

**Body:** Cabinet

**Date:** 13 December 2017

**Subject:** Temporary accommodation options: loan to facilitate purchase of land by Aspiration Homes LLP

**Report of:** Robert Cottrill, Chief Executive Officer

**Cabinet member:** Cllr Alan Shuttleworth

**Ward(s):** All Wards

**Purpose of the report:**

- To seek Cabinet approval for a loan to be made by the Council (EBC) to Aspiration Homes LLP (AH)
- To further seek Cabinet's approval to accept the repayment of a loan previously made by the Council to Eastbourne Housing Investment Company Limited (EHICL)
- To note emerging temporary accommodation options

**Decision type:** Key decision

**Recommendation:** Cabinet is recommended to

- i.. Agree that a loan of up to £1,700,000 be made by the Council to Aspiration Homes LLP (AH), such loan to be used for the purpose of enabling AH to purchase land at Northbourne Road from Eastbourne Housing Investment Company Ltd (EHICL) and to develop the same for affordable housing.
- ii Agree to accept repayment of the total drawn down loan previously made by the Council to EHICL for the purchase of land and pre-construction costs for the Northbourne Road scheme.
- iii. Authorise the Deputy Chief Executive, in consultation with the Lead Member for Finance, to determine the terms of any loan which is to be offered to Aspiration Homes LLP
- iv. Note that officers will ensure that a "Funding Agreement" and a "Deed of Entrustment" are entered into so that right to buy receipts are appropriated in accordance with legislative requirements
- v. Note emerging temporary accommodation options.

**Reasons for recommendations:**

The Council is one of three partners in this proposed arrangement, the other two being AH and EHICL. The Council has previously made a loan to EHICL to enable that company to purchase land at Northbourne Rd for re-development.

With the establishment of the newly created AH it makes better sense for AH to carry out the re-development as AH can make use of right- to- buy receipts in doing this. This is not an option which is open to either the Council or EHICL.

It is therefore proposed that EHICL repays the loan received from the Council and that the Council instead makes loan monies available to AH for the re-development of the site for affordable housing.

Cabinet should note that any payment of the loan to AH will be dependent upon EHICL and AH themselves first agreeing the terms of the transfer of the Northbourne Rd site from EHICL to AH and upon AH agreeing to take a loan from the Council on the terms offered.

**Contact:**

Leigh Palmer, Functional Lead Housing & Development  
Telephone 01323 415215  
Email: [leigh.palmer@eastbourne.gov.uk](mailto:leigh.palmer@eastbourne.gov.uk)

**1.0 Introduction**

1.1 On 22<sup>nd</sup> March 2017 Cabinet authorised the Director of Service Delivery and the Assistant Director of Legal & Democratic Services to take the necessary steps to establish Aspiration Homes (AH) with Lewes District Council.

1.2 The new Limited Liability Partnership was formally incorporated on 1<sup>st</sup> July 2017.

Its primary purpose is to take a direct enabling and place shaping role in relation to affordable housing properties beyond the constraints of the Housing Revenue Accounts (HRA's).

Such properties may arise through the Councils' new development programme via (EHICL) or may be direct acquisitions into Aspiration Homes.

1.3 In March 2017 Cabinet also approved recommendations to:

- allocate up to £30m in the Council's capital programme to progress the next phase of delivery for EHICL( £20m) and first phase delivery for AH (£10m)
- establish a joint housing investment board to oversee the cumulative level of development, individual loan tranches and larger transactions and to also determine which schemes are brought back to respective

## Cabinets for separate approval

1.4 The intention here is that once EHICL has transferred the Northbourne Rd site to AH, AH will let a building contract and council officers will oversee the build out of the development on AH's behalf, through a service level agreement between AH and EBC.

### 2.0 Northbourne Rd – scheme details:

2.1 Each proposed housing investment scheme will be subject to detailed options appraisal, due diligence and risk assessment via the Council's Project Review & Sign Off Group (PRSO). The Group comprises Directors and senior officers and meets monthly to review individual schemes and programme level performance.

2.2 The asset holding arrangement now proposed for Northbourne Rd represents the recommendation of the group. It is envisaged that the Northbourne Rd proposal will form part of a larger pipeline programme that will be brought to Cabinet in the new year specifically targeted to tackle homelessness and housing need. However, Right to buy receipt utilisation deadlines mean there is a need for Cabinet approval for this particular transaction ahead of the main programme

Address	Loan Facility	No of units	Description
Northbourne Road	Full Loan Facility Up to £1,700,000	5X1 Bedroom Flats  7x2 Bedroom Flats	Total Construction Cost: £2,322,887  RTB: £670,524  NPV: £107,717  Sale price for the land from EHICL to AH at market value  £250K + £102k development costs to date  SDLT is covered in the construction costs

2.3 Northbourne Road is an ex HRA scheme transferred for re-development to EHICL because of condition and now is being sold by EHICL to AH for the delivery of affordable housing.

2.4 EHICL borrowed monies from the Council to purchase the properties referred to in this paragraph. Once the land is sold to AH, EHIC will use the sales receipt to

pay off the monies loaned to it by the Council. EHICL will need AH to pay it both the cost of the original land purchase and also the capital costs which EHICL has expended to date in preparing the site for development e.g. costs incurred in carrying out surveys and obtaining planning permission. The related pre-construction documents will transfer across with the land for an additional fee (at cost) as part of an overall service package. This will enable AH to proceed with the development quickly and with assurance on pre-construction and planning matters.

### **3.0 Financial appraisal**

3.1 The Northbourne Rd site delivers affordable housing with a positive NPV and will utilise RTB receipts in accordance with the necessary timelines and legislation.

3.2 Previous Cabinet resolutions have authorised delivery of different elements of the new housing as follows:

- Feb 2013 Cabinet delegation of £20m of borrowing within the 5 year capital programme for the delivery of the new HRA housing – the new HRA housing has been delivered for around £10m because of higher than anticipated grant, sales receipts and internal funding
- November 2016 Cabinet delegation of £5m by way of loan to EHICL for the purchase of street properties – 6 properties, 10 homes, have been acquired to date at a total cost of £916k.
- March 2017 £30m Cabinet delegation to progress first phase delivery for EHICL and AH

3.3 Stamp Duty Land Tax will be payable by AH on transfer of the land to AH (£10K). The availability of reliefs will be explored.

### **4.0 Temporary accommodation options**

4.1 As part of the development programme referred to at para 2.2, the team is currently appraising a number of schemes that will provide additional temporary accommodation options. These include, accommodation for young people, accommodation specifically adapted for housings with health needs, and short term self-contained emergency provision.

4.2 In addition, the Housing Needs Team is developing a proposal to directly lease number homes that will be let to households that the Council have a homelessness duty towards.

4.3 These schemes are being developed in response to a rising demand for temporary and permanent accommodation as a result of people's inability to access the private market.

## **5.0 Legal implications**

- 5.1 Land transactions to AH should be completed prior to any development contract being let.
- 5.2 The council has the power under the Local Government Act 1988 to provide financial assistance to AH for privately let housing with the consent of the secretary of state. There is a general consent to enable the provision of grants or loans.
- 5.2 The council may provide other assistance to AH (for example the provision of staff time) in accordance with section 1 of the Localism Act 2011.
- 5.4 The provision of loan funding or other forms of assistance to AH will be State aid compliant if in accordance with the Market Economy Operator Principle (“MEOP”) i.e. on general commercial terms.
- 5.5 It is possible for the council to provide grants, loan funding or other assistance to AH which is not on market terms provided that it complies with the European Commissions Service of General Economic Interest Decision of 20 December 2011 (“SGEI”). SGEI enables state subsidy in relation to “social housing” (which includes affordable housing in England) provided the requirements set out in that decision are met.
- 5.6 It is the intention to provide AH funding using SGEI. AH will enter an overarching Deed of Entrustment with the council to govern any assistance the council may provide to AH for its provision of affordable housing and ensure compliance with SGEI where such assistance is not under the MEOP. In addition each scheme will require AH and the council to enter into a specific funding agreement for SGEI purposes and also where right to buy receipts are being utilised to ensure that the RTB receipts are used in accordance with the legislation, the council’s agreement with the Secretary of State and for the purposes that they are intended.
- 5.7 Proposed acquisitions and potential transfers will take place under capital programme delegation and will be subject to all associated financial, legal and regulatory requirements.

## **6.0 Equality analysis**

- 6.1 The provision of new affordable housing will be targeted at those that are in need of accommodation as a result of being in priority for housing and/or in temporary accommodation. This provision will assist those that have difficulty accessing market housing due to reduce income and/or where there is a household member with vulnerability. The accommodation is built to lifetime homes standards.

## **Background papers**

The background papers used in compiling this report were as follows:

Cabinet Report 2017

To inspect or obtain copies of background papers please refer to the contact officer listed above.