



CONFIDENTIALITY

The contents of the appendix to this report qualifies as exempt information under section 100(A)(4) and paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 as it is “*information relating to the financial or business affairs of any particular person (including the authority holding that information)*”
and

2) In relation to the “exempt” information, it has been determined that the public interest in maintaining the exemption outweighs the public interest in disclosing the information because disclosure would adversely affect the authority’s ability to manage its commercial financial and business affairs. Accordingly, it is proposed that the appendix shall remain exempt.

URN: 22-297

Subject: Council Homes Programme Update

Report to: ELT 8 March 2023
Housing and Neighbourhoods Committee 16 March 2023
Full Council 23 March 2023

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SUBJECT MATTER

This report provides an update on the work being undertaken to increase the Council’s portfolio of housing stock held within the Housing Revenue Account. The report and attached confidential appendix detail two further opportunities and seek Committee recommendations to Full Council as detailed below.

RECOMMENDATIONS

That Council:

1. Approve, subject to the Council’s conditional offer set out in the Confidential Appendix being accepted, the drawdown of the expenditure required to acquire the eight new homes at East Wood from Equinox Enterprises Ltd.
2. Approve the increased budget as set out in the confidential appendix to complete the conversion works to the Charter House Boiler House to form one new wheelchair accessible home.
3. Delegate decisions and total expenditure of £1,643,614 in relation to recommendations above and in accordance with the Property Acquisitions and Disposals Policy to an Executive Director and Section 151 Officer.

1. Introduction

- 1.1 The Council's Housing Strategy 2018-2023 sets out the Council's intentions to take a proactive approach in housing delivery and setting strategic objectives in relation to provisions of new, quality homes of different tenures, improving the quality of the Council's own housing stock and meeting the needs of vulnerable households. In addition to acquisitions of open market properties purchased using Right to Buy receipts and the building of new homes, the Council is open to acquiring affordable homes which are designed and constructed to the Council's requirements through Section 106 Agreements.
- 1.2 Following a report to Housing and Neighbourhoods Committee in November 2019 outlining the intentions to implement a 'Council Homes Programme', Full Council, upon submission of the HRA Budget Report 2021-2022, approved the use of £500,000 from the year on year reduction in spend on responsive day to day repairs and maintenance budget, to support borrowing in 2020/21 and the following two financial years to fund the acquisition and development of new Council homes. This 'Council Homes Programme' was to include the acquisition of Section 106 homes from developers and additional homes where they meet the Council's standards and need. To date this budget has not been utilised and has rolled forwards accordingly.

2. East Wood, Beacon Park, Gorleston

- 2.1 East Wood is a new housing development located at Beacon Park, Gorleston. Phase one comprising 66 homes has been successfully completed by the Council's wholly owned development company Equinox Enterprises Limited. Planning permission for a further 61 homes has been approved, 44 to be delivered in Phase 2A and a further 17 in Phase 2B, of which 7 are allocated as affordable homes under the Section 106 agreement.
- 2.2 A conditional offer has been made to purchase eight homes in total, the affordable housing requirement of six homes for affordable rent, one for shared ownership, plus an additional 'open market' home that will then become an additional home for shared ownership. The properties comprise 6 two bedroomed homes and 2 homes with three bedrooms. The properties are all semi-detached houses.
- 2.3 The offer was made as the design of the scheme and information on the specification of the homes reflected the Council's requirements for new build homes within the HRA. The Council's offer reflects the fact there should be no public grant used to acquire the homes.
- 2.4 Six of the homes are estimated to be completed in Summer 2024 with the remaining two from Phase 2B estimated for completion in Summer 2025. All homes will comply with Nationally Described Space Standards and have a projected energy efficiency rating of A.
- 2.5 Plans and elevation drawings can be found at Appendix A.

3. Charter Close Boiler House, Gorleston

- 3.1 In July 2021, Housing and Neighbourhoods Committee recommended approval of a budget to convert a disused boiler house at Charter Close to a one bedroomed accessible bungalow.
- 3.2 The original plans included incorporating space currently used as a communal laundry facility as part of the new home and provision of a new laundry room adjacent. The approval to proceed was subject to the overall scheme being viable. When taking into account cost rises within the

construction industry and the additional expenditure relating to the new laundry room, an element that could not be funded by Homes England or Right to Buy Retained Receipts, the scheme became unviable to deliver.

- 3.3 A review of Sheltered Housing carried out by Tenancy Services and presented to Committee in May 2022 included consultation with tenants regarding facilities provided and highlighted the under-use of communal laundry rooms. It was considered that the benefit of a new home outweighed the minimal use of the existing laundry room and the costs to provide a new one for such low usage. All affected tenants have been visited and written to regarding the closure of the laundry room.
- 3.4 Amendments to the existing planning permission were required and have now been approved.
- 3.5 The Council have been successful in an application to the Brownfield Land Release Fund to cover costs of demolition of the large redundant chimney stack and asbestos removal. As this funding is time bound, this work will be instructed upon and completed ahead of the main conversion works.
- 3.6 A photo of the building can be found at Appendix B.
- 3.7 Due to industry wide cost increases, the estimated costs to deliver the remainder of the scheme are higher than previous estimates. The expenditure for which recommendation for approval is now sought can be found within the Confidential Appendix.

4 Evidence of Need

- 4.1 On 11 January 2023 there were 262 applicants who required a two bedroomed home in the Borough of which over half (145) had been registered for over a year. For three bedroomed homes there were less at 219 however 70% of these applicants (154) had been waiting for over a year.
- 4.2 Homebuy data on 21 February 2023 shows 160 applicants registered for shared ownership homes within the Borough, 61 of whom meet the local connection criteria. Marketing of shared ownership homes alongside open market homes is likely to generate additional applicants, subject to confirmation of eligibility.
- 4.3 Housing Options data shows that whilst only 10 applicants are waiting for a wheelchair accessible one bedroom home, half have been waiting over one year with one applicant waiting for four years due to the low availability and turnover of accessible homes.

5 Other opportunities

- 5.1 Works to deliver the 18 new homes at Jubilee Court on disused land at Beach Coach Station is progressing well with construction on time and within budget. Completion is expected in June.
- 5.2 Photos of the development can be found at Appendix C.
- 5.3 Work to progress other infill sites is ongoing with a small number ready to progress to more detailed feasibility works. A shared framework of consultants between the Council and Equinox

is in the process of being formed to create added value for money and allow the development of these sites to move forwards.

- 5.4 Further consultation and approvals from members will be sought in the coming months to determine a more structured approach to The Council Homes Programme and avoid the need to return for authority to proceed with each individual opportunity. This work will set out the parameters including agreed levels of expenditure, number and type of homes to be acquired or built and the delegation of authority to allow individual schemes within these agreed parameters to proceed.

6 Financial Implications

- 6.1 The Government lifted the HRA debt cap in October 2018, removing the constraint on borrowing within the HRA to allow local authorities to use their rights under Section 9 of the Housing Act 1985 to provide homes through acquisition, conversion or new build based on a prudential approach to borrowing.
- 6.2 The expenditure required for the acquisition of the new homes and conversion of the Boiler House has been financially modelled using industry standard development appraisal software. This calculates the rental income alongside the projected expenditure, taking into account costs of managing and maintaining the homes, both responsive and programmed repairs, bad debt, void periods and interest accrued from borrowing. The income generated from the new homes can support all projected expenditure and repay the capital expenditure within 40 years.
- 6.3 It is noted that the offer for the seven Section 106 Agreement homes does not include any use of Retained Right to Buy Receipts or Homes England funding as these homes must be delivered with no public subsidy. It is possible to bid for funding or utilise Right to Buy Retained Receipts for the eighth open market home as additionality of provision above the Section 106 Agreement requirements.
- 6.4 The Confidential Appendix sets out the expected costs as well as the value of the Council's proposed conditional offer for the new homes.
- 6.5 The level of expenditure for Charter Close set out within the Confidential Appendix will be funded from a mixture of borrowing, Brownfield Land Release Funding and Retained Right to Buy receipts or Homes England grant funding. Changes to the use of Right to Buy Receipts in April 2021 will enable the use to fund up to 40% of new development costs, an increase from 30% where this supports scheme viability. It is likely that any Homes England grant, subject to application, would be at a similar level.
- 6.6 Abortive costs for schemes for where external and internal fees and charges have been incurred as part of pre-development investigations will be met from a specific revenue reserve. The project team will use appropriate procurement to ensure all costs in relation to both abortive schemes and schemes which are built are value for money and costs are only incurred when required to progress a development scheme.

7 Risk Implications

- 7.1 The offer to acquire the affordable homes set out above, includes the acquisition of one shared ownership home and an additional 'open market' home that will be offered for shared ownership. Whilst it is possible to hold Shared Ownership homes within the HRA, this is not a

tenure that the Council has previously owned. There would need to be procedures and changes made to accommodate this from an IT system, rent collection, management and resource perspective. The model of Shared Ownership is changing and the Council's conditional offer for the Shared Ownership home reflects the new requirements for repairs and maintenance to ensure that its offer is affordable and does not put a burden on the HRA. As the development is yet to start on site, there will be approximately one year to implement any procedures or changes.

- 7.2 The new model shared ownership homes allow for up to a 50% initial share to be sold however the share could be as low as 10% if it is considered as unaffordable for the buyer to pay more. If this is the case the Council's income from the sale of the share will decrease and the level of borrowing would need to increase. As a comparison, a nearby Gorleston site recently reported selling the shared ownership homes onsite within projected timescales, all at 40% initial share and to applicants who either already lived or worked within Gorleston.
- 7.3 The requirement for adequate staffing remains an ongoing risk and the need for additional staff will be closely monitored to ensure there is appropriate staff resources to deliver the Council Home Programme.

8 Legal Implications

- 8.1 The Council is able to provide homes through acquisition, conversion or new build in accordance with Section 9 of the Housing Act 1985 and the eight properties to be purchased will be acquired in accordance with the requirements of the Property Acquisitions and Disposal Policy.
- 8.2 The Section 106 Agreement sets the purchase conditions of the shared ownership homes and requires the properties be sold only to 'eligible households with a local connection criteria' for the first 24 weeks. Should Homes England funding be sought for the additional unit the local connection criteria cannot apply.
- 8.3 The homes for Shared Ownership will be leasehold therefore suitable lease terms will need to be agreed by the Council's legal advisors. It is possible to adopt the Homes England standard lease, irrespective of whether there is any Homes England funding.

9 Conclusion

- 9.1 This report provides an update to ongoing works to deliver new homes and seeks a recommendation to Full Council to approve drawdown of expenditure totalling £1,643,614 in relation to two further opportunities, the detailed costs of which are contained within the Confidential Appendix;
- to acquire, subject to the Council's conditional offer being accepted, six new homes for affordable rent and two new homes for shared ownership at the East Wood Development, from Equinox Enterprises Ltd.
 - to convert, subject to affordable, viable and within budget tender returns, the disused boiler house at Charter Close to a one bedroomed wheelchair accessible bungalow.

8 Background Papers

- GYBC Housing Strategy 2018 - 2023
- HRA Borrowing report - Housing and Neighbourhoods - November 2019
- HRA Budget Report 2021-2022 – Council – February 2021
- Property Acquisitions and Disposals Policy - Council - February 2021
- Council Homes Programme Update – Housing and Neighbourhoods - July 2021
- Sheltered Housing Review – Housing and Neighbourhoods – May 2022

Areas of consideration: e.g. does this report raise any of the following issues and if so how have these been considered/mitigated against?

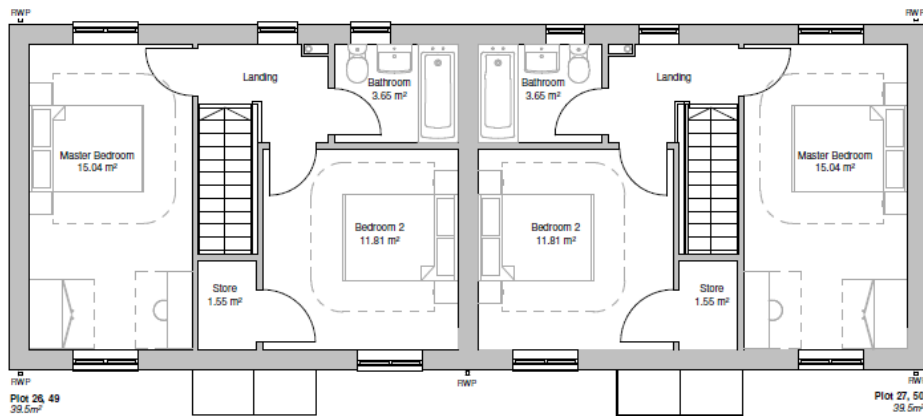
Area for consideration	Comment
Monitoring Officer Consultation:	Through ELT
Section 151 Officer Consultation:	Through ELT
Existing Council Policies:	N/A
Financial Implications (including VAT and tax):	At section 6 and in the Confidential Appendix
Legal Implications (including human rights):	Included in section 8
Risk Implications:	Included in section 7 and the confidential appendix
Equality Issues/EQIA assessment:	The new homes provided will be designed to meet housing need and address particular shortages in supply which may currently have a negative impact on the likelihood of some households with protected characteristics from being able to have their needs met in a timely way. This recognises that households in higher levels of need will have more opportunity to be accommodated in the Council's housing stock (and that of Registered Providers) than those with low needs.
Crime & Disorder:	New housing schemes will be designed and built to minimise properties vulnerability to crime.
Every Child Matters:	The eight homes are either two or three bedroom providing adequate space for families and therefore the needs of children.

APPENDIX A – East Wood



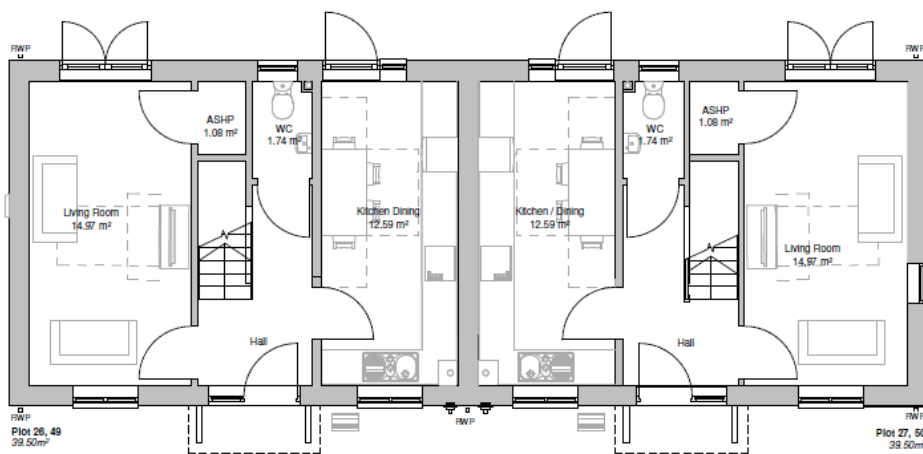
GA Elevation - Front

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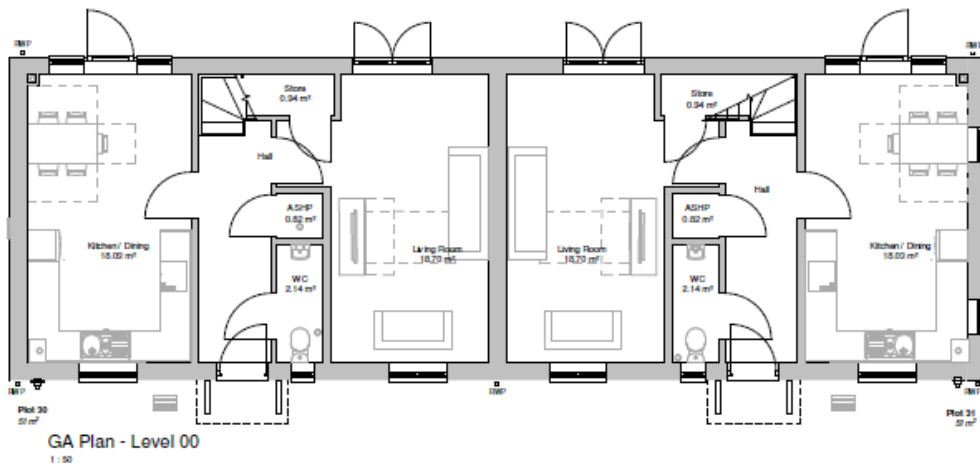
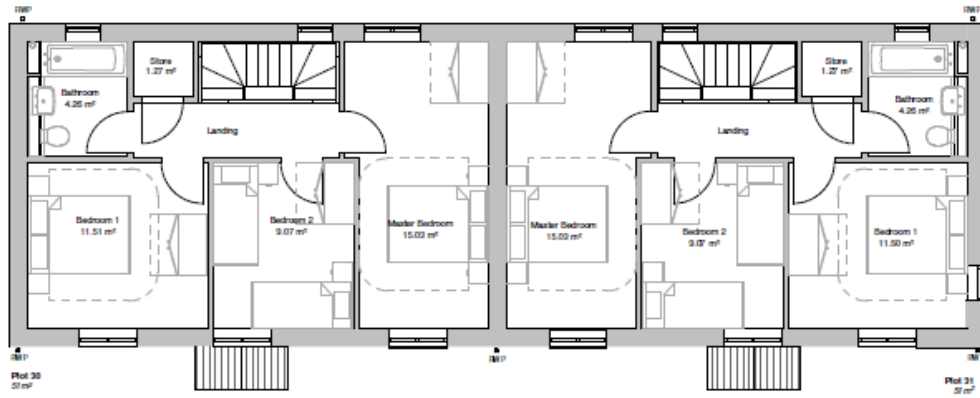
GA Plan - Level 01

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GA Plan - Level 00

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APPENDIX B – Charter Close Boiler House



APPENDIX C – Jubilee Court

