

Purchase of homes at Nash Road, Margate for Affordable Rent

Cabinet	25th April 2024
Report Author	Ashley Jackson, Head of Housing and Planning
Portfolio Holder	Cllr Helen Whitehead, Deputy Leader and Cabinet Member for Housing
Status	For Decision
Classification:	Unrestricted
Key Decision	Yes
Reasons for Key	Budget
Ward:	Salmestone

Executive Summary:

Following approval at Council of the accelerated affordable housing development programme, this report seeks the approval to purchase 31 x section 106 affordable rent units at Nash Road, Margate £4.275m and £574k for associated costs.

Recommendation(s):

Cabinet is being asked to agree to:

1. The purchase of 31 new affordable homes, using the additional capital budget, approved by council at its meeting on 12 October 2023;
2. The letting of these homes in accordance with the council's Allocations Policy, at an affordable rent as set out in the council's Tenancy Strategy.

Corporate Implications

Financial and Value for Money

The detailed financial implications are set out in the body of this report. Notably, the financial modelling undertaken has demonstrated that across the long-term the HRA business plan will benefit from the proposed acquisitions. We will be seeking further advice concerning the Stamp Duty Land Tax (SDLT) liabilities in relation to this purchase to ensure that they are correctly assessed. The figures included in the appraisal represent the highest potential figure for SDLT.

Legal

Section 106 of the Town and Country Planning Act 1990, as amended by Section 12 of the Planning and Compensation Act (1991) and the Community Infrastructure Levy Regulations 2010 (as amended), provides the legislative framework for planning obligations. The dwellings are being made available under the provisions of Section 106 of the Town and Country Planning Act 1990 and the Council has acted in accordance with this legislation.

Risk Management

Acquisition and development activity has within it inherent risks. Officers strive to identify and manage risk at each stage of projects. The acquisition project will have a risk register that is reviewed throughout the lifecycle of the project by the Housing Strategy & Projects Team. Risks around acquisition activity are sought to be mitigated through regular review and the appointment of professional expertise to provide legal due diligence, and accredited valuation advice to ensure value for money, in terms of the cost of the project.

Corporate

This proposal supports the Council Corporate Statement 2019-2023 , Communities. Work to prevent homelessness and increase housing options including additional social housing.

Equality Act 2010 & Public Sector Equality Duty

Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to the aims of the Duty at the time the decision is taken. The aims of the Duty are: (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people who share a protected characteristic and people who do not share it, and (iii) foster good relations between people who share a protected characteristic and people who do not share it.

Protected characteristics: age, sex, disability, race, sexual orientation, gender reassignment, religion or belief and pregnancy & maternity. Only aim (i) of the Duty applies to Marriage & civil partnership.

This report relates to the following aim of the equality duty: -

- To eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act.
- To advance equality of opportunity between people who share a protected characteristic and people who do not share it
- To foster good relations between people who share a protected characteristic and people who do not share it.

An Equalities Impact Assessment has been completed in respect of this proposal. The new homes will be let in line with the council's allocations policy, which has had an Equalities Impact assessment completed.

Corporate Priorities

This report relates to the following corporate priorities: -

- To deliver the housing we need

1.0 Introduction and Background

- 1.1 Council has recently approved an accelerated affordable housing development programme of at least 400 new homes, constructed or acquired, by 2027.
- 1.2 Section 106 of the Town and Country Planning Act 1990 provides an opportunity for local planning authorities to negotiate with housing developers for the provision of affordable housing, on qualifying sites. The council's local plan policies set out a preference for these requirements to be discharged through the provision of affordable homes within the application site.
- 1.3 These agreements require developers to transfer completed homes to an affordable housing provider at a value that makes an affordable rent viable. This means that the developer effectively provides the necessary subsidy in the form of a discounted purchase price below market value. Officers have been contacted by a number of developers who have been unable to secure an affordable housing provider partner to purchase section 106 units and deliver affordable homes.
- 1.4 Failure to secure an affordable housing delivery partner can lead to developers requesting that the S106 agreement be amended to provide a commuted sum in lieu of on site homes.

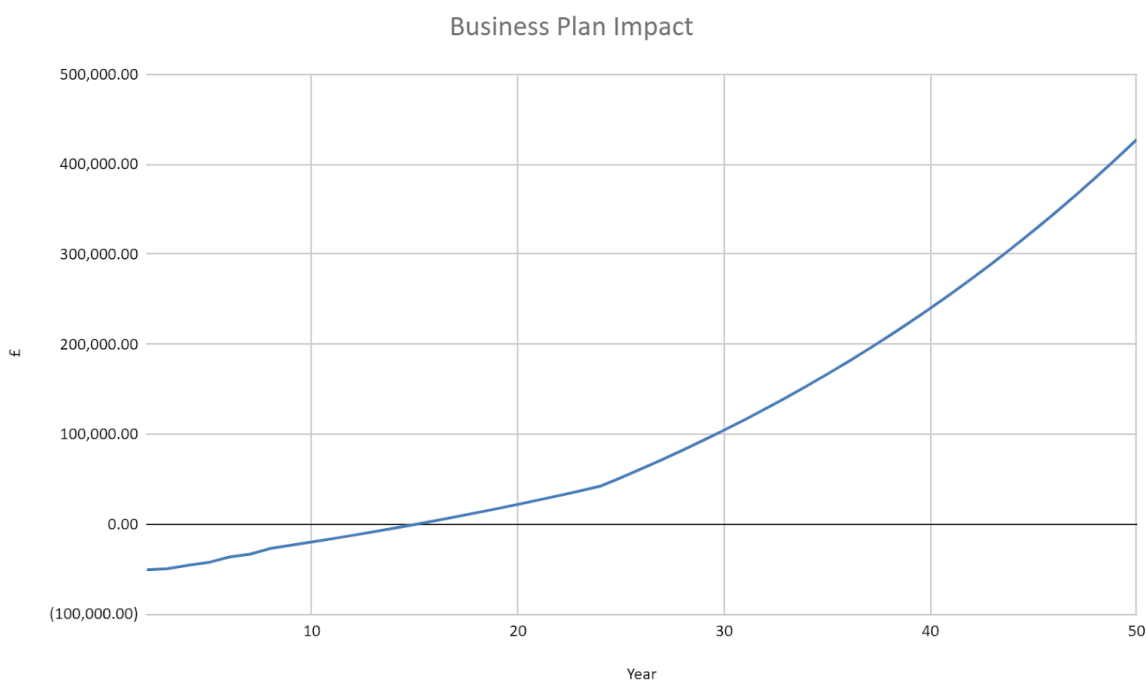
2.0 Nash Road, Margate

- 2.1 Officers were contacted by Bellway, owner of the development known as Nash Road Margate, who are required to deliver 18% affordable housing on site following negotiations. As per policy 70% of this is required to be affordable rent this being 31.5 units. The remaining units will be delivered as shared ownership. We have offered on 31 new affordable rent homes. They have been unable to secure an affordable housing provider to deliver these homes.
- 2.2 The capital cost for the 31 homes is £4.275m and £574,250 for associated costs.
- 2.3 Officers have developed a detailed viability assessment tool to assess the viability of individual schemes, which is used to inform a go/no-go decision for individual proposals. It is essential for the viability of the overall HRA programme that only schemes that have a positive impact on the HRA Business Plan are delivered.
- 2.4 To be viable, schemes need to show an overall surplus over a 30 or 50 year timescale, depending on the duration of any borrowing. The assessment tool operates like a mini business plan and takes into account all relevant costs and income, including rent income, capital costs, professional fees and project management, the costs of borrowing and management, maintenance costs and depreciation over the lifetime of the homes. A summary of the income and costs for the proposed purchase are shown in the table below.

Year	1	2	3	4	16
Revenue Income					
Rental income	(226,870)	(226,870)	(233,670)	(240,680)	(343,160)

Revenue Costs					
Management Contribution	4,960	5,210	5,470	5,740	7,280
Revenue Repairs	2,360	2,470	5,190	5,450	41,510
Major Repairs (Capital contrib)	43,090	45,240	47,510	49,880	63,260
Insurance	6,200	6,510	6,840	7,180	9,100
Saving before MRP and interest	(170,260)	(167,440)	(168,660)	(172,430)	(222,010)
Interest on debt	218,220	218,220	218,220	218,220	218,220
Net cost/(saving)	47,960	50,780	49,560	45,790	(3,790)

2.5 This shows that the proposed purchase would generate a cash flow deficit in year 1 of £47,960 with a break even point in year 16, with surpluses accumulating between year 16 and year 50. The project shows a surplus over a 30 to 50 year period, and a cash flow summary is shown in the table below:



2.6 As the homes have been designated as affordable homes in the planning consent and section 106 agreement, they have been designed specifically for that purpose and accordingly are considered appropriate for the HRA, in line with the needs of households on the council's register or those living in temporary accommodation. There is a significant level of need for 1 bedroom homes, as well as for larger family homes. It is proposed by the developer that these units will meet EPC rating of B and construction will begin in Early 2025.

2.7 The unit sizes and the mix of dwellings are as follows:

- 12 x 1 bed units
- 16 x 2 bed units
- 2 x 3 bed units

- 1 x 4 bed units

2.8 A provisional offer of £4.275m has been made to the developer and subject to contract, legal due diligence, formal valuation and full approval this offer has been accepted. An additional amount of £574,250 has been budgeted for stamp duty land tax and legal/valuation fees. The figure included in the viability assessment for SDLT is the highest potential cost, following changes to the assessment of liability announced in the recent budget.

2.9 It is proposed that the new homes are let in accordance with the council's adopted allocations policy. The allocations policy provides for the council to agree a local lettings plan for new homes, and in this case a local lettings plan will be agreed to ensure that 50% of the homes are let to people moving out of temporary accommodation, with the remaining homes let to priority applicants from the council's Housing Register. It is also proposed that they are let at an affordable rent, in line with the council's approved Tenancy Strategy. The Tenancy Strategy defines an affordable rent, as a rent that is no more than 80% of the local market rent and does not exceed the relevant Local Housing Allowance rate. As a Registered Social Landlord the council is required to consult with Homes England and the Regulator for Social Housing about its rent policy.

3.0 Overview and Scrutiny Panel Recommendations

3.1 At its meeting on 16 April 2024 the Overview and Scrutiny Panel made the following recommendation for consideration by Cabinet that:

“Cabinet further explores the liabilities for stamp duty land tax (SDLT) to ensure that the correct liability is assessed.”

4.0 Options

4.1 To approve the purchase of 31 affordable rent, S106 units, and delegate authority to officers to conclude the due diligence and complete the purchase.

4.2 Do not purchase the Section 106 units, which would mean that the developer would negotiate a commuted sum, losing the affordable housing units.

Contact Officer: Ashley Jackson, Head of Housing and Planning

Reporting to: Bob Porter (Director of Place)

Annex List

None

Background Papers

None

Corporate Consultation

Finance: Chris Blundell (Director of Corporate Services)

Legal: Michelle Hoque (Interim Planning Lawyer)