

North East Derbyshire District Council

Cabinet

24 September 2014

<p>Update on Proposals to Bid for Additional Borrowing for the Provision of new Council Homes</p>
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Report No: PRK/26/14/KP of Councillor P R Kerry, Portfolio Holder with Responsibility for Economy, Finance and Regeneration

This report is public

Purpose of the Report

- To seek Cabinet approval for a firm bid to be made to DCLG for additional Housing Revenue Account (HRA) borrowing from the DCLG Local Growth Fund Housing Revenue Account Borrowing Programme.
- The bid follows a request from DCLG for councils to submit expressions of interest for additional Housing Revenue Account (HRA) borrowing to the DCLG Local Growth Fund Housing Revenue Account Borrowing Programme. NEDDC submitted an expression of interest for 2016/17, and has been invited to follow this up with a firm bid by 30 Sept 2014, as DCLG have amended their bid timetable & brought it forward.
- This funding would be used to develop additional council homes for rent in the district, on council owned sites, and meet the gaps in provision for smaller units and mobility/wheelchair units locally.
- The HRA borrowing will in effect be an application to extend the HRA debt Cap that was set by the Government when the HRA reforms were implemented in 2012.
- The proposals build on ongoing work to identify sites and opportunities in partnership with Rykneld Homes Ltd to consider options to increase the number of council rented homes.
- Approval in principle by Cabinet, including indicative numbers and potential sites (subject to planning) is required prior to the deadline for firm bids via the DCLG IMS system on line for the Fund which is 12 am on Tuesday 30 September 2014.

1 Report Details

- 1.1 The Government announced in the Autumn Statement 2013 that it would raise the Local Authority (LA) HRA borrowing limits by £150m 2015-16 and £150m 2016-17, allocated on a competitive basis to drive value for money.
- 1.2 The Government was looking for local authorities, who need additional borrowing, to bid for the increase in borrowing capacity to deliver new housing schemes 'quickly'. The Government extension of the HRA borrowing limits for Councils is part of the Local Growth Fund, and as such all bids will have to be endorsed by Local Enterprise Partnerships and be in line with their Strategic Economic Plan.
- 1.3 It originally offered two bidding options:
 - i) Firm Schemes – to be submitted by 16 June 2014
 - ii) Expressions of Interest, for schemes that would be required to start in 2016-17, are to be submitted by 16 June 2014
- 1.4 NEDDC submitted an Expression of Interest application for a scheme to start in 2016/17. Cabinet approved this submission on 11 June 2014.
- 1.5 The Government then amended the scheme and asked NEDDC to submit a firm bid by 30 September 2014, based on the expression proposal approved by Cabinet on 11 June 2014. The bid timetable has therefore been brought forward, but the scheme start on site date remains targeted for the 2016/17 financial year.
- 1.6 The current position within the HRA is that there is headroom to borrow £16.319m as at the end of March 2014, i.e. the HRA debt is £162.665m which is £16,319m below the Council's HRA debt cap of £178.984m set by the Government. The approved MTFP shows that the HRA is to borrow £5.9m in 2014/15 to cover the remaining costs of the Tarran Replacement at Eckington and Killamarsh and to make voluntary debt repayment of £4.3m. Therefore as at 31 March 2015 the HRA debt position will show a net increase of £1.6m to £164.265m and a forecast headroom position of £14.719m.
- 1.7 The Council is anticipated to be financially fully committed to addressing the long term Non- Traditional stock investment programme over the next 5 years. This is expected to utilise the current "headroom" within the HRA which will therefore limit any further development options within the HRA. The proposal within this report is to submit an application to increase the HRA debt cap and secure additional borrowing capacity which could fund the development of additional new council homes, in partnership with Rykneld Homes.
- 1.8 The proposal is that the Council would bid for borrowing approval as a firm bid. The borrowing approval, if granted, would be utilised on specific schemes to build new council dwellings (up to 66) in the District with an estimated total cost of approximately £6 million. The financing of the build cost would be by way of the HRA prudential borrowing against the increased debt cap with the Council able to determine an appropriate term for debt repayment. The council has identified appropriate sites. Cabinet approval was granted 11.6.14 for their inclusion in the bid and to develop a detailed plan to give time for schemes to be fully worked up and procured to meet the 2016/17 target.

- 1.9 The bidding process on line requires local authorities to detail the schemes which will be delivered through the additional borrowing, and the assessment of bids will look for schemes that 'have a good and demonstrable prospect of early delivery within the programme timeframe'.

Assessment is based on:

	Criteria	Position at NEDDC
1	Deliverability of site in Planning terms	<i>Sites to be submitted have been assessed for deliverability, but are still subject to the planning process. QHS has been commissioned to undertake feasibility studies and financial appraisals to provide costed options and proposals .</i>
2	Tender stage reached	<i>We are confident that working with Rykneld Homes and using the HCA panel we could procure the units to the relevant deadlines</i>
3	Whether partnership arrangements are in place	<i>We have a working partnership with Rykneld Homes Ltd , that has been endorsed by Cabinet 5.6.2013 EAH 12/13/PS</i>
4	Inclusion by LA of other contributions e.g. Land in council ownership either HRA or GF to be included at nil cost, commuted sums , cross subsidy from market sales or market rent.	<i>Permission to include HRA or GF sites required , but inclusion of council owned sites will assist the bid. Cabinet approved inclusion of the sites in principle .</i>
5	Demonstrable Housing need	<i>Draft Housing Mix Completed & available</i>
6	Fit to local economic strategies	<i>Clearly demonstrable as sites will be assessed against the emerging local plan figures and the SCR recent Strategic Economic Plan submission, and JIF (Joint Investment Fund) and SCRIF (Sheffield City Region Investment Fund Bid) submissions from NEDDC.</i>
7	LA support	<i>Cabinet approval granted 11.6.14, Property Rationalisation Group has already supported the site audit and set up a Task and finish group to progress new Council houses</i>
8	Value for money	<i>NEDDC should be able to show a competitive bid if we are using Council land, and potentially some mixed tenure or market rent units.</i>

- 1.10 The DCLG papers annex sets out the Information required to support a bid: Local Authorities who wish to submit an Expression of Interest for additional borrowing for 2016/17 should provide the following information:-
- An outline of the estimated borrowing requirement (per scheme) in 2016/17 including information on the authority's borrowing headroom (as at 31 March 2014)
 - An outline of the scheme (or schemes) including the location(s) and estimated number of proposed new units per scheme;
 - An outline of the funding arrangements including whether the Council will be bringing forward its own land for development or undertaking asset disposal to help subsidise the scheme (or schemes);
 - An outline of the proposed partnership arrangements and whether those are existing arrangements or whether new arrangements are proposed; and to be agreed at a later date e.g. Managed by Rykneld Homes Ltd or an RP for council or transferred to Rykneld Homes Ltd RP arm.
 - Whether the proposed scheme is supported by the Local Enterprise Partnership. NEDDC has applied to both the Sheffield City Region, and the D2N2 LEPS for support.
- 1.11 A recent audit of NEDDC owned sites shows that we have the capacity to bring forward up to 66 new units on Council owned sites, without compromising any planned Long-term Regeneration schemes.
- 1.12 As part of the process of developing this bid Officers have held discussions with Rykneld Homes and the following outline schemes have been put forward for consideration under this proposal:

Dronfield:

1. Manor Farm site – Town centre site with potential for a 50 unit mixed tenure scheme which will include 12 x 1 or 2 bedroom apartments. Cabinet approved on 30 July 2014 for feasibility and design work for the regeneration of sites in Dronfield to deliver new build housing.
2. Alma site – Cabinet approved on 30 July 2014 to start negotiations with Dronfield Town Council to transfer vacant land at Holmley Lane, the "Alma Site" to RHL. Requires further feasibility and design. The site may have the potential to accommodate 48 dwellings.

Wessington

The site has the potential to develop 16 affordable units which has the potential to release land for the development of a wider mix tenure scheme. These could be delivered within the timeframe of the bid.

Danesmoor

The site has outline planning consent for 20 properties (40% affordable). The site is currently in the ownership of Derbyshire County Council and is being evaluated for the bid.

2 Conclusions and Reasons for Recommendation

- 2.1 Local Growth Fund: An application to increase the HRA debt cap and create additional borrowing capacity would provide an opportunity for the Council to consider the delivery of a new build housing scheme whilst still keeping focus on the need to address the non-traditional housing stock issues within the District.
- 2.2 The proposal would contribute towards the Growth Agenda of the Council.
- 2.3 The proposed sites have already been identified in Site Audit work, have the support of local members, and are deliverable within the timeframes of the bid.

3 Consultation and Equality Impact

- 3.1 The detail of the proposed schemes outlined in 1.12 will be developed to determine the appropriate mix of property types to meet the needs for additional types of housing required in the district, as identified in the 2013 SHMA (Strategic Housing Market Assessment). The list below gives an indication of the types of property that will be considered.

- 2 bedroom 4 person houses
- 2 bedroom 4 person Lifetime homes bungalows for older people
- 3 bedroom 5 person wheelchair standard family homes
- 1 bedroom 2 person flats

The scheme will consider the mixture of Affordable rent, shared ownership and considers an allowance for an element of cross subsidy from market rented (with potential for to be managed by Rykneld Homes Ltd) or sale units, to support scheme viability. Some units could be provided to meet decant needs.

- 3.2 The Derbyshire wide Disability Housing Needs study 2013 identified the need for 132 additional wheelchair standard homes in NEDDC. There are currently 6 units in council stock.
- 3.3 Smaller units will assist with downsizing requirements due to the Welfare Reforms, and the need for Lifetime homes for older people, which will free up larger family homes. There is a shortage of 1 bedroom self-contained flats in the district. Analysis of the 2013/14 Housing Allocations returns showed that 66% of registrations on Choicemove were eligible for 1 bed units.
- 3.4 Consultation on individual schemes will be carried out in the established manner in partnership with Rykneld Homes as part of the pre planning process.

4 Alternative Options and Reasons for Rejection

- 4.1 The ability to borrow monies to develop new NEDDC council homes with financing via the HRA prudential borrowing is likely to be very limited over the next few years due to the investment required in Non traditional stock.
- 4.2 The HRA development reserve has enabled some smaller schemes to be brought forward but this reserve is insufficient to finance larger development schemes.
- 4.3 An alternative option is to encourage development by offering Council land to Registered Providers and/or developers. This would offer nominations to units managed by other RP's, but the properties would not be owned by the Council.

5 Implications

5.1 Finance and Risk Implications

- 5.1.1 Based on the current MTFP, the projected headroom within the HRA as at 31 March 2016 will be £19.019m. Any further increase in borrowing would need to be approved by Council.
- 5.1.2 Any principal repayments and interest costs would be charged against the HRA and need to be affordable within the HRA Business Plan.
- 5.1.3 If the bid is successful, then each scheme would need to come back to members for approval, accompanied by a business case considering the affordability of the scheme in order to protect and sustain the financial stability of the HRA.

6 Legal Implications including Data Protection

- 6.1 These are accommodated within existing arrangements.

7 Human Resources Implications

- 7.1 The project can be managed within existing resources and projects will be progressed through current working arrangements.

8 Recommendations

- 8.1 That Cabinet agrees that the Council submits a firm bid before 30 September 2014 to borrow an additional £6m to the DCLG Local Growth Fund HRA Borrowing Programme 2016-17.
- 8.2 That Cabinet notes the inclusion of sites at Dronfield, Wessington and Danesmoor as detailed in 1.12.
- 8.3 That Cabinet receive a business case on the viability of each scheme in order to sustain the financial stability of the HRA.

- 8.4 That Cabinet receive an update on the result of the bid & proposed programme of work at the appropriate time.

9 **Decision Information**

Is the decision a Key Decision? (A Key Decision is one which results in income or expenditure to the Council of £50,000 or more or which has a significant impact on two or more District wards)	Yes
District Wards Affected	All , or dependent on sites selected
Links to Corporate Plan priorities or Policy Framework	Create jobs, build skills and attract capital Investment Increase housing Choice Look after the environment Improve peoples health

10 **Document Information**

Appendix No	Title
Link	CLG Local Growth Fund Paper https://www.gov.uk/government/publications/local-growth-fund-housing-revenue-account-borrowing-programme-2015-to-2016-and-2016-to-2017
Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)	
Report Author	Contact Number
K Perkins	7288