

**Committee Name and Date of Committee Meeting**

Cabinet – 18 March 2024

**Report Title**

Housing Delivery Programme – Grant Funding from Homes England

**Is this a Key Decision and has it been included on the Forward Plan?**

Yes

**Strategic Director Approving Submission of the Report**

Ian Spicer, Strategic Director of Adult Care, Housing and Public Health

**Report Author(s)**

Lindsey Castle, Housing Development Coordinator

**Ward(s) Affected**

Borough-wide

**Report Summary**

This report seeks Cabinet approval for the Council to enter into an Affordable Homes Programme Grant Funding Agreement with Homes England. This will provide the framework for the Council to access essential grant funding which will support the delivery of hundreds of new Council homes by March 2026.

**Recommendations**

1. That Cabinet approves entering into a Grant Funding Agreement with the Homes and Communities Agency (trading as 'Homes England') in relation to the Affordable Homes Programme (2021-26).

**List of Appendices Included**

- Appendix 1 Initial Equality Screening (Part A)
- Appendix 2 Equality Analysis (Part B)
- Appendix 3 Carbon Impact Assessment

**Background Papers**

Cabinet Report: Housing Delivery Programme Report – 2024/25  
Cabinet Meeting: 22<sup>nd</sup> January 2024

Homes England: Affordable Homes Programme 2021 to 2026

<https://www.gov.uk/government/collections/affordable-homes-programme-2021-to-2026>

Homes England: Affordable Homes Programme 2021 to 2026, Grant Agreement

<https://www.gov.uk/government/publications/grant-agreement-examples-for-the-affordable-homes-programme-2021-to-2026>

**Consideration by any other Council Committee, Scrutiny or Advisory Panel**

None

**Council Approval Required**

No

**Exempt from the Press and Public**

No

## Housing Delivery Programme – Grant Funding from Homes England

### 1. Background

- 1.1 In October 2023, the Council achieved the milestone of 500 new Council homes delivered for rent and shared ownership since January 2018. Plans are in place to deliver hundreds more Council homes by March 2026 through the Housing Delivery Programme (the “Programme”). Approvals for the Programme are obtained and refreshed through six-monthly reports to Cabinet.
- 1.2 A significant amount of the Council’s build programme to date has been supported by grant funding from Homes England (the Government’s housing and regeneration agency) through the Shared Ownership and Affordable Homes Programme (SOAHP) which ran from 2016 to 2021.
- 1.3 The Council initially secured £6.81m of SOAHP grant funding in January 2017 to support a range of developments, including: Site Clusters, The Bellows, and Broom Hayes, and later secured a further £5.74m to support delivery of the Town Centre Trilogy Collection.
- 1.4 The SOAHP ended in 2021 and has now been superseded by the Affordable Homes Programme (AHP) which runs from 2021 to 2026. The AHP provides £7.39 billion to deliver up to 130,000 affordable homes (for sale or rent) by March 2026, in England (outside of London).
- 1.5 To help meet the acute need for more affordable homes and to replace Council homes which are being sold under the Right to Buy scheme, the Council’s Housing Delivery Programme includes plans to deliver hundreds of new homes through a combination of Council-led build and acquisitions. The Programme has recently been supplemented through the launch of the Small Sites Homebuilder Initiative in early 2023, and in October 2023, Cabinet approved the Housing Acquisitions Policy, which set out proposals to acquire up to 100 homes from the market.
- 1.6 Grant contributions are crucial to ensuring that much-needed homes are delivered. Grant funding also reduces the financial impact of the investment in new homes on Council budgets and the Housing Revenue Account (HRA).
- 1.7 The Council has a strong track-record in attracting external investment (typically grant funding) to deliver its housing priorities. The intention is that Homes England AHP grant will be deployed alongside other forms of grant funding where available and appropriate, including the Brownfield Land Release Fund (BLRF) which is administered by One Public Estate (OPE), and the Brownfield Housing Fund (BHF) which is administered by the South Yorkshire Mayoral Combined Authority (SYMCA).
- 1.8 The Council has previously secured £3.92m BHF to further aid viability of the Town Centre Trilogy scheme and has an active BHF Grant Agreement in place for several small site schemes amounting to £434k. Further BHF bids are planned.

1.9 The Council also secured £431k of BLRF funding in 2023 and will be submitting further bids as part of Round 3 of the Fund.

## **2. Key Issues**

2.1 To access AHP grant funding the Council needs to be a qualified Investment Partner and enter into an AHP Grant Funding Agreement. The Council's continued Investment Partner Qualification was confirmed by Homes England in March 2023, and in September 2023 Homes England issued the Council a "Green" Performance Review for the 2022/23 period.

2.2 The HRA Business Plan, Rent Setting and Service Charges 2024-25 report, which was considered at a meeting of the Council on 28<sup>th</sup> February 2024, identifies a requirement of approximately £126m to deliver the Council commitment of hundreds of new Council homes by the end of 2025/26. Whilst the majority of this investment will be from HRA funding or unapplied borrowing, the HRA Business Plan model assumes that a proportion of this will come from non-HRA sources (including AHP grant funding).

2.3 The AHP operates on a Continuous Market Engagement (CME) basis which means that bids are submitted on a scheme-by-scheme basis, typically once schemes have been granted planning permission and prior to construction activity starting on site (in the case of new build schemes) or after an offer has been accepted (in the case of acquisitions). Each scheme is assessed on an individual basis (grant values are not pre-determined), with 'cost minimisation' and 'deliverability' key criteria. CME provides access to grant funding throughout the duration of the programme for as long as funding remains available.

2.4 The principle of the use of external grant funding to support the Programme was set out and approved in the recent Cabinet report on the Programme (January 2024).

2.5 A Grant Funding Agreement between the Council and Homes England will act as framework for the Council to access AHP grant funding over a multi-year period. Given the total value of grant awarded to the Council could be for millions of pounds, Cabinet approval is sought to enter into the Agreement.

2.6 It is expected that AHP grant funding will be available for Council new build projects, Small Sites Homebuilder Initiative schemes, and potentially market acquisitions. Homes delivered through Section 106 agreements are not eligible for AHP grant. All schemes funded through the AHP must start on site by 30<sup>th</sup> September 2025 and be completed by 31<sup>st</sup> March 2026. This aligns with the Council's current pipeline of Council-led build and acquisitions activity.

### **3. Options considered and recommended proposal**

#### **3.1 Option 1: Do not enter into a grant funding agreement with Homes England**

Grant contributions from AHP will be crucial to delivering hundreds of new Council homes by March 2026. If the Council does not enter into a grant funding agreement with Homes England it will be unable to bid for AHP grant and it is likely that the full Housing Delivery Programme will not be delivered.

This option is not recommended.

#### **3.2 Option 2: Enter into a grant funding agreement with Homes England to be able to apply for grant funding from AHP**

Implementing the Council's Housing Delivery Programme presents a significant viability challenge. Entering into a grant funding agreement with Homes England will enable the Council to bid for grant from AHP which has the potential to provide significant amounts of grant funding to support the affordability of the Programme.

This option is recommended.

### **4. Consultation on proposal**

4.1 The proposals within this report will support delivery of the Council's Housing Delivery Programme. The six-monthly programme reports to Cabinet set out the approach to consultation and community engagement at an individual project level.

### **5. Timetable and Accountability for Implementing this Decision**

5.1 The Assistant Director of Housing has responsibility for implementing this decision. It is anticipated that the Council will be in contract with Homes England within four to six weeks of the Cabinet decision.

5.2 Housing Delivery Programme reports will continue to be presented to Cabinet on a six-monthly cycle to keep Cabinet appraised of progress, refresh existing approvals, and to seek new approvals as required. Reports will include details of AHP grant received.

### **6. Financial and Procurement Advice and Implications**

6.1 For the grant process to work effectively, Investment Partners are required to enter into a multi-year Grant Agreement with Homes England for the whole AHP period (2021 to 2026).

6.2 Once 'in contract' the process for applying for grant is streamlined via an online portal. This same system is used to report scheme progress against key milestones, which in turn generates staged grant payments. Once bids are submitted and approved by Homes England, the Council is obliged (under the terms of the contract) to accept the grant funding. As such, the

Council's internal grant authorisation process will apply to all scheme-by-scheme grant funding applications to the AHP, prior to bids being submitted.

- 6.3 Furthermore, only activity approved in the Programme (i.e. those approved by Cabinet as part of the six-monthly Housing Delivery Programme report to Cabinet) will be considered for bid submissions. Future grant funding applications and grant funding awards will also be reported to Cabinet via the same six-monthly report to Cabinet.
- 6.4 The importance of additional (non-HRA) investment in supporting the delivery of hundreds of new Council homes by the end of 2025/26, as well as the HRA Business Plan assumptions linked to this, are set out earlier in this report (see Sections 1.6, 2.2 and 2.4).
- 6.5 All grant recipients are required to report on delivery at regular intervals. Homes England also carries out an annual procedural compliance audit on a sample of schemes to ensure requirements have been met.
- 6.6 There are no direct procurement implications arising from the proposals set out in this report. All procurement activity required to deliver grant funded activity will be undertaken in compliance with the Public Contracts Regulations 2015 (as amended) or the Procurement Act 2023 (whichever is the applicable legislation at the time) and the Council's own Financial and Procurement Procedure Rules.

## **7. Legal Advice and Implications**

- 7.1 The Grant Agreement is used with all Investment Partners nationally. It contains standard, non-negotiable terms. The Council was in a similar contract with Homes England for the previous SOAHP.
- 7.2 As part of the contact process, Homes England requires the Council to sign a legal opinion letter. This includes confirming that the Council has taken all necessary action and obtained all relevant consents and approvals to authorise the performance of the obligations under the Grant Agreement.
- 7.3 The Council can enter into grant agreements and accept grant under Section One of the Localism Act 2011 ('the general power of competence'). This provides the Council with the power to take reasonable action it needs 'for the benefit of the authority, its area or persons resident or present in its area'.
- 7.4 The purpose of this Grant Agreement is for Homes England to make each approved capital grant under the Programme available to enable the Council to provide affordable housing subject to the grant terms. Both the Council and Homes England undertake to co-operate with each other to facilitate the proper performance of this Agreement and the delivery of housing schemes under the Programme.
- 7.5 The Grant Agreement has been structured with the objective that it is lawful and complies with the requirements of the UK subsidy regime rules.

However, subsidy control assessments will need to be undertaken to ensure compliance before grant applications are submitted.

## **8. Human Resources Advice and Implications**

8.1 There are no direct human resources implications arising from the proposals set out in this report.

## **9. Implications for Children and Young People and Vulnerable Adults**

9.1 There are no direct implications for children, young people and vulnerable adults arising from the proposals set out in this report. However, grant funding from Homes England will support the delivery of good quality, safe, and thermally efficient homes which will deliver benefits to individuals and communities across the Borough.

## **10. Equalities and Human Rights Advice and Implications**

10.1 There are no direct equalities and human rights implications arising from the proposals set out in this report. However, as the proposals in this report will support the Council's Housing Delivery Programme - the equalities analyses (Parts A and B) from the Housing Delivery Programme report (approved by Cabinet in January 2024) are attached at Appendix One and Two, respectively.

## **11. Implications for CO2 Emissions and Climate Change**

11.1 There are no direct CO2 emissions or climate change implications arising from the proposals set out in the report. However, as the proposals in this report will support the Council's Housing Delivery Programme. The Carbon Impact Assessment from the Housing Delivery Programme report (approved by Cabinet in January 2024) is attached at Appendix Three, with updated tracking details.

## **12. Implications for Partners**

12.1 There are no direct implications for partners arising from the proposals set out in this report.

## **13. Risks and Mitigation**

13.1 The key risks associated with grant applications are summarised in the table below.

<b>Risk</b>	<b>Mitigation</b>
Funding availability / eligibility to deliver the Housing Delivery Programme.	By giving the Council access to additional sources of external funding, the proposals in this report partially address this programme level risk.
Non-compliance with terms and conditions of grant - leading to	Robust processes in place to monitor and ensure compliance. Continued

reputational and financial impacts (e.g. clawback of grant) with the potential to jeopardise future bid submissions.	dialogue with Homes England and regular meetings with internal finance teams to monitor the programme.
Delays in scheme delivery could jeopardise compliance / delivery within AHP timescales and lead to clawback of grant funding.	The Council has appointed an Employer's Agent to provide full contract support. Regular updates with Homes England leads are in place.
The grant value / rate is set at the point of bid submission. There is a risk that cost escalation could increase the level of Council financial resources needed to complete projects.	Investment of time in robust business case preparation to ensure overall costs remain within HRA Business Plan affordability modelling and Capital Programme approvals.  The Council has appointed an Employer's Agent who are providing full contract support, including Cost Management services.  Early contractor engagement / appointment (and where possible prior to grant funding applications) to refine and confirm costs.
Delays in services received from essential third parties (e.g. utilities connections, other statutory undertakings) could impact on delivery within the AHP timescales.	Early engagement with relevant organisations and internal services, alongside robust project management processes with realistic contingencies for costs and delays.

**14. Accountable Officers**

James Clark, Assistant Director of Housing

Approvals obtained on behalf of Statutory Officers: -

	<b>Named Officer</b>	<b>Date</b>
Chief Executive	Sharon Kemp	04/03/24
Strategic Director of Finance & Customer Services (S.151 Officer)	Judith Badger	23/02/24
Assistant Director, Legal Services (Monitoring Officer)	Phil Horsfield	23/02/24

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