

Selby District Council

REPORT

Reference: E/17/42

Item 8 - Public



To: The Executive
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Status: Key Decision
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Author: Chris Kwasniewski, Housing and Regeneration Manager and James Cokeham, Head of Economic Development and Regeneration
Executive Member: Councillor Richard Musgrave, Executive Lead Member for Housing, Leisure, Health and Culture
Lead Officer: Dave Caulfield, Director of Economic Regeneration and Place

Title: Housing Development Programme 2017-20

Summary:

The Executive is asked to approve a revised Housing Development Programme that seeks to provide 207 affordable homes for Selby District Council (SDC) and Selby District Housing Trust (SDHT) by 31 March 2020.

This Programme is based on three 'delivery pillars' that include direct development on SDC owned sites, the acquisition and development of new sites and the acquisition of affordable homes constructed by other developers.

The Programme will generate revenue streams for SDC as a result of loans provided to the SDHT.

Recommendations:

- i. To approve the revised Housing Development Programme as set out in this report;
- ii. To note the additional budget and funding requirements and approve their inclusion in the draft budget proposals to be considered by the Executive in February;

- iii. **That the Council's Chief Finance Officer, in consultation with the Lead Councillor for Finance and Resources, be granted delegated authority to approve loan funding, and the terms and conditions of the loan agreement, from Selby District Council to the Selby District Housing Trust to enable the acquisition of Section 106 properties on the following basis:**
 - a. **That the approved investment is within the budget parameters of the approved Housing Development Programme; and**
 - b. **That the acquisition is subject to a viable business case having due regard to an interest rate which provides for an appropriate margin over the Council's cost of capital and a term of no more than 40 years.**
- iv. **To approve an investment of £251,000 from the Council's Programme for Growth to fund the establishment of a feasibility budget and the recruitment of a new fixed term post to support the revised Housing Development Programme.**

Reasons for recommendations:

The Executive is asked to approve the Housing Development Programme 2017-20 in order to deliver 207 affordable homes in Selby District for Selby District Council and the Selby District Housing Trust through a variety of delivery mechanisms.

1. Introduction and background

- 1.1 The current Housing Development Programme was approved by Full Council in September 2013. This set out an ambition to develop 106 new affordable homes for Selby District Council (SDC) and Selby District Housing Trust (SDHT) by 31 March 2019 on small sites already owned by the Council.
- 1.2 To date, 20 new affordable homes have been constructed with a further 30 'in the pipeline' on sites at Byram, Riccall and Selby Town.

2. The Report

- 2.1 The revised 'Housing Development Programme 2017-21' seeks to achieve a more ambitious delivery target of 207 affordable homes by March 2021 (57 for SDC and 150 for SDHT indicatively), centred on the following 'delivery pillars':
 - A '*Small Sites Programme*' based on the development of new housing on existing Council owned land (primarily former garage sites);
 - A '*Large Sites Programme*' focused on the development of new housing on larger sites acquired or owned by Selby District Council;
 - An '*Acquisitions Programme*' to purchase completed homes or Section 106 (s106) properties from other developers.

2.2 It is envisaged that the Programme will be delivered in three phases:

Phase 1 (Completed or start on site 2017/18):

Delivery Pillar	Provider	Location	No. of Units
Small Sites	SDHT	Tadcaster	5
Small Sites	SDC	Eggborough	15
Small Sites	SDC	Byram	
Small Sites	SDC	Byram	13
Small Sites	SDHT	Riccall	5
Acquisitions	SDHT	Selby	12
	TOTAL		50

Phase 2 (2018/19)

Delivery Pillar	Provider	Location	No. of Units
Small Sites	SDC	TBC	10
Small Sites	SDHT	TBC	7
Large Sites	SDHT	TBC	11
Acquisitions	SDHT	TBC	27
	TOTAL		55

Phase 3 (2019/20 & 2020/21)

Delivery Pillar	Provider	Location	No. of Units
Small Sites	SDC	TBC	19
Large Sites	SDHT	TBC	35
Acquisitions	SDHT	TBC	48
	TOTAL		102

2.3 A detailed breakdown of the Programme's proposed delivery approach is provided in Appendices A & B.

2.4 The Programme is only indicative at this stage and could be subject to change as a result of consultation and pre-application discussions. Members are therefore requested to approve the funding envelopes identified in Section 3 and the report's recommendations, which will provide SDC and SDHT with the necessary flexibility to deliver the agreed programme and develop full business cases for each development/proposal.

2.5 The strategic approach outlined in the revised Programme is aimed at sustaining the Council's Housing Revenue Account (HRA) through focusing priorities on elderly persons accommodation and replacing homes lost through right to buy as part of the Governments desire to see '1 for 1' replacements. It is aligned with the Council's review of the HRA Business Plan and the emerging Empty Homes Strategy and Action Plan. The Empty

Homes Strategy and Action Plan sets out plans to acquire up to 13 units by the end 2019/20, giving an overall total of 220 affordable homes.

- 2.6 Feasibility work is currently funded on a site by site basis. Whilst this has worked well for planned schemes, it does not allow SDC and SDHT to exploit and maximise new opportunities that require initial due diligence work. This is particularly an issue for SDHT and it is recommended that a feasibility budget of £50,000 per annum is incorporated into the 'Housing Development Programme 2017-20', funded from the Strategic Sites element of the Programme for Growth budget.
- 2.7 The expanded programme will also have resource implications for SDHT, particularly with regard to managing the acquisition of 75 s106 homes and developing up to 50 homes on new sites. Currently, the Council provides project management resource by way of in kind support to the Trust, in addition to Managing Director, Company Secretary and Finance Director services being carried out on a voluntary basis, but this is not sustainable in the long term.
- 2.8 It is therefore requested to approve the recruitment of a new post to support the revised Housing Development Programme be funded from the Programme for Growth budget on a 3-year 'fixed term' basis.

3. Legal/Financial Controls and other Policy matters

Legal Issues

- 3.1 The proposed expanded Programme falls within the original remit and objectives of the SDHT and the Council's own functions - the Trust's main purpose, as set out in the Housing Development Strategy (2013), was to develop new affordable housing-initially on Council owned land.
- 3.2 As the Local Housing Authority, the Council has powers under legislation to invest in the construction of properties within the HRA. Section 24 of the Local Government Act 1988 also provides the Council (as housing authority) with the power to provide any person with financial assistance for the purposes of, or in connection with, the acquisition, construction, conversion, rehabilitation, improvement, maintenance or management (whether by that person or by another) of any property which is or intended to be privately let as housing accommodation. The making of a loan to SDHT would fall within this definition. Accordingly there is a clear power for the Council to make the loans.
- 3.3 The Council's investments can be protected by taking a first charge over the properties acquired or constructed by SDHT.

Financial Issues

- 3.4 The 50 Units from Phase 1 of the Programme have already been completed, or are committed at a total cost of £6.002m (see Appendix A).

- 3.5 This leaves 56 homes to be delivered by March 2019 to meet the target of the original Housing Development Programme. In total this would require an estimated budget of £5.783m, meaning a further £580k investment from s106 grants and retained 'right to buy' receipts would be needed to complete the original programme (see Appendix A).
- 3.6 As the 'Housing Development Programme 2017-20' aims to deliver a total of 207 units, further investment of £10.3m will be required in order to fund the remaining balance of 101 units (see Appendices A and B).

Affordable Homes Development Programme - Scheme Funding

	No. Units	Loans / Internal Borrowing £	P4G Grant £	S106 Grant* £	HRA Retained Receipts* £	Total £
Completed / Committed Programme	50	4,825,451	47,000	923,056	206,587	6,002,094
Balance of existing target	56	5,203,000	-	350,000	230,000	5,783,000
Original Programme Delivery	106	10,028,451	47,000	1,273,056	436,587	11,785,094
New Programme - Required Additional	101	9,720,000	-	330,000	250,000	10,300,000
Split		£	£	£	£	£
SDHT	150	13,869,451	47,000	1,138,940	-	15,055,391
HRA	57	5,879,000	-	464,116	686,587	7,029,703
	207	19,748,451	47,000	1,603,056	686,587	22,085,094

- 3.7 Potential sources of funding for this include HCA grant funding (up to £36k per property for new build SDC homes), which could add a further £1.4m into the programme, s106 commuted sums anticipated over the period (£4.1m) and unallocated capital receipts (£5m).
- 3.8 When considering loans to SDHT, it should be noted that the Council is limited by the availability of cash to provide loans to support the Trust's programme, which may require the Council to take on external borrowing. This will significantly impact on the business model for the Council and reduce the financial benefit from providing loans (which are intended to contribute to the Council's savings plan). Should the Council be required to borrow externally, the interest paid will reduce the benefit of providing loans to the Trust and may result in a lower net return than our pooled cash investments if interest rates increase. Assuming a 2% margin over the Council's own cost of borrowing (the benchmark assumed for the Council's savings plan) additional loans to a value of £5m could deliver additional interest returns of £50k p.a. (average) over a 30 year term.

- 3.9 The cost of borrowing will be borne by SDHT and will be repaid from the rental income from the properties as they are developed. This provides an income stream to the Council from the interest charged on the loans, and additional income will be generated from the New Homes Bonus payments and increase in Council Tax revenue delivered through the 'Housing Development Programme 2017-20'.
- 3.10 In making decisions concerning any investment and loans the Council makes to the SDHT it must, on each occasion, act efficiently and undertake funding offers (and related decisions) after proper consideration of the risks and rewards of doing so. The Council will need to ensure that it achieves an appropriate return for any risk it takes and that it has minimised the risks and potential costs to it.
- 3.11 If the Council is to support the programme as set out it may require that available capital receipts and future renewable business rates receipts be earmarked to 'cash back' the loans to the trust. Such issues will be considered as part of the Council's Treasury Management Strategy.

Impact Assessment

- 3.12 The overall impact of the new Programme is summarised below:
- The investment will increase the number of affordable homes in Selby District and support SDHT in becoming more sustainable;
 - Loans provided to SDHT to support their Programme will provide an income stream to support SDC's revenue budget;
 - The sustainability of the Council's Housing Revenue Account will be improved through appropriate development and the generation of revenue streams from capital receipts and grants from external partners;
 - The 'Housing Development Programme 2017-20 will result in positive training and apprenticeship outcomes through closer working with contractors and Selby College;
 - There will be a short-term positive economic impact for the District due to construction related employment opportunities.

4. Conclusion

- 4.1 The report sets out the opportunity to extend affordable homes delivery beyond that contained in the Council's original Housing Development Programme.
- 4.2 The Programme will generate revenue streams for the Council as a result of loans provided to SDHT, deliver more affordable homes across the district, generate construction training opportunities for residents and sustain the Council's Housing Revenue Account. The Programme will be supported by leveraging additional funding and will improve value for money for local taxpayers.

5. **Background Documents**

Not applicable.

Contact Officers:

Chris Kwasniewski
Housing and Regeneration Manager
Selby District Council
ckwasniewski@selby.gov.uk

James Cokeham
Head of Economic Development and Regeneration
Selby District Council
jcokeham@selby.gov.uk

Appendices:

Appendix A: Summary of the Approved Housing Development Programme
Appendix B: Indicative revised Housing Development Programme