

Meeting: Cabinet & Council

Date: 13 and 15 May 2025

Wards affected: All

Report Title: Formation of a social housing delivery programme for Torbay and associated financing proposal

When does the decision need to be implemented? Following approval by Council

Cabinet Member Contact Details: Councillor Alan Tyerman, Cabinet Member for Housing & Finance, alan.tyerman@torbay.gov.uk

Director Contact Details: Alan Denby, Director of Place, alan.denby@torbay.gov.uk

1. Purpose of Report

- 1.1. The purpose of the report is to request funding to accelerate and extend the Accommodation Repurposing Programme to deliver up to 75 Affordable housing units per year over a 5 year programme.
- 1.2. The Torbay Housing Delivery Plan, finalised in August 2024, (and provided at Appendix 1) included the establishment of an Accommodation Repurposing Project targeted to deliver 14 to 36 new homes for social rent within 3-years and in excess of 50 such homes within 5-years.
- 1.3. The Head of Strategic Housing & Delivery brought a paper to Cabinet in September 2024, seeking approval to acquire and enter purchase contracts for the delivery of social housing at the former Brampton Court Hotel, Torquay (then referred to as 'Scheme 1'). The timing of this transaction and the associated governance took place relatively soon after the General Election, which resulted in a temporary pause in allocations of social housing grant from Homes England, whilst the government established their immediate delivery priorities. Whilst there was a degree of confidence about the ability to fund the specific first scheme, it was not possible at that time to accurately predict the wider opportunities for an expanded programme. It should also be noted that a second site has now been secured for redevelopment at the former Seabury Hotel, Torquay, with officers currently working to establish the most viable form of delivery for the site.
- 1.4. The September 2024 decision instructed the Head of Strategic Housing & Delivery to bring a further report back to cabinet at such time as there was sufficient confidence about Torbay Council's ability to fund a long term scheme.
- 1.5. An increased and extended social housing grant programme has now been published by government. With Homes England grant funding now secure for Brampton Court (and a

greater understanding on the likely future grant requirements) it is now possible to progress decision making for a long term scheme.

- 1.6. The Housing Delivery Team have designed a programme and funding proposal that can sustainably deliver a large number of homes on brownfield sites to help contribute to the requirements of the emerging Torbay Local Plan and the increased housing target that has been given to the Local Planning Authority.
- 1.7. This paper outlines a proposal for £20m of ring-fenced prudential borrowing, specifically to deliver this programme as set out. Projects will be submitted to Cabinet to approve Full Business Cases.

2. Reason for Proposal and its benefits

- 2.1. In the early 2000s, the Torbay area regularly delivered an average of 100-180 new affordable homes per annum, reaching a peak in 2013/14 of 273 new affordable homes. Since then, delivery has dropped significantly; average annual delivery over the last 5 years has been just 31 homes (data extracted from MHCLG Live Table 1008C). This is against a backdrop of high (and growing) need for homes by local households registered with Devon Home Choice.
- 2.2. In light of this, a Housing Delivery Plan has been created to bring forward opportunities over the next five years, both for direct council delivery and delivery through partners. One of the direct interventions identified is the innovative Accommodation Repurposing Project, incorporating schemes designated under title of 'Hotels to Homes'. This is designed to respond to Torbay's characteristics of having large numbers of small, urban brownfield sites many of which are unviable leisure and holiday accommodation such as former hotels, bed & breakfasts, and guest houses. Through this initiative, such properties will be purchased by the Council and converted into new homes.
- 2.3. The Council is not the only organisation exploring the re-use of such sites for housing. However, when brought forward by private sector developers, they typically provide few – if any – affordable homes. The current affordable requirement for brownfield sites is only 20% as many sites are capable of delivering fewer than 15 dwellings, which is below the current Local Plan's threshold for requiring affordable housing, many schemes deliver no affordable units at all.
- 2.4. Feedback from the Tourism Industry indicates that a growing number of small hotels, guest houses and other types of holiday accommodation are experiencing a decline in trade and are no longer viable as going concerns. The number of owners seeking to exit the market is growing and the availability of accommodation for repurposing has become more evident over the last year. It is felt that the Accommodation Repurposing Project could make a greater contribution to meeting Torbay's housing need and a more ambitious target of bringing forward schemes to deliver an average of 75 units of accommodation per year should be set.

- 2.5. Government has asked all local authorities to accelerate house building throughout the United Kingdom. An increase to delivery numbers in the Accommodation Repurposing Programme will help Torbay towards meeting that requirement. Furthermore, the Council intends to commit to this level of self-delivery through the emerging Torbay Local Plan, as a way of demonstrating how it will achieve its mandatory planning targets and kick-start the local construction sector. With the Local Plan including this as part of the delivery trajectory for housing (and specifically affordable housing), clearly it is also necessary to ensure there is appropriate capital funding in place to meet this obligation. It is anticipated that the request for an initial £20m of capital borrowing outlined in this report would be sufficient to support the schemes at both the former Brampton Court and Seabury Hotels and provide additional financial capacity to secure and work up the next tranche of sites.

3. Recommendation(s) / Proposed Decision

Recommendations for Cabinet:

1. That Cabinet notes that the existing total amount of capital grant funding received to support the project is £5 million, comprising £3 million from The Levelling Up Partnership and £2 million from The Devon and Torbay Devolution Deal, and notes that this grant funding will be used for both interim funding of schemes before Business Cases are finalised, and for part funding of completed schemes.
2. That Cabinet approves the principle of the funding model for the Accommodation Repurposing Project, namely that each scheme is funded by a combination of Homes England grant, an appropriate level of supported prudential borrowing, with any residual funding requirement made up from monies already received from the Levelling-Up Partnership, the Devon and Torbay Devolution Deal (or any other relevant affordable housing subsidy available to Torbay Council at the time).
3. That subject to Full Council approving the £20 million prudential borrowing, Cabinet approves the stated ambition to create an Accommodation Repurposing Programme that is able to deliver an average of 75 units per year and that Full Business Cases for each scheme be presented to Cabinet for approval in due course.
4. That subject to Full Council approving the £20 million prudential borrowing, Cabinet provide delegated authority to the Director of Finance, in consultation with the Cabinet Member for Housing & Finance, to acquire sites for the Accommodation Repurposing Programme, ahead of Cabinet consideration of a Full Business Case (where necessary).
5. That Cabinet requests that Head of Strategic Housing & Delivery prepare an annual report for consideration by Overview & Scrutiny Board and Cabinet, demonstrating progress against the project.

Recommendations to Council:

6. That £20 million of prudential borrowing be approved to part fund individual schemes within the Accommodation Repurposing Programme, subject to repayment of borrowing being supported by rental income from the schemes after deduction of projected management and operating costs and appropriate allowances for future maintenance cost of the properties (taking account of any grant funding that may be available for the individual site.

4. Appendices

- Appendix 1 - Torbay Housing Delivery Plan
- Appendix 2 – Template Social Housing capital finance proposal

5. Background Documents

- None

6. Introduction

- 6.1. The Accommodation Repurposing Programme involves the acquisition and conversion of former hotels and other redundant sites and buildings into new, high-quality housing for social rent. Although the main focus is expected to be to acquire sites formerly used as holiday accommodation, the project is not restricted to this former use type and may therefore include redundant sites formerly used for other purposes. Alongside the benefit of increasing housing supply, an additional benefit is that this will help prevent such sites entering a state of dereliction, as well as helping to prevent anti-social behaviour, and avoiding the plethora of public health issues associated with sites in disrepair.
- 6.2. The Council's ambition is to prove that our innovative delivery model can be a viable vehicle to increase the level of affordable housing and stimulate neighbourhood renewal and regeneration. Long-term, there is also an aspiration to stimulate the private and Registered Provider sectors to move into this space by demonstrating the positive outcomes that can be achieved. To achieve this, however, the Council will need to step in to 'prove the market', create commercial interest and demonstrate how the process can provide a source of suitable development land.
- 6.3. The Council has secured £3m of capital grant from the Levelling Up Partnership to use for this purpose, alongside a revenue allocation of £0.250m. This has been supplemented by securing £2m of funding through the Devon and Torbay Devolution Deal. The Accommodation Repurposing Project and its funding model have been designed to secure as much benefit in terms of number of units created as possible from the level of grant available and this has resulted in the blending of available funding streams.
- 6.4. Schemes eligible for inclusion under the Accommodation Repurposing Project will be utilising sites recognised as brownfield sites and will always be for affordable housing. Most schemes are likely to be for general needs social rent but schemes for care leavers, older

persons, people working in key employment industries and other restricted groups may be included where there is a demonstrable need and strategic imperative to intervene to help the cohort in question. Schemes will provide accommodation to match local housing needs but may also be influenced by factors such as site location, ease of access, availability of local facilities, transport links and other site specific factors when determining the type, size and scale of accommodation to develop in each location.

- 6.5. It is anticipated that schemes will generally enable between 6 and 25 units of accommodation to be delivered per site but no fixed upper or lower limit on size will exist for schemes. It is anticipated that most schemes will take place on sites when an existing business/use has ceased trading or operating but sites where it can be assessed that a trading business is and is likely to remain not financially viable will be considered for inclusion as schemes within the project. In such situations information demonstrating lack of viability will be included in any scheme submitted for approval.
- 6.6. The Accommodation Repurposing schemes will be able to cover a number of different delivery models, ranging from turnkey purchases to those where a demolition and rebuild is required. Other delivery solutions could be accommodated in the project to enable schemes to proceed in a timely and cost effective manner. Purchased sites may have planning permissions in place; may require amendment to existing planning consents or may require new planning applications to be obtained through the normal planning process. It is possible that a single site could include more than one delivery solution, such as a new build alongside the refurbishment of an existing building. A flexible approach will be taken to look for the most productive solution for how to develop any site.
- 6.7. It is in the nature of this type of development that it will usually be necessary to purchase a property or incur other costs before the costs of rebuild or conversion can be determined, before a full business case can be prepared, and before an application for Homes England Funding can be submitted. To enable acquisitions to take place (prior to consideration of a Full Business Case by Cabinet), it is also proposed to grant a delegation to the Director of Finance to acquire sites for this programme, in consultation with the Cabinet Member for Housing & Finance.
- 6.8. The intention will be to minimise the contribution from the Levelling-Up and Devolution grant funding to each scheme to enable the grant funding to support as many units of accommodation as possible over future years. Funding from the grants will however be used to cover scheme costs that cannot be met through Homes England Grant and supported borrowing and any scheme cost overrun.
- 6.9. The Director of Finance will determine the most appropriate interest rate and method of applying finance charges, including MRP, appropriate for the programme and will determine the amount of prudential borrowing that can be allocated to each scheme in consideration of an appraisal of the net rental income. The Capital Growth Board will consider the robustness of business cases for each scheme within the programme before presentation to Cabinet for approval.

- 6.10. Each scheme will be managed by Torbay Council upon completion in accordance with the appropriate Council housing policies that cover rents, letting criteria, and how the properties will be managed. Local letting arrangements will be applied to ensure that schemes address identified priorities in housing need both for initial and subsequent lettings. A Local Lettings Plan will be adopted for each site to explicitly clarify the allocation criteria to be used for each project, and to set out the minimum local connection requirements (which will ensure that homes are let to households with a Local Connection to Torbay, through Devon HomeChoice). Where specific housing need is not identified, units will satisfy general housing need from the Housing Register.
- 6.11. Future ownership and management of properties will be reviewed by officers annually. Cabinet has previously stated an ambition to explore opportunities to dispose any accumulated social housing stock to a Registered Provider partner at a point in the future. The Council will need to assess whether such action will continue to meet its responsibilities to meet housing need and whether such sale is financially beneficial for the Council at that time. It is considered likely that schemes developed under the Accommodation Repurposing Project will remain within the Council's ownership and management for at least the next 3-5 years.

7. Options under consideration

- 7.1. Option 1 – do nothing. This would result in under performance against Local Plan/MHCLG delivery numbers.
- 7.2. Option 2 – proceed as set out. This would achieve all the objectives stated in this report and ensure delivery of a large capital housing programme of new homes for the benefit of households with a local connection to Torbay.
- 7.3. Option 3 – partial implementation (smaller scale ambition). This is an option; however, we would be more susceptible to market fluctuations in borrowing costs, and likely not be able to upskill and increase capacity to a sufficient level, which would impact upon our ability to deliver. It would also not signal the right level of commitment to the RP/private sector, which may hinder our ability to get longer-term buy-in or investment for wider growth.
- 7.4. **To achieve all of the stated ambitions, officers recommend proceeding with Option 2.**

8. Financial Opportunities and Implications

- 8.1. The business case for the Brampton Court scheme was approved by Cabinet and Council in September 2024 on the basis of being fully funded by MHCLG Levelling Up Partnership grant. The creation of the long term sustainable model requires that grant be recycled and a revised funding model for the scheme is therefore necessary required to enable this and to internally free-up the financial headroom.
- 8.2. The second scheme at the former Seabury Hotel has been purchased and demolition of the existing premises is being progressed. At this point, the Council does not know the exact scale of development that can be achieved on the site and cannot therefore know how much grant funding is likely to be secured from Homes England. A revised planning consent

will be sought to improve the mix of units and scheme viability; however, it has an existing consent that could be developed out if necessary. A full business case will be prepared in due course.

- 8.3. Further schemes will be brought forward for approval, along with indicative plans of what the site will be used for, an interim business case, an expected funding model and an analysis of risks within the scheme in the event that funding from Homes England is not obtained at the expected level. Homes England grant is likely to provide between 30% and 50% of the capital needed for each scheme and a complete absence of such funding will be the biggest financial risk to any scheme.
- 8.4. From time to time, Homes England's funding capacity is limited and there have been examples in the past of where programmes have run out of funding or government has changed its priorities to divert capital away from social housing. It is hoped and expected though, that the Government's increased housing ambitions will result in a higher and more consistent availability of Homes England funding and that the target of delivering up to 75 units of accommodation per year can be met without particular concern.

9. Legal Implications

- 9.1. The council is exposed to risk in every commercial transaction it is involved in; this will of course include land acquisitions made to support the Accommodation Repurposing Programme. The acquisition process for both of the first schemes was complicated by historic freehold issues. To resolve these matters, officers brought on board specialist social housing and commercial conveyancers, and this is likely to be necessary for future (similar) projects in the future.
- 9.2. Officers will consider the risks for each scheme and create appropriate risk registers (and mitigation strategies) for each project as it progresses.

10. Engagement and Consultation

- 10.1. Any scheme that goes through a planning process in respect of demolition, newbuild or conversion will have appropriate period of statutory consultation where member of the public (and any interested community groups) will be welcome to provide comments to inform scheme design and delivery. Officers anticipate that some schemes may also necessitate specific consultation with affected/nearby neighbouring groups in some circumstances.

11. Procurement Implications

- 11.1. All projects will be delivered in accordance with established internal procurement requirements applicable for the site, at the point in time. The Head of Strategic Housing & Delivery has a good relationship with the Head and Deputy Head of Commercial Services, and advice on the most appropriate route to market is sought (and will continue to be sought) for each scheme as it comes forward to ensure compliance with the new procurement act.

12. Protecting our naturally inspiring Bay and tackling Climate Change

- 12.1. Provision of new homes designed to meet the latest building regulations standards will help to improve the climate impact of the housing stock in Torbay overall.
- 12.2. Furthermore, the Accommodation Repurposing Project is specifically targeting brownfield sites over greenfield therefore protecting areas of high environmental quality etc. Similarly, some schemes will involve the re-use of existing buildings helping to minimise materials transferred to landfill and reduce the carbon impact of housing delivery.

13. Associated Risks

- 13.1. Failure to adopt this programme will contribute to a greater stress on Local Plan delivery numbers, therefore likely increasing the number of homes that need to be delivered on greenfield sites going forward.
- 13.2. Furthermore, moving away from this priority now would put at risk the grant funding that has already been secured, and may require repayment of grant in accordance with any grant terms.

14. Equality Impact Assessment

Protected characteristics under the Equality Act and groups with increased vulnerability	Data and insight	Equality considerations (including any adverse impacts)	Mitigation activities	Responsible department and timeframe for implementing mitigation activities
Age	18 per cent of Torbay residents are under 18 years old. 55 per cent of Torbay residents are aged between 18 to 64 years old. 27 per cent of Torbay residents are aged 65 and older.	The flats would be let to occupants who are suitable to sustain a tenancy in the property. Considerations would be paid to accessibility requirements, support needs and suitability of location.	Understanding the future clients and the suitability of the dwelling	Lettings and Housing Management
Carers	At the time of the 2021 census there were 14,900 unpaid carers in Torbay. 5,185 of these provided 50 hours or more of care.	Lettings would not discriminate against the caring responsibilities of future tenants		Housing Management and Lettings
Disability	In the 2021 Census, 23.8% of Torbay residents answered that their day-to-day activities were limited a little or a lot by a physical or mental health condition or illness.	Due to the nature of converting existing buildings, it will not always be possible to create flats that are suitable for occupants with a physical disability. Any support needs would be assessed at the time of letting the homes	Consider accessibility and mental health needs in designs of conversions	Housing Delivery

Gender reassignment	In the 2021 Census, 0.4% of Torbay's community answered that their gender identity was not the same as their sex registered at birth. This proportion is similar to the Southwest and is lower than England.	We would not discriminate against gender on general needs rented properties unless there was a specific requirement to have same sex accommodation, for example in the case of a women's refuge.	NA	ALL
Marriage and civil partnership	Of those Torbay residents aged 16 and over at the time of 2021 Census, 44.2% of people were married or in a registered civil partnership.	The marital status of occupants should not influence the suitability of the flats. No adverse impact expected.	NA	ALL
Pregnancy and maternity	Over the period 2010 to 2021, the rate of live births (as a proportion of females aged 15 to 44) has been slightly but significantly higher in Torbay (average of 63.7 per 1,000) than England (60.2) and the South West (58.4). There has been a notable fall in the numbers of live births since the middle of the last decade across all geographical areas.	Only homes with 2 or more bedrooms would be considered suitable for families.	NA	Lettings and Housing Management
Race	In the 2021 Census, 96.1% of Torbay residents described their ethnicity as white. This is a higher proportion than the South West and England. Black, Asian and minority ethnic individuals are more likely to live in areas of Torbay classified as being amongst the 20% most deprived areas in England.	No adverse impact expected as we would not discriminate on the lettings of homes based on ethnicity	NA	Lettings and Housing Management

Religion and belief	64.8% of Torbay residents who stated that they have a religion in the 2021 census.	No adverse impact expected as religion would not be a consideration in the lettings process	NA	Lettings and Housing Management
Sex	51.3% of Torbay's population are female and 48.7% are male	No adverse impact expected as general needs lettings does not discriminate on gender	NA	Lettings and Housing Management
Sexual orientation	In the 2021 Census, 3.4% of those in Torbay aged over 16 identified their sexuality as either Lesbian, Gay, Bisexual or, used another term to describe their sexual orientation.	No adverse impact expected as sexual orientation is not discriminated against	NA	Lettings and Housing Management
Armed Forces Community	In 2021, 3.8% of residents in England reported that they had previously served in the UK armed forces. In Torbay, 5.9 per cent of the population have previously served in the UK armed forces.	Theoretically, affordable housing is more likely to be available to former service personnel and their families, as there is a degree of preference awarded to such households when they join the housing register.	Consider needs during the lettings process	Lettings and Housing Management
Additional considerations				
Socio-economic impacts (Including impacts on child poverty and deprivation)		No negative impact expected. Affordable housing supports those in need of a safe and warm home, facilitating the improvement of socio-economic prosperity	NA	NA
Public Health impacts (Including		By providing suitable, safe and warm affordable housing we can	NA	NA

impacts on the general health of the population of Torbay)		lower public health impacts and improve the health of occupants.		
Human Rights impacts		No negative impact expected	NA	NA
Child Friendly	Torbay Council is a Child Friendly Council, and all staff and Councillors are Corporate Parents and have a responsibility towards cared for and care experienced children and young people.	No negative impact expected as the allocation of homes will not discriminate against children. Only homes that have more than one bedroom will be suitable for children	NA	Lettings and Housing Management

15. Cumulative Council Impact

15.1. Not relevant

16. Cumulative Community Impacts

16.1. Not relevant