

**Cabinet**

**17 March 2021**

**Council Homes Delivery-  
Purchase of Affordable  
Housing units at Gilesgate**

**Ordinary Decision**



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## **Report of Corporate Management Team**

**Amy Harhoff, Corporate Director of Regeneration, Economy and Growth**

**Councillor Kevin Shaw, Cabinet Portfolio Holder for Housing and Assets**

### **Purpose of the Report**

- 1 To seek authorisation from Cabinet for the purchase of six bungalows for rent at Gilesgate, Durham from Chapter Homes for the purpose of providing Council homes. This purchase will complement the construction of new Council housing as previously agreed by Cabinet.
- 2 These affordable properties are being constructed by Chapter Homes as required within the Gilesgate scheme's Section 106 agreement and are offered for sale to a Registered Provider.

### **Executive summary**

- 3 There is a gap in the number of affordable homes for rent being built in Durham and the numbers that are required to meet need. As a result, the Council has agreed to become directly involved in provision of homes for rent. In March and October 2020 Cabinet approved a development programme to build 500 new Council homes for affordable rent over the next five years. In February 2021 Cabinet approved Phase 1 of the five-year programme.
- 4 This report highlights an opportunity to add to the emerging property portfolio by purchasing a number of bungalows that are being built by Chapter Homes at Gilesgate Durham under the Section 106 agreement for the site.
- 5 As part of planning applications for schemes over 15 units, affordable housing may be required to be provided on site. These units come in

the form of affordable home ownership or affordable rentals. The homes for rent are sold to a Registered Provider (RP) to own and manage.

- 6 An approach has been made to Chapter Homes expressing an interest in the Council purchasing the bungalows. Any offer for the bungalows would be in line with valuations and at a level that ensured financial viability for the Council, bearing in mind the requirement for the future Housing Revenue Account to not be in deficit.
- 7 Cabinet has previously agreed to a £12.5 million investment in the coming years to finance the development of 500 new Council houses at an average contribution of £25,000 per property. The initial capital budget of £4.516 million was approved by Council on 24 February 2021. The forecast purchase price net of the £25,000 capital contribution per property results in a self financing position over a thirty year period.
- 8 The purchase of the properties will be in excess of any officer delegation level and the report therefore seeks specific delegated authorities to negotiate and complete the purchase.

### **Recommendation**

- 9 Cabinet is recommended to:
  - (a) delegate authority to the Corporate Director of Regeneration and Economic Growth and the Interim Corporate Director of Resources, in consultation with the Cabinet Portfolio Holders of Strategic Housing and Assets and Finance to enter into negotiations and agree terms relating to the acquisition of six homes at Gilesgate, Durham on the basis of a self financing position over a thirty year timeframe.

## **Background**

- 10 In October of 2020, Cabinet approved a development programme to bring forward 500 new Council Homes over the next five years.
- 11 In February 2021 members considered the first sites selected for direct delivery of these homes. This will give the Authority the first pipeline of homes over the next 5 years. The first phase of delivery will see around 155 homes constructed on 7 sites across the county. Phases 2 and 3 will be considered by Cabinet later in 2021.
- 12 In October 2020 Cabinet was advised that a number of methods of delivery would to be explored including direct delivery, purchase of Section 106 units and purchase of 'off the shelf' products. This offers the Council the opportunity to own homes in locations which we as an Authority have limited land holdings. The bungalows are currently being constructed at Gilesgate and have an anticipated completion date of December 2021. If successfully purchased, this would see the first Council tenants being given keys to their new homes in early 2022.
- 13 These units would complement the homes that will be constructed as part of the Council Homes delivery programme.

## **Proposed homes at Gilesgate**

- 14 The strategic rationale behind the Council new build programme has previously been considered by Cabinet. In summary, there is an annual gap between the number of new affordable (for rent) homes being built compared to the numbers that are required. The Council new build programme will help bridge that gap.
- 15 Durham City was identified as an area of both high need and demand, especially in respect of older persons' provision. Due to high land values, coupled with demand for other forms of development, affordable housing is often hard to achieve within close proximity to the city.
- 16 The acquisition of bungalows to rent in this location would meet the criteria that have been used to prioritise new developments. There is a known need for older person accommodation and the location provides good access to services and transport. Appendix 3 provides details of the site and bungalows compared to the criteria that Cabinet has previously been advised of. In summary:
  - (a) Need / Demand – Pass : This ensures that there is unmet demand for the type of properties being constructed / purchased in the specific location;

- (b) Location – Pass : The development is in a location with good access to amenities and services that older people expect;
  - (c) Quality – Pass : The construction of the properties are built to national standards and in accordance to the policies in the Local Plan;
  - (d) Property Type - Pass : The property type is designed to meet the needs of older people and the location within the scheme design is good.
- 17 This is an opportunity for the Council to make a positive start to creating a significant portfolio of homes for affordable rent and would lead to the first Council tenants being in their new homes in early 2022.
- 18 The bungalow elevations showing external design details, together with a floor plan showing the relative locations of the living room, kitchen and bedrooms is provided at Appendix 2.
- 19 Appendix 2 also provides the site layout including the location of the six bungalows.

## **Finance**

- 20 In line with previous Cabinet reports, the Council is able to manage up to 200 properties in the General Fund before being legally required to introduce a Housing Revenue Account (HRA). Consideration is being given at this time to determine the optimum timing of opening the HRA. In the meantime, the Council is able to purchase or construct new properties and account for these in the General Fund. It is imperative however that the schemes are viable in HRA terms on the basis that the new properties will transfer into the HRA at some point in the future.
- 21 Detailed financial modelling has been undertaken to ensure that the scheme is viable and self financing. Modelling has included the cost of purchase, ongoing management and future maintenance of the properties. The forecast capital purchase price is offset by the £25,000 capital contribution for each property totalling £0.150 million contribution for the six bungalows.
- 22 The modelling highlights that rental income will be sufficient to meet the loan repayments and the ongoing costs of management and maintenance over a 30 year period. It is forecast that over the 30 year period a £0.191 million surplus will be generated.
- 23 As the homes are being provided as part of a Section 106 planning agreement, they are not eligible for Homes England grant funding as they do not meet the test of additionality. Regardless of this, the

investment would still be self financing. In addition, whilst not additional homes, they are homes which are in the right place for older persons in need. The six bungalows offer the Authority an early opportunity to gain valuable stock in a prime location.

### **Next Steps**

- 24 The bungalows would be completed by late 2021/early 2022 and subject to being able to agree the disposal with Chapter Homes, the first new Council tenants will be able to move in shortly after this.
- 25 Following negotiation with Chapter Homes, a further delegated report outlining the Heads of Terms agreed, together with an approved valuation, will be prepared to enable the acquisition of these units to be completed.
- 26 Housing management and maintenance is currently being addressed and formal measures, policies and procedures would be in place, in advance of the completion date.

### **Equalities Implications**

- 27 An Equality Impact Assessment will be produced as part of any feasibility work in association with the project.

### **Background papers**

- None.

### **Other useful documents**

- Cabinet paper of 14 October 2020
- Cabinet paper of 11 February 2021

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## **Appendix 1: Implications**

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### **Legal Implications**

The Council remains a Registered Provider of Social Housing and may acquire land for housing purposes under s17 of the Housing Act 1985.

### **Finance**

The Council has identified funding of £12.5 million to support this programme with an average capital contribution of £25,000 per property. Detailed financial modelling indicates that, based upon the forecast purchase price net of the £0.150 million contribution, the investment will be self-financing over a 30-year period generating a forecast surplus of £0.191 million.

### **Consultation**

None.

### **Equality and Diversity / Public Sector Equality Duty**

None.

### **Climate Change**

None.

### **Human Rights**

None.

### **Crime and Disorder**

None.

### **Staffing**

None

### **Accommodation**

None.

### **Risk**

It is expected that the properties will be transferred into the HRA at some point in the future. Investment will need to be closely monitored to ensure the HRA is balanced financially.

## **Procurement**

None

# Appendix 2



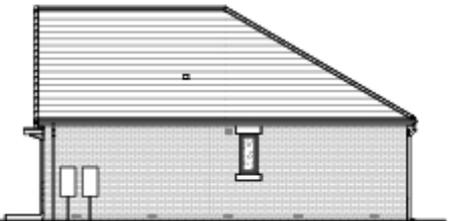
1 Front Elevation - Planning  
1 : 100



2 Gable Elevation (1) - Planning  
1 : 100



3 Rear Elevation - Planning  
1 : 100



4 Gable Elevation (2) - Planning  
1 : 100



5 Ground Floor Plan  
1 : 100

INTERNAL AREA (PER DWELLING) 65.5m<sup>2</sup>

Note:  
Contractors must verify all dimensions on site before commencing any work or shop drawings. Use figured dimensions only. If in doubt, please call GAD.

A 18.10.19 Height of Living Room window to Front Elevation increased. Block outside lifts and heads shown to windows & door to rear elevation. DH NV

Rev/Date/Drawn/Checked

Status

PLANNING

Project

Gilesgate, Durham Bungalow

Drawing Title Drawing Size A3

Housetype Plans and Elevations

Job No. Drawing No. Scale Revision

18-014 PL13 1 : 100 A

Drawn by: DH Reviewed by: NV Date: 21/05/19



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### Appendix 3 : Site selection criteria analysis

Site	Need/Demand	Location	Quality	Property type
Gilesgate, Chapter Homes	Area of high demand and need. Difficult to gain sites in this location for affordable homes due to land values.	Excellent access to existing services and amenities within the area. Transport linkages to Durham city, and level site.	Designed in accordance with NDSS and required amenity standards as per planning policy.	6 no. 2b3p bungalows located in a good position within the site