty applies to Marriage & civil partnership.

This report relates to the following aim of the equality duty: -

- To eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act.
- To advance equality of opportunity between people who share a protected characteristic and people who do not share it
- To foster good relations between people who share a protected characteristic and people who do not share it.

An Equalities Impact Assessment has been completed in respect of this proposal. The assessment indicated that the proposals would help support the needs of a community with protected characteristics on the grounds of race and nationality and help to foster good relations. In the first instance these new homes will be let to qualifying Ukrainian or Afghan (see section 102). Subsequently they will be let in line with the council's allocations policy, which has had an Equalities Impact assessment completed.

Corporate Priorities

This report relates to the following corporate priorities: -

- Communities

1.0 Introduction and Background

1.1 The Government has recently announced details of a national £500 million scheme to enable local authorities to purchase properties in their area to accommodate both Ukrainian and Afghan refugee households for an initial period of 3 years. The properties acquired will form part of the Council's Housing Revenue Account and can subsequently be used to accommodate households from the Council's housing waiting list by providing a new and permanent supply of accommodation which will help to address local housing and homelessness pressures. The Council is required to complete all the property purchases by 30th November 2023

- 1.2 Those eligible for the homes provided will be those who are homeless, at risk of homelessness or who live in unsuitable Temporary Accommodation (including bridging accommodation) and who also meet the below Definition:
- Afghan Citizen Resettlement Scheme (including eligible British Nationals under this scheme) (ACRS),
 - Afghan Relocations and Assistance Policy (ARAP),
 - Ukraine Family Scheme (UFS),
 - Homes for Ukraine (HFU),
 - Ukraine Extension Scheme (UES)
- 1.3 It is proposed that the homes are let at an affordable rent, in line with the council's approved Tenancy Strategy. The Tenancy Strategy defines an affordable rent, as a rent that is no more than 80% of the local market rent and does not exceed the relevant Local Housing Allowance rate. As a Registered Social Landlord the council is required to consult with Homes England and the Regulator for Social Housing about its rent policy.

2.0 TDC Allocation

- 2.1 The Council was allocated a grant sum of £1.19 million to facilitate the purchase of nine homes in the districts. At least two of the homes are required to have 4 bedrooms. The remainder (up to 7 homes) are required to be 2 or 3 bedroom homes.
- 2.2 The council signed the Memorandum of Understanding which registered our interest in the scheme. This allowed us time to see if there were units available which would be suitable. It would not have been possible to undertake refurbishments on dilapidated properties, purchase empty properties or purchase non-residential properties, due to such a short timescales for the grant funding.
- 2.3 Full council considered a report at its meeting on 13 July 2023, setting out its ambitions for the construction and acquisition of new homes. This scheme was considered as part of the report and council agreed to include both the £1.19m grant and £1.245m match funding within the HRA capital programme..
- 2.4 Discussions have taken place with a local developer currently developing the Westwood Cross site to purchase 6 x 3 bed units and 3 x 4 bed units. The units will be an 'off the shelf' purchase with no refurbishments or adaptations needed. They are nearing completion and will be ready by the end of June 2023. The mix of units meets the requirements of the grant, as at least two are four bedroom homes. The developer has accepted a provisional offer, subject to approval of £2.4m. This is 80% of Market Value.
- 2.5 We have run this through our business plan modelling and the scheme generates a surplus for the HRA business plan from year 1 due to the grant subsidy. This surplus could be used to subsidise other parts of the Affordable Homes Programme.

3.0 Options

- 3.1 Members of the Overview and Scrutiny Panel are invited to review and scrutinise this report and make any recommendations for Cabinet to consider at its meeting on 27 July 2023.

4.0 Next Steps

- 4.1 This proposal will be presented to Cabinet at its meeting on 27 July 2023. The report will recommend that Cabinet approves the use of £1.19m of grant funding and £1.245m HRA match funding from the already approved HRA capital programme, to purchase 9 units for the LAHF.

Contact Officer: Ashley Jackson, Housing Strategy & Projects Manager
Reporting to: Bob Porter, Director of Place

Annex List

None

Background Papers

None

Corporate Consultation

Finance: *Clive Bowen (Finance Manager)*

Legal: Sameera Khan (Interim Head of Legal & Monitoring Officer)

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