

## Report of the Strategic Director of Place to the meeting of Regeneration and Economy Overview and Scrutiny Committee to be held on September 26 2017

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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 potential procurement of contracts with a value in excess of £2m associated with the delivery of the future programme.

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### Portfolio:

**Regeneration, Housing, Planning &  
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### Overview & Scrutiny Area:

**Regeneration and Economy**



## 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 potential procurement of contracts with a value in excess of £2m associated with the delivery of the future programme.

## 2. BACKGROUND

2.1 The Executive at its meetings on July 22<sup>nd</sup> 2011, January 14<sup>th</sup> 2014 and November 8<sup>th</sup> 2016 approved bids for investment support by the Council to the Homes and Communities Agency (HCA) as part of the 2011/15 and 2015/18 Affordable Housing programmes and the 2016/21 Shared Ownership and Affordable Housing Programme (SOAHP).

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> | <b>Status</b>                |
|---|--|------------------------------|
| Avenham Way, Bradford   | 16   | On site                      |
| Ripley Street, Bradford   | 15   | Completed                    |
| Cliffe Lane, Baildon (Phase 1)  | 20   | Completed                    |
| Cliffe Lane, Baildon (Phase 2)  | 13   | On site                      |
| Braithwaite Road, Keighley  | 36   | Planning permission obtained |
| Keighley Road, Oakworth   | 39   | On site                      |
| Clergy House/Jermyn Court, Bradford (scheme to provide temporary housing for homeless people) | 18   | Completed                    |
| <b>Total</b>  | <b>157</b>                                 |                              |



- 2.6 All of these schemes are scheduled to be completed by Autumn 2018. At September 2017, 3 of the schemes have been completed (Clergy House/Jermyn Court, Ripley Street and Cliffe Lane (phase 1)), 3 schemes are on site (Avenham Way, Bradford, Cliffe Lane, Baildon (phase 2) and Keighley Road, Oakworth and planning consent has been obtained for the remaining scheme at Braithwaite Road, Keighley.
- 2.7 Following receipt of Executive approval to bid for HCA funding through the Shared Ownership and Affordable Housing Programme (SOAHP) in November 2016, the Council secured HCA funding for an indicative bid to deliver a programme of 50 units of affordable housing. Since then the Council has developed a larger proposed programme of 173 new homes, 138 of which would be affordable, across 6 sites. This proposal will be considered at PAG on September 7<sup>th</sup> 2017. Following which the Council will, subject to PAG approval, submit a further bid to the HCA to secure funding for this larger programme.

### **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 is therefore being 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.
- 3.3 In its Strategic Housing role the Council also monitors the delivery of affordable housing across the district. In 2016/17, an additional 163 units of affordable housing were delivered in the district outside of the Council's own programme. Of these, 138 units were delivered by other registered providers under the Homes and Communities Affordable Housing programme and a further 25 units were delivered using section 106 contributions.

### **4. FINANCIAL & RESOURCE APPRAISAL**

- 4.1 In addition to prudential borrowing, the financial model under which the affordable housing programmes have been 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 has developed a total of 188 homes. It was originally intended to sell 49 of these on the open market and to use the sales receipts to subsidise the delivery of the remaining 139 rented units. However a re-evaluation of the programme has identified that the model



can sustain 8 additional rented units should additional grant from the HCA be secured. The Council is therefore preparing an additional bid to the HCA to deliver an additional 8 units of affordable housing for rent at the Cliffe Lane, Baildon site. Should this bid be successful this will increase the number of affordable units delivered through the 2015/18 programme to 147.

- 4.3 Following Executive approval to bid for HCA grant the financial model for each programme is taken to the Council's Project Appraisal Group (PAG). Capital funding to deliver the programmes is then taken to full Council for approval. 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.
- 4.4 The Council's proposed larger bid to the HCA's SOAHP 2016/21 programme would involve the creation of 173 new homes, 138 of which would be affordable and 35 for sale across 6 sites.

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

|   |        |
|---|--------|
| Total programme cost                    | £29.2m |
| HCA Grant                               | £5.24m |
| Sales                                   | £7.4m  |
| Commuted sums/recycled capital receipts | £1.7m  |
| Prudential Borrowing                    | £14.7m |

- 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 a number of years. This is enhanced slightly for each 'affordable' or 'social' property that is built. The most recent provisional Local Government Financial Statement changed the way that New Homes Bonus will be paid. Previously payments were received over a 6 year period. The changes mean that bonuses generated will now only be paid over a 5 year period, reducing to a 4 year period by 2018/19. Despite this, year on year the New Homes Bonus continues to be important to the Council as un-ringfenced income. 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.
- 4.5 Contracts for the construction of the schemes involved in the 2016/21 programme will be procured individually. This should assist with risk management of the overall programme and should open up opportunities for SME contractors to tender for the smaller contracts.
- 4.6 Due to the size of the proposed schemes it is estimated that the total cost of each of the schemes will exceed £2m.
- 4.7 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.

In line with the Local Government Transparency Code these details of any procured contracts are 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 2016/21 Affordable Housing programme 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 the proposed 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 2016/21 programme with a number of properties being completed in 2019/20 and the balance in 2020/21. 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 contracts have 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 Building Regulations as a minimum. This 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

