

Report of the Director of Regeneration to the meeting of Executive to be held on November 8th 2016.

AD

Subject:

Proposal to bid for capital grant support under the following programme:

- Shared Ownership and Affordable Housing (SOAHP)

Summary statement:

The Council currently has three contracts with the Homes and Communities Agency (HCA). The first is the Affordable Housing Programme (AHP2) contract; this will deliver 139 new affordable council homes and 18 units of housing for homeless households at six sites across the District; The second is the Care and Support Specialised Housing Fund (Care and Support 2) contract; this will deliver a 69 unit extra care development at Keighley; The third is the Platform for Change contract that will enable the refurbishment of 15 specialist housing units in Manningham, Bradford.

The HCA has announced a further programme of funding for affordable housing. This programme, known as the Shared Ownership and Affordable Housing programme (SOAHP) 2016/21 provides an opportunity for the Council to secure additional capital grant to support one of its key priorities, namely the provision of good quality affordable housing for rent.

This report requests approval to bid for capital funding under this programme.

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Overview & Scrutiny Area:

Regeneration and Environment

Social Care



1. SUMMARY

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The HCA has announced a further programme of funding for affordable housing. This programme, known as the Shared Ownership and Affordable Housing programme (SOAHP) 2016/21 provides an opportunity for the Council to secure additional capital grant to support one of its key priorities, namely the provision of good quality affordable housing for rent.

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2. BACKGROUND

- 2.1 The Shared Ownership and Affordable Housing programme 2016/21 (SOAHP) is a £4.7bn Department of Communities and Local Government programme designed to support the delivery of affordable housing and is available to developers and providers registered with the Homes and Communities Agency (HCA).
- 2.2 Officers from the Council are Housing Development and Enabling team work with partner providers and the HCA. Through this we are aware of a number of bids in to the programme from these partners. It is clear however, that even if the HCA were to fully fund all the bids submitted there would still be a significant shortfall in the number of affordable properties produced when compared with the number required.
- 2.3 It was in order to address a similar shortfall that the Executive, in 2010 and 2014, approved the Council's bids for funding through the AHP1 and AHP2 programmes and this remains the rationale for the Council bidding for funding through SOAHP.
- 2.4 The prospectus for SOAHP sets out requirements broadly similar to those that applied to AHP1 and AHP2. In return for receiving grant assistance providers will be expected to deliver a programme of affordable properties to minimum standards; these properties to be completed by 31st March 2021. The key difference between this and previous programmes is that grant subsidy is currently not available to develop affordable housing for outright rent. Through the SOAHP programme grant will only be available to develop either shared ownership or rent to buy properties.

It should be noted however that there have been recent indications from the



government and HCA that more flexibility may soon be introduced which may include a re-introduction of affordable housing for rent to the programme.

- 2.5 The Prospectus does not provide a 'grant rate'. It is the responsibility of those organisations bidding to indicate the level of grant they require and this will form the basis of a 'value for money' calculation. It is this value for money calculation that the HCA will use when deciding whether or not to fund bids.
- 2.6 The deadline to submit bids for the SOAHP to the HCA was September 2nd 2016. Permission was given at the Joint Leadership Team on July 26th 2016 to submit an indicative bid to the programme by the deadline on the understanding that a report was brought to the Executive to request formal support for a bid.
- 2.7 An indicative bid to develop 50 units of affordable housing was submitted to the HCA by the September 2nd 2016 deadline.
- 2.8 In order to develop the indicative bid into a formal bid, subject to Executive approval, the Council is currently assessing a number of potential sites in its ownership with a view to developing affordable homes on a rent to buy basis. It is anticipated that this programme will be funded in part by grant from SOAHP, in part from commuted sums and/or cross subsidy from income generated from market sale properties and in part from prudential borrowing.

Indicative breakdown of costs to develop 50 units of affordable housing for rent to buy

Total programme cost	£8.3m
AHP Grant	£1.75m
Sales/Commutated sums	£1.26m
Prudential Borrowing	£5.36m

- 2.9 The Council has developed a successful track record of delivering subsidised housing on sites in its ownership using an established financial model and the proposed 2016/21 Affordable Housing will build on this success. This model allows all interests and principal payments relating to the prudential borrowing to be fully serviced from the rental income the developments generate. The development of a programme of affordable properties as part of SOAHP will not therefore be a net additional burden to the Council, indeed the programme, has the potential to generate surpluses over the life of the properties developed
- 2.10 This report requests the flexibility to adapt the Council's indicative bid in order to respond to any changes made by the HCA to their prospectus. This would enable the Council to develop affordable housing for rent should it become available as a product rather than the affordable homes on a rent to buy basis that the indicative bid was for. Should grant funding become available for affordable housing for rent the Council may also want to increase the number of properties it could develop as we know that there is a significant demand for this type of property.



- 2.11 For all previous affordable housing programmes following Executive approval to bid for the HCA grant the financial model was taken to the Council's Project Appraisal Group (PAG) for a detailed discussion and analysis and capital funding to deliver the programme was then approved by full Council as part of the budget process
- 2.12 This report requests approval to formally bid for grant through the SOAHP and requests that delegated authority be given to the relevant Strategic Directors in consultation with the Portfolio holder Health and Wellbeing to approve the detailed bid.

3. OTHER CONSIDERATIONS

- 3.1 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.
- 3.2 The table below sets out the income that the Council's current Affordable Housing programmes will generate through New Homes Bonus. Additional NHB would be generated for each additional affordable home that was developed as part of the bid for SOAHP.

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

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

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. FINANCIAL & RESOURCE APPRAISAL

- 4.1 The financial model that underpins the proposed SOAHP bid is essentially similar to the model that has been used to appraise the Council's earlier affordable housing schemes.
- 4.2 The defining 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. This particular scheme's detailed model is being made ready for appraisal by the Director of Finance and then, in common with other capital projects, will be placed before the Council's Project Appraisal Group
- 4.3 The principle behind the financing is that it will not impose any additional year on year financial liability on the Council. However, the total liability will impact on the authorised limit for the council in terms of overall total debt and the boundary set for financing the Council's total borrowing. This is tied to the long term income stream. The scheme will therefore need to be considered as part of the long term capital requirements for the council as part of the capital budget process.
- 4.4 In common with previous affordable housing bids, the financing may depend upon cross subsidy from the sale of houses on the open market and this clearly introduces an element of risk that needs managing and considered as part of the financial appraisal. This will require additional specialist resource in the appointment of sales and marketing agent which will be funded by the income stream from the scheme.

5. RISK MANAGEMENT AND GOVERNANCE ISSUES

- 5.1 There are a number of risks associated with this proposal.
- 5.2 Should the bid continue as rent to buy housing this will be a new product for the Council to deliver. Rent to buy operates on the basis that homes are let to working households at an intermediate rent to give them the opportunity to save for a deposit to buy their first home. The homes will be offered at an intermediate rent for a minimum of 5 years with an expectation that during that period the occupant will purchase the whole property from the Council. Advice from the HCA is that should the tenant not purchase the property after 5 years then the property can revert to being treated as an affordable home for rent. As rent to buy properties need to be let to working households this will require close working with the Housing options team to identify eligible tenants for these properties.
- 5.3 The success of this programme may depend upon the Council's ability to build and sell properties on the open market. It is proposed therefore that before the scheme proceeds the Council engage a professional sales and marketing agent to advise on sale values and to develop a sales strategy for the programme of schemes.



- 5.4 Before the Council legally commits to the bid and development of the scheme a further report including a full review of the risks and the actions proposed to mitigate these risks will be brought to the Council's Project Appraisal Group (PAG) for consideration.

6. LEGAL APPRAISAL

- 6.1 The Council must undertake a periodic review of housing needs and has a power to provide housing accommodation under the Housing Act 1985.
- 6.2 The majority of social housing in the Councils district is provided by the organisation known as "InCommunitas" to which the whole of the Council's housing stock was transferred in February 2003.
- 6.3 Any Council which provides housing accommodation is usually required to hold a housing revenue account (HRA) and monies held within that account are ring fenced for social housing purposes unless the Secretary of State gives a dispensation under section 74 (3) (d) and 87 of the 1989 Act to operate without an HRA.
- 6.4 Such a dispensation was granted to the Council in September 2010 and that dispensation continues in place.
- 6.5 The dispensation removes the duty upon the Council to hold a Housing Revenue Account under section 74 of the 1989 Act and this makes additional borrowing powers available to the Council for housing purposes but which stands along side its existing powers to borrow.
- 6.6 The existing dispensation has no apparent time limit and is not limited by the number of social housing units provided by the Council as at September 2010 and going forward.
- 6.7 The Council should in any event to be aware that all secure tenants after 3 years have a 'Right to Buy' their Council house under the Housing Act 1985 (previously the Housing Act 1980) and this right applies to the Councils current and future Housing stock.
- 6.8 The Councils is under a duty to remind its secure tenants of this right every five years.

7. OTHER IMPLICATIONS

7.1 EQUALITY & DIVERSITY

The Equality Impact Assessment (EIA) undertaken 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 proposals set out in this report will deliver affordable housing on sites throughout the District

8. NOT FOR PUBLICATION DOCUMENTS

None.

9. OPTIONS

9.1 That the Executive approve the recommendations identified in paragraph 10 of this report.

9.2 That the Executive reject the recommendations identified in paragraph 10 of this report.



10. RECOMMENDATIONS

It is recommended:-

- 10.1 That the Executive support a bid to the Homes and Communities Agency for grant to support a programme to develop new affordable housing as part of the Shared Ownership and Affordable Housing programme (SOAHP) 2016/21.
- 10.2 That the details of the bid for grant funding under the Shared Ownership and Affordable Housing programme (SOAHP) 2016/21 be approved by, the relevant Strategic Directors in consultation with the Portfolio Holder with responsibility for Housing.
- 10.3 That funding to support the Shared Ownership and Affordable Housing programme (SOAHP) 2016/21 is identified through the capital programme.

11. APPENDICES

None

12. BACKGROUND DOCUMENTS

None

