

Purchase of 137 Homes at Haine Road for Affordable Rent

Cabinet	26 September 2024
By	Ashley Jackson (Head of Housing and Planning)
Cabinet Portfolio Member	Cllr Helen Whitehead, Deputy Leader and Cabinet Member for Housing
Key Decision	Yes
Decision classification	Unrestricted
Ward:	Thanet Villages

Purpose of the Report

This report seeks the approval to purchase 137 properties for affordable rent on the Spitfire Green Phase 3 site being constructed by BDW (Barret David Wilson) on New Haine Road, Ramsgate for £38,150,000 plus £75k for legal costs.

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 independent 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 137 new affordable homes being built by developer BDW, using the accelerated housing programme capital budget, approved by Council at its meeting on 12 October 2023;
2. That Cabinet note that the acquisitions are dependent upon the council securing sufficient Homes England Grant to make the project financially viable.
3. That Cabinet note that this project replaces the previously approved project to acquire 32 section 106 affordable homes at the same site.
4. That the Director of Corporate Services be delegated authority to re-assess the viability of projects within the programme, and subsequently approve a variation to the assumed level of borrowing or other funding needed, in consultation with the Deputy Leader and Cabinet Member for Housing, provided the assessment shows that the schemes remain viable and remain within the overall approved budget. Any changes in funding will be subsequently reported to Cabinet.

5. 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 137 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 As with the report brought before councillors in August, this acquisition falls outside of a Section 106 (s106) agreement. These homes represent further additionality.
- 2.3 As councillors will recall, previously, the Council has primarily acquired s106 homes where registered providers (RPs, formerly known as housing associations) have latterly refrained from bidding.
- 2.4 This has led to officers being contacted by a number of developers (of varying sizes) 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 provision. 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.
- 2.5 However, in this case, the Council is proactively looking for the opportunity to acquire homes as it is strongly felt that securing a robust pipeline of homes is one way in which the Council can, through local lettings plans, reduce its reliance on the expensive use of nightly-paid temporary accommodation.
- 2.6 It is worth saying that this acquisition will mean that the Council does not proceed with a decision it sought, and that was approved, at Cabinet in July. In July, officers sought the approval of purchasing 32 s106 homes at this site. However, in the Council's quest to deliver homes in greater numbers to alleviate the pressure on the housing register and the households currently in temporary accommodation, officers have reached out to a number of developers to see if there is any opportunity to acquire homes that might otherwise have been sold on the open market. This is an ambitious move, which shows the Council is listening to concerns of residents on the housing register or in temporary accommodation, who have recently commented on how many homes are being built in the district (due to the buoyant housing market in Thanet) but that few seem to be available for them.
- 2.7 Therefore, in order to create a balanced community, it is recommended that the Council will no longer buy the 32 homes that it had previously agreed to. Those

homes will now be acquired by a registered provider (RP) specialising in shared ownership homes. This has all been agreed with the developer and the fresh RP. This will help to create a balanced community on the site. These homes will be carefully managed and maintained. In this way the site will provide 137 affordable rented council homes and 32 shared ownership homes with a RP.

3. Relevant Issues

- 3.1 It is of paramount importance to reduce the reliance the Council has on temporary accommodation. It is clear that the Council needs more temporary accommodation of its own to ensure that it is not paying out money to third-party providers as this is the most costly way of housing people on a temporary basis.
- 3.2 However, when those people are in temporary accommodation, it is necessary to be able to move them on to a suitable property in an area suitable for them in which they can sustain a long-term tenancy. Therefore, the more homes the Council has, the more resilient its stock can be in the Housing Revenue Account and the more people it can move on quickly from temporary accommodation which is better for everyone as it reduces the social toll on the tenants and the bill to the council and the taxpayer.
- 3.3 To expand on what was said in the previous section of the report, 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.
- 3.4 The cost for the 137 homes (accommodation schedule) totals £38,225,000 (inc. legal costs) and is funded as follows:
 - £11.645m Homes England grant (see below)
 - £26.580m is formed of borrowing (inc. £75k legal fees)
- 3.5 Please note that no stamp duty has been assumed due to the grant funding subsidising the acquisition.
- 3.6 Regarding the subsidy element of this acquisition, 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 at £80,000.
- 3.7 Councillors will recall from previous reports that officers have developed a viability assessment tool to assess the financial feasibility of individual schemes.
- 3.8 To be viable, schemes need to show an overall surplus over a 30 or 50-year timescale, depending on the duration of any borrowing.
- 3.9 The council can bid at any time to the Homes England Grant Programme, under arrangements referred to as 'continuous market engagement' (CME), i.e. a site-by-site basis. We are however approaching the final year of the current 2021/26 Homes England funding round which creates some uncertainty. Although much of the budget for the current round has been allocated, it is likely that some housing providers will not meet their delivery targets releasing some funding back to the

programme. Schemes that are already approved and ready to start will have a clear advantage in these circumstances. In addition, the government may decide to make additional funding available during the current period. We will continue to work closely with Homes England and submit funding bids in a way that maximises our potential to secure the grant and deliver the homes set out in this report at the earliest opportunity.

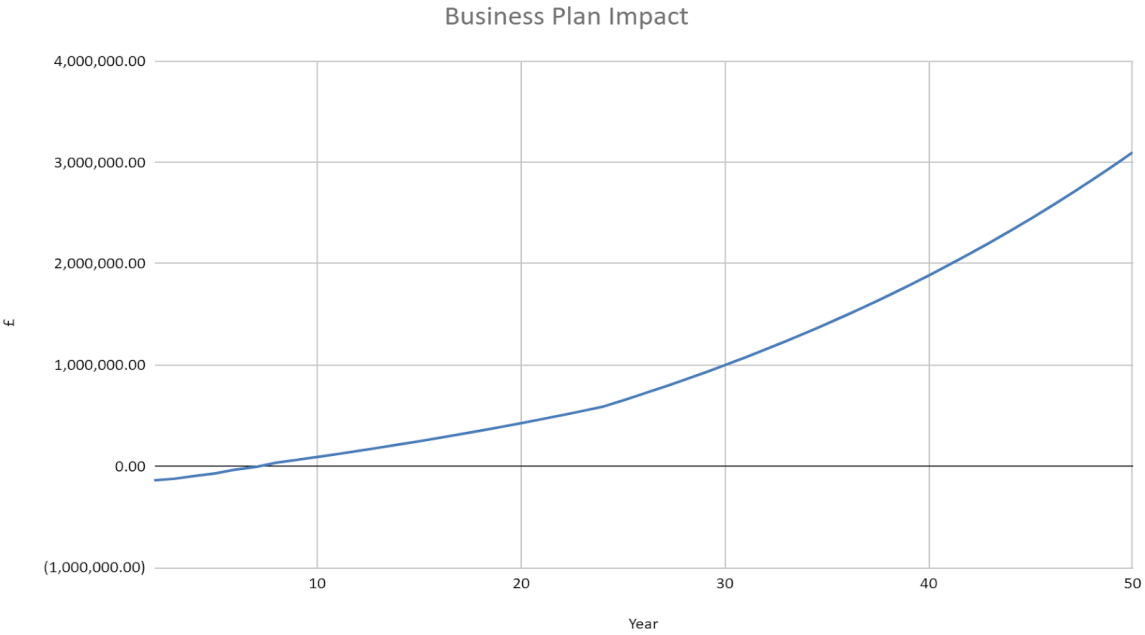
- 3.10 So far cabinet has approved a pipeline programme of 207 homes, including the phase 4 new build, the section 106 acquisitions, and 34 open market acquisitions. Of these, 173 homes are fully funded and do not require additional Homes England funding. We have been informed that Homes England have already earmarked funding for some of the homes in the council's approved phase 4 new build programme; once approved this would enable some of the funding allocated to these schemes to be switched. This flexibility means that officers are optimistic that all of the 207 homes approved to date can be delivered, despite where we are in the Homes England funding cycle.
- 3.11 The 137 homes set out in this report are dependent on Homes England grant. However, not all 137 homes will be completed within the 2021/26 funding round. Although the exact time lines are not yet known, bids can be submitted to the next Homes England funding round for any homes completed during 2026/27.
- 3.12 Officers will continue to keep the funding of the whole programme under review and inform Cabinet of any changes made in the funding allocated to specific schemes or any changes in the assumptions made about Homes England grant. We are assuming grant arrangements as described in this report or similar, but if that doesn't happen, we may need to adjust the funding allocated to projects to make them work, or implement projects in phases to take advantage of whatever grant is available. These reviews will ensure that the overall programme remains within the total budget approved by full council and that all individual schemes remain financially viable.

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

Year	1	2	3	4	8
Revenue Income					
Rental income	(1,336,770)	(1,376,880)	(1,418,180)	(1,460,730)	(1,644,060)
Revenue Costs	0	0	0	0	0
Management Contribution	21,920	23,020	24,170	25,380	27,470
Revenue Repairs	11,170	11,720	24,620	25,850	55,960
Major Repairs (Capital contrib)	193,170	202,830	212,970	223,620	242,050
Insurance	27,400	28,770	30,210	31,720	34,330
Saving before MRP and interest	(1,083,110)	(1,110,540)	(1,126,210)	(1,154,160)	(1,284,250)
Interest on debt	1,249,260	1,249,260	1,249,260	1,249,260	1,249,260
Net cost/(saving)	166,150	138,720	123,050	95,100	(34,990)

3.13 This shows that the proposed purchase would generate a cash flow deficit in year 1 of £166k with surpluses accumulating from year 8. The year 1 impact here fully utilises the £300k revenue set aside from the HRA to deal with the initial revenue impacts of borrowing associated with acquisitions. More work is required by officers however to profile the year 1 impacts as the actual timings of acquisition and revenue impact will not occur all in one financial year.

3.14 The debt interest cost of £1.249m has been modelled on the assumption of a £26.85m maturity style loan at an interest rate of 4.7% pa, the balance as indicated is funded through Homes England Grant £11.645m. 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 £9.26m and £49m at 50 years, a cash flow summary is shown in the table below:



3.14 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 of all sizes. The housing register shows 724 households requiring a 1-bedroom home, 232 households having a requirement for a 2-bedroom property and 336 households requiring a 3-bedroom property. A further 107 households require a 4-bedroom home and some households more than that. 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 within those homes.

- 3.15 The offer that has been put forward to the developer, and provisionally accepted, is £38.1m. This is a substantial deal of course. 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 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.
- 3.16 It is therefore recommended that delegated authority be granted to the Director of Corporate Services to re-assess the viability of projects within the programme, and subsequently approve a variation to the assumed level of borrowing or other funding needed, in consultation with the Deputy Leader and Cabinet Member for Housing, provided the assessment shows that the schemes remain viable and remain within the overall approved budget. Any changes in funding will be subsequently reported to Cabinet.
- 3.17 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. As stated, 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 The Overview Scrutiny Panel noted the report and made no recommendations to Cabinet.

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.
- 5.2 One other option could be to take a smaller number than the 137 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, the readiness of the Tenant and Leaseholder Service to manage these properties, and the importance assigned to creating a sense of place and building a community, 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.

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 Matthew Sanham (Head of Finance and Procurement)

