



Report for:	Cabinet
Date of meeting:	15th February 2021
Part:	1
If Part II, reason:	

Title of report:	Homes England Funding for Housing Development
Contact:	Cllr Margaret Griffiths, Portfolio Holder for Housing Cllr Graeme Elliot, Portfolio Holder for Finance James Doe, Strategic Director of Place Fiona Williamson, Assistant Director Housing Nigel Howcutt, Chief Finance Officer David Barrett, Housing Development Group Manager Farida Hussain, Group Manager (Legal and Corporate Services), Legal Governance Management
Purpose of report:	To approve the draw down of funds from Homes England for Housing Development purposes via delegated authority.
Recommendations	That Cabinet agrees to delegate authority to the Chief Finance Officer and Strategic Director of Place, following consultation with the Portfolio Holders for Housing and Finance and Resources, to draw down grant funding in relation to all successful bids for funding via the Affordable Homes Programme 2021 to 2026 which is administered by Homes England.
Period for post policy/project review	There will be a 12-month defect liability period after practical completion. A 2 year review period is recommended for this project.
Corporate objectives:	Delivering Affordable Housing
Implications:	<u>Financial</u> This funding will assist in supporting the delivery of the Council's new homes programme and will complement the 141 receipt that supports the programme and reduce pressure on the HRA capital budget.
'Value for money' implications	<u>Value for money</u> Each project has been, or will be, awarded to a contractor after going through a procurement programme involving a robust tender process.

Risk implications	A risk assessment is completed for these projects by the Project Manager / Employers Agent and reviewed monthly from the award of the contract.
Community Impact Assessment	A Community Impact assessment is not required. Homes are developed and allocated in line with the demand for social housing and replicate the criteria for assessment, as set out in the Council's Allocation Policy, which has had a full assessment.
Health and safety Implications	<p>Each new build scheme has in place a Principal Designer and Construction Design and Management Regulations (CDM) Advisor. Contractors are required to comply with the Council's Health and Safety (H&S) policy along with Considerate Constructors requirements.</p> <p>Health & Safety is identified as a key risk of the Housing Service and is reported to the Council's Housing and Communities Overview and Scrutiny Committee on a quarterly basis. To ensure compliance, monthly site checks carried out on behalf of DBC as the client to ensure adherence to H&S procedures.</p>
Monitoring Officer/ S.151 Officer Comments	<p>Deputy Monitoring Officer:</p> <p>Officers should ensure that any grant agreement entered into is reviewed by Legal and that compliance with grant conditions is monitored.</p> <p>S.151 Officer</p> <p>The housing Service applies or Homes England Grants on all eligible developments and the Council utilises any grant funds in conjunction with other funding streams to maximise the use of available resources.</p>
Consultees:	<p>James Doe, Strategic Director of Place</p> <p>Fiona Williamson, Assistant Director Housing</p> <p>Nigel Howcutt, Chief Finance Officer</p> <p>David Barrett, Group Manager, Housing Development</p> <p>Farida Hussain, Group Manager (Legal and Corporate Services), Legal Governance Management</p> <p>Andrew Linden, Team Leader, Commissioning, Procurement & Compliance</p>
Background papers:	N/A
Glossary of acronyms and any other abbreviations used in this report:	<p>HRA Housing Revenue Account</p> <p>CDM Construction Design and Management Regulations</p> <p>H&S Health and Safety</p> <p>IMS Investment Management System</p> <p>DLUHC Department for Levelling Up Housing and Communities</p> <p>MMC Modern Methods of Construction</p> <p>SME Small and Medium Enterprises</p>

1. Executive Summary:

- 1.1 Subject to successful applications, this report seeks approval to accept grant funding via delegated authority. The funding stream is provided by The Department for Levelling Up Housing and Communities (DLUHC), Affordable Homes Programme 2021 to 2026 and is administered by Homes England. The initial schemes that will be submitted for consideration are new build affordable housing projects at Randalls Ride, St Margaret's Way and 5 No Garage Sites.

2. Introduction/Background:

- 2.1 The Affordable Homes Programme 2021 to 2026 provides grant funding to support the capital costs of developing affordable housing for rent or sale. As the Government's housing accelerator, Homes England is making available £7.39 billion from April 2021 to deliver up to 130,000 affordable homes by March 2026 outside of London.
- 2.2 To receive grant funding, an organisation needs to be a qualified Investment Partner of Homes England. Dacorum Borough Council has recently achieved this status and been accepted as Investment Partners.
- 2.3 The route to funding is via a scheme by scheme bidding process through continuous market engagement. This route allows providers to apply for funding for individual schemes. All schemes funded must have started on site by 30 September 2025 and be completed by 31 March 2026.
- 2.4 The funding targets support the following strategic objectives:
 - Placing significant focus on and investment in Modern Methods of Construction (MMC)
 - Encouraging uptake of the National Design Guide, which is part of the government's collection of planning practice guidance within the National Planning Policy Framework.
 - Improving the energy efficiency and sustainability of new affordable housing supply.
 - Encouraging the use of SME contractors.
- 2.5 To allow for this, some of these elements are included in the assessment criteria for funding applications. All providers successful in bidding will be required to enter a grant agreement with Homes England.
- 2.6 Applications for affordable housing funding through continuous market engagement are known as bids. Bids are submitted through the Homes England Investment Management System (IMS). There is no fixed bidding round for this fund. Bids can be submitted on a rolling basis from opening for as long as there is funding available. Bids are assessed on an individual basis and should aim to ensure that the following is achieved:

- Meet the government's aspirations to increase the levels of affordable homes and home ownership
- Offer good value for money where costs are minimised
- Have good and demonstrable prospects of early delivery and within the programme timescale
- Where achievable, meet the wider strategic objectives of the programme, particularly the use of Modern Methods of Construction

3. Key Issues

- 3.1 The Housing Development Team is in the process of seeking funding for three projects. Homes England has advised that, in order to attract the maximum grant funding, the optimum time for a formal submission is once tenders have been returned and a construction partner has been identified. The schemes considered initially are:
- 3.2 30 units at Randall's Ride, Hemel Hempstead
46 units St Margaret's Way, Hemel Hempstead
25 units across 5 No Garage Sites
- 3.3 The intention is to apply for a funding level of approximately 40% of the project cost (not including land costs or any re provision of existing units).
- 3.4 Applications for funding are to be made for 'firm' schemes which have been fully identified and details of the planned development confirmed (site, cost, tenure mix, delivery timeline, etc) and planning permission has been achieved. Bids must be submitted with a best and final offer and full details provided through IMS.
- 3.5 Homes England scores all scheme proposals against regional and scheme type averages. These averages are used as benchmarks to compare the levels of grant requested (for example, against the average grant requested locally and nationally for similar schemes) and what the scheme will deliver, (for example, grant requested relative to the size of the homes being built), to ensure bids are competitive on both costs and outputs.
- 3.6 The two key elements to assessment are cost minimisation and deliverability, with further qualitative assessment against the strategic objectives of the fund. Homes England assesses how proposed developments meet the wider strategic objectives of the fund and prioritises schemes which help to deliver these objectives. This will be done both through qualitative assessment and by acknowledgement of justifiable variations in the quantitative assessment on cost and delivery.
- 3.7 Cost minimisation - the primary assessment metric is grant per home. This is benchmarked against national, local and scheme type averages to ensure bids are competitive on both costs and outputs.
- 3.8 Deliverability - to ensure the scheme can be delivered within the funding timeframe, deliverability will take account of the level of planning, land

ownership and progress on contracting at the point of bidding. Past performance for current partners will also be considered as well as forecasts from comparable schemes for new partners. Bids will also be tested on how they are supporting local authorities in meeting local housing needs.

- 3.9 Following the execution of the contract, Homes England will pay out grant against the achievement of delivery milestones – 40% on site acquisition, 35% on start on site and 25% on practical completion.
- 3.10 All partners are required to report on delivery at regular intervals. This includes data and metrics relating to the strategic priorities of the Affordable Homes Programme.
- 3.11 As part of the programme and contract management, Homes England also carries out an annual procedural compliance audit on a sample of schemes to ensure requirements have been met.
- 3.12 Homes England publishes information relating to the costs and expenditure of schemes funded through the Affordable Homes Programme. As a condition of funding, there are contractual obligations for partners around sharing and the publishing of this information. Partners who are awarded funding of more than £3million also need to publish details of expenditure over £500 relating to their development schemes every quarter, which Homes England may also publish.
- 3.13 Partners are required to supply information about development costs and agree that Homes England can verify this on an 'open book' basis at any stage.

4. Conclusions:

- 4.1 At the appropriate point in the life of a project, the Housing Development team in conjunction with Finance Department will look to apply for grant funding to support the projects up to a level of 40% of the total project cost (not including land costs or any requirement to replace existing units). On receipt of a formal offer from Homes England delegated authority to accept the grant will be obtained.

5. Recommendations:

- 5.1 To delegate authority to the Chief Finance Officer and Strategic Director of Place following consultation with the Portfolio Holder for Housing and Finance and Resources to draw down grant funding. This is in relation to achieving successful bids for funding via the Department for Levelling Up Housing and Communities (DLUHC), Affordable Homes Programme 2021 to 2026 which is administered by Homes England.