

BIDDING FOR THE HOMES AND COMMUNITIES AGENCY'S (HCA) AFFORDABLE HOUSING PROGRAMME FRAMEWORK 2011 - 2015

Cabinet Member	Councillor Philip Corthorne
Cabinet Portfolio	Social Services, Health and Housing
Officer Contact	Paul Feven , Social Care, Health and Housing
Papers with report	None.

HEADLINE INFORMATION

Purpose of report	To seek the Cabinet's approval to submit an offer to the Homes and Communities Agency for the 3 rd May 20112 deadline to join the Affordable Housing Programme Framework 2011 – 2015 to deliver 225 units of affordable, mostly supported housing over the period, 2012/13 to 2014/15
Contribution to our plans and strategies	<p>This project will directly contribute to the corporate objectives of:</p> <ul style="list-style-type: none">• Maximising opportunities to help people live in settled and affordable homes.• Achieving £3.4m of MTFF savings on the cost of providing supported housing by moving people out of expensive residential care.• Making better use of property assets by redevelopment• Achieving value for money – providing financial benefit to the Council by providing inward investment.• Helping to meet housing targets within the Local Development Framework (LDF) <p>It will also contribute to the Social Care Health & Housing strategy to provide older people and people with physical learning disabilities or mental health with a range of housing options and alternatives to institutional forms of living.</p>
Financial Cost	The recommendations in this report do not directly commit the Council to additional expenditure but will enable the delivery of very significant MTFF Adult Social Care savings. However if the bid were successful then officers would seek further Cabinet approval to deliver the programme of new housing for which the Council would need to borrow funds to be paid back through rents charged on the new homes and also use HRA disposal receipts. As such this can be considered to be an invest to save proposal.
Relevant Policy Overview Committee	Social Services, Health and Housing
Ward(s) affected	All Wards

RECOMMENDATIONS

This report recommends that Cabinet:

- 1. Approve that officers prepare and submit an offer to the Homes and Communities Agency (HCA) to join their Affordable Housing Programme Framework 2011-15, to supply affordable homes in line with Option 1 at paragraph 5 (below).**
- 2. Delegate authority to the Leader of the Council and Cabinet Member for Finance, Property and Business Services to approve any particular identified sites to be included in the bid to the HCA on the basis of an individual business case.**

INFORMATION

Reasons for recommendation

1. To take advantage of a window of opportunity to harness council land resources and combined with external funding to create much needed new affordable and supported housing which cannot be delivered within the timescale required by reliance on the market alone.
2. To reduce the dependence on residential care by increasing supported housing options, which is a key Social Care Health & Housing strategic objective and an essential contributor to the achievement of £3.4m of MTFE savings by 2015.
3. To meet the needs of older residents and younger people with physical learning disabilities or mental health issues and address the challenges of an ageing population.
4. To make better use of redundant or underused Council land including sites on existing estates or general fund sites agreed to be used for housing.

Alternative options considered / risk management

5. Option 1 (recommended) – To bid for:
 - a) approximately £3.4m of grant to deliver 75 units per year of affordable and supported housing in 2012/13, 2013/14 and 2014/15 (225 units in total) see further details the bid in paragraph 15;
 - b) Empty homes funding of £6m on behalf of the West London sub-region, including Hillingdon.
6. Option 2 (not recommended) – To bid for funding for a different amount of units. This option is not recommended because the amount of funding required and which the Council is likely to be successful in getting has been assessed and the amount in Option 1 is seen as the most viable.
7. Option 3 (not recommended) – To not submit a bid. This option is not recommended because it will mean a serious shortfall in the units of housing required. The Council would deliver fewer homes and would be completely reliant on external partners and the market with the result that the required MTFE Adult Social Care budget savings would not be able to be delivered.

Comments of Policy Overview Committee(s)

8. None at this stage.

Supporting Information

9. The Government is aiming to deliver a national target of 150,000 affordable homes in the 4 year period between the financial years 2011/12 and 2014/15 and has allocated a budget of £2.2bn for funding new supply. For delivery, they are setting up a framework of providers for which they have published a prospectus seeking offers to join and contribute to delivery. The prospectus also invites bids and expressions of interest to bid for Empty Homes grant.

10. To compete for a place on the framework providers are being asked to not only make offers of the number of homes they will provide over the four year period but to also make offers regarding the resources they are prepared to contribute in return for the funding they are seeking. It should be noted that the funding available is a quarter of the amount that has been available in previous years. The government expects to pay out approximately £20k of grant per unit over the national programme instead of £80 -100k per unit as in the last funding round. This is the reason for providers being required to maximise contributions from their own resources. These contributions may include:

- a) Additional borrowing capacity from the higher affordable rent levels for new developments and or conversion to relets or other tenures.
- b) Existing sources of cross subsidy, including surpluses or disposal proceeds.
- c) Other sources of funding to reduce costs such as free or discounted public land or New Homes Bonus.
- d) HCA funding where required to make the developments viable. We can only expect grant where there is a gap between rental income and costs and no other form of subsidy as in a, b, and c above is available bridge this gap. This reduced level of funding for new builds that is available from government takes into account the economical necessity to reduce overall government spending.

11. The HCA has recently advised the Corporate Director and Deputy Director of Social Care Health & Housing that Hillingdon is in a strong position to bid given the Council's previous success with bidding for funding from the HCA and a positive assessment of the recent Borough Investment Plan. This programme represents an opportunity to:

- a) Generate the funding to create much needed supported housing.
- b) Further strategic objectives such as reducing dependence on expensive institutional supported housing.
- c) Support the Social Care Health & Housing Strategy to deliver over £3.4m of savings associated with shifting the balance away from residential care expenditure; the business case of which is integrated in the MTFP plan.

12. The Council qualified for HCA Investment Partner Status in September 2009, and therefore are qualified to bid for funding under the 2011-15 programme subject to meeting criteria in a series of annual reviews. The Council successfully bid for funding under the HCA's Local Authority New Build Programme for Phases 1 and 2 of our HRA pipeline programme as well as Triscott House extra care scheme. Phase 1 is due to be completed shortly. Triscott House will be completed in September 2011 and Phase 2 of the HRA pipeline programme will start on site shortly. This has helped to demonstrate that the Council is a reliable delivery partner.

13. The timeframe for working up proposals and entering into delivery contracts is as follows:

- 3rd May 2011 – Deadline for submission of offers
- Week starting 4th July 2011 - HCA and ministers to sign off national programme
- July 2011 – Initial contracts to be signed

14. The proposed bid consists of the following elements:

- A total of 225 homes supported housing including extra care housing to be delivered between 2012/13 to 2014/15.
- £28m of Housing Revenue Account borrowing to fund development costs which will be paid back over 40 years from the rents to be charged. This figure includes £25.2m for build costs and £2.8m for on-costs (project fees e.g. legal, planning and design fees not included in the works cost).
- The Council's contribution of land value as the homes will be delivered on Council owned sites.
- A focus on supported housing to contribute to the 400 plus supported homes needed over the next 4 financial years and in turn the £3.4m of MTFF savings already built into budgets. 20 low cost home ownership homes, aimed at older people will be included.
- A grant requirement of approximately £3.4m
- A sub-regional Empty Homes bid for West London for a fund of £6m based on a target of 400 units between 2011-2015 brought back into use. Each borough will be expected to meet the target of 57 properties over the period initially starting with 10 in the first year and the rest in the in the following years. This funding will be targeted at those properties that are causing a nuisance and are an eyesore to the local community and this is reflected in the unit cost of £15,000. There are no costs contributions from the council for the Empty Homes bid, apart from existing service revenue resources. The advantage of working sub-regionally is the possibility of taking up grant unspent by other local authority partners.

15. The bid, if successful and Cabinet agrees to proceed with development, has implications under the headings below:

a) Adoption of the new affordable rent tenure

It is a condition of taking part in the framework that providers adopt a new form of tenure for new supply alongside existing ones. This new tenure provides the flexibility to charge rents up to 80% of market levels. The reason for this is to generate funding to make up for grant reductions. The offer that is proposed for this programme is that rents are pitched a little above target rents because of the supported housing and well within affordability levels within Hillingdon. The HCA has advised that there would have to be a strong case for not charging affordable rents at near 80% of market levels to justify any grant that may be needed to make schemes viable. The Government accept that those people with insufficient income to fully pay their rents will receive housing benefit.

b) HRA borrowing to be paid back by rents charged

The HCA funding would make the new housing viable but needs to be accompanied by borrowing which will be paid back by the rental income generated by each new homes over 40 years. This is possible as the Council's borrowing capacity will be increased as a result of reforms to the Housing Revenue Account (HRA) which will come into place in 2012. Initial indications are that this will allow around £40m of borrowing and the plan is to make use of £28m of this for this programme. Unlike the present HRA financing regime the future intention is to pay back the principle over a 40 year period. This will result in a replenishment of borrowing capacity of around £10m by 2014/15.

c) Contract to deliver

If successful, providers will be required to enter into a contract with the HCA to deliver their offers. The contract will be transferred to the Mayor of London when he takes over housing responsibilities in April 2012. Submitting a bid will not in itself commit the Council to anything.

In accordance with Standing Orders, if the bid is successful officers must then seek Cabinet approval to accept any grant funding and to proceed with developments.

d) Capacity to deliver within the Corporate Landlord department

Staffing resources will be required to project manage the construction works and meet the contractual milestones set by the HCA.

e) Development of Council owned sites

Delivery of the required supported housing within two to three years is predicated on a number of Council own sites being released for the development programme. Financial appraisals are being carried out to support the business case for these sites to be included if approved by Strategic Property Governance. Given the deadline of May 3rd 2011 for a bid to be submitted, it is proposed that a bid is made without naming particular sites, so that there is no pre-emption of individual sites being included whilst the appraisal and approval process is progressed. The HCA are not expecting a full list of named sites at this time. Recommendation 2 of this report asks that Strategic Property Group Governance, Councillor Bianco and the Leader be delegated authority to approve particular sites to be included in the bid to the HCA where identified.

16. The case for the Council to retain ownership of its own sites where possible has been strengthened by proposed HRA reforms coming into force in April 2012. This will provide some borrowing capacity to allow new development as well as improvement of existing stock. However, this capacity will be limited as are Council owned sites. Consequently, some direct development to deliver supported housing over the next few years represents a window of opportunity to reduce dependence on care and to make up for market failure to deliver the affordable housing needed for all client groups - a failure which has become more evident as a result of the recession.

17. Government figures show that at the end of December 2010 there was the lowest number of completed homes nationally since 1923, at a time when the population is growing. The consequence is increasing use of bed and breakfast accommodation, whilst the Council still has 1000 households in temporary accommodation. The contribution of Council owned sites is therefore critical, in these unprecedented times, in contributing to the supply of over 400 supported homes needed by 2014.

Financial Implications

18. At this stage the proposals in this report do not directly commit the Council to additional expenditure. If the Council were successful in joining the Affordable Housing Programme Framework 2011-15 then it would be able to access additional funding for increasing the supply of supported housing.

19. Supported housing provides the best strategic option for reducing current and future pressures within the adult social care area of the General Fund. The 2011/12 MTFF programme assumes that £1.24m savings will be delivered. This will at least in part be achieved by the Extra Care development at Triscott House. The MTFF programme approved by February 2011 Cabinet in addition also assumes that a further £2.17m of savings will be achieved during 2012/13 to 2014/15 an overall total of £3.41m. The success and value of these MTFF savings would be enhanced by the delivery of an additional supply of supported housing units as proposed in this report.

20. Although the properties will have a significant financial benefit for the General Fund within the adult social care area, the development proposals included in this report will be carried out within the HRA. The proposed schemes will be mainly financed from borrowing which will be paid from rental streams over a 40 year period. The costs will break even if the new affordable rents are adopted and supplemented by additional HRA capital receipts resources. Subject to a more detailed financial appraisal, any residual costs could be absorbed within the HRA. The HCA grant that is being bid for as recommended in this report will help the financing equation.

21. The proposals also depend upon the availability of land for the new build. This will need to be taken into account in detailed financial appraisals. Any HRA land will have minimal impact on current capital plans. However, any General Fund sites will need to be rigorously assessed for the impact on the General Fund. In this case individual business cases will need to be made to ensure that any financial benefit arising from savings within the adult social care budget outweigh those included in the current plans so that the general Fund as a whole is better off.

22. The proposals are likely to provide best value as the availability of these units will provide alternative accommodation instead of more expensive residential care within the social care area. This will have a significant impact in delivering MTF savings as well as helping to reduce future pressures on the General Fund. This will meet both preventative objectives and, as stated above meet current savings objectives too. Further detailed appraisals will quantify the savings, however as an illustration net savings are likely to be around £13k per annum per placement for older people and £19k per annum per placement for people with learning disability. So for example a 20 flat extra care housing development for people with learning disabilities would yield circa £380k savings per annum with an improved quality of life for each individual supported in their own flat rather than being in a care home placement.

EFFECT ON RESIDENTS, SERVICE USERS & COMMUNITIES

What will be the effect of the recommendation?

There will be an improvement in the provision of affordable and supported housing which will promote choice, independence and quality for service users who have a need for this type of accommodation.

Consultation Carried Out or Required

Local residents and ward Councillors will be consulted on all new proposed developments.

CORPORATE IMPLICATIONS

Corporate Finance

Corporate Finance has reviewed this report and supports the recommendation to prepare an offer to the HCA to join their Affordable Housing Programme.

However, there are clearly a number of corporate implications that would need to be carefully considered in undertaking such a large development programme that requires significant borrowing and use of Council owned sites. These include:-

- The Capital Programme agreed by Council is dependent on £40m of receipts over the next two years and many surplus GF sites are currently included within this budget to finance the current programme. Some sites are already earmarked as part of other council strategies, for example Hayes Pool forms part of the original leisure development strategy. Clearly, if such sites are withdrawn, the existing programme and particularly

'programmes of work' type schemes would need to be scaled down or alternatively significant additional revenue resources will be required to service capital financing costs. This could be acceptable if sufficient savings are generated from social care budgets from a supported housing strategy that diverts people from expensive residential care placements. The use of HRA sites would have a neutral impact on the financing of the capital programme.

- The draft settlement on the introduction of Self-Financing within the HRA will see the Council take on an additional £177m of national housing debt in return for the abolition of the subsidy regime. At this point Central Government intend to impose borrowing limits on the HRA which will equal the sum of the settlement plus the old assumed Subsidy Capital Financing Requirement. This will give Hillingdon's HRA approximately £40m of borrowing capacity should it choose to take up (this figure may rise slightly by any borrowing undertaken for new builds before settlement date of 1 April 2012). The proposals contained within this report to borrow £28m, coupled with existing pipeline sites developments, would take up 70% of the potential borrowing available. Plans to pay off the debt would replenish £10m by March 2015 leaving capacity for other developments.
- The report highlights that HCA funding is significantly reduced from previous years and is likely to reach a maximum of £15k per unit. The proposal to bid for £3.3m for 225 units averages £15k per unit. Once £28m of Council resources plus site values are considered, the contribution from HCA is probably less than 5% of total costs. Hence, such a major investment programme would be running parallel to other priority programmes, namely Provision for Primary School places. Hence, consideration would need to be given to non-financial matters such as availability of resources to deliver such programmes.

Any development would need to be appraised on a site by site basis within the Corporate Landlord team to determine the most economically advantageous use of assets. Where sheltered housing can provide revenue savings by reducing residential care costs, such schemes are to be welcomed. If such savings are sufficient to cover direct investment costs plus capital financing costs to allow borrowing up to the value of any lost receipt, then such a proposition would indeed fulfil all prudential 'invest to save' criteria and in addition, assets remain with the Council.

Legal

There are no specific legal implications arising at this stage. As stated in Paragraph 15 of the Report, if the Council's bid for funding is successful, officers will then seek Cabinet approval to accept any grant funding and to enter into a contract with the Homes and Communities Agency. That report will include further legal advice as necessary.

Corporate Landlord

The Corporate Landlord is in support of the recommendations in this report.

SPG Governance

The report has been considered and officers have been advised that the Cabinet Member for Social Services and Housing is being consulted.

BACKGROUND PAPERS

"2011-15 Affordable Homes Programme – Framework", Homes and Communities Agency
