
LOCAL AUTHORITY NEW BUILD PROGRAMME 2010-11

**Responsible Cabinet Member – Councillor Bill Dixon,
Neighbourhood Services and Community Safety Portfolio**

Responsible Director – Cliff Brown, Director of Community Services

SUMMARY REPORT

Purpose of the Report

1. To seek Cabinet approval to a change in one of the previously agreed sites for new local authority homes and to release the additional funding to support the delivery of 65 new affordable homes in Darlington.

Summary

2. In 2009, the Homes and Communities Agency (HCA) provided an opportunity for local authorities to apply for “approved contractor” status and access direct grant funding to support the delivery and increased supply of new affordable homes. On 8 September 2009, Cabinet approved a bid for funding to the HCA to support the delivery of 65 new affordable properties for rent across four sites in Darlington, as follows:-

***RESOLVED** - (a) That the funding bid with the Home and Communities Agency in July 2009 be supported and the delivery of affordable homes for rent on each of the four local authority proposed sites, as detailed in the submitted report, subject to the successful outcome of the Home and Communities Agency funding bid in September 2009 and relevant planning permissions, be approved.*

(b) That the required level of capital borrowing to support the delivery of net affordable housing, as detailed in the submitted report, be approved.

3. The Council subsequently received the largest regional grant funding allocation in the first Bidding Round, which amounted to £2,907,248 of HCA grant funding. As Darlington have “approved contractor” status with the HCA, there is an opportunity for the Council to bid for any future available grant funding through any forward National Affordable Homes Programme (NAHP).
4. Since the bid was submitted further work has identified that the total scheme cost will be higher and that the site at Linden Drive is not appropriate and an alternative site, Burnside Road, is recommended to replace it.

Recommendation

5. It is recommended that Cabinet approve:-
- (a) The alternative site for 8 dwellings at Burnside Road.
 - (b) That additional resources of £518,483 be released funded by prudential borrowing (£318,483) and £200,000 from the Housing Capital Programme.

Reasons

6. The recommendations are supported by the following reasons :-
- (a) Having regard to the design work already undertaken and site footprint arising from that and the specific requirements of affordable housing in terms of location, the site at Burnside Road is the most suitable alternative for the Linden Drive site.
 - (b) If an alternative site is not identified the HCA funding will be lost.
 - (c) To enable the schemes to be delivered additional funding is required, however, the funding can be accommodated within existing budgets.

Cliff Brown
Director of Community Services

Background Papers

Tees Valley Climate Change Strategy
HCA – Code for Sustainable Homes
Tees Valley Strategic Housing Market Assessment

Alan Glew :
bs

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. The site will include 'Secured by Design' principles.
Health and Well Being	Community Services Building Section for Darlington Borough Council is registered under the 'Considerate Contractor Scheme' and complies with the scheme's Code of Considerate Practice.
Sustainability	All proposed apartment units will meet the Code for Sustainable Homes Level 3 and all houses will meet Code Level 4.
Diversity	There are no diversity issues.
Wards Affected	Haughton East Middleton St George Cockerton West Eastbourne
Groups Affected	All potential council tenants and households neighbouring the proposed development sites.
Budget and Policy Framework	The Prudential borrowing costs will be financed via rental income through the Housing Revenue Account and the proposals do not recommend a change to the Policy Framework.
Key Decision	Yes
Urgent Decision	This report requires an urgent decision so that the construction programme involving the change of site and resource requirement can proceed.
One Darlington: Perfectly Placed	The provision of high quality affordable homes for rent will have positive implications on both the One Darlington and Perfectly Place priorities.
Efficiency	Efficiencies could be realised in terms of reduced usage of temporary accommodation, revenue savings to the Disabled Facilities Grant budget, and, increased usage of the communal facilities at Dinsdale Court.

MAIN REPORT

Information and Analysis

7. In 2009, the Homes and Communities Agency (HCA) provided an opportunity for local authorities to bid for grant funding in two separate bidding rounds, to increase the supply of affordable housing. This was one of a number of new measures announced by the HCA to improve the delivery of affordable housing, reinvigorate the housing market, and, stimulate the economy following the economic downturn. The Strategic Housing Market Assessment undertaken in 2007 concluded that Darlington has an annual shortfall of 626 affordable homes and the Council were keen to respond quickly to any invitation to increase the supply of affordable housing to meet this unmet demand, secure additional investment for Darlington, and sustain or create existing training or employment opportunities. In addition, national indicator NI154 “delivery of net affordable homes” was identified as a key national indicator in the Local Area Agreement.

8. On 8 September 2009, Cabinet formally approved the submission of a grant funding bid to the HCA supported by approved Prudential borrowing to match any grant funding awarded as follows:-

***RESOLVED** - (a) That the funding bid with the Home and Communities Agency in July 2009 be supported and the delivery of affordable homes for rent on each of the four local authority proposed sites, as detailed in the submitted report, subject to the successful outcome of the Home and Communities Agency funding bid in September 2009 and relevant planning permissions, be approved.*

(b) That the required level of capital borrowing to support the delivery of net affordable housing, as detailed in the submitted report, be approved.

9. The opportunity to bid for grant funding from the HCA was attractive given there was the opportunity to retain 100% of any future capital receipts providing more affordable borrowing and allowing any surplus income to be recycled to provide more affordable homes in the future. Any HCA grant funding awarded would not be repayable provided that all the HCA bid conditions by the Council are met, and, any surplus funding is “ringfenced” for the delivery of future affordable housing.

10. Stage 1 of the selection process with the HCA involved completing a pre-qualification questionnaire which was evaluated by the HCA and was the basis on which the HCA confirmed the Council as an “approved contractor” allowing submission of a formal grant funding application for consideration and outlining the basis on which any grant funding would be awarded. There were a number of key conditions attached to any grant funding application and these included, providing the land at nil value, delivering new affordable homes to meet Code for Sustainable Homes Level 3 or above, completion by March 2011, and, maximising the delivery of new affordable homes for minimum grant.

11. The delivery of such an ambitious affordable housing programme did present a number of challenges not least an awareness of the new Code for Sustainable Homes standards, the direct delivery of a new build programme, and the submission of the grant funding bid through an unfamiliar electronic HCA bidding process. On the advice of the HCA, the officers worked in partnership with Fabrick Housing Group (a Registered Social Landlord with a strong track record of being successful in securing HCA funding) to prepare the grant funding application. Stage 2 of the application process was the submission of the grant

funding application which delivered a successful outcome for the Authority with the award of the largest single regional funding allocation of £2,907,248 of grant funding in the first bidding round.

12. Four sites for the delivery of 65 new affordable homes were initially submitted being Dinsdale Close, Linden Drive, Springfield School site and Richmond Close. The Dinsdale Close and Linden Drive sites were created following the redevelopment and completion of the sheltered schemes at Dinsdale Court and Linden Court providing surplus land adjacent to them. Richmond Close is a small infill site and Springfield is a surplus school site. Following site investigation works, and, consultation with the Environment Agency, it became clear that the development of the Linden Drive site no longer represented value for money this was due to the re-designation of the Linden Drive site by the Environment Agency following legislative changes.
13. In consultation with the HCA we have reviewed the Linden Drive scheme and secured special approval from the HCA to explore the potential to utilise the grant funding allocation for Linden Drive to deliver the scheme on an alternative site. In identifying an alternative site that matched the footprint of the scheme already designed, in an area suitable for affordable housing, in terms of amenities and transport etc., Burnside Road was identified as the most suitable alternative location for the development and the transfer of the grant funding to this site, was supported by the HCA. Burnside Road is a vacant infill site which has been identified for redevelopment within the local estate for some time.

Financial Appraisal

14. Revised estimates for the overall programme have been completed in the light of the proposed site change and prices received for the initial phases of work at Dinsdale Close and Richmond Close and the award from HCA being £100,000 less than anticipated in the original report. The revised estimate for the programme is £7,018,483 which represents an increase of £518,483, since the original estimate. The level of match funding required is therefore £4,111,235 financed by £3,911,235 of prudential borrowing and £200,000 of savings identified within the mainstream Housing Capital Programme 2009/10 (**Appendix 1**).
15. Within the business case for this project, the additional prudential borrowing is affordable within the ring fenced account (inside the Housing Revenue Account) for these developments having regard to the original income projections used. The use of £200,000 of Housing Capital will not impact on the current programme of works as it reflects efficiency savings achieved throughout 2009/10 across a number of schemes, examples include heating replacements where the price per unit has been reduced and roof work where the stock condition survey reported roofs were in far better condition than anticipated hence requiring less work.
16. Financial projections have been undertaken for the schemes assuming the repayment of prudential borrowing over a 60 year period. This expenditure is offset against the income generated by setting rents at the Formula Rent as required by the HCA as part of the funding arrangements and this level of income indicates the schemes are affordable.
17. The properties in the schemes will be held within the Housing Revenue Account as this is a ring fence account for council properties however they will sit separately to our existing stock as they are outside of the Housing Subsidy system and are required to be self financing.

18. The risk of not achieving a self financing position is minimal as a void occupancy rate has been built into the figures, which is higher than our current void rate. We also have a shortage of affordable housing in Darlington to meet local need so the properties are unlikely to remain empty. If there was a deficit however this would need to be managed through the HRA and not the general fund.
19. Specifications for each of the four sites have been reviewed through all stages of design and some cost efficiencies have been identified. The largest scope to achieve cost efficiencies is on the Springfield site as this will deliver 34 of the 65 new affordable homes. The installation of new renewable air source heat pumps in each of the 34 new homes will deliver cost efficiencies, reduce household costs and reduce the carbon footprint of these homes.
20. The overall budget package referred to in paragraph 11 will be subject to the outcome of the competitive tender for the Springfield site which will not be returned until 2 June 2010. Any significant changes in the projected costs for the programme will be presented to Cabinet after the tenders have been returned and evaluated in June 2010.

Outcome of Consultation

21. Consultation has been undertaken in respect of all four proposed sites with the appropriate local communities. Following the substitution of the Linden Drive site to Burnside Road, a further consultation event was held on 30 March 2010 to canvass the views of local people.
22. Comments received during the consultation process have been formally addressed, and, wherever possible, changes to design have been considered to maintain community support for the new developments. Further opportunities will be available through the normal planning process for the community to make further comments in respect of the proposed developments.

Table 1

New Build Summary					
	Richmond £000's	Dinsdale £000's	Burnside £000's	Springfield £000's	Total £000
Number of Properties	13	10	8	34	65
Capital Costs					
Total Estimated Cost of Scheme	1,447	895	784	3,894	7,020
Funded by					
HCA Grant	731	333	318	1,527	2,909
Prudential Borrowing	716	562	466	2,167	3,911
Other contribution				200	200