

BRIEFING NOTE: **COUNCIL NEW BUILD BUDGETS** **AND FUNDING RESTRUCTURE**

This urgent decision comprises three parts for approval, thus this report comprises three parts as set out below.

a) Wadloes Road increased funding requirement

In error our developer partner, Keepmoat, had not accounted for some costs in the previous development appraisal for Wadloes Road, which has resulted in an increase in the cost of the scheme to the Council. This issue has been exacerbated by the market values of the market sale dwellings reported by our appointed valuer being £20,000 less than Keepmoat had assumed in their earlier development appraisal.

In total the above issues increase the cost of the development (net of land value) to the Council from £675,100 to £780,280. This is further impacted by the loss of £106,340 in HCA grant for this scheme as the scheme cannot be completed by the end of March 2015.

As outlined below, it is proposed that this scheme is now funded using a mix of RTB receipts and direct revenue funding of capital (DRF) through the Housing Revenue Account (HRA). The payback to the HRA for the contribution to this scheme would then be 24 years and therefore well within the 35 year benchmark payback period.

b) Use of Right to Buy receipts for Fulbourn Road, Ekin Road and Hawkins Road garage sites and Wadloes Road

The HCA have nationally stated that any schemes that have not yet started on site will not be able to claim grant through the AHP 11-15. Although start on site is imminent for two of the above schemes there have been a number of delays, including protracted discussions with Highways during the planning process, a rigorous approach to applying for change of planning use class and local access issues, which means it will not be possible to claim for AHP 11-15 grant. Therefore the funding structure for these schemes has been reassessed. These sites deliver a net additional number of dwellings into the Affordable Housing stock and are therefore eligible for the use of Right to Buy receipts. The lost HCA grant will be £17,723 per dwelling, whereas the amount of Right to Buy receipt that can be utilised will be in the region of £45,000 to £50,000 per

dwelling across the four sites. The balance of funding will be provided by the previously budgeted use of DRF.

Due to the increase in funding per dwelling from the RTB receipts the call on DRF will be reduced, which will allow this funding to be used on other projects.

The payback to the HRA for each scheme is as follows

Ekin Road – 25 years

Hawkins Road – 24 years

Fulbourn Road – 27 years

c) Funding restructure strategy for Aylesborough Close, Campkin Road and Water Lane

The majority of the social housing at the Campkin Road site will be delivered by the end of March 2015. There are seven houses that are at risk of being delivered post March 2015. Through the funding structure review it is proposed that DRF released above is used to fund the HCA AHP 11-15 shortfall for this scheme. This is a worst case scenario and the Council has the opportunity to secure grant funding at the AHP 2011-15 rate of £17,723 per social housing dwelling through the Affordable Homes Programme 2015-18 (AHP 15-18). The AHP 15-18 will extend funding until 31st March 2018 and will be available to bid for and claim pre 31st March 2015.

Neither Aylesborough Close nor Water Lane has started on site due to difficulties rehousing the last few residents, therefore the Council is unable to claim grant from the AHP 11-15. The difficulty in achieving completion by the end of March 2015 had already been recognised for Water Lane and part of Aylesborough Close with a revised funding structure, anticipating complete funding through DRF, receiving approval in the HRA Mid-Year Financial Review (MFR). With the HCA announcement that schemes yet to start on site being unable to claim grant from the AHP 11-15 Aylesborough Close has been re-reviewed. Again it is proposed the balance of this scheme be funded through DRF. Although it is not possible to use RTB receipts on these schemes it is proposed that grant funding, again at a rate of £17,723 per social housing dwelling, be pursued from the AHP 15-18 to part fund these schemes.

Summary

The position at the HRA MFR was a net cash cost to the HRA of £15,479,920 (capital cost net of grant and land transfer value) to deliver the 146 programme plus 12 additional dwellings.

With the ability to use RTB receipts on some of the schemes in place of HCA grant, this reduces this cost to £15,360,620, even with the increased costs of delivering Wadloes Road.

This cost to the HRA will be further reduced if HCA funding through the AHP 15-18 of £726,640 is secured, reducing the HRA revenue contribution to £14,633,980.