
HOMES AND COMMUNITIES AGENCY BID FOR NEW AFFORDABLE HOMES

To: **Cabinet Meeting – 23 June 2011**

Main Portfolio Area: **Community Services – Strategic Housing**

By: **Lauren Hemsley – Senior Strategic Housing Officer and
Craig George – Housing Services Manager**

Classification: **Unrestricted**

Ward: **All wards**

Summary: **To endorse the bid to the Homes and Communities Agency (HCA) to build new affordable units on Housing Revenue Account land.**

For Decision

1.0 Introduction and Background

- 1.1 As part of the Homes and Communities Agency's Affordable Homes programme 2011-2015, Registered Providers and Local Authorities were asked to bid for funding for the whole of the comprehensive spending review period by the deadline of 3rd May 2011. The deadlines set by the HCA have been very tight and there was not enough time to take a report to Cabinet prior to the submission of the bid. The HCA has less funding available than previous years. There is approximately £4.5 billion available of which £2.3 billion is already committed, compared with £8.1 billion of funding which was available from 2008-2011. The target for the funding is to deliver 150,000 affordable homes.
- 1.2 The grant funding available equates to less funding per unit compared with the previous framework. A new affordable rent model has, therefore, been the main focus of affordable housing delivery under the new framework. The intention is that Registered Providers charge a higher rent to tenants and for the additional rent collected to be used to deliver more affordable housing. Affordable rent has been set at up to 80% of market rents including service charges. The difference in rents in Thanet, however, does not generate sufficient additional income to make it appealing to Registered Providers. The example below demonstrates the rental differences for a typical 2 bedroom house in Margate:

<u>Example: 2 Bedroom house in Margate</u>	<u>Rent collected per week</u>
Thanet District Council rent	£72.76
Registered Provider rent	£83.13
Market rent (Local Housing Allowance)	£109.62
Affordable Rent (80% of market rent)	£87.69

Difference between current Registered Provider rent and affordable rent = an additional £4.56 per week.

- 1.3 This additional income is minimal and does not generate enough income to build new affordable homes. Under the new framework Registered Providers have submitted bids to the HCA for considerably fewer affordable units than previous years. We have therefore taken the view that to ensure new affordable units are delivered, TDC needs to bid for funding to develop some of the HRA land.

- 1.4 There is a larger difference between the rents of Thanet District Council affordable housing stock and the new affordable rent levels, which could generate a more substantial additional income. We need to ensure as a local authority, however, that we are providing accommodation which is affordable to tenants. Local authority rents are gradually being increased under the local authority rent restructuring to meet the levels of registered providers rents by 2016, and it considered that to suddenly increase rents to affordable rent levels before this time is not in the interest of tenants. This will be looked at in more detail in the Tenancy Strategy local authorities are required to produce in 2012.
- 1.5 The Local Authority New Build Programme which has delivered 5 new units with HCA funding in the last financial year has been a success. This has tackled anti social behaviour at derelict garage sites and helped to regenerate small parcels of land with liability costs. The bid to the HCA consists of a new build programme including other similar old garage sites as well as some larger sites, some of which already have outline planning permission.
- 1.6 Other funding streams are available such as £200million for Empty Homes and funding for Homelessness change. We have expressed an interest in these funding streams as well through the bid and further details will be available from the HCA in the next couple of months.
- 1.7 The bids made by TDC and Registered Providers now form the basis of discussion with the HCA in accordance with the East Kent Local Investment Plan and replace the previous delivery plan system.

2.0 The Current Situation

- 2.1 The main focus of TDC's bid to the HCA is new build. Registered Providers are required to demonstrate they are putting in their own funding by converting social rents to affordable rents, selling assets and inputting land. We have some suitable HRA land which we can contribute and will not convert any rents to affordable rent at this stage.
- 2.2 There is a presumption that any new units granted funding will be at the new affordable rent levels. As part of the negotiation process following the submission of the bid, we will need to work closely with the HCA to ensure that rents are affordable to tenants.
- 2.3 The figures have been calculated on the assumption that the grant funding will be at 40%. On this basis we will need to spend £2,517,000 from the HRA account and will be requesting £1,678,000 from the HCA. We are not proposing to undertake any borrowing and will utilise existing balances.
- 2.4 We can expect to hear from the HCA whether our bid has been successful over the next few months. As we are a local authority we cannot enter into an agreement with the HCA before April 2012 until after the final HRA settlement is confirmed. The build programme is therefore proposed to commence in April 2012.

3.0 Options

- 3.1 To endorse the HCA bid and financial spend from the Housing Revenue Account.
- 3.2 To withdraw the bid proposals and refuse the HRA spend.

4.0 Corporate Implications

4.1 Financial and VAT

- 4.1.1 The total cost to the council from the HRA budget is proposed to be £2,517,000 (this does not include site acquisition costs for one of the sites). To be funded through HRA revenue reserve contributions.

4.1.2 The HCA have confirmed they will not enter into an agreement with a local authority before April 2012 and until the final HRA settlement is confirmed. So the offer and discussions with the HCA are flexible until this time. We are not proposing to commence the build programme until 2012-13 for this reason.

4.1.3 There is a further cost analysis available should this be required.

4.2 Legal

4.2.1 Legal advice has been sought and the legal department are looking into the details of the sites. At this stage as the bid is only provisional and still open to discussion there is still time to undertake further works to ensure there are no restrictions on the land which would prevent the proposed development.

4.3 Corporate

4.3.1 The bid does not commit the Council to the programme and is for the HCA to assess and negotiate affordable housing delivery in the district.

4.3.2 There is no risk in submitting the bid. If we do not submit a bid, however, there is a risk that the Registered Providers bids alone will not create the new affordable housing supply needed by the district. The bid is in accordance with the Housing corporate priorities to provide a balanced housing market in the district, ensure there is housing supply to meet local demand, create safe and secure homes and for the council to deliver quality service to its tenants.

4.4 Equity and Equalities

4.4.1 The creation of 30 new units will help to tackle antisocial behaviour and deprivation on derelict sites and create new affordable homes for residents on the housing register. This will promote community cohesion and will create a range of accommodation to meet the needs of residents.

4.4.2 In the opinion of the writer there are no equity and equality implications to this report.

5.0 Recommendation

5.1 That Cabinet endorse the bid to the HCA and the Housing Revenue Account spend in order to build 30 new affordable homes over the period 2012-2015.

6.0 Decision Making Process

6.1 This is a budget decision to go to Cabinet who will need to consider the spend from the HRA reserves in order to build new affordable homes.

Contact Officer:	Lauren Hemsley – Senior Strategic Housing Officer
Reporting to:	Madeline Homer – Community Services Manager

Background Papers

Title	Details of where to access copy
2011-2015 Affordable Homes Programme - Framework	http://www.homesandcommunities.co.uk/affordable-homes.htm

Corporate Consultation Undertaken

Finance	Nicola Walker - Finance Manager - HRA, Capital & External Funding
Legal	Harvey Patterson – Corporate & Regulatory Services Manager