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Director Communities and Place  
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Manager

## **Authorisation to bid for Homes England Affordable Homes Programme 2021-26 grant funding**

### **Purpose**

- 1.1 This report seeks approval to authorise Derby City Council and Derby Homes (DH) to enter into a consortium and to bid to Homes England (HE) as a qualified investment partner for grant funding under the 2021-26 Affordable Homes Programme.

### **Recommendations**

- 2.1 To approve the submission of bids by Derby City Council as the lead partner in any consortium including Derby City Council and/or Derby Homes to Homes England for grant funding under the 2021-2026 Affordable Homes Programme.
- 2.2 To delegate to the Strategic Director of Communities & Place in consultation with the Strategic Director of Corporate Resources and Cabinet Member for Adults, Health and Housing, authority to settle the final detail of the schemes to be included within the bid, and the preferred bidding route and structure including as part of a bidding consortium.
- 2.3 To delegate to the Strategic Director of Communities & Place in consultation with the Strategic Director of Corporate Resources and Cabinet Member for Adults Health and Housing, authority to accept the funding subject to suitable terms and conditions.

### **Reasons**

- 3.1 HE grant funding will assist the delivery of affordable housing in the city. Delivery of affordable housing is a key priority for the Council.
- 3.2 DH as the Council's Arms Length Management Organisation is not able to make use of Right to Buy (RtB) receipts, this provides an opportunity to both DCC and DH to make use of alternative external funding to deliver affordable housing in the city.
- 3.3 Bidding as part of a consortium may enhance the City Council and Derby Homes' bidding profile.

### **Supporting information**

- 4.1 Homes and Communities Agency trading as Homes England (HE) is the Government's housing accelerator responsible for funding and enabling the delivery of new affordable homes and regeneration. It falls under the authority of the Department for Levelling Up, Housing and Communities (DLUHC).

- 4.2 The HE funding that enables the delivery of affordable homes is administered through its Affordable Home Programme (AHP). The 2021-2026 AHP was launched in September 2020 and has available funding of £7.39bn (excluding Greater London). The expectation of HE is to maximise the impact of the funding in the 2021 to 2026 AHP to create a more resilient and diverse housing market. This means partners will be expected to focus on promoting significant use of Modern Methods of Construction (MMC), high-quality sustainable design and working closely with local small to medium-sized enterprises (SME) housebuilders.
- 4.3 The AHP 2021 to 2026 makes provision for Continuous Market Engagement (CME). CME provides access to grant throughout the duration of the programme for individual schemes, while funding remains available. All schemes funded through CME must have started on site by 30 September 2025 and be completed by 31 March 2026.
- 4.4 The AHP funding is available to deliver net new affordable housing for:
- Two types of rent
    - **Affordable Rent** - homes let at up to 80% of market rent by a registered provider;
    - **Social Rent** - homes let at below market rent by a registered provider;
  - Four types of ownership
    - **Shared Ownership** - allows a customer to purchase a share of a home and pay rent on the remaining share:
    - **Home Ownership for People with Long term Disabilities** - people with a long-term disability who are unable to find a new build home which meets their specific needs;
    - **Older Persons Shared Ownership** - Shared Ownership available to over-55s; and
    - **Rent to Buy** - Homes let to working households at a lower cost to give them the opportunity to save for a deposit to buy their first home.
- 4.5 This funding supports the development of:
- **Supported Housing** (10% of homes delivered) - any housing scheme where accommodation is provided alongside care, support or supervision to help people live as independently as possible in the community developed through new build and repurposing/improvement of existing homes;
  - **Rural Housing** (10% of homes delivered) - housing delivered in settlements with a population fewer than 3,000;
  - **Traveller pitches** - funding to develop new sites and to add new pitches onto existing sites, to help meet the accommodation needs of traveller communities; and
  - **Empty homes** - affordable homes can also be created by bringing existing empty homes back into use.
- 4.6 To receive grant funding, an organisation needs to be a qualified investment partner of HE or be working with an organisation that is. In a consortium, only the lead organisation needs investment partner status. Investment partner status confirms that organisations have the financial and technical capacity to deliver their proposed scheme, and that they have financial and legal good standing. The Council is an existing qualified investment partner and will be the lead organisation in the consortium. DH also has qualified investment partner status.

- 4.7 The new AHP 2021-26 replaces the previous AHP 2015-18 that DH and the Council entered into as a consortium. The funding agreement requires consortium members to take responsibility for their respective obligations.
- 4.8 The Council also has reusable Right to Buy (RtB) receipts at its disposal which it needs to spend on affordable housing in the city within five years of receipt. If RtB receipts are not spent in the city within that time period, and this can be by the Council or private Registered Providers, but not by a subsidiary of the Council (i.e. Derby Homes), then the receipts are reclaimed by Central Government.
- 4.9 Under the recycled RtB provisions, if an affordable dwelling has HE grant applied to it, the Council cannot allocate RtB receipts to that dwelling. Therefore, the Council has to be careful that its HE grant bid, if successful, does not compromise its ability to absorb RtB receipts within its programme. This balance will be drawn by officers in consultation with the responsible Cabinet Member.
- 4.10 It is critical that the Council utilises its full amount of RtB receipts rather than lose them. Since the reform of the RtB regime, the Council is circa £14m ahead of the required current spend which makes the spend approximately 2 years ahead in terms of a time frame. As a result, the level of flexibility now available allows the Council to make best use of alternative funding sources without the risk that RtB funding will be returned to Government.
- 4.11 The Council and DH have engaged with HE and have a number of proposed schemes to bid for. Development officers will work with Planning and Estates to identify further opportunities to add to the existing pipeline of schemes to submit through the CME process.

### **Public/stakeholder engagement**

- 5.1 The HRA Capital Board will review each scheme.
- 5.2 Ward Councillors will be briefed on each new acquisition or development that falls within their ward.

### **Other options**

- 6.1 There is no benefit to the Council in not applying for the grant funding. The relaxation of the RtB One for One agreement rules has meant the Council is well ahead of the spend requirement and is therefore able to make use of alternative funding. In addition, DH is not able to make use of the RtB funding and therefore now has an external source of funding that allows delivery of additional affordable housing.

### **Financial and value for money issues**

- 7.1 External grant will provide additional capital subsidy to support and extend the existing new build and acquisitions capital programme. Additional homes supported through the bid will generate New Homes Bonus at the higher affordable housing rate.

## Legal implications

- 8.1 None arising directly from the report.

## Climate Change Implications

- 9.1 As a minimum all new developments will be built to current thermal efficiency standards. However, as there are proposed changes to Building Regulations setting out the Future Homes Standard that will require an increase in the energy efficiency for new homes, the Council and Derby Homes will review the specification and design approach for each new development.
- 9.2 Consideration will be given to energy efficiency technologies such as air source heat pumps and solar photovoltaic panels whilst at the same time also reviewing the most appropriate approach in relation to running costs for tenants.
- 9.3 In the coming months the Council and Derby Homes will be establishing a bio diversity specification to further support the overall sustainability of new developments.

## Other significant implications

- 10.1 This is an opportunity to help maximise the opportunities to secure additional affordable homes to be delivered by the Council and DH in a timely and efficient manner.

This report has been approved by the following people:

Role	Name	Date of sign-off
Legal	John Turner	15/12/21
Finance	Amanda Fletcher	15/12/21
Service Director(s)	David Fletcher	16/12/21
Report sponsor	Rachel North	
Other(s)	Ian Fullagar	14/12/21
	Mazer Hussain	16/12/21
	Michael Kirk	15/12/21

Background papers:	None
List of appendices:	None