

# Purchase of 30 Homes at Haine Road for Affordable Rent

<b>Cabinet</b>	22nd August 2024
<b>By</b>	Ashley Jackson (Head of Housing and Planning)
<b>Cabinet Portfolio Member</b>	Cllr Helen Whitehead, Deputy Leader and Cabinet Member for Housing
<b>Key Decision</b>	Yes
<b>Decision classification</b>	Unrestricted
<b>Ward:</b>	Northwood Ward

## Purpose of the Report

This report seeks the approval to purchase 30 properties for affordable rent on the Haine Road site being constructed by Guildcrest on Haine Road, Ramsgate for £8,300,000.

This equates to:

- £276,666 per dwelling
- £2,829 per square metre

It is important to clarify that the above offer, which has been put forward to the developer and accepted by them, is subject to:

- A formal valuation
- Achieving the Homes England grant level that has been assumed
- Overview and Scrutiny, and subsequently Cabinet, approval

## Recommendation(s):

Cabinet is being asked to agree:

1. That the Council progresses with the acquisition of 30 new affordable homes being built by developer Guildcrest, using the accelerated housing programme capital budget, approved by Council at its meeting on 12 October 2023;
2. To note that the Director of Corporate Services will re-assess the viability of the schemes and subsequently approve these acquisitions, in consultation with the Deputy Leader and Cabinet Member for Housing, should there be a variation to the assumed level of borrowing needed;
3. The letting of these homes in accordance with the council's Allocations Policy and any subsequent local lettings plan (LLP), at an affordable rent as set out in the council's Tenancy Strategy.

## **1. Summary of Reasons**

- 1.1 To purchase 30 new-build homes for affordable rent, using the additional capital budget, to ensure delivery of the homes at an affordable rent.

## **2. Background**

- 2.1 Council recently approved Thanet District Council's accelerated affordable housing development programme, which will see at least 400 new homes, constructed or acquired, by 2027.
- 2.2 While previous reports that have been brought to Overview and Scrutiny and Cabinet detail acquisitions that have been made for homes contained in Section 106 agreements (s106) (where Thanet as the local planning authority has negotiated with housing developers for the provision of affordable housing on sites triggering a requirement), this site represents a first - in that these home are further additionality.
- 2.3 Previously, the Council has only acquired s106 homes where registered providers (RPs, formerly known as housing associations) have begun to refrain from bidding. The reason they have begun to shy away from bidding on what has traditionally been their core business is multifaceted:
- RPs are predominantly investing in their own stock rather than looking at new homes - this is because of new regulation meaning that there are much stricter rules on compliance issues (fire safety, gas safety, legionella, asbestos, lift maintenance)
  - RPs are also investing more in estate and tenancy management in light of the new tenant satisfaction measures (TSMs) introduced last year
  - RPs have also been affected by the recent volatility in inflation and interest rate rises
- 2.4 Therefore, officers have been contacted by a number of developers who have been unable to secure an affordable housing provider partner to purchase s106 homes. As has been relayed previously, this failure (described widely now as market failure) to secure an affordable housing delivery partner can lead to developers requesting that the S106 agreement be amended to provide a commuted sum in lieu of on site homes. This context is important because Thanet's willingness to 'step in' and secure those homes has put the Council's name out there for wider opportunities, such as the one presented here.

## **3. Relevant Issues**

- 3.1 Officers were contacted by Guildcrest, owner of the development at Haine Road, Ramsgate. The original application for the site was for 115 homes, of which 12 will be First Homes. The developer has subsequently approached the Council to offer the opportunity to deliver more affordable homes on the site. It is important to state that these homes will be managed and maintained by the Council and will be managed closely through its tenant and leaseholder service. At the heart of the Council's housing work is a person-centred approach, creating a sense of place in the communities in which it acquires good quality housing. This approach will be

facilitated through an LLP that will blend a community together, mindful of all the tenures that will be on the site.

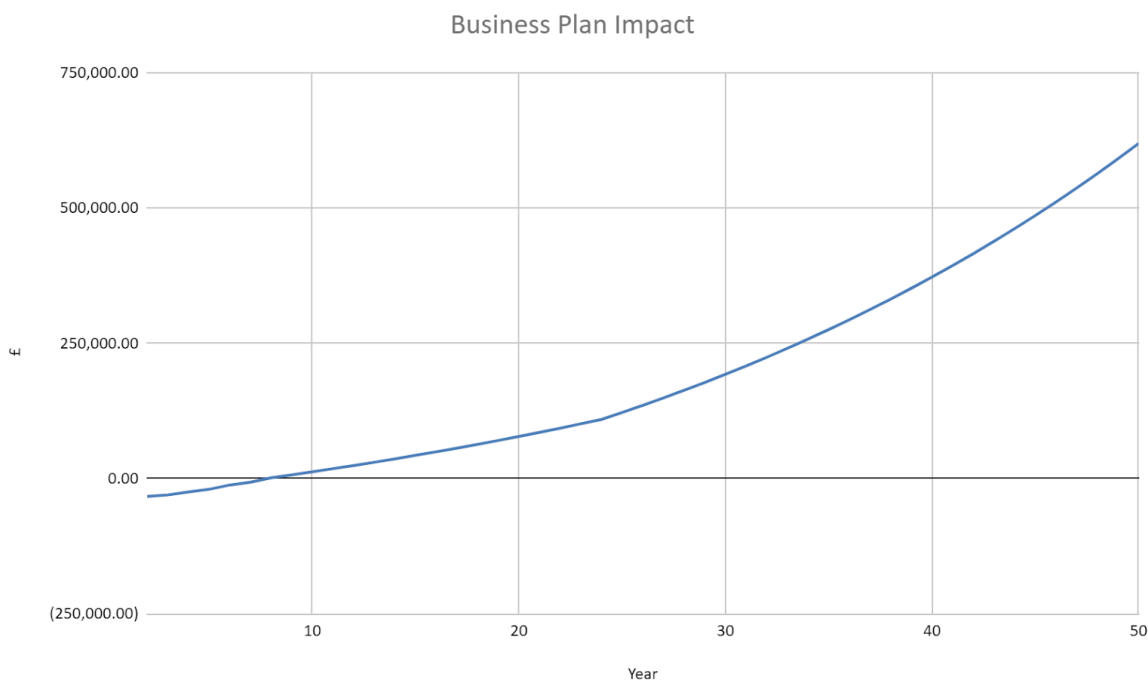
- 3.2 The cost for the 30 homes (3 x 2-bedroom homes and 27 x 3-bedroom homes) totals £8,350,000 and is funded as follows:
- £2.5m Homes England grant (see below)
  - £5.5m is formed of borrowing
  - £300,000 is from a s106 commuted sum which can be added.
  - £50,000 has been allocated for associated legal costs.
- 3.3 No stamp duty has been assumed due to the grant funding subsidising the acquisition.
- 3.4 Regarding this subsidy, the amounts being granted by Homes England - according to anecdotal evidence shared by other local authorities and registered providers with whom the Council has a strong relationship - indicate that affordable rents can attract a Homes England grant subsidy of circa £85,000 per dwelling. An award for an affordable rent level has been assumed here.
- 3.5 Members will recall from previous reports that officers have developed a viability assessment tool to assess the viability of individual schemes. This tool is used to inform a 'go/no-go' decision for individual proposals as it is important that each scheme is considered on its own merits and we do not create a situation where some schemes are subsidising others within the overall Housing Revenue Account Business Plan - at a time when we like RPs are facing the same challenges bullet pointed above in paragraph 2.3. 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.
- 3.6 To be viable, schemes need to show an overall surplus over a 30 or 50-year timescale, depending on the duration of any borrowing.
- 3.7 As alluded to in paragraph 3.2, the Council will be bidding for Homes England grant funding for this site. The subsidy provided from Homes England is generous and forms part of its 2021-2026 affordable homes grant programme. The Council bids on a continuous market engagement (CME) basis, i.e. as and when sites become available. The Council has a strong relationship with Homes England and securing grant funding for the homes and being seen as a proactive, trusted deliverer of affordable housing in the Thanet District is where the Council wants to be.

A summary of the income and costs for the proposed purchase are shown in the table below.

<b>Year</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>8</b>
<b>Revenue Income</b>					
Rental income	-275,190	-283,440	-291,940	-300,700	-338,440

<b>Revenue Costs</b>					
Management Contribution	4,800	5,040	5,290	5,560	6,010
Revenue Repairs	2,450	2,570	5,390	5,660	12,250
Major Repairs (Capital contrib)	42,300	44,420	46,640	48,970	53,000
Insurance	6,000	6,300	6,620	6,950	7,520
<b>Saving before MRP and interest</b>	<b>-219,640</b>	<b>-225,110</b>	<b>-228,000</b>	<b>-233,560</b>	<b>-259,660</b>
Interest on debt	258,500	258,500	258,500	258,500	258,500
<b>Net cost/(saving)</b>	<b>38,860</b>	<b>33,390</b>	<b>30,500</b>	<b>24,940</b>	<b>-1,160</b>

3.8 This shows that the proposed purchase would generate a cash flow deficit in year 1 of £38,860 with surpluses accumulating from year 8. The debt interest cost of £258,500 has been modelled on the assumption of a £5.5m maturity style loan at an interest rate of 4.7% pa, the balance as indicated is funded through Homes England Grant £2.5m and £0.300m through s106. This interest rate is a concessionary rate offered by the PWLB for new housing delivery within the HRA. This rate can change on a daily basis (it is linked to gilt yields) so is not known for certain until the loan is taken out, at which point the rate can be fixed for the duration of the loan. The project shows a surplus over a 30 year period of £1.6m and £4.5m at 50 years, a cash flow summary is shown in the table below:



3.9 Though the homes have not been designated as affordable housing technically in the planning consent or section 106 agreement, they will have been designed to a very strong specification, this will absolutely be adequate for those households the Council will house there. There is a significant need for properties containing 2-bedrooms and 3-bedrooms. The housing register shows 232 households having a requirement for a 2-bedroom property and 357 households requiring a 3-bedroom property. Of course, while the highest need is for 1-bedroom accommodation, there is a requirement to

obtain homes of all sizes to future-proof our stock as households and families grow and there is natural movement in our stock.

- 3.10 The offer that has been put forward to the developer, and provisionally accepted, is £8.3m. This figure has been arrived at after the viability work by finance colleagues. Should the HE subsidy be less than anticipated it would be necessary to meet the shortfall through either additional s106 commuted sums or further borrowing, which could impact upon the overall scheme's viability; in this instance the proposition would be re-assessed to ensure it remains financially viable.
- 3.11 It is therefore recommended that delegated authority be granted to the Director of Corporate Services to re-assess the viability of the schemes and subsequently approve these acquisitions, in consultation with the Deputy Leader and Cabinet Member for Housing, should there be a variation to the assumed level of borrowing needed.
- 3.12 It is proposed that the new homes are let in accordance with the council's adopted Allocations Policy. The policy provides for the Council to agree an LLP for new homes, and in this case an LLP will be agreed to ensure that 50% of the homes are let to priority applicants from the council's Housing Register and 50% will be let to people moving out of temporary accommodation. The latter is important as this will reduce the temporary accommodation bill for the Council and the taxpayer, as well as reducing the social toll on those in temporary placements. It is also proposed that they 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.

#### **4. Recommendations from the Overview and Scrutiny Panel**

- 4.1 There were no further recommendations from the Overview & Scrutiny Panel following its meeting on 13 August 2024.

#### **5. Alternative Options**

- 5.1 The Council could choose not to purchase the homes as these were not originally intended to be affordable housing. However, this would represent a missed opportunity at a time when the Council has 1,500 households on its housing register with further applicants waiting for the applications to be assessed, as well as 300 households in temporary accommodation. Though these homes would not technically be 'lost' this signifies an opportunity to work with a local SME developer, keen to deliver additional affordable housing where possible and to recognise their role in the housing crisis that we face. It also signifies strongly that the approach the Council is taking in acquiring homes off-plan, usually via s106, is being noticed and developers are keen to work with Thanet Council, as it is being seen as tackling the shortfall in affordable housing head-on.
- 5.2 One other option could be to take a smaller number than 30 homes. However, again, with the careful thought and planning that will go into the way these homes and

tenancies are managed in-house by the Council, and the importance assigned to creating a sense of place then these will be good quality homes for those who need them most.

## **6. Consultation**

- 6.1 Corporate consultation has taken place with colleagues from Legal, Finance and the Tenant and Leasehold Service. Officers have also consulted with Cllr Helen Whitehead, Deputy Leader and Cabinet Member for Housing. Ward members have also been notified of this paper.

## **7. Corporate Implications**

### **7.1 Finance and Resources**

- 7.1.1 The financial implications are set out in the body of the report. The report demonstrates that the acquisition of these properties will make a positive contribution to the Housing Revenue Accounts business plan after year 8. There is sufficient headroom in the HRA's overall financial position to fund the deficits that are modelled to arise in the years preceding the breakeven point.
- 7.1.2 The allocation of 50% of this additional housing stock to individuals and families in temporary accommodation will also help ease the pressure on the Council's General Fund revenue budgets for homelessness services. At the end of 2023/24 the council's net spending (after grant) on these services was £2.5m, which represented an £1.2m overspend compared to the approved budget.

### **7.2 Legal and Constitutional**

- 7.2.1 The recommendations within this report seek to acquire properties that will support the Council to discharge its duties under housing legislation in respect of the provision of suitable accommodation for those with eligible housing needs.
- 7.2.2 The Council has the power to make the proposed purchases in accordance with the general power of competence under section 1 of the Localism Act 2011. Section 120 of the Local Government Act 1972 provides a statutory power for the Council to acquire land, whether situated inside or outside their area, where this is to enable the Council to fulfil its functions.
- 7.2.3 The proposals set out in this report rely on sufficient a grant award from Homes England and legal should carefully review any grant agreement so that the detail of any grant conditions is fully understood. The proposals also rely on a satisfactory valuation of the properties and in this regard the Council should be mindful of its fiduciary duty to its residents when agreeing a purchase price.
- 7.2.4 In accordance with the provisions of the Financial procedure rules the Section 151 Officer has authority for treasury management and to arrange the borrowing and investments for the council.

### **7.3 Council Policies and Priorities**

7.3.1 This proposal supports the Council Corporate Statement 2024-2028

- To deliver the housing we need

### **7.4 Risk**

7.4.1 Any acquisition or development activity has inherent risks. Officers work hard to identify and manage risk at each stage of projects and a monthly steering group that looks at the Council's new-build and acquisitions programme flights these risks as officers horizon scan in the light of political, economic, social, technological, legislative and environmental factors. 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.

### **7.5 Climate Change and Biodiversity**

7.5.1 The new homes are being designed to EPC B standard for energy efficiency, helping to reduce the cost of hot water and space heating for residents and reducing carbon emissions from domestic heating.

## **8. Equality, Equity and Diversity Implications**

8.1 Cllrs 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.

8.2 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.

8.3 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.

8.4 An Equalities Impact Assessment has been completed in respect of this proposal. The new homes will be let in line with the council's allocations policy, which has had an Equalities Impact assessment completed, attached to this report at Annex 1

## 9. Crime and Disorder Implications and Community impact

- 9.1 The housing department does handle issues relating to Anti-Social behaviour. Despite often being described as 'low-level crime', existing evidence suggests it can result in a range of negative emotional, behavioural, social, health and financial impacts. People's understanding of what constitutes anti-social behaviour can be very different and can affect people in very different ways. For some people it means living next door to nuisance neighbours, for other people it's about litter and dog fouling or graffiti on the street. Often it can include people acting in an aggressive, intimidating or destructive manner.
- 9.2 The Community Safety department and the Tenant and Leasehold team have policies and procedures to deal with issues which arise due to ASB. As previously stated these homes will be managed carefully in order to ensure a community feel is created and that the area is a nice place to live.

## 10. Subject History

- 10.1 The accelerated affordable housing programme was agreed by Full Council in July 2023.

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## Appendices

Annex 1 - EQI

### Report Sign Off

**Legal** Ingrid Brown, Head of Legal and Democracy & Monitoring Officer  
**Finance** Chris Blundell (Director of Corporate Services - Section 151)