



Report for:	Cabinet
Date of meeting:	30 January 2018
Part:	Part I
If Part II, reason:	n/a

Title of report:	Use of right to buy one for one replacement funding
Contact:	<p>Cllr Margaret Griffiths, Portfolio Holder for Housing</p> <p>Elliott Brooks, Assistant Director for Housing</p> <p>David Barrett, Group Manager for Housing Development</p>
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.
Recommendations	<p>That Cabinet approves the following grant funding payments for affordable housing developments in the Borough:</p> <ol style="list-style-type: none"> 1. £3,270,169 to Hightown Housing Association for a development known as Viking House, Swallowdale Lane, Hemel Hempstead. 2. £2,264,854 to Hightown Housing Association for a development known as 66 Books, Wood Lane End, Hemel Hempstead. 3. £1,335,000 to Thrive Homes for 5 No Garage Sites in Hemel Hempstead known as Futherground, Great Heart, Leys Road, Micklefield Road and Middleknights. 4. £720,000 to Thrive Homes for a development known as Spencer’s Park, Hemel Hempstead. 5. £2,950,000 to Thrive Homes for a development known as Hempstead House, Hemel Hempstead. 6. In addition, this recommendation authorises a +/- 5% adjustment to the stated cost figures as a contingency sum should the Housing Association revise their cost data as these are based on current

	<p>estimates which could adjust as the project develops.</p> <p>7. That Cabinet recommends to Council supplementary Capital budgets funded by “one for one” receipts for the Affordable Housing Development fund as follows:</p> <table> <tr> <td>2017/18</td> <td>£3,375,000</td> </tr> <tr> <td>2018/19</td> <td>£4,870,000</td> </tr> <tr> <td>2019/20</td> <td>£1,629,000</td> </tr> <tr> <td>2020/21</td> <td>£625,000</td> </tr> <tr> <td>2021/22</td> <td>£42,000</td> </tr> </table>	2017/18	£3,375,000	2018/19	£4,870,000	2019/20	£1,629,000	2020/21	£625,000	2021/22	£42,000
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Corporate Objectives:	Delivering Affordable Housing										
Implications:	<p><u>Financial</u></p> <p>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.</p>										
Value For Money Implications	<p><u>Value for Money</u></p> <p>“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.</p>										
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	<p>Community Impact Assessment reviewed/carried out</p> <p>n/a</p>										
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.</p> <p>This decision proposes the funding of several developments by Hightown Housing Association and Thrive Homes.</p> <p>Officers should ensure that each grant going forward is covered by the grant agreement (referred to in para 7 below) to ensure that the Council’s position is protected and enable it to meet audit requirements.</p> <p>Deputy S.151 Officer</p>										

	These grant payments can be met from 1-4-1 receipts.
Consultees:	Mark Gaynor, Corporate Director of Housing & Regeneration James Deane, Corporate Director Finance & Operations Caroline Souto, Financial Planning & Analysis Team Leader, Financial Services David Barrett, Group Manager, Housing Development Oliver Donohoe, Housing Development Officer, Housing Development
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. Hightown Housing Association – Viking House, Swallowdale Lane, Hemel Hempstead - £3,270,169

Hightown Housing Association have submitted an application for £3,270,169 in grant funding for the provision of 57 Flats (26 x One Bed & 31 x Two Bed) for Affordable Housing (Affordable Rent and Intermediate Rent). This application will be drawn down as follows:

2017/2018 £471,326.00

2018/2019 £2,008,431.00

2019/2020 £726,533.00

2020/2021 £63,879.00

The cost data provided is based on the Housing Associations current estimate. An additional +/- 5% cost adjustment as a contingency sum should be included in addition to the stated figures.

3. Hightown Housing Association – 66 Books, Wood Lane End, Hemel Hempstead - £2,264,854

Hightown Housing Association have submitted an application for £2,264,854 in grant funding for the provision of 5 x Two Bed Houses, 4 x Three Bed Houses and 17 x Two Bed Flats for Affordable Housing (Affordable Rent). Hightown Housing Association proposes that this grant will be drawn down as follows:

2017/2018 £68,527.50

2018/2019 £691,405.50

2019/2020 £902,272.20

2020/2021 £560,721.30

2021/2022 £41,927.00

The cost data provided is based on the Housing Associations current estimate. An additional +/- 5% cost adjustment as a contingency sum should be included in addition to the stated figures.

4. Thrive Homes – 5 No Garage Sites in Hemel Hempstead known as Furtherground, Great Heart, Leys Road, Micklefield Road and Middleknights Road. - £1,335,000

Thrive Homes have submitted an application for £1,335,000 for grant funding for the provision of the following units on garage sites that the Council has agreed to sell to them:

Furtherground - 2 x Two Bed Houses and 2 x One Bed Flats (Rent to Homebuy)

Great Heart - 3 x Two Bed Houses and 1 x One Bed Flat (Rent to Homebuy)

Leys Road - 2 x Three Bed Houses, 4 x Two Bed Flats and 1 x One Bed Flat (Rent to Homebuy)

Micklefield Road - 3 x Two Bed Houses and 1 x One Bed Flat (Rent to Homebuy)

Middleknights Road - 2 x Three Bed Houses and 3 x Two Bed Houses (Rent to Homebuy)

Thrive Homes proposes that this grant will be drawn down as follows:

2017/2018 £585,000.00

2018/2019 £750,000.00

The cost data provided is based on the Housing Associations current estimate. An additional +/- 5% cost adjustment as a contingency sum should be included in addition to the stated figures.

5. Thrive Homes – Spencer’s Park, Hemel Hempstead - £720,000

Thrive Homes have submitted an application for £720,00 in grant funding for the provision of 9 Flats (2 x One Bed & 7 x Two Bed) for Affordable Housing (Rent to HomeBuy).

Thrive Homes proposes that this grant will be drawn down as follows:

Q3 2018/2019 £720,000.00

The cost data provided is based on the Housing Associations current estimate. An additional +/- 5% cost adjustment as a contingency sum should be included in addition to the stated figures.

6. Thrive Homes – Hempstead House, Hemel Hempstead - £2,950,000

Thrive Homes have submitted an application for £2,950,00 in grant funding for the provision of 63 x One Bed Flats for Affordable Housing (Rent to HomeBuy).

Thrive Homes proposes that this grant will be drawn down as follows:

2017/2018 £2,250,000.00

2018/2019 £700,000.00

The cost data provided is based on the Housing Associations current estimate. An additional +/- 5% cost adjustment as a contingency sum should be included in addition to the stated figures.

7. 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

8. Recommendation

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

Hightown Housing Association for Viking House of £3,270,169 to be drawn from one for one receipts.

Hightown Housing Association for 66 Books, Wood Lane End, Hemel Hempstead of £2,264,854 be drawn from one for one receipts.

Thrive Homes for the 5 No Garage Sites in Hemel Hempstead known as Furtherground, Great Heart, Leys Road, Micklefield Road and Middleknights Road of £1,335,000 to be drawn from one for one receipts.

Thrive Homes for Spencer's Park of £720,000 to be drawn from one for one receipts.

Thrive Homes for Hempstead of £2,950,000 to be drawn from one for one receipts.

In addition, this recommendation authorises a +/- 5% adjustment to the stated cost figures as a contingency sum should the Housing Association revise their cost data as these are based on current estimates which could adjust as the project develops.

Cabinet is also requested to recommend to Council supplementary capital budgets funded from "one for one" receipts for the Affordable Housing Development Fund. The budgets will be in line with the payments detailed above, and will be as follows:

2017/18	£3,375,000
2018/19	£4,870,000
2019/20	£1,629,000
2020/21	£625,000
2021/22	£42,000