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**THE LOCAL HOUSING OFFER**

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**Responsible Cabinet Member – Councillor Chris McEwan,  
Economy and Regeneration Portfolio and  
Councillor Veronica Copeland, Adult Social Care and Housing Portfolio**

**Responsible Director – Richard Alty, Director of Place and  
Murray Rose, Director of People**

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**SUMMARY REPORT**

**Purpose of the Report**

1. To explain the considerations and implications for the Council in responding to the recent Homes and Communities Agency (HCA) grant offers.
2. To make recommendations on how the Council might respond to the Registered Providers proposals and the grant opportunity.

**Summary**

3. Registered Providers and approved Private Developers were invited to submit applications for funding to the Homes and Communities Agency (HCA) by 3<sup>rd</sup> May 2011 for grant funding to support the delivery of new affordable housing over the period 2011-2015. The outcome of the applications was announced in July 2011. The Council submitted applications for grant funding to deliver 44 new affordable homes across two sites but unfortunately it was unsuccessful mainly due to relative costs compared to other schemes. However, a number of Registered Providers who were supported and encouraged to bid for funding for schemes in Darlington were successful in being awarded grants for new affordable housing. In order to support the development of affordable housing, the report considers the disposal of Council land and possible acquisition of one particular scheme. The Council now needs to consider the implications of the proposed programme of new affordable housing supply, the financial implications, and, what role the local authority will have in the delivery of the programme.

**Recommendation**

4. It is recommended that:-
  - (a) Cabinet approve the disposal of the Haughton Road site to deliver 12 new affordable homes, the acquisition of up to 26 new affordable apartments at Melland Street and the disposal of surplus land at Buxton Moor to facilitate the development of 20 new affordable homes subject in each case to final agreement as to terms and conditions.

- (b) The Director of Resources be granted delegated power to agree the final terms and conditions of the disposal of the Haughton Road site .
- (c) The Director of Resources be granted delegated power to agree the final terms and conditions of the acquisition of up to 26 new affordable apartments at Melland Street and the disposal of surplus land at Buxton Moor.
- (d) Cabinet approve an amendment to the scheme of delegation in relation to property exceptions in accordance with the variations outlined above.

### **Reasons**

5. The recommendations are supported by the following reasons:-
- (a) There is a significant shortage of affordable housing in Darlington and the proposed new developments will assist in addressing the current shortfall.
  - (b) HCA grant rates have been substantially reduced in order to maximise the number of new homes being developed and there is an expectation that Councils will provide financial incentives such as providing land at nominal cost.

**Richard Alty**  
**Director of Place**

**Murray Rose**  
**Director of People**

### **Background Papers**

No Background papers were used in the preparation of this report.

Alan Glew Tel. No. 01325 388202

S17 Crime and Disorder	The contents of this report have been considered in the context of the requirements placed on the Council by Section 17 of the Crime and Disorder Act 1998, namely, the duty on the Council to exercise its functions with due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent, crime and disorder in its area. It is considered that some of the improvement works identified in this report will be beneficial in reducing crime.
Health and Well Being	The delivery of new high quality affordable housing supply will provide a safe and attractive environment for incoming tenants to live.
Carbon Impact	The implementation of the proposed programme of new high quality affordable homes built to a minimum Code for Sustainable Homes Level 3 will reduce energy usage and provide higher levels of thermal comfort for dwellings benefitting from these measures thus reducing carbon emissions.
Diversity	The proposed programme of high quality affordable homes will provide an attractive and diverse local housing offer. The proposed schemes are expected to deliver a mix of socially rented and shared ownership housing options.
Wards Affected	Central, Lingfield, and Eastbourne wards
Groups Affected	Residents in all of the above wards.
Budget and Policy Framework	This report does not recommend any changes to the policy framework
Key Decision	This is a key decision because agreement to the recommendation will result in the Council incurring expenditure that is significant. The Council needs to work in partnership with the Registered Providers and Private Developers to enable them to meet their HCA grant obligations. Formal grant agreements will need to be agreed with the HCA in October 2011.
Urgent Decision	For the purpose of the 'call-in' procedure this represents an urgent matter, in order to meet the requirements of the Homes and Communities Agency (HCA) funding agreement which is part of the National Affordable Homes Programme (NAHP) 2011/15.
One Darlington: Perfectly Placed	The proposed developments will contribute to the broader sustainability of Darlington, delivering housing choice and provide the foundations for further inward investment.
Efficiency	Increasing the supply of affordable housing will reduce the revenue pressures on the temporary accommodation budget.

## MAIN REPORT

### Information and Analysis

#### General

6. Following the Comprehensive Spending Review 2011, the Homes and Communities Agency (HCA) published a guidance document in April 2011 called 2011-15 Affordable Homes Programme – Framework which outlined how they intended to finance and support future affordable housing supply. The HCA clearly set out their expectations of approved Registered Providers and Private Developers if they were to be successful in securing grant funding from the HCA in their National Affordable Housing Programme (NAHP) bidding round 2011-2015. The HCA's expectation was that grant funding should only be sought after all other means of delivering and financing new housing supply have been explored.
7. This placed an added pressure on approved Registered Providers and Private Developers to demonstrate to the HCA that they had maximised the level of funding secured from other sources before seeking grant funding assistance from them. In order to assist approved Registered Providers and Private Developers, the HCA have relaxed some of the rules governing rental charges for affordable homes allowing up to 80% of Market Rents to be charged, thus generating additional revenue income to support new housing supply. In addition, further revenue could be secured by delivering net additional new homes through the New Homes Bonus scheme, although it should be noted that the New Homes Bonus scheme has been financed by re-allocating some existing local authority subsidy.
8. The Council are in a unique position in that they continue to be an approved Registered Provider as well as a stock retained local authority. The Council will be subject to significant change following the outcome of the Council House Finance Reforms and the abolition of the Housing Revenue Account (HRA) which will be introduced in April 2012. The introduction of this new financial model will in the longer term allow greater financial freedom for the Council but, in the shorter term will limit opportunities as reflected in our 30 year Housing Business Plan. The introduction of the new financial model will impact on the amount of available borrowing to the Council that can be accessed to support new capital investment thus alternative means of supporting new housing supply with stakeholder partners and the Council acting in an enabling role are explored in this report.
9. Applications for the current round of HCA grant funding needed to be made by 3<sup>rd</sup> May 2011 and outcomes were made known to applicants during July 2011. Subject to Cabinet approval the following developments are being supported by the HCA:

(a) **Haughton Road**

- (i) This is a Council owned site located at the head of Dundee Street just off Haughton Road within the strategic geographic location of Town Centre Fringe. It is currently vacant, and surplus to local authority requirements. **See Appendix 1** which shows an ordnance survey map of the location of the site.
- (ii) During consultation with stakeholder partners in respect of the longer term vision for the Town Centre Fringe, Vela Group (an approved Registered Provider including Tristar Homes and Housing Hartlepool) identified a

development opportunity at Haughton Road. During the period of consultation there was no interest shown in developing the site other than by Vela Group in partnership with Whitfield Building Services.

- (iii) Vela Group further explored the potential of the site with the Council's Urban Designer and were able to come to a common agreement on the potential new build design incorporating the principles of the adopted Design Supplementary Planning Document. This exploratory work was done entirely at risk and at no cost to the Council.
- (iv) Vela are proposing to provide twelve new affordable homes comprising of ten, 2 bedroomed, 4 person houses and two 4 bedroomed, 6 person houses. They have committed to building to at least Code Sustainable Homes Level 3 to comply with HCA grant conditions. However the HCA have also indicated that they do not expect the Council to realise a capital receipt on disposal of the land.

**(b) Melland Street**

- (i) The Melland street site has an existing planning permission for new affordable housing apartments and is located within the Town Centre Fringe area, adjacent to major investment planned for Central Park. The site is currently vacant and the development was in need of public subsidy to be feasible. The development of the site will also assist with the delivery of a major regeneration programme at Cockerton by offering alternative accommodation for any displaced residents, many of whom are currently living in one and two bedroomed flats. **See Appendix 2** which shows an ordnance survey map of the location of the site.
- (ii) The emerging details of the welfare reforms suggest locally that there will be particular pressure on single people aged under 35 years old accessing appropriate and affordable accommodation, and, this scheme will help address their needs also.
- (iii) The site is currently in the ownership of the Esh Group who are proposing to provide 26 new apartments for rent. Whilst they are a Registered Provider and could develop the scheme themselves their preference is to find an alternative organisation to take over this scheme. They are therefore actively seeking a partner but have asked if the Council will assume the role of Registered Provider if no alternative is found. This would need to be subject to negotiations with the Esh Group. The Council would need to be satisfied that it could afford to finance the purchase in addition to future management and maintenance costs within its existing 30 years Housing Business Plan.

**(c) Heron Drive and Buxton Moor**

- (i) Coast and Country who are based in Redcar have successfully negotiated the acquisition of Heron Drive from a private developer who is no longer able to pursue the development of the site for private housing following the economic downturn. **See Appendix 3** which shows an Ordnance Survey map of the location of the site.

- (ii) Indicatively, HCA grant funding has been awarded to Coast and Country to deliver 44 new homes for Heron Drive. However, in discussions with Coast and Country and the HCA it is felt that the 44 new affordable homes (11 x2 bed 4 person, 11 x3 bed 5 person for rent, 11 x2 bed 4 person, 11 x3 bed 5 person as shared ownership) would be best provided across two sites to provide a more diverse local housing offer and improve choice for families in housing need.
- (iii) The HCA have therefore recommended that the Council should make available one of the two sites where we previously submitted unsuccessful bids to them for grant funding in respect of Buxton Moor at Firthmoor or Egglestone View at Branksome. As the Egglestone View site is much larger than the area of land required and the Buxton Moor site has capacity for around 20 units of accommodation it is proposed that this site at **Appendix 4** is the most appropriate one to be developed by Coast and Country. The HCA have assumed a nil land receipt to the Council but there continues to be high demand for new affordable housing in this location and this is currently the best available option for meeting the need for more family housing.

## **Financial Implications**

### **Haughton Road**

- 10. The site in its current condition is regarded as poor value open area and has been valued at between £75k - £100k and is 0.135 hectares in area. A HCA grant has been awarded of £357k to support the overall development costs of £\* (see **Part III Annex** for details). Vela Group as part of their grant application also committed £\*\* (see **Part III Annex** for details) towards the development costs from their own resources.
- 11. The Vela Group have committed to operate on an open book arrangement and share any potential savings achieved in the construction process with the Council either in the form of improved specification which could include a higher Code for Sustainable Homes Level, or, provide a capital receipt for the disposal of the land. However, any capital receipt received by the Council is likely to proportionally reduce the level of Homes and Communities Agency grant awarded. The development of the site will generate between £96k - £120k of New Homes Bonus to offset any lost capital receipt over a six year period.

### **Melland Street**

- 12. Esh Group successfully secured £520k in their funding application to the HCA. Whilst Esh Group continue to seek the assurances of a Registered Provider partner to comply with the HCA's grant conditions they are minded that if this is not satisfactorily resolved then Darlington will be faced with losing the £520k grant awarded to progress development on the Melland Street site. The anticipated purchase price for the Council would be subject to negotiation but initial indications suggest a value not exceeding £\*\*\* (see **Part III Annex** for details) which could be financed from the Prudential borrowing originally set aside to develop the 44 new affordable homes at Egglestone View and Buxton Moor.
- 13. There are a number of scenarios to consider in seeking to self finance the purchase of the 26 x 2 bed apartments (taking into account ongoing capital and repairs and maintenance costs / interest charges on any borrowing):-

- (a) If formula rents were charged at £63 per week and borrowing was secured over 40 years to finance the purchase, this would leave a £40k annual shortfall for the Council equating to £1.5M over the 40 year term to meet the £\*\*\* purchase price (see **Part III Annex** for details). This scenario is therefore, unaffordable, unless either the purchase price is negotiated downwards and or the rental charge increases.
  - (b) In order for the rents alone to finance the purchase of the 26 x 2 bed apartments, they would have to be charged at £85 per week. This would mean the Council would need to adopt rental charges closer to 80% market rents which may affect the long term marketability and accessibility of the new vacant apartments. This could only be introduced following the enactment of the Localism Bill post April 2012, and, securing Tenant and Member approval.
  - (c) The best scenario would be to maintain the formula rent to maximise the opportunity for those in housing need to access appropriate accommodation and negotiate a purchase price not exceeding £\*\*\*\* (see **Part III Annex** for details). This would allow the rents to self finance the purchase of the 26 x 2 bed apartments over the 40 year period.
14. If the Council pursue a purchase of the 26 apartments, the purchase price and the conclusion of any negotiations will be the subject of a future Cabinet report.

### **Heron Drive and Buxton Moor**

15. Grant funding of £906k has been awarded to Coast and Country to deliver 44 new homes at Heron Drive. However, in discussions with Coast and Country and the HCA it is felt that the 44 new affordable homes would be best provided across two sites to provide a more diverse local housing offer and improved choice for families in housing need.
16. There is an expectation by the HCA that Council owned sites subject to an award of grant funding, identified to support the delivery of new affordable homes are contributed at nil or nominal value to facilitate the delivery of new affordable homes. The estimated value of the land at Buxton Moor is £125k and, any land disposal, would be the subject of negotiations with the Registered Provider.
17. If the Council pursues a capital receipt for the land, the Homes and Communities Agency are likely to reduce proportionally the level of grant awarded. The delivery of the 44 new homes will secure New Homes Bonus of between £352k - £440k to offset any lost capital receipt over a six year period and secures further private investment through market sales to meet identified housing need.

### **Outcome of Consultation**

#### **Haughton Road**

18. Vela Group and Whitfield Building Services emerged as the only interested partners wishing to pursue the Haughton Road development opportunity following consultation focussed around the Town Centre Fringe. The site will be the subject of consultation through the normal planning process.

### **Melland Street**

19. Melland Street has already received an approved planning application and thus has been subject to community consultation through the normal planning process.

### **Heron Drive**

20. Heron Drive has already received an approved planning application and thus has been subject to community consultation through the normal planning process. Revisions to the previous planning approval are expected and will be the subject of fresh community engagement through the planning process.

### **Buxton Moor**

21. No community engagement or consultation has been undertaken to date in respect of the proposed development at Buxton Moor. The Buxton Moor proposal would be subject to the normal planning consultation process. Any proposals for Buxton Moor would carefully consider any comments from the public and seek (as far as possible) to reflect these in any design proposals. The site will be the subject of consultation through the normal planning process.