

Report of the Strategic Director of Place to the meeting of Regeneration and Environment Overview and Scrutiny Committee to be held on 18 September 2018

Subject:

The Council's Affordable Housing Programme

Summary statement:

This is a report provided for information to update members on progress in relation to delivery of the Council's Affordable Housing programme.

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Overview & Scrutiny Area:

Regeneration and Environment

1. SUMMARY

- 1.1 This is a report provided for information to update Members on progress in relation to delivery of the Council's Affordable Housing programme.

2. BACKGROUND

- 2.1 The Council is a major contributor to the delivery of affordable homes in the district. The Council's Development and Enabling Team have been delivering new build housing since 2011. The new build programme includes some market sale units on sites where market analysis and intelligence demonstrates demand for market sale units. The capital receipts from the sales are directed back into the development programme. By the end of this financial year, a total of 475 homes will have been delivered; of which 418 will be affordable homes for rent.
- 2.2 The Executive at its meetings on 22 July 2011, 14 January 2014 and 8 November 2016 approved bids for investment support by the Council to the Homes and Communities Agency (HCA, but now operating as Homes England) 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 to through 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 The table below summarises the extent of affordable homes for rent in the programme by funding regime:

Programme	Sites	No. Affordable
Pre 2011	Longfield Drive	95
	Beech Grove	
2011-15	Canary Drive	81
	Fieldway	
	Valley Drive	
	Ripley Street Phase 1	
2015-18	Ripley Street Phase 2	226
	Cliffe Lane, Baildon (Phase 1)	
	Cliffe Lane, Baildon (Phase 2)	
	Keighley Road, Oakworth (Houses)	
	Keighley Road, Oakworth (Extra Care)	
	Braithwaite Road	
	Avenham Way	
Clergy House/Jermyn Court		
2016/21	Cliffe Lane 1 + 2 (additional units)	16
	TOTAL	418

It demonstrates that by the end of the 2015-18 programme, a total of 418 affordable homes for rent will have been delivered.

2.4 The 2015/18 programme is well underway. There are currently 4 new build housing schemes on site and all are expected to complete within the next year. Developments onsite include an extra care housing scheme and residential care facility in Oakworth, Keighley. The extra care scheme enables older people to live independently, with their own front door but with access to care and support on site when they need it. Alongside the extra care scheme, a residential care facility offering a range of short and longer term care services including respite via 50 community care beds is also underway. These residential care units do not qualify as affordable housing but meet the needs of a specific client group, older people in need of care. Funding from the Department of Health in the sum of £2.76m was secured through Homes England to support the delivery of the extra care element of the scheme.

2.5 The specifics of the 2015-18 programme are summarised in the table below:

Scheme	No. affordable	Status
Avenham Way	16	On site
Ripley Street Phase 2	15	Completed
Cliffe Lane (Phase 1)	20	Completed
Cliffe Lane (Phase 2)	13	Completed
Braithwaite Road	36	On site
Keighley Road, Houses	39	On site
Keighley Road, Extra Care	69	On site
Clergy House/Jermyn Court (temporary accommodation for homeless people)	18	Completed
Cliffe Lane 1+2 (additional units)	16	Completed
Total	242	

2.6 The grant funding for the 2015/18 programme was to deliver 226 affordable homes for rent. The Cliffe Lane site was to be a mixed tenure development with a number of the homes to be sold on the open market. Despite engaging an experienced local agent and generating a lot of viewings, during the marketing it became apparent that there was insufficient interest in / offers on some of the market sale units. As a result of this and due to the level of demand for affordable housing in that area, the team were able to secure additional funding from Homes England for 16 unsold units to be let as affordable family housing. The additional funding was secured under the 2016-21 SOAHP funding regime and brings the total number of affordable homes under that programme to 242.

2.7 The Shared Ownership and Affordable Homes Programme 2016-2021 (SOAHP 2016-21) was launched in April 2016. It marked a decisive shift towards support for home ownership in that funding opportunity did not support affordable homes for rent. 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 £1.75m funding for an indicative bid to deliver a programme of 50 units of affordable housing for shared ownership or rent to buy. The bid was indicative due to the fact that a site has not been identified where shared ownership housing would prove to be financially viable. In the Autumn

Statement of November 2016, the Government announced additional funding for affordable housing including affordable rented homes and in January 2017 published an addendum to the SOAHP 2016-21 prospectus permitting grant for affordable rent.

- 2.8 In light of the updated prospectus supporting grant for affordable rent, the Development and Enabling Team worked with colleagues in Asset Management to identify suitable and available sites in order to develop a more substantial programme. This work established that the Council's financial model was unable to sustain rent to buy at the level the indicative bid was secured for. Reducing the number of rent to buy units was explored and whilst this would mitigate some of the financial risks, issues associated with creating an alternative form of tenancy and demand persisted. Six sites were identified and initial capacity studies and analysis supported a programme of 173 new homes; 138 of which would be affordable homes. Given the concerns outlined in relation to rent to buy, Homes England were amenable to the Council submitting an alternative bid and effectively converting the 50 units allocation for rent to buy to affordable rent. On this basis, a proposal was submitted at Project Appraisal Group on 7 September 2017 for which Executive approval is required.
- 2.9 Two sites intended to form part of the 2016-21 new build programme are the Former site of Flockton House and Land at Flockton Road. For both of these sites, the council has secured planning consent to deliver 30 and 16 homes respectively. The 46 homes will be a mixture of 2 and 3 bedroom family homes, all affordable homes for rent. Currently procurement routes are being explored for these schemes.
- 2.10 Before submitting a formal bid to Homes England for the six new sites and converting the 50 units allocation from rent to buy to affordable rent, the team felt it would be timely to take stock of delivery to date and projected, reflect on lessons learned and take the opportunity to obtain some 'critical friend' input and advice from Local Partnerships. Local Partnerships are jointly owned by Local Government Association, HM Treasury and they work with local and national government and other public sector organisations; sharing industry best practise and providing expertise and insight. In particular, they provided advice on maximising density on sites, improving efficiency of design and layout as well as intelligence on best practise in the industry such as insight into procurement routes. This advice will help to ensure the schemes delivered not only maximise the site and developable area but are delivered more efficiently and cost effectively.

3. OTHER CONSIDERATIONS

- 3.1 The Council's housing stock and staff were transferred to an independent Housing Trust, Bradford Community Housing Trust (now Incommunities) in 2003. As such, the Council no longer retains any housing management staff. The Council therefore procured a registered housing provider to undertake the housing management role for its new housing stock. Following a procurement exercise in 2016, Incommunities was 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 In its Strategic Housing role the Council also monitors the delivery of affordable housing across the district. In 2017/18, a total of 232 affordable homes were delivered across the district. This represents an increase of 26% compared to 2016/17. Of the 232 new affordable homes, 206 were delivered as part of the 2015/18 Affordable Homes Programme and included 95 properties developed by Incommunities, 43 developed by the Council and 42 by Yorkshire Housing Group. The remainder of the new affordable homes which were not part of the Affordable Homes Programme were delivered through Section 106 agreements with developers. Section 106 agreements are where the Local Planning Authority requires a developer, through the planning process, to deliver a proportion of affordable homes on a development site.
- 3.3 A Housing Green Paper 'A New Deal for Social Housing' was published on 14 August 2018. It sets out five principles which will underpin a new, fairer deal for social housing residents:
- a safe and decent home;
 - improving and speeding up how complaints are resolved;
 - empowering residents and ensuring their voices are heard and landlords are held to account;
 - tackling stigma and celebrating thriving communities, challenging the stereotypes that exist about residents and their communities; and
 - building the social homes needed and ensuring that those homes can act as a springboard to home ownership.

The paper keeps the delivery of social housing on the agenda but does not provide avenues to securing significant new funding for social housing.

4. FINANCIAL & RESOURCE APPRAISAL

- 4.1 Finances for the Council's new build programme come from a range of sources; prudential borrowing, grant from Homes England, use of commuted sums where applicable and some cross subsidy from the sale of a number of units. The financial model under which the affordable housing programmes have been developed is also dependent on the rental income that can be generated from the properties. The key feature in relation to 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.
- 4.2 The grant rate for the programme ranges from £25k to £39k per units, depending on the scheme and funding regime.
- 4.4 The Council's proposed larger bid for funding under the SOAHP 2016/21 programme would involve the creation of 173 new homes, 138 of which would be affordable homes for rent. The basis of the PAG submission is set out below to provide an indicative breakdown of costs:

Total programme cost	£25.4m
HCA Grant	£5.0m
Sales	£6.6m
Committed sums/recycled capital receipts	£1.2m
Prudential Borrowing	£12.6m

- 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. New Homes Bonus continues to be important to the Council as un-ringfenced income. In assessing the financial benefits of supporting the provision of new 'affordable' housing the positive contribution from New Homes Bonus needs to be taken into account.
- 4.5 Contracts for the construction of the schemes involved in the 2016/21 programme will be procured individually, unless packaging schemes together would bring savings or reduced development costs through economies of scale. 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 Since the affordable housing update in September 2017, no procurement exercises have taken place in relation to the future programme and no contracts have been awarded. Details of future procurements / contract awards will be reported into the Regeneration and Environment Overview and Scrutiny Committee when the specifics are known. Due to the size of the proposed schemes it is estimated that the total cost of each of the contracts 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 Homes England's Delivery Partner Panel and YorBuild. The Development and Enabling Team work closely with Procurement to determine the most appropriate procurement route and framework based on the circumstances, contract value and timeframes as each scheme reaches this stage.
- 4.8 In line with the Local Government Transparency Code the 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 it is used to inform any submission to PAG and Homes England for funding.

The Council engaged Local Partnerships in stress testing the model and reviewing some of the assumptions in relation to costs and income that are used to populate the model are correct. Further, the Council will engage professional cost consultants and local sale agents for each of the schemes where sales form part of delivery to ensure assumptions are accurate and current.

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 has been engaged to advise the Authority for each of the schemes where sales form part of delivery.

Delivery

Risk – Under the terms of the Grant Agreement with Homes England, the Council is expected to deliver schemes within a prescribed timeframe. The receipt of investment support will be dependent upon delivering within this timeframe.

Mitigation – for each scheme a detailed programme will be devised covering the entire design and construction process including feasibility, planning and procurement.

Risk – The contractor appointed to deliver the affordable housing scheme at Avenham Way went into liquidation this year. The Council is making arrangements to complete the scheme using Building and Technical Services. Legal Services are leading discussions and negotiations with the appointed liquidators.

Mitigation – prior to entering into contract, financial checks are carried out to ensure financial soundness of a company and a retention is always in place whereby the Council retains or withholds a percentage of each payment to ensure that the contractor properly completes the activities required of them under the contract.

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 provide advice on the Grant Agreement with Homes England for the delivery of all funded programmes and have ensured that the contracts have been entered into “under seal”.

6.2 Legal Services also provide advice on all construction contracts entered into 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 and good quality affordable housing in the District has a positive impact on those groups and individuals who suffer multiple disadvantages associated with inadequate housing. Many of the properties delivered through the Council's new build programme have been built to meet Lifetime Homes Standard or enhanced accessibility standards meaning they are suitable for people with a disability and flexible and adaptable to meet the needs of current and future generations. Further, some of the schemes delivered meet the needs of specific client groups such as the temporary accommodation scheme at Clergy Court (for homeless people) and the Extra Care scheme under development at Keighley Road (older people with care needs).

7.2 SUSTAINABILITY IMPLICATIONS

All council new build properties are built to the Building Regulations as a minimum. Some of the properties delivered through the Council's new build programme have been designed to meet enhanced accessibility standards meaning they are flexible and adaptable to meet the needs of current and future generations.

7.3 GREENHOUSE GAS EMISSIONS IMPACTS

All council new build properties are built to the Building Regulations as a minimum. The properties delivered through the Council's new build programme have been designed and constructed using 'Fabric First' principles; concentrating on improving the airtightness of the building fabric and the thermal performance of the structure results in reduced heat loss, carbon emissions and ultimately, savings on energy consumption thereby helping to minimise running costs to tenants.

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. There are no specific ward implications as the affordable housing programme is district-wide in its focus and is led by land availability. Increasing the supply of affordable housing will however generate social and economic benefits across all wards and localities.

7.8 IMPLICATIONS FOR CORPORATE PARENTING

There are no specific implications for corporate parenting arising from this report.

7.9 ISSUES ARISING FROM PRIVACY IMPACT ASSESMENT

There are no specific issues arising from this report.

8. NOT FOR PUBLICATION DOCUMENTS

None.

9. RECOMMENDATIONS

- 9.1.1** Members are requested to consider the content of the report providing a progress update in relation to delivery of the Council's Affordable Housing programme.

10. APPENDICES

None

11. BACKGROUND DOCUMENTS

None