

Eden District Council

Executive

7 July 2015

Affordable Housing and Innovation Fund

Reporting Officer: Communities Director

Responsible Portfolio: Housing and Health

1 Purpose of Report

- 1.1 To receive the recommendations of the Housing Portfolio Holder and the Eden Housing Advisory Board in respect of the bids received under the Council's Affordable Housing and Innovation Fund (The Fund).

2 Recommendation:

That the following bids under the Affordable Housing and Innovation Fund are approved:

1. Scheme at Threlkeld requiring £328,000 funding as set out at paragraph 3.6 of this report.
2. Scheme at William Street, Penrith requiring £358,442 funding as set out at paragraph 3.7 of this report.
3. Scheme at Brent Road, Penrith requiring £188,218 funding as set out at paragraph 3.8 of this report.
4. £10,400 is transferred from the affordable housing fund to fund the over commitment of the fund in 2015-2016.

3 Report Details

- 3.1 The Affordable Housing Innovation Fund was established following agreement of Council at a meeting of 18 September 2014 (CD81/14) and agreed the following recommendations:
- That a fund of one million pounds is established for the delivery of affordable housing across the district on the terms set out in this report.
 - Loan repayments are re-invested in the fund.
- 3.2 Bidding to the fund closed on 5 January 2014 and bids for four schemes were received by the deadline.
- 3.3 The bids were scrutinised by a sub group of the Housing Board which included the Portfolio Holder for Housing. The sub group agreed that the bids were all capable of development over time and has requested that further work be undertaken to develop two of the bids for possible future re-submission to The Fund. The sub group questioned whether The Fund was

required for the delivery of a further bid (Penrith, 5 bungalows) but requested that this issue be pursued with the bidder. The final bid (Penrith, 4 units) was fully supported and recommended that this bid be approved. This project (Pategill Stores) is now being fully worked up and a loan agreement between the council and Eden Housing Association is currently being developed.

- 3.4 The Portfolio Holder for Housing in particular was very pleased with the results of the first bid round and felt that the creation of The Fund had placed the Council in a very strong position to guide and influence the delivery of affordable housing in the district in to the future.
- 3.5 More information was passed to officers about the bids that were not selected for immediate approval (due mainly to concerns about deliverability) and further detail of these bids was considered by the Housing Board sub group on 14 April. The detail of each bid has been scrutinised by NPS who provide specialist surveying advice for the council on issues relating to affordable housing. The group agreed that the following bids should be approved for funding from The Fund:
 - 3.6 **Land opposite Dalegarth, Threlkeld** - This scheme is for the development of 7 affordable homes (five 2 bedroom houses and two 1 bedroom flats) on a site at the edge of the village which is in the LDNPA and Eden Housing Association have submitted a bid to the Innovation Fund of £328,000.
 - 3.6.1 The land owner has been granted outline planning consent by Lake District National Park Authority for a scheme comprising 2 x local need properties and 7 x affordable units (LDNPA ref 7/2014/3091). Eden Housing Association are submitting a bid to the fund to help finance the delivery of the 7 affordable homes.
 - 3.6.2 The nature of the site means that significant groundwork will be required including 'piling' as well as an effective surface water attenuation scheme.
 - 3.6.3 NPS (surveyors) have confirmed that Eden Housing Association's project cost plan is based on the usual requirement for the cash flow to break even after 30 years. The Homes and Communities Agency have expressed enthusiasm for EHA to submit a bid to them for funding as they have received an extremely low number of applications for rural schemes in Cumbria in recent years. The remaining costs of the scheme will be funded by a commercial loan and funding from the council's Innovation Fund (25 year loan).
 - 3.6.4 The Housing Board sub group fully support this bid on the grounds that it will provide essential financial support to deliver much needed affordable housing in a rural location.
 - 3.7 **William Street, Penrith** - This scheme is for the development of 8 affordable homes (5 x 2 bedroom houses and 3 x 1 bedroom flats). Eden Housing Association have bid for £358,442 from the Affordable Housing and Innovation Fund.
 - 3.7.1 A small part of the site is already owned by Eden Housing Association (EHA) but the remainder of the site is in private ownership. The development would

require the demolition of two terraces of single storey garages with associated hard standing area. A purchase price has been provisionally been agreed with the owner and EHA have negotiated a price that could see the site delivered as much needed affordable housing rather than the site being sold to a private developer for the delivery of market housing. Construction will include costs of demolition and the clearance of contamination.

- 3.7.2 Eden HA's project cost plan is based on the usual requirement for the cash flow to break even after 30 years. Around one fifth of the capital funding for the project will come from a grant from the Homes and Communities Agency and the rest will be funded by a commercial loan and loan funding from the Innovation Fund. NPS have reviewed the project costs of the scheme and confirm that in their view the valuations, costs and assumptions put forward are within the range expected.
- 3.7.3 The Housing Board sub group fully support this bid on the grounds that it will provide essential financial support to deliver much needed affordable housing in the town centre with a parking space for each home and each house will have its own garden both of which are unusual for town centre affordable housing.
- 3.8 **Brent Road, Penrith** - This scheme is for the development of 5 two bedroom bungalows for people over the age of 55. Eden Housing Association have bid for £188,218 from the Affordable Housing and Innovation Fund.
 - 3.8.1 This scheme will be built on land that is already in the ownership of Eden Housing Association and which comprises of single storey garages. The scheme will however also require the purchase of a small piece of land at the front of the site which is in the ownership of Eden District Council which does not contain any existing buildings. Disposal of this land was previously agreed by Council for the delivery of affordable housing but a final purchase figure still requires to be agreed between the two parties but which is expected to be in the region of £16,000 from previous valuations. There is woodland to the rear of this proposed development which is highly valued by the local community and this development will not disturb this in any way.
 - 3.8.2 This scheme has been in development for a number of years but it has not previously been possible to make the scheme stack up financially due to the high costs of building bungalows. The use of the Innovation Fund will provide the final piece of the financial jigsaw that could see the delivery of these bungalows, which are expected to be in high demand particularly from those who wish to downsize from larger accommodation.
 - 3.8.3 As part of the site required for this development will require disposal of land owned by Eden District Council the usual Community Right to Bid (CRTB) process will be initiated before disposal. The CRTB provides a mechanism for local communities to express an interest in purchasing public land. This process will continue as normal and will not be negatively affected by supporting this scheme through the Innovation Fund. In essence, if a bid is accepted under the CRTB then the disposal of the land to Eden Housing Association for affordable housing would not proceed and the sub group of the Housing Board was clear that its support for this scheme should in no way be seen as influencing decision making under the CRTB process. This

scheme has been included in this report to provide a funding mechanism for the land should the CRTB process not result in the land being sold to the local community.

- 3.8.4 EHA's cost plan is based on the usual requirement for the cash flow to break even after 30 years. Funding has been secured from the HCA and EHA's own funding with the remaining 50% of the cost being split between a commercial loan and the council's Innovation Fund loan.
- 3.8.5 NPS have confirmed that the valuations, costs and assumptions put forward in their business plan are within the range expected.
- 3.9 If the recommendation from the Portfolio Holder and the Sub-Group of the Housing Board to approve these bids for funding are agreed then officers will work with the successful bidder to work up the final detail of the schemes. A formal loan agreement will be required between the Council and the Housing Association that will set out issues such as loan repayments and security, timescales for delivery and all other material issues. The Director of Corporate and Legal Services will require to be satisfied that the funding agreement is in an appropriate and proper form in consultation with other officers. Planning approval will be required for all of these developments and this process will not be affected by the approval of funding for the schemes through the Affordable Housing and Innovation Fund.

4 Policy Framework

- 4.1 The Council has four corporate priorities which are:
 - Decent Homes for All
 - Strong Economy, Rich Environment
 - Thriving Communities
 - Quality Council
- 4.2 This report meets the Decent Homes for All corporate priority.
- 4.3 This report addresses affordable housing strategic action in the Council Plan.
- 4.4 This report helps to meet the Housing Strategy adopted policy of the Council.

5 Implications

5.1 Legal

- 5.1.1 Any funding provided to a third party will require to be subject to a formal agreement setting out the terms for repayment and the conditions of the funding.
- 5.1.2 The scheme at Brent Road will require the sale of land owned by Eden District Council to Eden Housing Association to enable the delivery of this project but the processes required under the Community Right to Bid will be fully followed before any disposal is considered.

5.2 Financial

- 5.2.1 Any decision to reduce or increase resources must be made within the context of the Council's stated priorities, as set out in its Council Plan 2015-19 as agreed at Council on 16 April 2015.
- 5.2.2 The Fund was established by agreement of Council at its meeting of 18 September 2014 and report CD81/14 set out how the fund was to be created. Council also agreed that any repayments of loans made under The Fund would be paid into The Fund for distribution through future bidding rounds.
- 5.2.3 Repayments are made against loans issued (as previously agreed). For example once £1m has been loaned out this will result in loan repayments to The Fund of £40,000. The repayments are made at 1% above base rate bringing additional income to the council.
- 5.2.4 Payments from the Affordable Housing and Innovation Fund have now been made (or are proposed in this paper) as follows:
- Pategill Stores £135,740 (previously agreed)
 - Threlkeld £328,000 (proposed)
 - William Street £358,442 (proposed)
 - Brent Road £188,218 (proposed)
- 5.2.5 If agreed this would see £1,010,400 committed from the Affordable Housing and Innovation Fund which was originally created as a £1m fund to help the delivery of affordable housing. It has previously been agreed however that repayments made against loans and through the use of commuted sums from other housing schemes where affordable housing was not delivered on site (such as the McCarthy and Stone site) which will see a substantial financial contribution to the council for the delivery of affordable housing be invested in future bidding rounds for the fund.
- 5.2.6 The recommended payments will over commit the fund by £10,400. It is therefore recommended that £10,400 is transferred from the affordable housing fund to fund the over commitment of the fund in 2015-2016. As part of the 2015-16 budget £616,750 of New Homes Bonus was used to fund a contribution to the affordable housing fund. The £10,400 can be funded from this.

5.3 Equality and Diversity

- 5.3.1 The Council has to have regard to the elimination of unlawful discrimination and harassment and the promotion of equality under the Equality Act 2010 and related statutes.
- 5.3.2 There are no equality and diversity issues arising from this report.

5.4 Environmental

- 5.4.1 The Council has to have due regard to conserving bio-diversity under the Natural Environment and Rural Communities Act 2006.
- 5.4.2 There are issues arising from this report.

5.5 Crime and Disorder

5.5.1 Under the Crime and Disorder Act 1998 the Council has to have regard to the need to reduce crime and disorder in exercising any of its functions.

5.5.2 There are no implications arising from this report.

5.6 Children

5.6.1 Under the Children Act 2004 the Council has to have regard to the need to safeguard and promote the welfare of children in the exercise of any of its functions.

5.6.2 The delivery of new affordable housing for families will help promote the welfare of children who are part of families in housing need including those living in overcrowded homes.

5.7 Risk Management

5.7.1 The delivery of any housing project brings with it a range of challenges such as obtaining planning consent and a rise in build costs. These could be regarded as risks but these will be mitigated through the development of the loan agreement and careful project management.

6 Reasons for Decision/Recommendation

6.1 The three bids proposed for approval would see the delivery of a further 20 new affordable homes which are much needed in the district.

6.2 The Affordable Housing and Innovation Fund was established to help promote the delivery of affordable housing and to put the council at the heart of helping to decide those schemes that will be delivered in the district. The fact that the funding for these homes is being delivered as a loan means that around £40,000 will be repaid back in to The Fund each year for 25 years.

6.3 Along with the 4 affordable homes already agreed for funding under the scheme it can be seen that The Fund has succeeded in its aspirations and it is hoped that a further bidding round will be initiated this year once the funding available for the delivery of further affordable housing is clearer.

Ruth Atkinson
Communities Director

Governance Checks:

Checked by or on behalf of the Chief Finance Officer	✓
Checked by or on behalf of the Monitoring Officer	✓

Background Papers:

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