

Report to Cabinet
10 September 2014
Report of Head of city development services
Subject Local Growth Fund – HRA Borrowing Programme 2015-18

Item

9

KEY DECISION

Purpose

To consider whether to submit a bid for an increase in the HRA borrowing headroom for 2016-18 under the Local Growth Fund, and if so, which option to choose.

Recommendation

- a) To consider approving a bid to the Local Growth Fund – HRA Borrowing Programme 2015-18; and should cabinet approve such a bid,
- b) For the detailed bid submission to be delegated to the executive head of regeneration and development in consultation with the portfolio holder for housing.

Corporate and service priorities

The report helps to meet the corporate priority “Decent housing for all” and the service plan priority to build new council homes.

Financial implications

Total cost of £14m to be funded from up to £7.46m from the existing housing capital plan and the remaining £6.54m from an increase to the housing revenue account debt cap through a bid to the local growth fund. This is equivalent to stretching the current five year improvement programme by three to four months.

Ward/s: All wards

Cabinet member: Councillor Waters- Deputy Leader and resources and Cllr Bremner – Housing.

Contact officers

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Background documents

None

Report

Background

1. In April 2014, the government published the prospectus for the Local Growth Fund – Housing Revenue Account Borrowing Programme 2015-18. This states that the government wishes to deliver an additional 10,000 affordable new homes from additional borrowing of £150m in 2015/16, and a further £150m in 2016/17. This would equate to £30k average borrowing per unit.
2. The council took the decision that the restrictions included within the prospectus did not make economic sense for a bid.
3. In July 2014 the government announced that 15 local authorities had been successful and that £60m of additional borrowing (increase in HRA headroom) had been allocated to over 1000 new homes, which equates to £60,000 per unit and double that suggested in the prospectus.
4. A second bid round has opened this year, with a submission deadline of 30th September 2014. This programme is designed to provide affordable housing at affordable rents (current guidance is 80% of market rent) rather than for social rented units.
5. The current target in the housing investment strategy is to deliver 250 units by 2018 across a number of sites, and in addition NCC is working with registered providers to develop and maintain a high level of delivery. A number of sites have been identified that have potential for delivery above the target number that could be brought forward within this timescale required.
6. The council's HRA business plan is currently being revised to reflect the end of 2013/14 but indications are that we will reach the borrowing cap in 2016/17. This period is affected by the level of increases in rent, expenditure and the level of RTB receipts that are being received.
7. There is an expectation of disposal of high value assets to support new development. Since 2010 the council has undertaken a number of disposals under effective asset management. Due to this there are not a significant number of additional disposals expected, with the business plan estimating 8 per annum at an average selling price just over £100,000.
8. The 'Frequently Asked Questions' for the Local Growth Fund has been updated and now states that RTB receipts under the 1-4-1 replacement scheme cannot be utilised to fund bids under this scheme, however the non 1-4-1 replacement receipts can be utilised which equate to approximately £420,000 per annum.
9. The council will lobby Government for changes in the current policy / legislation for further freedoms and flexibilities around the use of RTB receipts, including 1 for 1 replacement receipts, to support additional delivery.
10. Following the publication of the second round of bidding this paper sets out the further options available to the council to submit a bid. To help inform these options

an illustrative scheme has been modelled that could deliver an additional 110 dwellings for a potential bid at an estimated total cost of £14m.

Options

11. Option 1 – do not bid for additional funding

Advantages

- a) We have currently identified a programme of sites to deliver 250 dwellings by 2018 within existing HRA borrowing capacity. This programme is manageable within existing resources;
- b) Allows a number of sites to be put forward for delivery by RP partners;
- c) Does not require a change in the council's tenancy strategy and policy to develop 'affordable rent' dwellings;
- d) Allows the council to build up additional capital resources from disposal of assets and RTB receipts to support delivery once additional headroom is generated in future years.

Disadvantages

- a) Capacity to develop additional affordable housing by the council is delayed in the short / medium term (anticipated 3 years)

12. Option 2 – Submit an expression of interest at a level of borrowing per dwelling that does not require additional capital to be used.

Advantages

- a) Allows an additional 110 dwellings to be delivered for new council houses at affordable rent levels;

Disadvantages

- a) Seeking additional £14m HRA headroom at an average borrowing of £128,000 per dwelling is unlikely to be assessed as value for money under the bidding process.
- b) Requires additional sites to be brought forward quickly to take up the existing headroom, which may require additional staffing resource;
- c) Council would have to charge 'affordable rents' requiring a change in the current tenancy strategy and policy

13. Option 3 – Submit an expression of interest at a level of borrowing per dwelling that utilises receipts from the disposal of assets and non 1-4-1 RTB receipts.

Advantages

- a) Allows an additional 110 dwellings to be delivered for new council houses at affordable rent levels;

Disadvantages

- a) Assumes the level of disposals (£800,000) and non 1-4-1 RTB receipts (£420,000) are achieved.
- b) Seeking additional £12.78m HRA headroom at an average borrowing of £117,000 per dwelling is unlikely to be assessed as value for money under the bidding process.
- c) Requires additional sites to be brought forward quickly to take up the existing headroom, which may require additional staffing resource;
- d) Council would have to charge 'affordable rents' requiring a change in the current tenancy strategy and policy.

14. Option 4 - Submit an expression of interest at a level of borrowing per dwelling that utilises additional housing capital.

Advantages

- a) Allows an additional 110 dwellings to be delivered for new council houses at affordable rent levels;
- b) Bid is in line with those approved in round 1 at £60,000 per dwelling so may satisfy the value for money criteria.

Disadvantages

- a) To reduce the borrowing to £6.54m – the average £60,000 per dwelling in round 1 would require £7.46m of other housing capital. This is the equivalent of stretching the existing five year housing improvement programme by three to four months.
- b) Requires additional sites to be brought forward quickly to take up the existing headroom, which may require additional staffing resource;
- c) Council would have to charge 'affordable rents' requiring a change in the current tenancy strategy and policy

	Option 1	Option 2	Option 3	Option 4
Additional HRA borrowing headroom	0	£14m	£12.78m	£6.54m
Existing Housing Capital required	0	0	£1.22m	£7.46m
Average borrowing per dwelling	0	£128k	£117k	£60k

15. Recommendation

It is recommended that members choose either option 1 and decide not to proceed on the grounds of impact on the HRA improvement programme or option 4 as this generates additional dwellings, allows prudential borrowing against rents generated and is at a level that has been accepted by Government as offering value for money.

Integrated impact assessment



NORWICH
City Council

The IIA should assess **the impact of the recommendation** being made by the report

Detailed guidance to help with completing the assessment can be found [here](#). Delete this row after completion

Report author to complete

Committee:	Cabinet
Committee date:	10 September 2014
Head of service:	Andy Watt - Head of City Development Services
Report subject:	Local GrowthFund – HRA Borrowing programme 2015-18
Date assessed:	15 August 2014
Description:	To seek approval to submit a bid for an increase in the HRA borrowing headroom for 2016/17 under the Local Growth Fund.

	Impact			
Economic (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Finance (value for money)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Provision of more council homes will improve overall affordability of the housing stock. This represents a prudent use of financial resources to meet corporate priorities.
Other departments and services e.g. office facilities, customer contact	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
ICT services	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Economic development	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Additional development will provide employment opportunities, opportunities for local contractors and businesses and will generate local spending for the benefit of the wider economy. Providing more housing is important in supporting sustainable economic growth and prosperity.
Financial inclusion	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Providing additional affordable housing will advance financial inclusion by helping to improve housing affordability
Social (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments

	Impact			
Safeguarding children and adults	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Building more council homes to meet changing needs will help provide accommodation for vulnerable adults and children.
<u>S17 crime and disorder act 1998</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Human Rights Act 1998	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Health and well being	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	The provision of sufficient and decent quality housing is essential to ensuring decent levels of health and well being
Equality and diversity (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Relations between groups (cohesion)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Eliminating discrimination & harassment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Advancing equality of opportunity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Environmental (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Transportation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Natural and built environment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	High quality design will enhance the built environment.
Waste minimisation & resource use	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

	Impact			
Pollution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Sustainable procurement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Energy and climate change	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	The new council homes will be designed to a higher standard of environmental standards than building regulations require
(Please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Risk management	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	The new homes will be subject to the Right to Buy which represents a low risk to the council

Recommendations from impact assessment

Positive

Overall additional funding will provide more council homes which will improve overall affordability of the housing stock. The investment priorities represent a prudent use of financial resources to meet corporate priorities and will provide local employment opportunities.

Negative

The right to buy is a risk that can be mitigated through the retaining the receipts from the sale of any new build dwelling and the 'cost floor' which allows the council to recover the costs of purchasing, building, repairing or maintaining the dwelling for a period of 15 years.

Neutral
Issues