

# Purchase of 10 homes through GPML for temporary accommodation and 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 & Eastcliff Ward

## Purpose of the Report

This report seeks the approval to acquire 10 properties for the Council to use as temporary accommodation and affordable rent on two separate small sites in the district at Margate Road, Ramsgate and King Street in Ramsgate. These are being built by SME developer GPML construction. Although there are two sites and two sets of homes (6 x flats at Margate Road and 4 x townhouses in King Street) the homes will be acquired for different purposes. In Margate Road, the flats will be acquired as temporary accommodation for the Council to use instead of some of the third-party provided nightly-paid accommodation and in King Street the townhouses will be acquired for the Council to use in its housing revenue account (HRA) as homes to add to its stock.

It is important to clarify that the offers for these two sites, as set out in the report, have been put forward to the developer and accepted by them. They are subject to:

- A formal valuation
- Achieving the Homes England grant level that has been assumed (this relates solely to the King Street properties for use in the HRA)
- Overview and Scrutiny, and subsequently Cabinet, approval

## Recommendation(s):

Cabinet is being asked to agree:

1. That the Council progresses with the acquisition of these 10 properties and their proposed uses as set out above, using the additional capital budget, approved by Council at its meeting on 12 October 2023;
2. The letting of the King Street homes be 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.
3. The letting of the Margate Road flats be in accordance with the Council's Temporary Accommodation Allocation Policy, approved by Cabinet in July 2024.

## **1. Summary of Reasons**

- 1.1 To purchase 10 new-build homes for use as much-needed temporary accommodation in the General Fund and for use as additional affordable rent stock in the HRA, 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 Officers have been incredibly busy, working with developers of all sizes to bring forward options to Cabinet to acquire homes. These have previously been through s1206 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), or as is the case with the Guildcrest report also on this agenda, through negotiation on sites that will represent genuine additionality - i.e, they sit outside of this mechanism.
- 2.3 As word has spread about Thanet's ambitious and proactive approach, developers have become aware of Thanet's interest in the market. This is not to say that Thanet District Council has become an easy option for developers who may be considering their options in what is currently a buyers' market, far from it. It has alerted developers to the fact that the Council is a serious player in its local economy, putting its money where its mouth is and investing in homes for people to live in and working with those developers who are investing in our borough.
- 2.4 In this instance, the Council is keen to work with local SME developer GPML construction, which works in Kent and has a number of quality, smaller sites in Thanet that it has delivered.

## **3. Relevant Issues**

- 3.1 Though there are two sites here by the same developer, due to the nature of the accommodation being provided in both cases and the way in which the financial viability model works, they will be used for two different but equally much-needed purposes. In the case of Margate Road, there are six flats, four of which are one-bedroom properties and two of which are two-bedroom properties. These will be used for temporary accommodation. In the case of King Street, there are four four-bedroom townhouses which will be used to add to HRA stock numbers.
- 3.2 The cost for the homes is set out as follows for each site. For Margate Road, the six flats will cost the Council £1.2m. This is funded using £1,309,250 of the General Fund capital budget, so there are no borrowing costs involved with this acquisition. Assumed costs for Stamp Duty Land Tax are £97,250 and there are £12,000 assumed associated legal costs with this purchase.
- 3.3 For King Street, the acquisition at £1.33m is formed of borrowing and Homes England grant of £80,000 per property. Stamp Duty Land Tax (SDLT) has been

excluded, as it would be exempt if a portion of the acquisition price is paid with grant subsidy. £10,000 has been allocated for associated legal costs with King Street.

- 3.4 Regarding this subsidy, it is worth pointing out to elected councillors that the amounts being granted by Homes England - according to very recent anecdotal evidence shared by other local authorities and registered providers with whom the Council has a strong relationship in the Kent Housing Group Housing Strategy and Enabling Group chaired by the Council's Strategic Housing Manager - indicate that affordable rents can achieve circa £85,000 per dwelling and social rents where these can be set can achieve £100,000 per dwelling. An award for an affordable rent level has been assumed here on King Street. The detailed viability assessment tool set up by finance officers to assess the viability of individual schemes has been used here to inform a go/no-go decision for individual proposals. It remains important that each scheme is considered on its own merits and a situation where some schemes are subsidising others within the overall HRA Business Plan is not created.
- 3.5 To be viable, schemes need to show an overall surplus over a 30 or 50-year timescale, depending on the duration of any borrowing.
- 3.6 As alluded to in paragraph 3.4, the Council will be bidding for Homes England grant funding for the King Street 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 come forward. 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 purchases are shown in the table below.

### Margate Road

Year	1	2	3	4
Reduction in current TA costs	-108,529	-113,956	-119,653	-125,636
HB Subsidy Saving	-13,667	-77,681	-77,681	-77,681
Additional revenue costs	49,864	52,357	54,975	57,724
Saving before MRP and interest	-72,332	-139,280	-142,360	-145,593
MRP	0	0	0	0
Interest on debt	0	0	0	0
Net cost/(saving)	-72,332	-139,280	-142,360	-145,593

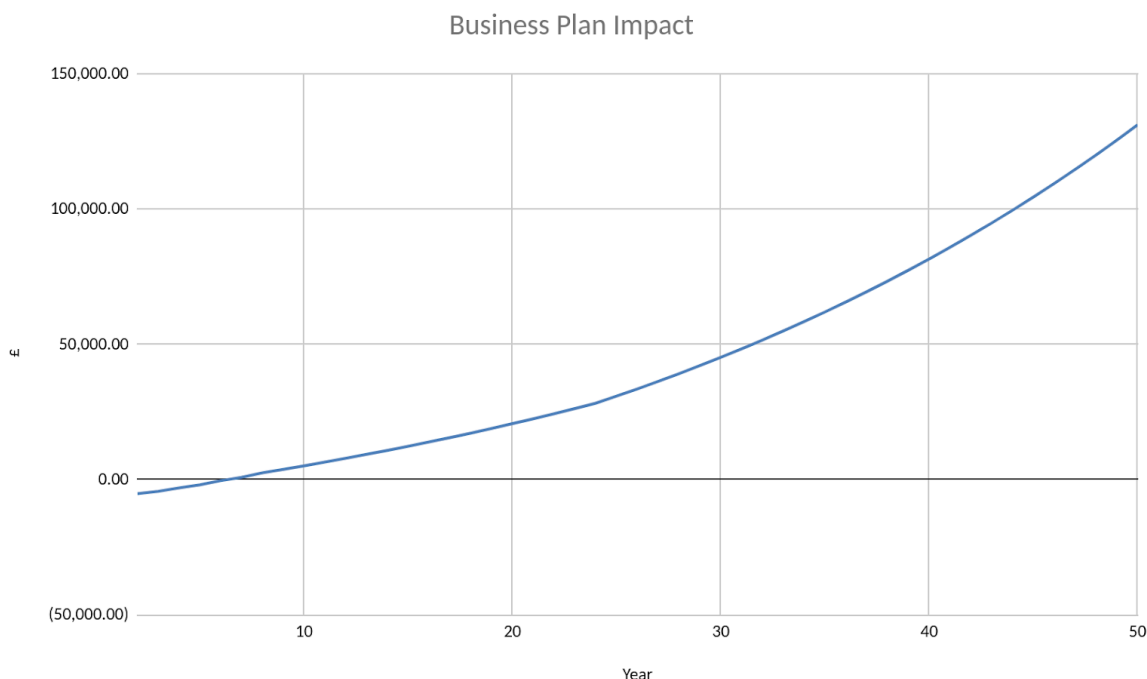
### King Street

Year	1	2	3	4
<b>Revenue Income</b>				
Rental income	(53,535.42)	(53,535.42)	(55,141.49)	(56,795.73)

<b>Revenue Costs</b>				
Management Contribution	640.00	672.00	705.60	740.88
Revenue Repairs	326.00	342.30	718.83	754.77
Major Repairs (Capital contrib)	5,640.00	5,922.00	6,218.10	6,529.01
Insurance	800.00	840.00	882.00	926.10
<b>Saving before MRP and interest</b>	<b>(46,129.42)</b>	<b>(45,759.12)</b>	<b>(46,616.96)</b>	<b>(47,844.98)</b>
Interest on debt	51,000.00	51,000.00	51,000.00	51,000.00
<b>Net cost/(saving)</b>	<b>4,870.58</b>	<b>5,240.88</b>	<b>4,383.04</b>	<b>3,155.02</b>

3.7 This shows that the proposed purchase would generate a cash flow deficit in year 1 of £4,870 with surpluses accumulating from year 7 on King Street. The debt interest cost of £51k has been modelled on the assumption of a £1.2m maturity style loan at an interest rate of 4.7%. 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 to 50 year period, and a cash flow summary is shown in the table below:

:



3.8 Though the homes have not been designated as temporary accommodation or affordable housing technically in their respective planning consents, they will have been designed to a high specification. This will obviously be suitable for those households the Council will be able to place there. There is a significant need for the

properties being acquired here. Currently, the Council has around 300 households in temporary accommodation, so if it is able to own more such homes without having to use nightly-paid providers, this will assist greatly in reducing the General Fund bill on using third-party provided temporary accommodation. Indeed, there are currently 166 households in temporary accommodation using 1-bedroom properties and 61 households using 2-bedroom properties, hence the acquisition at Margate Road.

- 3.9 The housing register shows 105 households having a requirement for a 4-bedroom property. Larger homes are the hardest to come by, and so it is important to acquire homes of this nature to assist those with larger families. While we are mindful that we also need larger homes that have level access for those with mobility needs, there are families for whom these homes will be suitable.
- 3.1.0 It is proposed that the new homes at King Street 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.
- 3.1.1 The Margate Road homes will be let in accordance with the recently approved Temporary Accommodation Allocation Policy, agreed by Cabinet in July 2024.

## **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 only one site. 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. The Council also needs to tackle the crisis on all fronts - both General Fund / temporary accommodation wise and HRA wise.

## **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.

## **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 7 with regards the HRA properties and with regards the temporary accommodation homes they will make a positive difference immediately. . 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 Council has a statutory duty under Section 8 of the Housing Act 1985 to consider housing conditions in its district and the needs of the district with respect to the provision of further housing accommodation.
- 7.2.2 When a family of individual presents to the Council as homeless, the Council has a statutory duty under Part 7 of the Housing Act 1996 to consider this application and make a decision as to whether the family/individual is homeless, eligible, in priority need, and not intentionally homeless. If a decision is made that the criteria is met, then a duty is owed under section 193 Housing Act.
- 7.2.3 Section 206 Housing Act 1996 states that a local housing authority may discharge its functions under part 7 of the Act referred to above only in the following ways:
- (a) By securing that suitable accommodation provided by them is available
  - (b) By securing that s/he obtains suitable accommodation from some other person
  - (c) By giving him or her such advice and assistance as will secure that suitable accommodation is available from some other person

- 7.2.4 In addition to the above, section 208(1) Housing Act 1996 states that 'so far as reasonably practicable a local housing authority shall in discharging their housing functions under Part 7 of the Act secure that accommodation is available for the occupation of the applicant in their district.
- 7.2.5 The recommendations within this report seek to acquire properties that will support the Council to discharge its duty as set out above.
- 7.2.6 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.
- 7.2.7 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.

### **7.3 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 highlights 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.

**Report Author(s) Contact:** Ashley Jackson, Head of Housing & Planning

**telephone:** 01843 577280

**email:** ashley.jackson@thanet.gov.uk

## **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)