



CABINET REPORT

Report Title	Proposed bid to the Homes and Communities Agency for Round 2 funding for Council house building
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AGENDA STATUS: PUBLIC

Cabinet Meeting Date:	14 th October 2009
Key Decision:	NO
Listed on Forward Plan:	Yes
Within Policy:	Yes
Policy Document:	Yes
Directorate:	Housing
Accountable Cabinet Member:	Councillor Sally Beardsworth
Ward(s)	St David's

1. Purpose

- 1.1 To consider a second prospective bid to the Homes and Communities Agency (HCA) for funding to build new council housing on council owned land.

2. Recommendations

- 2.1 That the Director of Housing, in consultation with the Portfolio Holder, be authorised to confirm the terms of a second bid to the Homes and Communities Agency for grant funding
- 2.2 To approve the extended procurement of the services of Orbit Housing Group partners who assisted the Council with the HCA Round 1 bid.

3. Issues and Choices

3.1 Report Background

- 3.1.1 On the 28th April 2009, the Homes and Communities Agency (HCA) wrote to local authorities inviting them to bid for resources under the Challenge Fund programme. The Challenge Fund was split into two separate rounds. Round 1 deadline was on the 31st July 2009, which the authority submitted a bid for 8 family units at the Woodside Way garage site. On the 9th September 2009, the authority was notified that they had been successful in obtaining £451,913 of HCA grant. The second round of funding has a deadline date of the 31st October 2009 for prospective bids.
- 3.1.2 The second round bid criteria is the same as round one. The authority will have to fund a minimum of 50% of the total scheme costs, with the remaining funds coming from the HCA in the form of grant.
- 3.1.3 Following further option appraisal work, Bondfield Avenue Garage Site has been identified as a potential site for a HCA Challenge Fund round two bid. A capital appraisal bid has been submitted to Finance and will be discussed as part of the Capital Monitoring reports on tonight's agenda.

3.2 Issues

3.2.1 Funding

As the Challenge Fund bidding criteria states, the authority will have to fund a minimum of 50% of the total scheme costs. Based on a feasibility report carried out by POD (see appendix 1), the total scheme costs are £955,259 based on building 6 family dwellings and achieving Code for Sustainable Homes level 4. This would require the authority to prudentially borrow £477,630.

3.2.2 Existing Garage Tenancies

From the remaining 18 garages, 12 are being used. A search of alternative garage sites in the area has been conducted and there are over 70 garage spaces available for existing garage tenants to re-locate to.

3.3 Choices (Options)

Option 1 prudentially borrow to match HCA Grant funding

- 3.3.1 This Option is the preferred option, as it will allow the authority to build homes and manage them. The homes will be within the Housing Revenue Account, but outside the subsidy system. This means rents can be retained to finance the prudential borrowing. This option offers better value for money as local authorities can borrow over longer periods than Registered Social Landlords (RSL) can currently.

- 3.3.2 Appendix 2 illustrates the detail for the financial model. The Assumptions apply subsidy calculations and take into consideration current levels of performance and anticipated improvements in performance. The main risk with this option is if the property is sold under Right to Buy. If the property is sold, the Council could lose a proportion, estimated at up to half of, its capital investment. It is currently understood that if the property is sold, the HCA will claw back its grant although it is not currently known whether the HCA would apply a sliding scale to reduce the clawback in later. Given the fact that the dwellings are new build, it is considered that less maintenance will be required in the earlier years at least.
- 3.3.3 See the table below, which highlights the assumptions used and the calculated revenue impact which is a beneficial impact of £1,578. The detail behind this is shown in appendix 2.

Data	
Void & Bad Debt Levels	3.5%
Average rate of interest on borrowing	4.79%
Management Costs per annum	£494.19
Maintenance Costs per annum	£1,000
Major Repair Costs per annum	£838.30
Total Impact on the HRA	-£1,578

3.3.5 Option 2 Do nothing

This is not the preferred option, as the site would remain under used, and continue to attract anti-social behaviour. Not proceeding with a bid would mean the Council could potentially miss out on £477,629 of HCA Grant funding to help build 6 more affordable family homes.

4. Implications (including financial implications)

4.1 Policy

- 4.1.1 The proposed prudential borrowing as part of the overall scheme will help deliver the following emerging priorities from the 2010-2015 Housing Strategy:

- Deliver well-designed, high quality homes and services; and
- Manage supply and growth for the future of Northampton

4.2 Resources and Risk

- 4.2.1 The 6 dwellings will be owned and managed by the Council, let on secure tenancies and therefore open to the Right to Buy. This means that potential future rent could be lost and HCA grant may have to be paid back. These issues have been raised with the HCA and dialogue is taking place to ensure we fully understand how this will work for local authorities as part of Round 1 submissions.

4.3 Legal

- 4.3.1 None.

4.4 Equality

- 4.4.1 An initial Equality Impact Assessment screening form has been completed. A full impact assessment is not required.

4.5 Consultees (Internal and External)

- 4.5.1 The following departments have been consulted:

- Finance
- Housing

It is proposed that following confirmation of a bid to the HCA, a full consultation exercise will take place with the local community.

4.6 How the Proposals deliver Priority Outcomes

- 4.6.1 The development of the local authority new build scheme will help deliver the following:

Corporate Plan

- Housing health and well-being; and
- Partnerships and community engagement.

Northampton Sustainable Community Strategy 2008-2011

- Living and thriving; and
- Fit and Healthy

Northamptonshire LAA 2008-2011

- NI 155 – Number of Affordable homes delivered

4.7 Other Implications

- 4.7.1 None.

5. Background Papers

- 5.1 HCA Bidding letter and guidance

Appendices

Appendix 1 – Bondfield Avenue Level 1 – Development Appraisal

Appendix 2 - Option 1 Modelling

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