

Report of the Strategic Director of Place to the meeting of Regeneration and Environment Overview and Scrutiny Committee to be held on November 7th 2019

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Subject:

THE COUNCIL'S AFFORDABLE HOUSING PROGRAMME

Summary statement:

This report is provided for information in order to update members on progress in relation to delivery of the Council's Affordable Housing programme and recent developments influencing the governance of the housing stock.

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Overview & Scrutiny Area:

Regeneration and Environment



1. SUMMARY

- 1.1 This report is provided for information in order to update members on progress in relation to delivery of the Council's Affordable Housing programme and recent developments influencing the governance of the Council's housing stock.

2. BACKGROUND

- 2.1 The Council's housing stock was transferred to an independent Housing Trust, Bradford Community Housing Trust (now Incommunities) in 2003 by way of Large Scale Voluntary Transfer (LSVT).
- 2.2 The Council's Housing Development and Enabling Team started to deliver new council housing back in 2010. This was at a time when affordable housing delivery was at a low point following the recession and the Council wanted to demonstrate leadership to the sector by taking an active role in increasing the supply. Since then, the Council has been a major contributor to the delivery of affordable homes in the district.
- 2.3 The new build programme to date has included 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 428 will be affordable homes for rent.
- 2.4 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).
- 2.5 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 Homes England to deliver these new affordable homes for rent. The Council also secured an indicative funding allowance under the 2016-21 SOAHP for shared ownership pending the identification of a suitable site for home ownership.

Affordable Housing Programme

- 2.6 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	252
	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 (Horton Housing)	
	Cliffe Lane 1 + 2 (additional units)	
	TOTAL	428

2.7 The table demonstrates that on completion of the 2015-18 programme, a total of 428 affordable homes for rent will have been delivered since the new build programme started. The Clergy House/Jermyn Court project comprised of 18 self-contained flats providing temporary accommodation to homeless households. These flats are managed by Horton Housing and therefore sit outside the Council's housing stock.

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

Scheme	No. affordable	Status
Avenham Way	16	Completed
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	Completed
Keighley Road, Extra Care	69	Completed
Cliffe Lane 1+2 (additional units)	26	Completed
Clergy House/Jermyn Court	18	Completed
Total	252	

2.9 Delivery of the 2015-18 programme is close to completion. Over the last 12 months, three schemes have been delivered, providing 134 new affordable homes to the district. This includes the construction of the Council's first and flagship Extra Care Scheme and Community Resource Unit which completed in September 2019. The Extra Care Scheme, Fletcher Court, comprises 36 two bed and 33 one bed apartments. It is designed to meet the needs of frailer older people and provides 24 hour care and support on site. Further, residents will have their own home and their own front door but with access to a range of communal facilities to promote a sense of community and help to prevent isolation. Communal facilities include restaurant, residents lounge and activity room, a hair salon and nail bar, health and fitness facilities and a computer room. Adjacent, is Valley View Court, a 50 bed Community



Resource Unit offering short and longer term transitional / residential care service including respite with a resident's lounge and dining area on each floor, a gym, offices, and enclosed landscaped gardens. The development was designed by Bradford architects Langtry-Langton and built by Derbyshire based Wildgoose Construction. Facilities Management will operate the café / restaurant, which, once fully occupied and operational will be open to the community. The Council's Health and Wellbeing Service will operate Valley View Court and will provide care to the residents of Fletcher Court. Fletcher Court forms part of the council's housing stock, providing much needed affordable housing to meet the needs and aspirations of our older generation. The scheme was shortlisted for a Public-Private Partnership of the Year at the Insider Yorkshire Property Industry Awards held in September. The scheme also received a Gold Award for 'Secure by Design' in recognition of its safety and security. Secure by Design is a national police crime prevention initiative and the scheme has been recognised for incorporating crime prevention techniques into its layout, landscaping and physical security.

- 2.10 The Council secured £1.75m Homes England funding in November 2016 for an indicative bid to deliver a programme of 50 homes of affordable housing for shared ownership or rent to buy through the Shared Ownership and Affordable Housing Programme (SOAHP). This funding was secured at a time when grant funding for affordable rent was not available. Sourcing a site suitable for shared ownership proved difficult so when the funding criteria was broadened to include affordable rent, the Housing Development and Enabling Team started to prepare a funding proposal for an enhanced programme; 173 homes, of which 138 would be affordable homes for rent. This would involve submitting an alternative funding bid and effectively converting the 50 unit allocation for shared ownership to affordable rent.
- 2.11 Delivering market sale housing proved a challenge on some schemes. Despite engaging an experienced local agent, generating a lot of views on the Rightmove website and a promising number of actual viewings there has been insufficient interest in / offers on some of the market sale units on schemes in mid-market areas. This led to a decision to convert 26 homes envisaged for market sale to affordable rent on the Cliffe Lane West site. Homes England grant was secured at an average rate of over £42k a unit; ranging from £39k-£48k. As a result and following an extensive lessons learned exercise conducted with the input of Local Partnerships, a decision was taken to omit the delivery of market sale from the future programme. 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. Their advice on maximising density on sites, improving efficiency of design and layout as well as input on industry best practise will help to ensure the future schemes will not only maximise the site and developable area but are delivered more efficiently and cost effectively.

Housing Revenue Account

- 2.12 As referenced above, the Council's housing stock was transferred to an independent Housing Trust, Bradford Community Housing Trust (now



Incommunities) in 2003 by way of Large Scale Voluntary Transfer.

- 2.13 When the Council decided to start developing council housing again, it approached Government for advice because Section 74(1) of the Local Government and Housing Act 1989 ('LGHA 1989') requires a local housing authority to keep a Housing Revenue Account ('HRA') if they are providing new council housing. The Council is a local housing authority pursuant to Section 1 of the Housing Act 1985.
- 2.14 On 15 September 2010 the Secretary of State issued a Direction entitled 'Housing Revenue Account (Bradford Metropolitan District Council) Direction 2010' which permitted the Council (with effect from 1 April 2010 'and for subsequent years') to hold stock without the need for a HRA. There were no limitations cited within the Direction in terms of timeframes or maximum stock numbers.
- 2.15 On 14 March 2019 the Ministry of Housing, Communities and Local Government (MHCLG) published guidance which requires local authorities to open a HRA where their stock exceeds 200 units. Subsequent correspondence with MHCLG has confirmed that Bradford will need to account for its housing stock within a HRA from the new financial year, 1 April 2020.
- 2.16 The main legislative features of a HRA are:
- It is a ring-fenced account;
 - Credits and Debits are prescribed by statute;
 - There is no general discretion to breach the ring-fence;
 - It cannot budget for a deficit; and
 - That all borrowing within the HRA is in line with the CIPFA (the Chartered Institute of Public Finance and Accountancy) Prudential Code.
- 2.17 Officers in Housing are working with Finance and Legal to financially model a HRA based on the current stock. This includes identifying the staffing requirements and the scale of a potential future delivery programme. As a result of the change to Government policy on Housing Revenue Accounts, the scale and scope of the future delivery programme will be developed once the financial modelling for the HRA is complete. At that point in time, the Council will be able to determine funding / grant requirements and prepare a bid to Homes England.

3. OTHER CONSIDERATIONS

- 3.1 When the LSVT took place in 2003, the Council staff engaged in the day to day management of the stock were also transferred. As a result, the Council did not retain any housing management staff so has procured a registered housing provider to fulfil the housing management role for the 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, until 2021. The revenue costs of this contract are funded from the rental income from the properties.
- 3.2 The adopted Core Strategy sets out an overall housing requirement for the period 2013-2030 of 2,476 dwellings per annum (of which 587 to be affordable homes) or circa 42,100 homes. The Council's Core Strategy Partial Review (CSPR) Preferred



Options report which is currently subject to consultation sets out a revised minimum housing need figure of 1703 dwellings per annum (of which 411 to be affordable homes) or 28,951 dwellings over a suggested revised 17-year plan period of 2020-37.

- 3.3 In its Strategic Housing role the Council also monitors the delivery of affordable housing across the district. Figures are currently being collated and verified for the last financial year and it is currently anticipated that 267 affordable homes were delivered across the district in 2018-19. Affordable housing delivery has been fluctuated over that last few years but delivery still falls some way short of the target. The table below shows delivery of affordable housing over recent years against the current and proposed target:

Financial Year	2015-16	2016-17	2017-18	2018-19
Affordable Homes Delivery	121	229	334	267*
Target (Adopted Core Strategy)	587			
Proposed Target (CSPR Preferred Options)	411			

*This figure is in the process of being verified and audited and will be published later in the year.

- 3.4 There are a range of factors influencing delivery. Most notably, the [Welfare Reform and Work Act 2016](#) required registered providers of social housing in England to reduce social housing rents by 1% a year for 4 years from April 2016. This comes to an end in April 2020 but has impacted social landlords' finance and income streams thereby affecting their ability to develop new homes over the last 4-5 years.
- 3.5 Affordable housing is also 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.

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 in the past, 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 has ranged from £25k to £48k per unit, depending on the scheme and funding regime.
- 4.3 Since the affordable housing update in September 2018, no contract awards have taken place. Details of future procurements / contract awards will be reported into the Regeneration and Environment Overview and Scrutiny Committee when the specifics are known.



- 4.4 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 delivered an extensive new build programme and in doing so, has developed knowledge and expertise and learned lessons along the way. Earlier this year, the Housing Development and Enabling Team held a workshop, reflecting on the delivery to date in order to identify the risks associated with the development programme and to put in place actions to mitigate these risks. Some of the key programme risks 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 such as delays on sit.

Mitigation – The financial model used for the development programme has been reviewed and refined after each development programme, building on lessons learned. It is used to inform any submission to Project Appraisal Group or Homes England for funding has had input from Finance. Further, the Council engages professional consultants in calculating rents to ensure compliance with the Government's published rent setting policy.

Right to Buy

Risk – loss of housing stock through the Right to Buy. The Right to Buy scheme helps eligible council and housing association tenants in England to buy their home with a discount.

Mitigation – The level of discount may be reduced by the 'cost floor' rule. This would apply if the home has recently been purchased or built or has benefitted from significant capital investment. The cost floor period for council properties is either:

- the 10 year period prior to receipt of the RTB application form; or
- 15 years if your home was built or acquired by your landlord after 2 April 2012.

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. Failure to meet prescribed timescales risks loss of funding and reputational damage.

Mitigation – For each scheme a detailed programme is devised capturing the entire design and construction process including feasibility, planning, procurement and delivery. This is based on knowledge built up over a number of years and schemes.



Further, the risk of delivery delay can to some degree be mitigated through a design and build contract, passing the construction risk to the contractor.

Risk – The contractor goes into administration. The contractor appointed to deliver the affordable housing scheme at Avenham Way went into liquidation last year. This resulted in significant delays and increased costs. Further, the Council had to procure another contractor to deliver the outstanding external works and used Building and Technical Services to complete the works to the properties.

Mitigation – prior to entering into contract, financial checks are carried out to ensure financial soundness of a company. In addition, 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.

6. LEGAL APPRAISAL

- 6.1 Legal Services provide advice on the terms of 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 to ensure compliance with Contract Standing Orders.
- 6.3 Legal Services are engaged and supporting Housing and Finance in setting up a Housing Revenue Account.

7. OTHER IMPLICATIONS

7.1 EQUALITY & DIVERSITY

The Equality Impact Assessment (EIA) undertaken for the programme indicates that there are no adverse impacts in terms of equality and diversity. 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 Fletcher Court, the Extra Care scheme Oakworth in Keighley (older people with care needs).

7.2 SUSTAINABILITY IMPLICATIONS

Most of the properties delivered through the Council’s new build programme have been designed and constructed with a ‘fabric first’ approach to the building envelope. This involves maximising the performance of the components and materials that make up the building fabric itself before considering the use of mechanical or electrical building services. Through good design, effective construction and aftercare we seek to make homes healthier and more enjoyable to



live in - socially sustainable - and cheaper to run - economically sustainable. Further, providing homes that are climate-proof and energy efficient will help to minimise greenhouse gas emissions, reduce the running costs for our customers and mitigate against the impact of fuel poverty on our communities. We are also designing for adaptation to extreme weather and considering flood-risk, heat-waves and other risks to homes and the built environment. All housing will be designed to meet the Council's 'Homes and Neighbourhoods - A Guide to Designing in Bradford' which aims to make new homes and neighbourhoods more sustainable and healthier places to live.

7.3 GREENHOUSE GAS EMISSIONS IMPACTS

Most of 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. Electrical vehicle charging points have been included within all our recent developments. Further, many of the properties benefit from a Mechanical Ventilation Heat Recovery (MVHR) system. It provides a constant supply of fresh filtered air for a healthier indoor air quality environment but also contributes to a reduced carbon footprint. The MVHR is designed to recover and re-use up to 95% of the waste heat within the property and filters the incoming fresh air. This is reputed to result in improvements for asthma sufferers but also benefits those with bronchitis, hay fever and chronic obstructive pulmonary disease (COPD). Further, it is reported that an MVHR helps to control moisture and condensation reducing instances of damp and mould growth, known to affect health and wellbeing.

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 deliver affordable housing on sites across 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

Members are requested to consider the content of the report and comment as appropriate.

10. APPENDICES

None.

11. BACKGROUND DOCUMENTS

None.

