

# Affordable Development Programme Update

<b>Cabinet</b>	17th November 2022
<b>Report Author</b>	Bob Porter, Director of Housing and Planning
<b>Portfolio Holder</b>	Cllr Jill Bayford, Cabinet Member for Housing
<b>Status</b>	For Approval
<b>Classification:</b>	Unrestricted
<b>Key Decision</b>	Yes
<b>Ward:</b>	All Wards

## Executive Summary:

This paper provides an update on our approved affordable housing development programme, which has been previously agreed by full council as part of the approved Housing Revenue Account Capital Programme.

In October 2020 Cabinet agreed to include £8.8m in the 2021/22 HRA capital programme, to deliver around 36 affordable homes by March 2024. The Capital Programme approved by Council in February 2022 agreed a further ongoing budget of £8.1m from 2024/25 for the 'New Build Phase 5' scheme.

There is an opportunity to increase the number of units to be delivered in Phase 4 from 36 to 61 and this has taken our forecast spend to £13.7m. This will be achieved by transferring funding from the approved Phase 5 scheme within the 2024-26 capital programmes to an extended Phase 4 scheme in 2024/25.

## Recommendation(s):

Cabinet are asked to agree:

- An increase in the number of homes to be delivered as part of Phase 4 from 36 to 61;
- That £8.1m for 2024/25 vired from the 'New Build Phase 5' capital scheme be transferred to the 'New Build Phase 4' scheme, to accommodate the scheme of works set out in this report; and
- The 'New Build Phase 4 scheme' budget for 2024/25 is increased by £0.2m, to be funded from the borrowing allocated to and a corresponding decrease in the 'New Build Phase 5' scheme budget for 2025/26.

## Corporate Implications

### Financial and Value for Money

The costs identified within the report are fully funded by the approved budget within the 2022-26 HRA Capital Programme.

The units to be delivered in the report assist in replenishing the Council's housing stock, which in turn provides additional on-going rental income and ensures that the HRA Business Plan remains sustainable.

It is proposed that £8.1m for 2024/25 vired from the New Build Phase 5 capital scheme be transferred to the New Build Phase 4 scheme, to accommodate the scheme of works set out in this report. Furthermore, £0.2m needs to be brought forward from 2025/26 in order to meet the anticipated timeframe for delivery.

If delivery meets the programme of spend that is set out in this report then all 1-4-1 RTB receipts will be fully utilised within the required timeframe.

## **Legal**

The Council has power under section 9 of the Housing Act 1985 to acquire houses for the purpose of providing housing accommodation. The houses so acquired must then be dealt with in accordance with the provisions of the Act, and any relevant subsequent legislation and may become subject to Right to Buy.

Right to Buy receipts must be applied in accordance with relevant legislation and guidance and particularly the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended) and the terms of any agreement reached under section 11 (6) of the Local Government Act 2003 modifying the applicability of the regulations.

The National Planning Policy Framework defines affordable housing as social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market. *This section deals with any legal implications arising from the report*

## **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.

Once properties are purchased they will be let in accordance with the council's agreed allocations policy. This policy has been subject to a full EIA.

## **CORPORATE PRIORITIES**

This report relates to the following corporate priorities: -

- Communities

### **1.0 Introduction and Background**

- 1.1 The council has previously committed capital funding of £8.8m, from the Housing Revenue Account Capital Programme, for the delivery of Phase 4 of its affordable housing development programme, spanning the 2020-24 financial years. Phase 4 included 14 property acquisitions (already completed) and 22 new build homes, which are due to start on site in March 2023. The Capital Programme approved by Council in February 2022 agreed a further ongoing annual budget of £8.1m from 2024/25 for the 'New Build Phase 5' scheme, funded from borrowing. This report seeks approval of the adjustment to the timescales of delivery to spend the already allocated budget and an increased number of new build units from 22 to 47, so that the total number of homes provided in phase 4 will increase to 61. A total of 60% of this funding is through borrowing, with the balance of 40% funding from retained right-to-buy receipts.
- 1.2 These additional units will increase the number of new homes provided by the council as a result of its new build, acquisition and refurbishment programmes to a total of 191 since 2015. It is proposed some of these units will be infill sites on our existing estates including, Staner Court and Clements Road.
- 1.3 Since 2015 a total of 313 affordable homes have been provided by the council and its Housing Association partners. The Strategic Housing Market Assessment completed in 2020 identified a need for 548 affordable homes per year. New initiatives to increase the supply of new affordable homes are needed and this is recognised in the new Housing, Homelessness and Rough Sleeper strategy, agreed by the Council earlier this year.
- 1.4 In addition, the council is facing a rapid growth in the number of homeless households. This has led to an increase in the number of households in temporary accommodation; currently 199 households are living in temporary accommodation provided by the council. Our first temporary accommodation development of 8 units is due to complete in October 2022.

### **2.0 The Use of Right to Buy Receipts**

- 2.1 Right-to-buy (RTB) receipts are accrued following a sale of a council home to a tenant through the right to buy legislation. A proportion of these receipts are set aside for the provision of new affordable rented homes (1-4-1 receipts), under the terms of an agreement with the government.
- 2.2 Under the terms of the agreement, the council has five years to spend the set aside receipt. If the receipt is not spent within this time then it must be repaid to the government with interest. If the Council considers it is unlikely to spend the receipts in the future, it can return them at the end of the quarter in which they are received with no financial penalty.
- 2.3 The receipts can only be used to fund up to 40% of the cost of providing new affordable homes. This means that the remaining 60% must be funded from an alternative source. The terms of the agreement place restrictions on the remaining funding and projects cannot include any additional government subsidy nor any contributions from planning agreements with private housebuilders. Therefore, the remainder will be financed from borrowing, in accordance with the HRA business plan.
- 2.4 The council can use RTB 1-4-1 receipts to help fund its own projects or alternatively provide grant funding to a Registered Provider. It is anticipated that the available funding can be effectively used within the council's own development programme. The table below details the total spending required each year over the coming 4 years. Of this total £14.3m spend target, the council has already achieved a spend of £12.4m, meaning that the next spend target is not until March 2026.

RTB 1-4-1 Deadline	Spend required
March 2023	10,370,989.38
March 2024	152,508.10
March 2025	3,357,406.38
March 2026	489,261.38
<b>Total until March 2026</b>	<b>£14,370,165.24</b>

### 3.0 Proposed Development

- 3.1 The approved phase four programme (Cabinet October 2020) included the acquisition of 14 homes and the building of 22 homes, utilising the approved expenditure of £8.8m.
- 3.2 Of the approved phase 4 programme the council has so far:
- Completed the acquisition of 14 - 2,3 and 4 bedroom homes at a total cost of £3.4m.
  - Acquired a new site, known as Dane Valley Arms, with capacity for 20 homes.
  - Progressed detailed design proposals for infill sites in and around Tomlin Drive for between 9-11 homes.

Both new build elements of phase 4 are subject to consultation and planning and it is anticipated that a planning application for Dane Valley Arms site will be submitted in

2022 and Tomlin Drive, Staner Court and Clements Road early in 2023, following consultation with neighbouring communities. The submission of planning applications will be approved by the Acting Corporate Director of Place, in consultation with the Cabinet Member for Housing, and subsequently determined by the council's Planning Committee.

3.3 We have joined a suitable procurement framework that enables the appointment of professional services to support the delivery of the programme as required,

3.4 The table below shows the current progression of sites and provides a current update on the detail of costs. As projects progress costs will be reviewed regularly and any variations reported in capital budget monitoring.

<b>Number of units</b>	<b>Method</b>	<b>Cost</b>	<b>Timescale</b>
<b>Phase 4</b> - 14 units two, three or four bedroom homes	Acquisition of existing or newly completed homes.	£3.4m	<b>Completed</b> March 2021
<b>Phase 4</b> - 47 units, mix of one, two, three bed homes (subject to planning)	Dane Valley Arms, Tomlin Drive, Staner Court and Clements Road	£13.7m	March 2025
<b>Phase 5</b> - Sites with potential for 25-30 units, but will require further funding from the HRA Business Plan beyond 2025.	TDC Infill sites and land acquisitions - to be identified	£7.9m	March 2026
Total		£25m	

3.5 We have also started the early planning stages for further development using the remaining funding. It is likely that this development will include further infill sites already owned by TDC and additional land acquired by the council.

3.6 The total approved development budget and capital programme budget is £25m, across both phase 4 and future developments, up until March 2025. The funding required for the 2025/26 programme (£7.9m) is dependent upon match funding of 40% of these amounts being identified from a combination of 1-4-1, capital receipts and Homes England grant funding. The HRA Business Plan can continue to support an affordable housing development programme, but is also reliant on 40% match funding from 1-4-1, capital receipts and Homes England grant funding. The programme beyond 2026 will be further detailed in the next update report.

#### **4.0 Alternative Options**

4.1 The council has a number of options, as follows:

1. Allocate funding to the acquisition of new homes, the acquisition of land for new homes and for construction, as set out above. This option is recommended and is in line with the approved Capital Programme.
2. Use the 1-4-1 receipts to provide grant funding to a Registered Provider (Housing Association) to provide affordable homes. This option is not recommended as 1-4-1 funding provides match funding to the approved capital programme. In addition new homes provided within the Housing Revenue Account add value to the council's HRA business plan over the 30 years of its life.
3. Return the RTB receipts to central government with interest at base rate + 4%. This option is not recommended as it would not help increase the supply of new homes locally, would not utilise the previously approved capital programme and would not support the long term sustainability of the council's HRA Business Plan.
4. The council also has the option to seek alternative grant support for development from Homes England, with match funding from the HRA Business Plan. However as RTB receipts have to be used within a specific timescale or be returned and the HRA Business Plan has a limited capacity to provide match funding, this option is only recommended once the available RTB receipts have been fully committed.

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Reporting to: Bob Porter, Acting Director of Place

### **Corporate Consultation**

**Finance:** Chris Blundell, Director of Finance

**Legal:** Sameera Khan, Interim Head of Legal and Monitoring Officer