

**BUILDING BRITAIN'S FUTURE – CHALLENGE FUND**

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**1.0 EXECUTIVE SUMMARY**

1.1 The purpose of this report is to seek Members approval to the submission of a funding bid to the Homes and Communities Agency (HCA) under the Governments Challenge Fund Initiative to provide 22 new housing units (which would be managed by a Registered Social Landlord) on sites in Seacombe, Bebington and Prenton (see Appendices).

**2.0 BACKGROUND**

2.1 The pre-budget report in November 2008 announced the bringing forward of £775M spending on social housing improvements, new build and regeneration to kick-start housing recovery along with initiatives to respond to housing mortgage repossessions. Delivering more and better homes remains one of the Governments highest priorities and the Budget 2009 announced a further £1 billion package for additional investment in housing specifically targeted at the following:-

- £400m to help unlock currently stalled sites with the aim of leveraging in private development finance through a combination of reducing up front costs with equity, gap and infrastructure funding, including £80M to expand the Homebuy Direct Scheme. This 'Kick-Start fund' is aimed at housing sites which have planning approval in place, are viable but have stalled due to the impact of the economic decline;
- Strengthening the support given to homeowners who are at risk of repossession or eviction;
- £100M for English Local Authorities to deliver social housing, using their own land and with higher energy efficiency standards. The 'Challenge Fund' is for local authorities to deliver up to 900 new council homes through providing social housing grant to local authorities and allow for prudential borrowing serviced by rental income from properties;
- £110M for stalled private new build schemes and local authority-led energy efficient new build homes for Scotland, Wales and Northern Ireland;
- An extension of the stamp duty 'holiday' for all homes costing up to £175,000 until the end of 2009;
- £100M to improve insulation in 150,000 homes in the social sector in England through the Decent Homes programme;
- £50M to modernise housing for the armed forces.

2.3 On 29<sup>th</sup> June 2009 the Prime Minister announced 'Building Britain's Future' which set out the Government's plan for moving out of the economic downturn and to build a better, fairer and more prosperous society. In a letter dated 30<sup>th</sup> June 2009 to Leaders and Chief Executives of Local Authorities, John Healy, Minister for Housing and Planning set out a vision for a sharper focus on meeting local housing needs, with local authorities expected through their powers and democratic legitimacy to drive strategy and delivery in their own areas.

2.4 The Minister acknowledged Local Authorities commitment to the delivery of new housing and recognised that 94% of Local Area Agreements in the country now have the delivery of affordable homes amongst their priorities. However, in order to meet the vision set out in Building Britain's Future, £1.5Bn additional investment in new affordable housing has been committed. This is an increase on the original announcements made in the Budget with a focus on early delivery to meet urgent housing need, support recovery and restart construction. The £1.5Bn package consists of an additional £500M for the Kick Start Fund, additional £250M for the Challenge Fund and £750M available through the National Affordable Housing Programme. It is envisaged this funding will deliver the 20,000 new affordable housing construction starts over two years of which 13,000 will be for social rent creating an estimated 45,000 jobs over the three year construction period for these homes.

### 3.0 CHALLENGE FUND REQUIREMENTS

3.1 The Challenge Fund offers Local Authorities the opportunity to bid to the Homes and Communities Agency (HCA) for a 50% grant contribution towards the total scheme costs associated with delivering social housing on sites in Local Authority ownership. It also allows for prudential borrowing to be secured for the remaining 50% costs associated with the development with the rental income from the properties servicing the loan. The programme needs to deliver quickly and is available over the period 2009-2011. It is expected that a significant proportion of homes that are funded will achieve start on site in 2009/10 and that homes funded through this initiative will be completed by 2010-11.

3.2 There are a number of criteria and requirements associated with the Challenge Fund which the local authority must adhere to and meet in order to submit an application for funds. These include eligibility, tenure, value for money, deliverability, strategic fit, design and quality and use of local labour and apprenticeships.

3.3 Two of the key requirements for the Local Authority which have a bearing on the need to work in partnership with a local RSL are that bid submissions must be submitted on the HCAs Integrated Management System (IMS) which is used by all RSL's in submitting bids as part of the National Affordable Housing Programme (NAHP) with the HCA bidding guidance advising Local Authorities that they can appoint an agent already familiar and who has access to the IMS system to undertake the input of information on their behalf. The second is in relation to the ongoing ownership and management of the stock built. It is required that the ownership of the properties be retained by the local authority however for those local authorities who currently do not have any housing stock, it is expected the management will be carried out by a HCA accredited manager (namely a local RSL) to ensure tenants would be provided with an efficient and good management service.

3.4 Whilst future tenancies would be managed by an RSL, because local authorities offer secure tenancies for permanent properties, future tenants will enjoy, as part of their tenancy conditions, a statutory Right to Buy with agreed Right to Buy discounts. However local authorities can apply for certain exemptions under the Housing Act 1985 if the grant funded units fulfils the conditions under such provisions.

### 4.0 SELECTION OF SITES AND PARTNER REGISTERED SOCIAL LANDLORD

4.1 In response to the announcement of the Funding and to establish if Wirral had any potential sites which could apply to Challenge Fund, an assessment was undertaken of land/buildings which the Council currently has in its ownership and which has been identified as surplus to requirements. This process has identified the following three sites as potential bid submissions:-

1. Land at CherryBank, Wallasey
2. Former Older Persons Home at Kennet Close, Bebington
3. Land at Woodchurch Lane, Prenton

4.2 In the short time available to access the fund and in order to identify a suitable RSL partner each of the potential sites identified, an analysis of Registered Social Landlords stock holding was undertaken for the area along with the strength of their local presence in that locality and in the Borough as a whole. Across all three sites the four largest stock holders were identified along with an analysis of the level of presence. Across all three areas Wirral Partnership Homes has the largest existing management presence and accounted for 67.5% of the stock of the four largest RSL's present. WPH also have a good local presence through their Head Office in Wirral and also are accessible to local tenants in all three areas through their satellite based housing management staff. Following the bidding guidance, discussions with Wirral's HCA Investment Manager and the outcome of the analysis of potential local partners in the Borough, officers from the Housing Strategy Team entered into a dialogue with WPH as the preferred RSL to establish their interest in supporting the Council in the bid process and to deliver and manage the properties on the Council's behalf.

4.3 WPH have expressed their interest in working with the Council and as such have carried out some preliminary work at risk, to help in establishing estimated resources which would be required for a bid submission. Initial architect's plans have been drawn up to establish the density on each site which could be achieved in line with local housing need. This has established that a bid for 22 units consisting of 7x 2 bed bungalows, 3 x 2 bed and 2 x 3 bed houses and 8 x 2 bed flats could be achieved if a bid was to be submitted for funding and would assist in meeting Wirral housing need in the borough as identified in Wirral's Strategic Housing Market Assessment.

The breakdown of units on each site is as follows:-

Site	Area (Hectares)	Number of Units	Type of Units
Land at Cherry Bank, Wallasey	0.1376	4	4x2Bed bungalows
Kennet Close, Bebington	0.1692	5	5x2 bed bungalows
Woodchurch Lane, Prenton	0.3279	13	8x2 bed flats 3x2 bed houses 2x3 bed houses
<b>Totals</b>	0.6347	22	

4.4 The costs to develop all three schemes have been initially estimated at £2.8M which would consist of 50% funding from the HCA and 50 % through prudential borrowing. As the number of units being considered on all three sites is in total 22, the units will be held outside the HRA account (the threshold necessary to open a Housing Revenue Account is 50) The new units can be excluded from the HRA Account subsidy at the same time as bidding for grant. As Wirral does not have a HRA account and the number of units being proposed is under the threshold there would be no implications arising from submitting this bid for the HRA account.

4.5 In order to achieve delivery within the timescale set by the Government it has offered two opportunities to bid for Challenge funding. The first was by 31<sup>st</sup> July 2009 and the second is by 30<sup>th</sup> October 2009. Wirral was not in a position at the July deadline to consider a submission however through recent work undertaken there is now some confidence that we can meet the next and final bidding round deadline in October. In order to move forward to establish final scheme costs and for Wirral's bid to be stronger in terms of demonstrating deliverability in the short timescales for the Programme, planning approval will need to be sought. In preparation for this there are a number of preliminary investigations/work associated with the proposed development which will need to be undertaken. These include site, ecological and topographical surveys, independent assessment for Code for Sustainable Homes, and architects and planning fees up to planning stage. It is estimated these costs will be in the region of £105,000 and it is proposed to use the Regeneration Capital Fund for 2009/10 to meet these costs. However, Members should note these costs will be included in the overall scheme which will form part of the final bid therefore, if successful in securing Challenge Funding these costs would be reimbursed to the Council.

4.6 Furthermore, if Members agree to a bid submission for the Challenge Fund, Section 27 Housing Act 1985 consent is required when a Local Authority transfers the management of its housing to another body. This would be required unless the arrangement is covered by the general approval for housing management, this and the drawing up of a management agreement with a Registered Social Landlord would have to be undertaken by the Department of Law, HR and Asset Management.

#### **5.0 FINANCIAL IMPLICATIONS**

5.1 The costs for the preliminary works estimated to be in the order of £105,000 (excluding VAT) is to be met from the Regeneration Capital Programme 2009/10. This will be fully recoverable if the scheme is successful. The delivery of the scheme currently estimated to be in the region £2.8m would be met by 50% grant funding from the Challenge Fund with the remaining 50% secured through prudential borrowing with the rental income from the properties servicing the loan. If the bid is successful Wirral would be required to enter into a funding agreement with the HCA.

#### **6.0 STAFFING IMPLICATIONS**

6.1 There are no staffing implications arising from this report as the preparation of the bid submission and any subsequent ongoing monitoring of the development schemes will be met through existing resources within the Housing Strategy Team. The future management of the schemes when completed will be managed by Registered Social Landlord for an agreed overall management fee.

#### **7.0 EQUAL OPPORTUNITIES IMPLICATIONS**

7.1 The redevelopment of these sites if the Council is successful in securing funding will help to promote greater choice and increase housing for local people.

#### **8.0 COMMUNITY SAFETY IMPLICATIONS**

8.1 This report has no community safety implications

#### **9.0 LOCAL AGENDA 21 IMPLICATIONS**

9.1 The redevelopment of these sites will help to reduce the occurrence of fly-tipping, dog-fouling and litter which often causes local residents concern.

- 9.2 The new housing developed will meet a minimum of Code for Sustainable Homes Level 3 thereby reducing energy, water and waste consumptions compared to non Code compliant developments.

## 10.0 **PLANNING IMPLICATIONS**

- 10.1 The Council and its partner RSL will need to apply for full planning permission for each of the proposed developments detailed in this report

- 10.2 The site located at Woodchurch Lane, Prenton is a grassed area which is designated as a Primarily Residential Area in the Council's Unitary Development Plan. The site lies within the area subject to the restrictions on new housing development set out in the Council's Interim Planning Policy for New Housing Development (October 2005 and reconfirmed by Cabinet in March 2009). The Council and its partner RSL will need to demonstrate the local affordable housing need required in this area before planning permission could be granted.

- 10.3 The site located at Kennet Close, Bebington is a former older person's home which would be cleared as part of the redevelopment of this site. The site is designated as a Primarily Residential Area in the Council's Unitary Development Plan. The site lies within the area subject to the restrictions on new housing development set out in the Council's Interim Planning Policy for New Housing Development (October 2005 and reconfirmed by Cabinet in March 2009). The Council and its partner RSL will need to demonstrate the local affordable housing need required in this area before planning permission could be granted.

- 10.4 The site located at Cherry Bank, Seacombe is a cleared site which formerly housed an old warehouse. The site is designated as a Primarily Residential Area in the Council's Unitary Development Plan and is identified as a Regeneration Planning Area in the Council's Interim Planning Policy for New Housing Development (October 2005 and reconfirmed by cabinet in March 2009).

## 11.0 **ANTI-POVERTY IMPLICATIONS**

- 11.1 The schemes aim to reduce poverty, isolation and exclusion by meeting local needs, improving quality of life and offering housing choice

## 12.0 **SOCIAL INCLUSION IMPLICATIONS**

- 12.2 The schemes highlighted in this report aim to promote social inclusion

## 13.0 **LOCAL MEMBER SUPPORT IMPLICATIONS**

- 13.1 This report will be of particular interest to Members representing the Prenton, Seacombe and Bebington wards.

## 14.0 **BACKGROUND PAPERS**

None.

## 15.0 **RECOMMENDATIONS**

- 15.1 That, subject to the planning process, Members approve the use of £105,000 from the Regeneration Housing Capital Fund to undertake the preliminary works required to

support a bid submission to the Governments Challenge Fund Initiative to deliver 22 units of affordable housing on three sites in Wirral.

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