

# **Report of the Strategic Director of Regeneration to the meeting of Regeneration and Environment Overview and Scrutiny Committee to be held on October 24<sup>th</sup> 2016**

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## **Subject:**

**The Council's Affordable Housing Programme**

## **Summary statement:**

**This is a report provided for information to:**

- **Update members on progress with the delivery of the Council's Affordable Housing programme and**
- **To advise members of the forthcoming procurements of contracts with a value in excess of £2m associated with the delivery of the programme.**

Mike Cowlam, Strategic Director  
Regeneration

**Portfolio:**

**Health and Wellbeing**

Report Contact: Julie Rhodes,  
Principal Officer Housing  
Phone: (01274) 431163  
E-mail: [Julie.rhodes@bradford.gov.uk](mailto:Julie.rhodes@bradford.gov.uk)

**Overview & Scrutiny Area:**

**Regeneration and Environment**



## 1. SUMMARY

1.1 This is a report provided for information to:

- Update members on progress with the delivery of the Council's Affordable Housing programme and
- To advise members of the forthcoming procurements of contracts with a value in excess of £2m associated with the delivery of the programme.

## 2. BACKGROUND

2.1 The Executive at its meetings on July 22<sup>nd</sup> 2011 and January 14<sup>th</sup> 2014 approved bids for investment support by the Council to the Homes and Communities Agency (HCA) as part of the 2011/15 and 2015/18 HCA Affordable Housing programmes.

2.2 Following receipt of this approval, the Council was successful in securing grant allocations to develop new affordable housing through both the 2011/15 and 2015/18 Affordable Housing programmes and subsequently entered into contract with the HCA to deliver these new affordable homes for rent.

2.3 Delivery of the 2011/15 programme enabled the Council to develop 81 new affordable homes for rent across 4 sites. These are in addition to the 95 properties that the Council had previously developed at Longfield Drive and Beech Grove. All of these 176 properties are now completed and occupied as affordable rented housing.

2.4 Delivery of the 2015/18 programme will result in the development of a further 139 new affordable homes for rent along with a further 18 units of housing that will be used as temporary accommodation for homeless people, a total of 157.

2.5 Delivery of the 2015/18 programme is ongoing. The programme involves the delivery of 7 schemes across 6 sites as outlined in the table below:

<b>Scheme</b>	<b>Number of affordable homes provided</b>
Avenham Way, Bradford	16
Ripley Street, Bradford	15
Cliffe Lane, Baildon (2 phases)	33
Braithwaite Road, Keighley	36
Keighley Road, Oakworth	39
Clergy House/Jermyn Court, Bradford (scheme to provide temporary housing for homeless people)	18
<b>Total</b>	<b>157</b>

2.6 All of these schemes are scheduled to be completed by March 2018. At September 2016, 4 of the schemes are already on site (Clergy House/Jermyn Court, Avenham Way, Ripley Street and Cliffe Lane (phase 1)) and planning applications have been submitted for the remaining 3 schemes. Planning consent has been granted for the scheme at Keighley Road, Oakworth but decisions are still pending for the remaining 2 schemes.



### 3. OTHER CONSIDERATIONS

- 3.1 Following the stock transfer of its previous housing stock in 2003 the Council no longer retains any housing management staff. The Council has therefore procured a registered housing provider to undertake the housing management role for its new housing stock. Following a successful procurement exercise in 2016 Incommunities has been appointed to undertake this role for the Council's affordable housing for a 5 year period. The revenue costs of this contract are funded from the rental income from the properties.
- 3.2 The provision of temporary accommodation for homeless people forms part of the Supporting People programme. The management of the new accommodation at Clergy House/Jermyn Court when it is completed will therefore be provided under contract through the Supporting People programme. Following a successful procurement exercise Horton Housing has been appointed to undertake this role. The revenue costs of this contract for Clergy House/Jermyn Court are funded from the rental income from the properties.

### 4. FINANCIAL & RESOURCE APPRAISAL

- 4.1 In addition to prudential borrowing, the financial model under which the 2011/15 and 2015/18 are being developed is dependent on the rental income that can be generated from the properties and on cross subsidy from properties developed for sale.
- 4.2 The 139 units of affordable housing to be delivered through the 2015/18 programme attract £25K of HCA grant per unit. In order to deliver a programme based on this grant rate, the Council will develop a total of 188 homes, 49 of which will sold on the open market and the receipts from which will be used to subsidise the delivery of the 139 rented units.
- 4.3 Following Executive approval to bid for the HCA grant for the 2015/18 programme the financial model was taken to the Council's Project Appraisal Group (PAG) in January 2016 and capital funding to deliver the programme was then approved by full Council as part of the budget process in February 2016. The key feature of the financing of the scheme is that interest and principal repayments relating to the capital cost of the development are repaid in full from rental income generated once the properties are let.

#### ***Indicative breakdown of costs***

Total programme cost	£28.2m
HCA Grant	£3.475m
Sales	£8.5m
Commutated sums/recycled capital receipts	£4.7m
Prudential Borrowing	£11.5m

- 4.4 Under the terms of the Government's 'New Homes Bonus' scheme for every new residential property built the Council will receive the equivalent of the council tax for that property each year, for six years. This is enhanced slightly for each 'affordable' or 'social' property that is built. In assessing the financial implication of supporting the provision of



new 'affordable' housing the positive contribution from New Homes Bonus needs to be taken in to account. In broad terms for each new affordable' property built the Council will receive, over a six year period, £7,000 through New Homes Bonus and for each conventional or non 'affordable' property built the Council will receive, over a six year period, £6,500. The Council is free to utilise this income as it sees fit.

- 4.5 The table below sets out the income that the Council's Affordable Housing programmes will generate through New Homes Bonus.

**New Homes Bonus income generated through supporting the Council's 'Affordable' Housing programmes**

	<b>Affordable Properties</b>	<b>New Homes Bonus generated</b>	<b>Market Sale Properties</b>	<b>New Homes Bonus generated</b>
<b>Bradford Council original programme (95 units)</b>	95	£665,000	0	Nil
<b>Bradford Council 2011/15 programme</b>	81	£567,000	24	£156,000
<b>Bradford Council 2015/18 programme</b>	157	£1,099,000	49	£318,500
<b>Total</b>	<b>333</b>	<b>£2,331,000</b>	<b>73</b>	<b>£474,500</b>

This table shows that in delivering the local authority's affordable housing programmes, the Council will generate £2,805,500 in New Homes Bonus over a six year period.

- 4.6 Contracts for the construction of the 7 schemes involved in the 2015/18 programme are being procured individually. This is mainly due to the fact that the schemes are at different stages in the development process. This should assist with risk management of the overall programme and should open up opportunities for SME contractors to tender for the smaller contracts.
- 4.7 Due to the size of the proposed schemes it is estimated that the total cost of each of the schemes will exceed £2m. This is with the exception of the Clergy House/Jermyn Court scheme which has been tendered as two contracts due to the nature of the scheme.

The affordable housing scheme at Keighley Road, Oakworth forms part of the redevelopment of a larger council owned site which also includes a proposed 69 unit extra care scheme and a 50 bed intermediate/residential care scheme. Discussions are ongoing with Procurement regarding the procurement options for both schemes in order to maximise efficiencies and value for money for the council.

- 4.8 The Council has a number of options through which it can undertake procurement of schemes of this nature and scale. These range from open tender to the use of established frameworks such as the HCA's Delivery Partner Panel and Yor build, etc. To date the Council has successfully appointed contractors for the delivery of affordable housing schemes through both open tender and use of the HCA's framework. The Housing service works closely with Procurement to determine the most appropriate method as each scheme reaches this stage.
- 4.9 To date, contractors have been appointed to deliver 3 of the schemes within the 2015/18



programme. Details of the appointed contractor and contract value are as follows:

<b>Scheme</b>	<b>Contractor</b>	<b>Contract value</b>
Avenham Way	Reshape Housing Ltd	£2,455,854.65
Ripley Street Phase 2 (Community Close)	Strategic Team Group	£1,703,813.00
Cliffe Lane West Phase 1	Keepmoat Regeneration Ltd	£4,748,283.25

In line with the Local Government Transparency Code these details are also published on the Council's website on a quarterly basis as part of the Contracts and Grants Register.

## **5. RISK MANAGEMENT AND GOVERNANCE ISSUES**

- 5.1 The Council has developed a successful track record of delivering subsidised housing on sites in its ownership and the proposed 2015/18 Affordable Housing builds on this success. It is nevertheless necessary to look in detail at the risks associated with each new project. An exercise has been carried out to identify the risks associated with this development programme and to put in place actions to mitigate these risks; the results of this exercise are summarised below.

### Financial Modelling

Risk - It is essential that the financial model used to appraise the development proposals is robust and that it employs assumptions that are prudent and allow sufficient tolerance to accommodate unanticipated variations.

Mitigation – The model that has been developed for this programme is based on that successfully utilised for the Council's previous affordable housing developments. Colleagues from Finance have been consulted on the model and the programme has been discussed at PAG.

In order to ensure that the assumptions in relation to costs and income that are used to populate the model are correct the Council will engage professional cost consultants and local sale agents for each of the schemes where sales form part of delivery.

### Sales Assumptions

Risk – The financial model is dependent upon surpluses generated from the sale of properties. Should these assumptions be incorrect the viability of the project could be compromised.

Mitigation – In order to ensure that assumptions regarding sales values are realistic and in order to advise on the most appropriate sales strategy a local estate agent practice will be engaged to advise the Authority for each of the schemes where sales form part of delivery.

### Delivery

Risk – The Council is expected as part of the contract with the HCA to complete the affordable rented units within a prescribed timeframe and the receipt of investment support will be dependent upon delivering within this timeframe

Mitigation – the Council's indicative programme anticipates that completion of the



affordable properties will be towards the end of the HCA's 2015/18 programme with a number of properties being completed in 2016/17 and the balance in 2017/18. This will allow sufficient time to deliver the project within contractually agreed timescales.

- 5.2 Delivery of the Council's Affordable Housing programme is governed by the Affordable Housing Board. Part of the Board's role is to monitor and review the programmes risk register on a quarterly basis.

## **6. LEGAL APPRAISAL**

- 6.1 Legal Services have provided advice on the legal contract with the HCA for the delivery of all the HCA funded programmes and have ensured that the contract has been entered into "under seal".
- 6.2 Legal Services also provide advice on all legal contracts entered into with contractors in line with Contract Standing Orders.

## **7. OTHER IMPLICATIONS**

### **7.1 EQUALITY & DIVERSITY**

The Equality Impact Assessment (EIA) undertaken for the programme indicates that there are no adverse equal rights implications. The provision of new affordable housing in the District will have a positive impact on those groups and individuals who suffer multiple disadvantages associated with inadequate housing.

### **7.2 SUSTAINABILITY IMPLICATIONS**

All properties will be built to the HCA's Design Quality Standards that will ensure that they are designed in such a way that they remain appropriate to the needs of current and future generations

### **7.3 GREENHOUSE GAS EMISSIONS IMPACTS**

The affordable properties that it is proposed the Council support will be constructed to the Building Regulations as a minimum and this will assist in meeting targets for the reduction in carbon emissions both in the District and nationally.

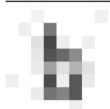
### **7.4 COMMUNITY SAFETY IMPLICATIONS**

No community safety implications have been identified.

### **7.5 HUMAN RIGHTS ACT**

No implications under the Human Rights Act have been identified.

### **7.6 TRADE UNION**



No Trade Union implications have been identified.

## **7.7 WARD IMPLICATIONS**

The housing schemes set out in this report will deliver affordable housing on sites throughout the District.

## **8. NOT FOR PUBLICATION DOCUMENTS**

None.

## **9. RECOMMENDATIONS**

9.1 That members note the report.

## **10. APPENDICES**

None

## **11. BACKGROUND DOCUMENTS**

None

