



Report for:	Cabinet
Date of meeting:	19th September 2017
Part:	Part I
If Part II, reason:	n/a

Title of report:	Use of right to buy one for one replacement funding
Contact:	Margaret Griffiths, Portfolio Holder for Housing Elliott Brooks, Assistant Director for Housing David Barrett, Group Manager for Housing Development
Purpose of report:	To seek approval for the payment of “one for one” grant funding to Housing Associations (Registered Providers) delivering affordable housing schemes in the Borough. To seek approval for the payment of “one for one” grant funding to Housing Associations (Registered Providers) delivering affordable housing schemes in the Borough. In addition seek approval to purchase a site known as Garages to the South of 71 – 81 Burns Drive for the purposes of building Council homes and commit expenditure to developing the scheme to build out.
Recommendations	That Cabinet approves the following grant funding payments for affordable housing developments in the Borough: 1. £812,233 to Watford Community Housing Trust for a development known as Goldcroft garage site, Hemel Hempstead. 2. £1,417,000 to Thrive Homes for a site known as land off Two Waters Road, Hemel Hempstead. (Old Hewden Hire site) 3. £133,168 to Hastoe Housing Association for a development known as garage site adjacent to 28 & 30 West Dene, Gaddesden Row, Great Gaddesden. 4. Approve the purchase of the site known as Garages to the South of 71 – 81 Burns Drive, Hemel Hempstead for a sum of £495,000. Agree an additional expenditure of £100,000 for consultant fees to deliver the scheme on this site.

Corporate Objectives:	Delivering Affordable Housing
Implications:	<u>Financial</u> This approach to supporting other organisations developing affordable housing in the Borough will enable us to allocate the funding before the deadline to spend expires.
Value For Money Implications	<u>Value for Money</u> “One for one” receipts paid to Housing Associations by way of a grant provides the means to increase the provision of affordable homes within the Borough at no cost to the Council and assist in avoiding the costs of homelessness by increasing supply.
Risk Implications	If the Council is unable to spend its “one for one” receipts they must be returned to the Government. Should the Council retain receipts and then be unable to spend them within a three year period then interest becomes payable. The recommended model agreement passes this risk onto the receiving Housing Association.
Community Impact Assessment	Community Impact Assessment reviewed/carried out n/a
Health And Safety Implications	Health & Safety is identified as a key risk of the Housing Service and is reported to the Council’s Housing & Communities Overview & Scrutiny Committee on a quarterly basis.
Monitoring Officer/S.151 Officer Comments	<p>Deputy Monitoring Officer:</p> <p>Under the scheme introduced in 2012 investment in new affordable housing can be made by the Council itself or through grant funding registered providers. This decision proposes funding developments by Watford Community Housing Trust, Thrive Homes and Hastoe Housing Association. Officers should ensure that each grant going forward is covered by the grant agreement (referred to in para 5 below) to ensure that the Council’s position is protected and enable it to meet audit requirements.</p> <p>In relation to the purchase of the garage site, the final terms of the purchase contract must be reviewed by the Legal Team prior to completion.</p> <p>Deputy S.151 Officer</p> <p>The award of these grants can be met from the 1-4-1 receipts and will be reported on the pooling return to CLG which is audited on an annual basis by DBC’s appointed external</p>

	<p>auditors.</p> <p>The grant agreement protects the Council from the payment of any interest penalties charged for late delivery of schemes.</p> <p>The purchase of the site identified can be met from within existing approved capital budgets.</p>
Consultees:	<p>Mark Gaynor, Corporate Director of Housing & Regeneration James Deane, Corporate Director Finance & Operations David Skinner, Assistant Director, Finance & Resources Richard Baker, Group Manager, Financial Services David Barrett, Group Manager, Housing Development</p>
Background papers:	n/a
Glossary of acronyms and any other abbreviations used in this report:	n/a

1. Background

- 1.1 The Council signed up to an agreement with the Department for Communities and Local Government, following the government's major increase in the level of potential discount for Right to Buy, which allowed the Council to use the receipts to part fund new affordable homes – the one for one replacement scheme.
- 1.2 The funding has some restrictions:
- It can only cover 30% of the total costs of the development (meaning that the Council or Housing Association has to have available the 70% match)
 - It cannot be used on the cost of land where this is already in the Council or Housing Association's ownership (thus omitting around 25-30% of costs that it can be applied to)
 - It cannot be used on any schemes that are either affordable homes within a s106 agreement or which have received Homes and Communities Agency funding (thus ruling out around 50% of Housing Association affordable homes delivery)
 - It must be spent within three years of receipt
- 1.3 Initially the intention was to use the entirety of these receipts to help fund the Council's own new build programme. Following decisions made by the Government in the Welfare Reform and Work Act 2016, one being a reduction in Council rents by 1% per year for four years, there has been a significant reduction in the available resources within the Housing Revenue Account to directly fund new Council homes.
- 1.4 Funding not spent within the three year window dictated by the government must be returned however the one for one regulations allow for it to be spent

on delivery of additional affordable homes by Housing Associations. It is proposed to avoid having to pay money back. The Council works closely with Housing Associations in the area to fund suitable affordable housing developments which can then be allocated to local people. This is in addition to the spending on the Council's own new build programme.

- 1.5 The level of Right to Buy sales has grown very quickly and has remained at around 100 per year for the past 3 years – this generates a level of receipt that the Housing Revenue Account is unable to match fund in order to spend it all within the three years. The rules of the scheme mean that it can only be used to cover 30% of overall costs and the level of receipts is so high that we will have to return some of the receipt. The importance of working with Housing Associations has grown as have the grant levels to distribute. For this reason it is felt that a more formal agreement on schemes moving forward should be captured in a form of agreement that facilitates the development of the new homes whilst protecting the Council from interest costs should the grant agreed not be spent in time, transferring this risk to the Housing Association.
- 1.6 Working in partnership with Housing Associations we are looking to avoid any money going back to Government and therefore have been seeking opportunities to support affordable housing schemes in the borough. The Council has in place regular monitoring meetings on both a monthly and quarterly basis involving senior officers from Housing and Finance all to ensure there is a robust programme for allocating the receipts that have been accepted by the Council. This report seeks approval to allocate “one for one” grant funding to the following organisations that have currently submitted applications to us for funding.

2. Watford Community Housing Trust (WCHT) – Goldcroft Garage Site - £812,233

WCHT have submitted an application for £812,233 in grant funding for the provision of 11 flats (2 x One Bed & 9 x Two Bed) for Affordable Housing. WCHT propose that this grant is spent on purchasing the site no later than Q2 2017/18 (£270,000) and construction completing by Q4 2018/19 (Stage payments totalling £542,233)

3. Thrive Homes – Land off Two Waters Road, Hemel Hempstead (Old Hewden Hire site) - £1,417,000

Thrive Homes have submitted an application for £1,417,000 for grant funding for the provision of 29 flats (16 x One Bed & 13 x Two Bed) for Affordable Housing (Rent to Homebuy). Thrive Homes propose that this grant is spent on purchasing the site, no later than by the end of Q3 2017/18.

4. Hastoe Housing Association – Garage site adjacent to 28 & 30 West Dene, Gaddesden Row - £133,168

Hastoe have submitted an application for £133,168 for grant funding for the provision of 4 x Two Bed houses for Affordable Housing to be available no later than the end of Q4 2017/18.

5. Grant funding these schemes has been agreed in principle by the Council's Finance Department and fits within the profile of receiving and using one for one receipts. A formal agreement drawn up by the Council's Legal team was agreed as a template through a recent Portfolio Holder decision signed by the Council's Portfolio Holder for Housing. Each scheme will have its own agreements which following approval will be signed by both the Council and the individual Housing Association. This agreement commits the Council to make the payments at agreed timescales and places an obligation on the Housing Association to spend the funding within specific timescales or otherwise face financial penalties.

Not paying the grant out and essentially returning funding to the Government has been rejected because it would mean that less affordable housing was available in the Borough, and retaining the grant without protecting the Council should it not be spent would incur interest payments to the Government.

6. Contained within the New Build Housing Development Team is a budget of £6m for purchasing land during 2017/18. Progress is being made on a number of opportunities across the Borough. A site has become available on the open market known as Garages to the South of 71 – 81 Burns Drive, Hemel Hempstead . Our offer to purchase the site for the sum of £495,000 has been accepted by the seller. The site currently contains garage blocks but has a full planning approval to build 6 two bedroom flats. This site represents a good opportunity to add additional Council homes and can be part funded through use of the one for one grant funding. At the time of submitting this report we are in the process of obtaining a Royal Institute of Chartered Surveyors valuation for the site to validate our bid price and although the final report has not been received the initial indication is that the land is valued at approximately £500,000. In addition approval is required to agree £100,000 for consultancy services to develop the scheme and build out. These services would include Employers Agent (Project Management), Principal Designer and Construction Design and Management Advisor. Once tender prices have been obtained we will then seek approval to award the contract to build out the scheme.

7. **Recommendation**

That individual grant agreements be made with, and payments made to, the following Housing Associations:

Watford Housing Community Trust for Goldcroft garage site of £845,000 to be drawn from one for one receipts.

Thrive Homes for Land off Two Waters Road, Hemel Hempstead (Old Hewden Hire site) of £1,417,000 to be drawn from one for one receipts.

Hastoe Housing Association for the garage site adjacent to 28 & 30 West Dene, Gaddesden Row of £133,168 to be drawn from one for one receipts.

Approve the purchase of land known as Garages to the South of 71 – 81 Burns Drive, Hemel Hempstead for a sum of £495,000 and approve the sum of £100,000 for consultancy services to commence deliver of a Council housing scheme on this site.