



Report to: Cabinet Meeting – 31 October 2023

Portfolio Holder: Councillor Lee Brazier, Housing

Director Lead: Suzanne Shead, Director - Housing, Health & Wellbeing

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<b>Report Summary</b>	
<b>Type of Report</b>	Open Report, Key - Decision
<b>Report Title</b>	Housing Revenue Account (HRA) – Housing Outturn 2022/23 and Future Delivery of New Homes
<b>Purpose of Report</b>	To provide an update on the progress of the Council’s Housing Revenue Account Development Programme – the outturn for 2022-23 and options for future housing delivery.
<b>Recommendations</b>	<p>That Cabinet:</p> <ul style="list-style-type: none"> <li>a) notes the progress and expected completion of the current HRA Development Programme;</li> <li>b) allocates £234,747.64 from Section 106 contributions (as detailed in section 2.16 of the report) to development sites at South Crescent, Clipstone; Firview, Ollerton; and Gaitskell Crescent, Edwinstowe as part of Phase 5 of the HRA Development Programme therefore reducing the required borrowing by an equivalent amount;</li> <li>c) supports the creation of £10.7m budget for the development of a discreet programme of HRA Development up to 50 units within the HRA Capital Programme in 2024/25 financed by the surplus identified at paragraph 2.19 of the report of £2.445m and with the remaining £8.255m financed initially from borrowing whilst other funding is sourced; and</li> <li>d) commits the total of £1.292m from the Section 106 agreements listed at 2.21 of the report to the new development programme within the obligations of the S106 agreements.</li> </ul>
<b>Alternative Options Considered</b>	The completion of the HRA development programme, without the introduction of a future programme was considered but discounted in recognition of the impact that a net loss of housing (through annual right to buy numbers) will have on the ongoing viability of the HRA 30 Year Business Plan.

	A pause in the programme was also discounted as this would risk losing the in-house skills and experience that have been built up over the last five years.
<b>Reason for Recommendations</b>	To provide confidence in the ongoing delivery of the HRA Development Programme, securing value for money secured through the programme and the outcomes delivered to against the community plan objectives to create more and better-quality homes through our roles as landlord, developer and planning authority.

## 1.0 Background

- 1.1 In 2017 the Council set a target to deliver 341 new-build council properties through its Housing Revenue Account (HRA).
- 1.2 Since 2017, the HRA Development Programme has delivered 279 properties across both general needs housing and specialist Extra Care Housing (Gladstone House, Newark and Broadleaves, Ollerton).
- 1.3 The programme has faced a number of challenges detailed below; however, this report demonstrates a highly successful and value for money programme has been delivered despite the challenges faced.

DATES	CHALLENGE
March 2020 – January 2021	Covid Pandemic and lock downs. Including social distancing on construction sites
June 2021	Main contractor for Broadleaves Extra Care scheme entered administration
April 2022 – April 2023	Inflation at 10%, construction costs and materials impacted. Labour shortages experiences across the construction sector
September 2022	Main contractor for programme entered administration leaving eight sites partly constructed and the remainder of sites in the pipeline without a contractor to deliver
October 2022	Re-procurement of all part constructed sites – awarded to three separate Small to Medium Enterprises to spread the workload and future risk of the project
April - September 2023	Procurement of further twelve sites to separate contractors to spread the workload and risk of the project.

## 2.0 Delivery

### Overall Delivery

- 2.1 Delivery within the HRA Development Programme is split across five phases totalling 341 properties.

Phase	Properties Completed	Properties Currently under construction	Properties with planning permission due start on site	Total Properties being delivered
Phase 1	136	0	0	136
Phase 2	50	0	0	50
Phase 3	68	12	0	80
Phase 4	25	18	0	43
Phase 5	0	2	30	32
<b>Total</b>	<b>279</b>	<b>32</b>	<b>30</b>	<b>341</b>

- 2.2 It is expected that those properties currently with planning permission and due to start, will start on site around October 2023 for completion by July 2024.
- 2.3 The final phase of the programme has been spread over 30 months as a result of the main contractor going into administration in the latter half of 2022. This delay was reported to Cabinet in October 2022.
- 2.4 In addition to the properties within the HRA Development Programme, the council is also delivering a new temporary accommodation facility 'Alexander Lodge' on the site of the previous provision. Once complete, Alexander Lodge will provide 20 highly energy efficient properties with a range of configurations to adjust between one to four bedroom accommodation.

#### **Location and Type of New Build Properties**

- 2.5 Properties have been delivered across the district, predominantly utilising council owned infill and garage sites. A number of sites have been transformed from hot spots of anti-social behaviour to new homes for residents.
- 2.6 A range of property types have been delivered to reflect the variation and range of housing needs in the district. The table below shows the type and location of properties across the programme:

Location	Type of Properties Constructed			
	Flats	Bungalows	Houses	Extra Care
Newark Area	70	31	30	60
Western Villages	14	48	17	30
Newark Villages	2	19	20	0
<b>Total 341</b>	<b>86</b>	<b>98</b>	<b>67</b>	<b>90</b>

- 2.7 The table shows that the council has built more bungalows than any other type of property over the period of the programme. This is a significant result given the high demand for bungalows in the district and is in contrast to the market where developers

generally have not been building bungalows over the last 20 years due to land availability and the pressures of financial viability within the private sector.

### **Property Specification and Standards**

- 2.8 The specification for new build properties has developed over the period of the programme to ensure the programme delivers modern properties that are efficient to heat and maintain. Current properties generally benefit from photo voltaic panels, solar thermal storage and an efficient “A” rated electrical heating system.
- 2.9 Over the period of the new build programme, the Council has carried out customer satisfaction surveys. The surveys have been conducted over the 12 months following occupation of the property and feedback gained has been used to improve the specification and service delivery. Customer satisfaction with the completed properties and defects service is currently at 98.9%.

### **Delivering Value for Money**

- 2.10 Since the new build programme started, it has attracted £7.888m in grant funding from Homes England; £3.962m from Nottinghamshire County Council and the Better Care Fund, giving a total of £11.85m in contributions.
- 2.11 The HRA Development Programme will deliver 341 properties against a target of 335 and within the budget set out by the council – with an estimated surplus of £2.445m from the current allocation for Phase 3 – 5, Boughton Extra Care and the site acquisition budget.
- 2.12 Across the East Midlands, the 2023 average cost to build a new property is £303,000. The current 2023 HRA new build average cost of a property is £198,000.
- 2.13 The average cost of a property across all five phases of the programme, inclusive of extra care properties, build costs, planning fees, architects and consultants’ fees is £176,823 per property compared to £285,500 per property in the East Midlands for the time period 2018-2023.

### **Current Section 106 Contributions**

- 2.14 The HRA Development Programme has utilised S106 Affordable Housing contributions where possible, to ensure these are spent effectively and appropriately.
- 2.15 The council currently has three S106 affordable housing contributions due for spend within this next two financial years. It is recommended that the S106 contributions shown below are allocated to the final phase of the current programme, to ensure the contributions are spent within the time scale and within the relevant parish.
- 2.16 The sites proposed to receive £234,747.64 S106 funding are: South Crescent, Clipstone, Fir View Ollerton and Gaitskell Crescent, Edwinstowe. Sites are programmed to start on site in October 2023 for completion June 2024, they will provide additional affordable one bed bungalows and both meet the restriction on the S106 to ensure spend within the parish boundary.

Table of s106 contributions for affordable housing that require spend by 2025-2026 financial period					
Parish	Contribution Type	Time Limited	Spend by date	Amount	Restricted To
Clipstone	Affordable Housing	Yes	20/1/2025	£150,086.59	Parish
Ollerton	Affordable Housing	Yes	06/09/2025	£42,872.00	Parish
Edwinstowe	Affordable Housing	Yes	29/04/2026	£41,789.05	Parish
<b>Total</b>				<b>£234,747.64</b>	

### **Future Delivery Beyond Phase Five**

- 2.17 As the final phase of the existing development programme is underway, it is appropriate and timely for the council to consider any future programme for new build council housing.
- 2.18 The Council is currently undertaking a full stock condition survey of all council owned homes and is actively working with the Carbon Trust to model the financial implications of decarbonising homes. Whilst this work is underway, it is proposed that a smaller, discreet development programme, of up to 50 units is brought forward subject to capacity and affordability. This will ensure that the Council continues to meet the housing needs in the district and replaces those homes lost through Right to Buy sales, maintaining the financial viability of the Housing Revenue Account Business Plan.
- 2.19 Within the current HRA Development Programme there is expected to be a £2.445m surplus budget made up as follows:

Scheme Name	Budget Available £
Phase 3	0.230
Phase 4	0.227
Phase 5	1.691
Boughton Extra Care	0.297
<b>Total</b>	<b>2.445</b>

- 2.20 It is proposed that the surplus from the current HRA development programme (£2.445m) is rolled forward to support the new programme along with utilisation of S106 Contributions, Right to Buy Receipts and any external funding that can be secured.
- 2.21 A further £1.292m S106 is available (with restrictions on location and spend date) as per the table below:

Parish	Contribution Type	Spend by Date	Amount (£)	Restricted To
Clipstone	Affordable Housing	04/02/2031	320,112.82	NSDC
Clipstone	Affordable Housing	19/04/2031	176,459.80	Extended Parishes
Clipstone	Affordable Housing	29/11/2031	41,396.85	Extended Parishes
Bulcote	Affordable Housing	10/02/2032	69,979.00	Extended Parishes
Bulcote	Affordable Housing	10/02/2032	69,979.00	Extended Parishes
Bilsthorpe	Affordable Housing	No	5,210.00	Commuted Sum no definition
Rainworth	Affordable Housing	No limit	469,993.43	No definition
Newark	Affordable Housing (off site)	No limit	4,840.04	Unrestricted
Bilsthorpe	Affordable Housing (off site)	No limit	36,000.00	No definition
Blidworth	Affordable Housing	No limit	45,927.19	No definition
South Scarle	Affordable Housing		52,000.00	Off Site unrestricted
<b>Total</b>			<b>1,291,898.13</b>	

### 3.0 **Implications**

In writing this report and in putting forward recommendations, officers have considered the following implications: Data Protection, Digital and Cyber Security, Equality and Diversity, Financial, Human Resources, Human Rights, Legal, Safeguarding, Sustainability, and Crime and Disorder and where appropriate they have made reference to these implications and added suitable expert comment where appropriate.

#### **Financial Implications (FIN23-24/5017)**

- 3.1 Allocating £234,747.64 of available in S106 as per the table at 2.16, to the current phase 5 of the Development Programme will result in the equivalent amount less borrowing required in the current year, which will save c£11,000 per year in interest.
- 3.2 The proposal to deliver a modest programme of additional HRA Development up to 50 units. This requires a total budget of £10.7m. The current build per unit cost as per paragraph 2.12 is £198,000. The new Programme would likely start during 2024/25, therefore it would be prudent to increase this cost by 8% to take account of future inflation.
- 3.3 As per paragraph 2.19, it is estimated that £2.445m of the current New Build Programme can be utilised towards the additional budget requirement. Therefore, the Capital Programme would need to be increased by £8.255m. Other sources of funding are currently being explored. Therefore, it would be prudent to assume at this time that the additional budget should be financed by borrowing, which at the PWLB rates at the end of September 2023 would cost £457,327 per year in interest.

- 3.4 The additional sources of funding currently being explored are Homes England Grant and S106 where applicable. there are restrictions with using certain types of funding together, for example Right to Buy (RTB) 1-4-1 receipts cannot be used at the same time as Homes England grant and S106 receipts are bound by a legal agreement.
- 3.5 There is £1.292m available in Affordable Housing S106 receipts as per the table at 2.21, which could reduce the borrowing requirement however, this would need to be reviewed once the sites were determined to ensure utilising the receipt was in line with the S106 agreement. In order to maximise the usage of the receipts listed, it is recommended that the Director of Growth and Economic Development be given delegated authority to approve the use of the receipts against the proposed programme as appropriate.
- 3.6 The additional budget required has been modelled into the current approved HRA 30-year Business Plan and is affordable.

#### **Background Papers and Published Documents**

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

None