

Homes England Investment Partner Status and Grant Agreement

Housing Committee Thursday, 14 September 2023

Report of: Chief Finance Officer (Section 151)

Purpose: For decision

Publication status: Unrestricted

Wards affected: All

Executive summary:

The council house programme requires subsidy to enable schemes to be financially viable and to minimise the loan requirement. To date this subsidy has been in the form of utilising Right to Buy Receipts ('RTBR'). RTBR cannot fully subsidise the programme, as the majority is already allocated, and annual receipts are of relatively low value.

The Affordable Homes Programme ('AHP') managed by the Homes England provides grant funding for the delivery of new affordable homes. An application for Investment Partner status (providing qualification to bid for grant) and for the first grant bid (for the Uplands scheme) has been submitted.

If successful a grant agreement will need to be entered into to secure the payment of grant and to ensure compliance with the conditions of grant.

This report supports the Council's priority of: Creating the homes, infrastructure and environment we need

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Recommendation to Committee:

That the Council enters into a grant agreement with Homes England in order to secure grant funding for the Council house building programme.

Reason for recommendation:

Entering into the Grant Agreement with Homes England will enable securing grant funding to deliver the Council house building programme.

Introduction and background

- 1.0 Homes England is a non-departmental public body which holds the responsibility for the Affordable Homes Programme ('AHP') 2021-26. Affordable housing, as defined by the National Planning Policy Framework, is housing for sale or rent for those whose needs are not met by the market. The AHP provides grant funding to support the capital costs of developing affordable housing. The programme has a value of £7.39billion to deliver up to 130,000 affordable homes in England, outside of London. This is the fifth AHP and it is expected another will follow from 2026.
- 1.1 To qualify for bidding for grant on individual schemes the Council must become an Investment Partner ('IP') of Homes England. This application covers a statement of good standing and the provision of a narrative evidencing the ability to deliver the capital projects funded. The first grant bid had to be submitted with the IP application. The Council will then bid for grant funding on individual development schemes when appropriate.
- 1.2 Up to now Council house building has been part funded by the use of Right to Buy Receipts ('RTBR') which can be used to fund 40% of total scheme costs. RTBR cannot be utilised alongside AHP grant on new properties. The Council does not have enough actual or projected RTBR to fully fund the approved council house building programme, therefore seeking AHP funding is a way of accessing government grant to support our affordable housing delivery within the HRA.
- 1.3 Homes England have significant requirements that need to be adhered when in receipt of grant. These are outlined in a standard non-negotiable grant agreement and in the Capital Funding Guide which outlines the rules and procedures that will need to be complied with by AHP funded schemes. Homes England run an annual Compliance Audit where specific schemes are audited independently.
- 1.4 The application for Investment Partner Status was made in August. At the same time our first bid for grant, for the Uplands scheme, was also submitted.
- 1.5 For Uplands a bid for grant for £1,020,000 was submitted, equal to £60,000 per unit. We are bidding for grant for the 17 incomplete units but not for the 4 units already completed and occupied. This is a scheme that

was tendered and largely built out prior to the high levels of material inflation recently seen, and as such is a scheme that performs well and requires reasonably low levels of grant.

- 1.6 This initial bid for grant and the IP application is currently being considered by Homes England. If we are successful with the IP application and grant bid, the Council will be required to sign a grant agreement with Homes England.
- 1.7 The grant is paid against the achievement of delivery milestones – typically 40% on site acquisition (where relevant), 35% on start on site (or 75% where no land acquisition is required) and 25% on practical completion. The grant agreement must be signed before occupation of the first completed unit that is grant funded.

Other options considered.

- 2 The AHP is the primary funding programme for delivery of new affordable homes, there are no real alternatives. With limited RTBR remaining to utilise on schemes and then only the availability of ongoing receipts available, there is a need to secure this external subsidy. Grant funding will minimise the loan level required for schemes and assist the financial viability of schemes and therefore also the wider programme.

Key implications

Comments of the Chief Finance Officer

Whilst the full cost of the approved programme is factored into the budget and medium-term financial strategy and 30 year business plan, the opportunity to seek external funding will allow Council resources to be preserved for future use.

External funding will increase the viability of schemes for the Council and allow more cost effective delivery of the programme, reducing expected borrowing costs.

Comments of the Head of Legal Services

The Council can enter into a grant under Section 1 of the Localism Act 2011, the general power of competence. This provides the Council with the power to take reasonable action it needs 'for the benefit of the authority, its area or persons resident or present in its area'. This includes entering into the grant agreement for the AHP as set out in this report.

The purpose of the grant agreement is for Homes England to make each approved capital grant under the Council house building programme and to enable the Council to provide affordable housing subject to the grant terms. Both the Council and Homes England will undertake to co-operate with each other to facilitate the proper performance of the grant agreement and the delivery of housing schemes under the Programme.

Homes England require a solicitor in the Council to sign a legal opinion letter. This includes, amongst other points, that the Council has taken all necessary action and obtained all relevant consents and approvals to authorise the performance of the obligations under the grant agreement. Homes England will not proceed until this letter is signed and therefore the Head of Legal and Monitoring Officer will do so based on this report and on suitable assurances by client Officers.

The grant agreement has been structured with the objective that it is lawful and complies with the requirements of the UK subsidy regime rules. Notwithstanding this, should any grant be found to constitute unlawful subsidy and/or not capable of being restructured compliantly then the Council will be obliged to repay the full amount of such subsidy plus interest at the prescribed rate. It is therefore important that subsidy control assessments as well as, where necessary, measures are undertaken to ensure compliance before grant applications are submitted. As part of this, all works, goods and services required to deliver any projects must be procured by the Council in strict compliance with the Public Contract Regulations 2015 and the Council's Contracts Standing Orders.

Equality

The Council's house building programme has and continues to provide affordable homes for families, single people, older people and those with a physical disability. The main beneficiaries of new housing will be those on lower incomes within the community who have a housing need and who are currently on the Council's housing register. This includes those households who are homeless to whom the Council has a statutory responsibility. The mix of any individual scheme is determined through discussion internally with those teams dealing with the housing register and housing need in order to determine the levels of need within the locality. Individual schemes are also the subject of further consultation with ward Members, this Committee and the parish council where the proposed development is sited.

There are no negative equality impacts arising from the proposals/recommendations detailed in this report.

Climate change

The Council's new homes programme seeks to maximise the energy efficiency of our homes with an emphasis on minimising heat loss through improvements to the external fabric of the building, as this approach has both a low capital cost and low future maintenance costs; but also to use photovoltaic panels, mechanical vented heat recovery systems and air source heat pumps to provide heat and power. In addition to this the new schemes submitted to planning from this date will also make use of grey water heat recovery systems. The Council has also undertaken to plant 3 new trees for every tree (Class C and above) that is removed to facilitate residential development and employs ecology experts to assist in achieving Biodiversity Net Gain on new residential schemes.

Appendices

None

Background papers

None

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