



Cabinet

14th December 2022

Report of: Councillor Ronan Browne -
Portfolio Holder for Council Homes
and Landlord Services

Acquisition of 8 new build houses – Marquis Gardens, Old Dalby.

Corporate Priority:	Providing high quality council homes and landlord services.
Relevant Ward Member(s):	Cllr Joe Orson
Date of consultation with Ward Member(s):	18 August 2022
Exempt Information:	Part Exempt Appendix A - paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972
Key Decision:	Yes a) Incurring Expenditure of £50,000 or more
Subject to call-in:	Yes

1 Summary

- 1.1 The Affordable Housing Development Plan 2022-26 approved by Cabinet in July 2022 recommended acquiring or building new council houses to help address the shortage of affordable homes in the Borough.
- 1.2 This report seeks approval to acquire 8 new build houses from a development at Marquis Gardens in Old Dalby.
- 1.3 The homes are being built using modern methods of construction for energy efficiency and will include air source heat pumps and mechanical ventilation systems.
- 1.4 The new houses will be added to the stock of council homes and will be available for affordable rent.

2 Recommendation

That Cabinet:

- 2.1 **Approves the acquisition of 8 new build houses from the Marquis Gardens development in Old Dalby. This will be funded from the Housing Revenue Account capital programme as detailed in Appendix A.**

3 Reason for Recommendations

- 3.1 The acquisition of these houses will be in line with the Affordable Housing Development Plan 2022-26 which is designed to address the shortage of affordable homes in the borough.
- 3.2 The proposed acquisition will add 8 affordable two bedroomed properties to the Council's Housing Revenue Account.
- 3.3 This will help to meet the corporate priority of 'providing high quality council homes and landlord services.' The acquisition will also respond to the corporate priority of 'protecting our climate and enhancing our natural environment' as the houses are being built with modern methods of construction to enhance energy efficiency. Energy saving measures will reduce carbon emissions and help to tackle climate change.
- 3.4 The proposed acquisition is affordable to the Housing Revenue Account. There is a budget allocated within the Council's capital programme for the acquisition / development of new affordable homes. Part of the cost of acquisition will be funded with Right to Buy (RTB) receipts. These have to be spent within Government set deadlines and this acquisition will help to meet our target.

4 Background

- 4.1 There is currently a shortage of affordable homes in the borough. The Council's Housing Strategy 2021-26 report has identified the need for 70 new affordable homes to be built each year¹ but with an expectation that only two thirds of that figure is deliverable.
- 4.2 The Council has a stock of 1,782 homes. However, this is being diminished due to Right to Buy with the loss of 137 homes since 2006. At the same time, there is a shortage of homes to rent with 840 applicants on the Council's housing register.
- 4.3 The Affordable Housing Development Plan 2022-26 recommended that the Council address this need by building or acquiring new council homes.
- 4.4 Rippon Homes Ltd is developing a site at Marquis Gardens which is located off Marquis Road in Old Dalby. This consists of 39 new houses including 16 affordable homes.
- 4.5 The original Unilateral Undertaking for the affordable units specified a combination of Social Rented Units, New Build Homebuy and Intermediate Affordable Housing Units.
- 4.6 The developer had made approaches to a number of RPSH's (housing associations) with a view to entering into legal arrangements to sell the affordable units. However, these were unsuccessful.
- 4.7 Rippon Homes Ltd then applied for a Deed of Variation to the Section 106 Unilateral Undertaking to allow for eight of the affordable homes to be for Affordable Rent and eight for Discount Market Sale.

¹ MBC Housing Strategy 2021-26 p9

- 4.8 The Deed of Variation to the Unilateral Undertaking was approved by the Planning Committee on 10th November 2022.
- 4.9 There is an opportunity for the Council to acquire the eight units for affordable rent at Marquis Gardens to add to its housing stock.

5 Main Considerations

- 5.1 Following a Deed of Variation to the Section 106 Unilateral Undertaking, eight of the affordable homes will be for Affordable Rent and eight will be for Discount Market Sale.
- 5.2 The Planning department has confirmed that the tenure mix would result in delivery of affordable housing of a type for which there is local need.
- 5.3 The Housing Needs Survey (2014) for the parish, undertaken by Midlands Rural Housing, identified a total 11 households in need of affordable housing for rent.
- 5.4 Since the Housing Needs Survey was undertaken, only 2 affordable housing for rent dwellings have been delivered at Longcliffe Hill, Old Dalby and a planning commitment for a further 2 affordable housing for rent dwellings at Heckadeck Lane, Nether Broughton.
- 5.5 There is an opportunity for the Council to acquire the eight units for affordable rent at Marquis Gardens to add to its housing stock.
- 5.6 The eight units all comprise of two bed semi-detached houses.
- 5.7 These houses are being built to zero carbon standard using modern methods of construction (MMC). Building the new houses involves the use of Structural Insulated Panels (SIPs). This enhances the airtightness of the structure and incorporates a mechanical ventilation heat recovery system (MVHR) for added energy efficiency.
- 5.8 The open market value of each house is £235,000 and they will be available to the Council at a discount.
- 5.9 The builders have started construction work on site and two of the houses are already complete.
- 5.10 The remaining six houses are due to complete by May 2023.
- 5.11 The purchase will be financed with a combination of RTB receipts and reserves from the HRA. The Council can fund up to 40% of the cost of acquisition of new council homes with RTB receipts. However, receipts have to be spent within set deadlines or be repaid to HM Treasury with interest.
- 5.12 The Council has to spend £1,950,000 on delivering new affordable housing by the end of 2025/26 in order to meet RTB spend targets. Expenditure on the acquisition of the eight new houses in Old Dalby will help to meet this requirement.
- 5.13 Expenditure on new council homes is an investment that will bring in additional income via new rents. This addition to revenue can eventually pay for the cost of delivery.
- 5.14 A financial appraisal was completed and confirms that the scheme will pay back its cost in approximately 25 years.

6 Options Considered

- 6.1 Doing nothing is not considered acceptable given the shortage of affordable homes to rent in the borough and the waiting list for council homes. It would also increase the risk of the Council having to return Right to Buy receipts to HM Treasury.
- 6.2 The option of acquiring new build houses from other developers has been considered. However, there are currently no other Section 106 affordable homes which are available to the Council from other developments this financial year.
- 6.3 There is an option to acquire standard new build homes from other developments. However, these would not be available at a discount which Section 106 homes are.
- 6.4 There is an option to acquire older properties that are on the market. However, it is likely that additional renovation works would be needed, and older homes may not have the latest energy saving measures that the new houses at Marquis Gardens have.

7 Consultation

- 7.1 The acquisition of the new homes is in line with the Affordable Housing Development Plan 2022-26. This has been developed in response to the Housing Strategy 2021-26 which was subject to consultation with a wide range of partners and stakeholders.

8 Next Steps – Implementation and Communication

- 8.1 Subject to Cabinet approval, the eight new build houses will be acquired by the Council to add to its housing stock and will become available for affordable rent through Housing Options.

9 Financial Implications

- 9.1 The financial implications are detailed in Appendix A.

Financial Implications reviewed by: Director for Corporate Services

10 Legal and Governance Implications

- 10.1 The Deed of Variation to the Unilateral Undertaking was approved by Planning Committee on 10th November 2022.
- 10.2 RTB receipts can be used to increase the provision of affordable housing in any of the following ways.
 - 10.2.1 Building new affordable housing on council owned land.
 - 10.2.2 Acquiring new build from a developer or from existing private stock for conversion to social/affordable rent.
 - 10.2.3 Acquiring land for future schemes.
 - 10.2.4 Funding a Registered Provider to build new affordable housing in the area.
- 10.3 The Council has power under Section 9 of the Housing Act 1985 to acquire houses for the purpose of providing housing accommodation. The houses so acquired must then be dealt with in accordance with the provisions of the Act, and any relevant subsequent legislation and may become subject to Right to Buy.
- 10.4 Right to buy receipts must be applied in accordance with relevant legislation and guidance and particularly the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended) and the terms of any agreement reached under section 11(6) of the Local Government Act 2003 modifying the applicability of the regulations.

- 10.5 The 2003 Regulations state “provision of affordable housing means the provision of dwellings to meet the housing needs, as identified by the local authority, of persons on low incomes, whether provided by the authority or a social landlord registered under section 1 of the Housing Act 1996 (the register of social landlords).
- 10.6 Legal Services will be instructed to advise and progress the conveyancing element for the acquisition of each of the new houses.

Legal Implications reviewed by: Monitoring Officer

11 Equality and Safeguarding Implications

- 11.1 The proposed acquisition will make a significant contribution to the provision of additional high-quality affordable housing in the borough, providing homes for those facing homelessness and on lower incomes.
- 11.2 The proposals in this report do not raise any negative impacts for equalities and demonstrate that the Council has paid due regard to equalities as required by section 147 of the Equality Act 2010.

12 Community Safety Implications

- 12.1 There are no community safety implications.

13 Environmental and Climate Change Implications

- 13.1 The new build homes incorporate energy saving measures which will reduce carbon emissions and help to tackle climate change.

14 Other Implications (where significant)

- 14.1 No direct implications

15 Risk & Mitigation

Risk No	Risk Description	Likelihood	Impact	Risk
1	Increases in cost due to unexpected economic factors.	Low	Critical	Medium Risk
2	Buildings below standard.	Low	Critical	Medium Risk
3	Insufficient demand for houses.	Low	Critical	Medium Risk

		Impact / Consequences			
		Negligible	Marginal	Critical	Catastrophic
Likelihood	Score/ definition	1	2	3	4
	6 Very High				
	5 High				
	4 Significant				
	3 Low			1,2,3	
	2 Very Low				
	1 Almost impossible				

Risk No	Mitigation
1	A contingency sum of 5% has been added to the budget in case this is required.
2	The houses will be inspected before payments are made. A 10-year warranty will also be provided.
3	Housing Options have confirmed that there is demand for affordable homes for rent in Old Dalby.

16 Background Papers

16.1 None

17 Appendices

17.1 Appendix A: Exempt Financial Information

Report Author:	Tahir Majid , Housing Development Manager
Report Author Contact Details:	01664 502407 tmajid@melton.gov.uk
Chief Officer Responsible:	Michelle Howard , Director for Housing and Communities (Deputy Chief Executive)
Chief Officer Contact Details:	01664 504322 mhoward@melton.gov.uk