

READING BOROUGH COUNCIL

**REPORT BY THE EXECUTIVE DIRECTOR OF ECONOMIC GROWTH AND
NEIGHBOURHOOD SERVICES**

TO:	HOUSING, NEIGHBOURHOODS AND LEISURE COMMITTEE		
DATE:	9 November 2022		
TITLE:	LOCAL AUTHORITY NEW BUILD PROGRAMME PHASE 4 - SPEND APPROVAL		
LEAD COUNCILLOR	CLLR EMBERSON	PORTFOLIO	HOUSING
		:	
SERVICE:	HOUSING & COMMUNITIES	WARDS:	BOROUGHWIDE
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1. PURPOSE AND SUMMARY OF REPORT

- 1.1 In July 2021 officers reported to Housing, Neighbourhoods and Leisure Committee that further opportunities for the development of new Council homes had been identified (to be known as Phase 4 of the Local Authority New Build and Acquisitions Programme). These sites would increase the supply of affordable housing and maximise the use of Right to Buy (RTB) 1 for 1 replacement receipts, S106 receipts and Government Grant.
- 1.2 This report provides an update to the July 2021 report referred to in point 1.1 above and requests spend approval of £29.6m to continue the delivery of Phase 4, the required budget was agreed in the 22/23 Medium Term Financial Strategy (MTFS)¹.

2. RECOMMENDED ACTIONS

- 2.1 That the spend of £29.6m to continue the delivery of Phase 4 of the Local Authority New Build and Acquisitions Programme as outlined in paragraph 3 of this report be approved.

2.3 That Housing, Neighbourhoods and Leisure Committee delegate authority to the Assistant Director of Housing and Communities in consultation with the Lead Member for Housing, the Leader of the Council, the Assistant Director of Legal and Democratic Services and the Director of Finance to agree the specific funding arrangements for each of the sites referred to in paragraph 4.8 of this report, within the spend approval and restrictions set out in this report.

3. POLICY CONTEXT/BACKGROUND

Local Authority New Build (LANB) Programme

- 3.1 To date the Council’s new build and acquisitions housing programme has delivered 234 new homes to the Council’s housing stock, which includes 43 purchases of properties.
- 3.2 In addition, approvals are in place to build a further 211 new homes and these are in progress to be completed in the next 3 years. Identified sites include making use of small pieces of HRA land and ex garage sites, as well as larger sites.
- 3.3 Current LANB Programme

Development	Number of homes	Type of units	Estimated Completion
3 x Conversions of unused space in existing Council blocks	6	6 x 1 bed flats	Q3 2023
Camelford Close	1	1 x 4 bed house	Q4 2022
Circuit Lane	1	1 x 2 bed house	Q4 2022
Foxhays Road	3	3 x 2 bed house	Q4 2022
5 Ian Mikardo	1	1 x 3 bed house	Q4 2022
Wentworth Avenue	2	2 x 2 bed house	Q4 2022
North Street	37	17 x 1 bed flats 19 x 2 bed flats 1 x 3 bed flat	Q1 2023
Arthur Hill	15	15 x 2 bed flats (key worker housing)	Q1 2023
Wensley Road	46	8 x 1 bed flats	Q3 2023

		10 x 2 bed flats 26 x 3 bed houses 2 x 4 bed houses	
Battle Street	Circa 63	TBC	2025
Hexham Road	Circa 36	TBC	2025
Total	211		

3.4 Funding for the current schemes is made up of a combination of HRA Borrowing, RTB receipts, S106 receipts and Homes England Grant from the Affordable Homes Programme.

Right to Buy Receipts

3.5 In 2012, new arrangements were introduced regarding the use of RTB receipts. The Council elected to enter into an agreement with central Government to retain a proportion of any RTB receipt in order to develop replacement affordable housing within the administrative area. This means that an element of each RTB receipt must be used to fund the development of additional affordable homes - often referred to as 'RTB 1 for 1 replacement'. In early 2021 the Government issued refreshed guidance improving the flexibility as to how these receipts can be used, but there continues to be several constraints on how these can be spent:

- receipts can only fund up to 40% of development or acquisition costs;
- receipts can only fund rented properties (to be used for permanent or temporary accommodation);
- receipts cannot apply where there is other public subsidy and cannot fund the acquisition of public land;
- receipts cannot be transferred to a company wholly owned by a local authority as this was seen by Government as an attempt by some LAs to circumvent the RTB requirement - this has been appealed to no avail;
- receipts must be spent within 5 years of receipt or repaid with a punitive rate of interest charged if this is not achieved; and
- RTB receipts cannot be combined with S106 receipts or Government Grant.

3.6 RTB receipts can be passed to Registered Providers (RPs) to fund 40% of a housing development (where there is no other Homes England funding being provided) or retained to fund local authority new build schemes.

Section 106 Affordable Housing Contributions

- 3.7 Under current planning policy all new housing developments, which require planning permission, are expected to contribute to the delivery of new affordable housing provision to meet local need. This requirement is subject to the development being viable. Developments of nine or fewer units require a commuted sum to be paid. For developments proposing ten units or more the Council's planning policy requires, in the first instance, for the affordable homes to be provided 'on site' and to be 30% of any development. Where there are exceptional reasons, the provision of surrogate sites or a commuted sum may be considered. On-site contributions or commuted sums are secured via a Section 106 agreement. In relation to commuted sums, receipts paid by the developer are then held by the Council and have to be used to help deliver Affordable Housing within the Borough. This would be through the funding of RBC new build housing or grant funding to a Registered Provider. The use of S106 receipts cannot be combined with the RTB receipts outlined above and therefore need to be allocated to separate developments.
- 3.8 RBC has been very successful in negotiating onsite delivery of affordable housing contributions. In some cases financial contributions have been accepted, and are required from smaller scale developments, which supports the delivery of Affordable Housing on an alternative site.

Permissions previously agreed by committee

- 3.9 The July 2021 HNL² made the following recommendations:
- *That Housing, Neighbourhoods and Leisure Committee approve the spend of up to £1.4m on Phase 4 during the financial year 21/22, noting the required reprofiling of the budget currently within the existing Capital Programme for Phase 4 of the LANB programme (£1.4m) from 23/24 to 21/22 (will form part of the Budget Monitoring Outturn Report due to go to July Policy Committee)*
 - *That Housing, Neighbourhoods and Leisure Committee notes the intention to request spend and budget approval for an additional £30.6m to continue the delivery of Phase 4 of the Local Authority New Build and Acquisitions Programme from 22/23, in parallel to the budget approval within the 22/23 Medium Term Financial Strategy process.*
 - *That Housing, Neighbourhoods and Leisure Committee delegates authority to the Assistant Director of Housing and Communities in consultation with the Lead Member for Housing, the Leader of the Council, the Director of Legal and Democratic Services and the Director of Finance to agree which sites are suitable to progress within the spend approval and restrictions set out in this report.*

² RBC HNL Committee July 2021

<https://democracy.reading.gov.uk/documents/s17717/LANB%20update%20Phase%204%20spend%20approval%20public.pdf>

- *That Housing, Neighbourhoods and Leisure Committee delegates authority to the Assistant Director of Housing and Communities in consultation with the Lead Member for Housing, the Leader of the Council, the Assistant Director of Legal and Democratic Services and the Director of Finance to: (a) tender; and (b) enter into contracts in connection with the Phase 4 LANB programme with the winning bidders in respect of multi-disciplinary/consultancy services and works to deliver the housing schemes, as set out in this report.*
- *That Housing, Neighbourhoods and Leisure Committee delegates authority to the Assistant Director of Housing and Communities in consultation with the Assistant Director of Legal and Democratic Services and the Director of Finance, to approve the purchase of existing properties from the open market for the purpose of providing affordable housing, with a maximum limit of £500,000 per single unit.*

4. CURRENT POSITION

Budget Available

- 4.1 At the end March 2022, the Council had £3.56m of unspent RTB receipts. Additional RTB receipts are received by the Council at an average of £1.5m of receipts per year, totalling an extra £4.5m by the end of the financial year 24/25. Combined with existing receipts this would result in a total of £8.06m RTB receipts being available.
- 4.2 Of the anticipated £8.06m, £2.3m of the receipts are currently allocated to schemes within the existing phases of the LANB programme and grant to an external provider, with £5.76m remaining to fund schemes within Phase 4. These receipts have staggered deadlines for when they will need to be spent, up to March 2026.
- 4.3 In addition, £4.6m of unallocated S106 receipts (received) are also available for affordable housing development, and c.£8.28m is expected to be received before 2025. A total of £12.88m. Due to the rules relating to the spend of RTB receipts, S016 receipts will be used to subsidise different developments to RTB receipts.
- 4.5 The final option in terms of subsidy for Affordable Housing is the available grant from Homes England. The 2021-2026 programme provides the Council with opportunity to bid for additional grant to support the delivery of new homes within Phase 4.
- 4.6 The remaining required budget would be funded through HRA borrowing, as agreed in the 22/23 MTFS

New LANB Sites in Design Development (Phase 4)

- 4.8 Feasibility studies continue to be undertaken to assess development potential and deliverability of the remaining identified sites owned by the Council. The current short list for the next LANB phase (Phase 4) is set out below:

Site	Estimated number of homes
Amersham Rd	3
Knights way	1
Spencer Road	2
Avon Place	2
Shinfield Road Garages	2
Callington Road	5
Portland Gardens	1
Bath Road	1
Amethyst Lane	38 (may include 14 respite units)
Dwyer Road	30
Total	87

- 4.9 Feasibility assessments have already been completed on the two larger sites, Amethyst Lane and Dwyer Road, which indicate that they will be a viable development for the HRA and predominantly provide larger family homes and homes for under occupiers which are most in need, according to the Council’s latest needs assessment. The Council is exploring whether part of the land at Amethyst Lane could be used as Adult Social Care respite units, which will reduce the number of homes.
- 4.10 Subsidy will be required to support these developments either through RTB Receipts, S106 and/or Homes England Grant Funding. The final appraisal, and funding bid, cannot be completed until a detailed design has been developed and planning approval has been obtained.

5 PROPOSAL

- 5.1 It is proposed that a further total spend approval of £29.6m (MTFS budget was revised after the July 2021 report) is agreed for the continuation of Phase 4 of the LANB and acquisitions programme, limited to the delivery of the sites identified in paragraph 4.8 above or individual purchases. This will match the budget approval in the MTFS.
- 5.2 The progression of each site and allocation of funds to a particular development will depend on the viability and projected costs of each scheme and cannot be confirmed until a detailed development plan has been produced. This means that there may be a possibility that not all sites on the shortlist will be developed at this time. These decisions will be agreed at the Local Authority New Build Programme Board, with regular updates provided to the Corporate Management Team and Members via the Lead Member and Leadership Briefings.
- 5.5 It is also proposed that a small programme of property acquisitions often within existing Council owned (HRA) flatted blocks, will continue.
- 5.6 The total budget will be funded via a combination of sources as broken down below:

Funding	Amount
RTB receipts	£6.3m
S106 receipts	£12.8m
HRA borrowing	£10.5m

- 5.7 Where appropriate Homes England funding will be applied for to supplement the budget enabling the spend approval requested, however this is unconfirmed at this time.
- 5.8 Strict rules and limitations on how funding can be combined mean that there will be three sub-groups to this phase of the LANB programme:
- RTB + HRA borrowing funded units
 - S106 + HRA borrowing funded units
 - Homes England Grant + HRA borrowing funded units (Homes England Funding can be combined with S106 grant if required).
- 5.9 A financial appraisal of each development or purchase will be completed that will ensure the programme will be cost neutral or provide a positive return to the HRA. This means that rental income will cover borrowing costs (interest costs), management and maintenance costs.
- 5.10 In order to expedite the process of delivering viable sites through to completion, it is recommended that delegated authority be given to the Assistant Director of Housing and Communities in consultation with the Lead Member for Housing, the leader of the Council, the Assistant Director of Legal and Democratic Services and the Director of Finance to agree which sites to progress, and the detail of the funding for each site, within the spend approvals and restrictions set out above. It would be the intention to engage with relevant ward members as part of this process.
- 5.11 Should additional spend approval or budget be required to complete the Phase 4 developments, additional requests for both will be made via the appropriate Council processes.

5. CONTRIBUTION TO STRATEGIC AIMS

- 5.1 In supporting the delivery of sustainable affordable homes in the town, this proposal supports all three of the council’s Corporate Plan priorities:
- Healthy environment
 - Thriving communities
 - Inclusive economy
- 5.2 This proposal will deliver a significant increase in affordable, sustainable homes for families in Reading. This helps support the following of the Council’s Strategic

Aims:

- To Develop Reading as a Green City with a sustainable environment and economy at the heart of the Thames Valley.
- To establish Reading as a learning City and a stimulating and rewarding place to live and visit.
- To promote equality, social inclusion and a safe and healthy environment for all.

5.3 As stated above, the design criteria of the Council's development programme ensures that safe and sustainable homes are provided for those most in need.

5.4 The Local Plan for Reading, adopted in 2019, indicates that Reading requires 406 new affordable homes per annum to meet the assessed need. The proposed delivery of Phase 4 of the LANB programme, with sites being 100% affordable (rented) and where possible larger family sized homes, significantly supports that Council's ambition to deliver the required levels of Affordable Housing to meet the assessed need.

6. ENVIRONMENTAL AND CLIMATE IMPLICATIONS

6.1 On the 26th of February 2019 the Council declared a Climate Emergency and resolved to act to accelerate a carbon neutral Reading to 2030. Reading Climate Change Partnership's Reading Climate Emergency Strategy 2020-25 and the new RBC corporate Carbon Plan 2020-25 was adopted in November 2020. The Council will therefore seek to ensure the scheme delivers on this commitment by developing designs that maximise all sustainability options.

6.2 The Council's existing approach for Local Authority New Build homes is to seek to ensure that where possible schemes are built to Passivhaus principles. The application of a fabric first approach of Passivhaus reduces greenhouse gas emissions and delivers significant long-term energy savings to the tenants. The low running costs and higher quality building mean that costs are significantly reduced over the life of the building for the occupiers.

6.3 The use of sustainable materials plays an important role in the design. This, combined with the high quality of building physics achieved through insulation, thermal bridge-free design and airtightness ensures that the sustainable benefits of Passivhaus principles will last.

6.4 In addition to the above, the Council is committed to delivering sites that offer a sustainable location for residents in terms of access to employment, schools, and other local services via good public transport, pedestrian and cycling networks. While seeking to encourage and support sustainable travel, where possible the scheme will provide charging points for electric vehicles.

7. COMMUNITY ENGAGEMENT AND INFORMATION

7.1 Individual schemes will have their own consultation and engagement plan, which will support the statutory consultation required as part of the planning process.

7 EQUALITY IMPACT ASSESSMENT

7.1 Not applicable to this report.

8 LEGAL IMPLICATIONS

8.1 The Council has powers under section 9 and 17 of the Housing Act 1985 to provide housing accommodation and to acquire land and housing for the purposes of Part II of the Housing Act 1985.

8.2 A local authority can allocate land held for specific purposes under different statutory powers - i.e. under section 122 Local Government Act 1972 (LGA 1972) or section 19(1) of the Housing Act 1985 (HA) Part II.

8.3 Proposals to deliver new council homes would need to obtain planning permission under the Town and Country Planning Act 1990 and any other necessary consents.

8.4 Works contracts worth £4,733,252 (Works Threshold) or more must be advertised in the Official Journal of the European Union or after 11pm on 31 December 2020 following the UK's withdrawal from the European Union via the UK's e-notification service Find a Tender and then tendered or be procured via an Reading Borough Council approved framework agreement/Dynamic Purchasing System which itself has already been advertised in OJEU or Find a Tender (as applicable) and undergone a tender process. The Public Contracts Regulations 2015 (as amended) do not require an OJEU or Find a Tender (as applicable) advertised tendering process in the case of below Works Threshold contracts. Such contracts must be awarded in line with the Council's Standing Orders.

8.5 It will be necessary to enter into contracts with the successful contractors.

8.6 Any legal encumbrances for sites will need to be identified at an early stage and any issues that could impede or prevent development be highlighted and where possible resolved as each individual site is progressed.

9 FINANCIAL IMPLICATIONS

9.1 The capital budget approved by the Council in February 2022 included £29.6m, for expenditure up to 2024/25 for the phase 4 new build programme.

9.2 The case for capital investment into each individual site will examine the impact on the HRA 30 year business plan to ensure the overall programme will achieve a neutral or positive impact on the financial performance of the HRA.

9.3 In the event that capital expenditure does not ultimately lead to the creation of a capital asset, then costs incurred will fall to revenue, where they are currently unbudgeted.

10. BACKGROUND PAPERS

10.1 Policy Committee report July 2017

10.2 Policy Committee Report July 2015.

10.3 HNL report November 2015

10.4 HNL report July 2021