



Report to: Cabinet: 23 July 2024

Portfolio Holder: Cllr. Lee Brazier – Portfolio Holder for Housing

Director Lead: Suzanne Shead – Director of Housing, Health and Well-being

Lead Officer: Cara Clarkson – Business Manager, Housing Strategy and Regeneration

Report Summary	
Type of Report	Key Decision – exempt appendix 1
Report Title	Housing Revenue Account Development Programme - Update
Purpose of Report	To update Cabinet on delivery within the HRA Development Programme and to set out details of the potential for the authority to acquire housing as part of the programme, including eight S106 homes for Affordable Rent tenure, at Station Road, Collingham.
Recommendation to Exclude Press & Public	<p>In relation to appendix 1.</p> <p>This report contains information relating to the financial or business affairs of a particular person (including the authority holding that information) which is a category of exempt information under Schedule 12A of the Local Government Act 1972, Paragraph 3 under which the Committee has the power to exclude the press and public if it so wishes.</p> <p>RECOMMENDED that under Section 100(A) of the Local Government Act 1972, the press and public be excluded from the meeting during discussion of this item of business on the grounds that it involves the likely disclosure of exempt information as defined in Paragraph 3 of Schedule 12A of the Act and that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.</p>
Recommendations	<p>That Cabinet:</p> <p>1) Notes the progress of the HRA development programme.</p>

	<p>2) Approves the business case for affordable housing acquisition within Newark and Sherwood (in addition to development) utilising the phase 6 development programme budget and,</p> <p>3) approves the acquisition of eight S106 homes at Collingham utilising the phase 6 development programme budget.</p>
<p>Alternative Options Considered</p>	<p>The authority may choose to develop only and not acquire properties through its HRA programme, however this will limit the flexibility of securing properties where a strong business case for acquisition exists e.g. there is a demonstrable need and limited land availability.</p> <p>With specific regards to the proposed purchase at Collingham, there is an option for the developer to provide a commuted sum payment however, any receipt would be difficult to spend if restricted to this location.</p> <p>If the authority does not proceed with the purchase of these properties, the expected benefits set out in the reasons for recommendations section of this report would not be realised.</p>
<p>Reason for Recommendations</p>	<p>a) To enable new affordable rented homes to be delivered which meet identified housing need in the district.</p> <p>b) To provide a return on investment as set out in the financial evaluation provided.</p> <p>c) To replace homes sold to tenants via right to buy.</p> <p>d) To deliver housing solutions which meet local needs and aspirations to ensure that our residents have access to a range of housing solutions in the district.</p>

1.0 Background information

1.1 In the last five years, Newark and Sherwood District Council (NSDC) has increased investment in new housing through the Housing Revenue Account Development Programme. The programme set out with the ambition to deliver 335 units over five phases.

1.2 In October 2023, Cabinet approved a further 50-unit extension to the original development programme, acting as a bridge between the existing and a future long term strategic programme whilst priorities of building safety and decarbonisation are being considered and costed. The October 2023 approval set a budget of £10.7m for the 50-unit programme extension.

2.0 Housing Revenue Account – Development Programme Delivery

2.1 Delivery within the HRA Development Programme has been split across five phases totalling 335 properties.

Phase	Properties Completed	Properties Currently under construction	Properties with planning permission due start on site	Total Properties being delivered
Phase 1	130	0	0	130
Phase 2	50	0	0	50
Phase 3	80	0	0	80
Phase 4	43	0	0	43
Phase 5	2	25	5	32
Total	305	25	5	335

2.2 It is expected that those properties currently with planning permission and due to start on site, will start on site in August 2024 for completion by March 2025; the properties currently on site and under construction, will be completed by January 2025.

2.3 Properties have been delivered across the district, predominantly utilising council owned infill and garage sites and a number of these sites have been transformed from hot spots of anti-social behaviour to new homes for residents.

2.4 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 and includes 98 bungalows.

Location	Type of Properties Constructed			
	Flats	Bungalow	Houses	Extra Care
Newark Area	70	31	30	60
Western Villages	8	48	17	30
Newark Villages	2	19	20	0
Total 335	80	98	67	90

2.5 During the period April 23 to March 24, 38 properties were completed by the team in addition to the 20 temporary accommodation (General Fund) units completed at Alexander Lodge. Alexander Lodge was shortlisted and achieved runner up in the Efficiency East Midlands Awards within the 'Carbon Reduction Scheme of the Year' category in March 2024.

2.6 The New Build Development Team has also recently been shortlisted for the National Inside Housing Development Awards, Best Development Team of the Year award 2024.

Property specification and standards

- 2.7 The specification for new build properties has developed over the period of the programme to ensure the programme delivers build modern, efficient properties to heat and maintain. Current properties generally benefit from photo voltaic panels, solar thermal storage and an efficient “A” rated electrical heating system.

Delivering value for money

- 2.8 Since inception, the new build programme has attracted £7.888m in grant funding from Homes England and £3.962m from Nottinghamshire County Council and the Better Care Fund, giving a total of £11.85m in contributions.
- 2.10 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.

3.0 Utilising acquisition alongside development to deliver additional council units.

- 3.1 When Cabinet approved the additional 50-unit extension to the development programme, reference was made to development only and not the use of acquisitions and the purchase of property utilising this funding.
- 3.2 Historically, the council has intervened in the housing market where it is appropriate and necessary to ensure the delivery of affordable housing and where a Registered Provider has been unable to do so. This has previously included for example the purchase of two social rented units at Nottingham Road, Southwell in 2021 (Policy and Finance Committee - 23rd September 2021 refers) and 16 social rented units at Ash Farm, Farnsfield in 2016. (Agenda Item 4, Policy & Finance - 28 July 2015 refers).
- 3.3 The purchase of S106 properties, former right to buy properties or properties on the open market can be a viable option to increase the councils housing stock, particularly where the purchase supports a stalled site or where the properties are in a location where there is limited land available for the council to purchase and build directly and there remains an unmet demand for council housing.
- 3.4 It is therefore proposed that the funding allocated to the 50-unit development programme extension, can be utilized for acquisition as well as direct development, where there is a business case for doing so and that business case is approved by Cabinet.

4.0 The opportunity to purchase eight S106 properties in Collingham, Newark

- 4.1 An opportunity has arisen to purchase eight S106 properties in Collingham, Newark. The properties are linked to a site with consent for a residential development of 29 retirement bungalows with extra care (Use Class C2) with associated garages, parking, and landscaping (Planning Reference 21/02182/FULM refers) that is being progressed by Gusto Construction Limited.

- 4.2 The Council was approached by Gusto Construction Limited in July 2023 indicating that they were unable to attract a firm offer from a Registered Provider (Housing Association) for the affordable units (evidence submitted June 2023 confirmed this position). This was due in the main to Registered Provider capacity issues in their Business Plans, a focus on the upgrading of existing properties and a commitment to Homes England strategic partnership. The level of service charges for the flats and bungalows also prevented a confirmed offer.
- 4.3 The Council agreed to accept off- site delivery of the affordable housing provision at an alternative location (Station Road) in Collingham owned by the applicant (23/00468/FUL refers). Providing the affordable contribution off-site has allowed for additional market units to be provided on the original site. A renegotiation of the S106 therefore resulted in an increase in the level of affordable housing to take account into the uplift of market dwellings being delivered on the original site. The Council agreed to assign the units as affordable rent rather than an intermediate housing product and to retain eight units to allow for the financial difference.
- 4.4 Discussions were held with the developer and set against the Council’s Housing growth strategy, the developer was advised that the Council would consider the potential of making an offer directly for the properties, subject to the necessary financial and risk appraisals.
- 4.5 CWH Surveyors LLP (who provide valuations for Council dwellings) were commissioned by the Council to undertake an external advice and valuation report (dated 23rd January, 2024) and advice on values was also sought from Local Registered Providers particularly those that had purchased recently in the district. The value provided for all eight units is £720,000.
- 4.6 The properties are set in Collingham, where the Arc4 District Wide Housing Needs Assessment (2021) and accompanying sub-area summaries show a high demand for smaller one and two bed units (eleven units out of a total need of 19) in the affordable rented sector within the Collingham sub-area.
- 4.7 The Council’s housing register also shows that there is a strong demand for affordable units in this locality. There are 108 applicants seeking one bedroom accommodation and 54 applicants are registered as needing a two-bedroom property. A further 60 applicants require support housing.

5.0 Financial Implications (FIN24-25/9792)

- 5.1 Below shows a summary of actual expenditure to 30 June 2024 for the New Build Programme from phase 1 – 5 including Gladstone House, Broadleaves and the acquisition of two properties at The Rise, Southwell, all of which has counted towards the unit numbers in the table at 2.1.

Scheme	Actuals	External Funding	S106	1-4-1	Other NSDC Funding
Gladstone House	8,189,872	3,725,000			4,464,872
Broadleaves	8,297,434	2,080,000			6,217,434

Acquisition of Properties at the Rise, Southwell	232,277				232,277
Phase 1	9,743,497	2,985,637	1,958,827	61,017	4,738,017
Phase 2	7,587,309	1,322,000		663,698	5,601,611
Phase 3	7,833,130		119,557	2,556,158	5,157,414
Phase 4	10,068,004		310,609	3,458,553	6,298,842
Phase 5	2,804,646			70,000	2,734,646
Site Acquisition	709,341				709,341
Total	55,465,510	10,112,637	2,388,993	6,809,426	36,154,454

5.2 Phase 5 is due for completion and Phase 6 is due to start during 2024/25. Budgets are as follows:

Phase	Total Phase Budget
Phase 5 (inc actuals above)	7,614,499
Phase 6	10,700,000

5.3 There is £1,526,645.77 S106 currently being held by the Council to be used towards Phase 6 (ensuring use is in line with the relevant agreement), and further 1-4-1 money that will need to be spent within 5 years of receipt. The above use of £6,809,426 has resulted in the Council being in front of spend by deadlines and therefore not having to repay any 1-4-1 receipts to Government.

5.4 The purchase of the properties, is proposed at £720,000. Including Stamp Duty and Legal fees is expected to cost £771,100 in total and is to be included in Phase 6 of the new build programme, therefore no additional budget is required.

5.5 The budget for Phase 6 was added to the Capital Programme following Cabinet approval in October 2023 and allows spend of £214,000 per property, including the pre-construction costs. This cost fluctuates depending on the type of site and the number of units but the actual average across all 5 phases to date, shown in paragraph 2.10 is £176,823 per property. The cost per property to purchase the 8 units in Collingham equals £96,390 per property including SDLT and Legal costs, therefore good value for money compared to building and will result in additional units being delivered or a saving on the budget.

5.6 The rental income of £45,450 less 2% bad debts of £910 (net income of £44,540) and expenditure budgets of £8,000 split between management and repairs will need to be added to the HRA revenue Budget.

5.7 Equalities Implications

In considering the acquisition of the affordable units at Station Road, Collingham, equality implications will be considered and assessed against the delivery of additional affordable housing to ensure the evidenced housing need across all tenures and communities is addressed. The affordable units will be let through the Council's Choice Based Lettings Scheme where bids will be invited from applicants who meet the criteria.

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.