

## EXECUTIVE – 5 JUNE 2013

### REPORT OF DEPUTY CHIEF EXECUTIVE (COMMUNITY DIRECTION)

#### RE: AFFORDABLE HOUSING DELIVERY PLAN

#### WARDS AFFECTED: ALL WARDS

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Hinckley & Bosworth  
Borough Council

*A Borough to be proud of*

#### 1. PURPOSE OF REPORT

To inform Members of the options available to progress the Affordable Housing Delivery Plan and agree preferred options for further discussion at the HRA Investment Plan workshop.

#### 2. RECOMMENDATION

That Members :

- a) Note the range of options available to members to increase the supply of affordable housing in the Borough;
- b) Approve the progressing of preferred options a, c, g and h as mechanisms to contribute to the affordable housing development in the Borough, whilst being open to other opportunities for delivery should they prove viable.
- c) Pursue the use of a Local Delivery Vehicle to work in partnership with a Registered Provider to deliver new housing under option a.

#### 3. BACKGROUND TO THE REPORT

The Affordable Housing Delivery Plan was presented to Council on 19<sup>th</sup> June 2012. The Plan considered increasing the supply of affordable housing in the Borough by:

- Building new affordable housing;
- Setting up a private sector leasing scheme;
- Use of Council owned sites to develop affordable homes through nil land value;
- Working with development partners to acquire stock on section 106 sites.

Funding for the delivery of new affordable homes can be achieved through:

- Borrowing within the headroom arrangements on the HRA
- Use of the dedicated HRA regeneration reserves;
- Use of commuted sums, particularly the significant contribution from Barwell Sustainable Urban Extension;
- Right to Buy retained receipts;
- Other grants as opportunities arise.

#### 4. THE CURRENT POSITION

Since the approval of the Affordable Housing Delivery Plan, work has progressed on options for the delivery mechanisms for new affordable housing. The Council is not committed to following just one of these mechanisms; however, it may be advantageous to attracting delivery partners to offer fewer groupings of projects to allow them to achieve economies of scale and to make it easier to attract investors.

The opportunities open to the Authority comprise:

- a) Partnership with a developer Register Provider  
The Registered Provider (RP) would develop the properties on the Council's behalf. The properties would then be owned and managed by the Council. The Council would need to offer incentives in the way of free Council owned land in the first instance to make an attractive proposition to RPs. In the medium term, the Council would have to source suitable land for development once Local Authority owned land is exhausted. On smaller sites, such as garage sites, a number of sites would need to be grouped together to make it worthwhile for the development partner, and would need to include a mix of desirable and less desirable plots to attract interest. A suggested minimum would be 6 to 8 sites grouped as one package. There would also need to be flexibility on the tenure types and build standards to help make smaller sites viable. In the medium term, the Council could use its own funding streams set out in paragraph 3.2 to enable new affordable housing to come forward, and this could be offered to RPs as a form of grant to assist funding of the schemes.
- b) Partnership with a Registered Provider to purchase extra units  
This option would be to purchase extra affordable housing above the policy target on section 106 sites. Again, the Council would have to inject funds into the purchase to make it worthwhile for the Registered Provider, and the properties would be owned and managed by the Registered Provider partner. Historically, many Local Authorities have used this route to utilise any commuted sums taken from other schemes to increase supply in high demand areas. Whilst it increases the amount of affordable housing in the Borough, it does not increase the Council's stock holding and control of the properties would be with the Registered provider.
- c) The Council buys properties on section 106 sites  
The Council could increase its stock by acquiring the affordable housing quota on section 106 sites. This would involve the Council being involved in competitive bidding with other Registered Providers as developers are free to approach any Registered Provider for interest in the affordable housing, and accept the highest offer. The Council is a Development Partner with the Homes and Communities Agency and therefore have the opportunity to bid for Grant to deliver a package of properties in the bid round from 2015. The Council could prepare for this eventuality although as yet there is no certainty what form bidding would take. Alternatively, the Council can use its own receipts to fund purchase of new homes on developments.
- d) Partnership with a private company for new stock  
The Council could engage with a private company, who will arrange capital borrowing for delivery of new affordable housing, either to build or purchase properties on the Council's behalf. The Council will make an agreement to manage and maintain the properties and agree to buy them in a trickle transfer arrangement in tranches of 15% over a number of years until all the properties become part of Council stock.
- e) Partnership with a private company who develop properties  
This would, as with the RP option, involve development of new build on Council owned land. An investment company will hold the assets until any borrowing to develop is paid off, (usually around 20 years), after which they revert to the Council for a notional fee. During the initial period, the Council manages and maintains the properties for an agreed fee with the private company.

- f) The Council develops new affordable housing itself.  
This would initially utilise Council owned land to be financially viable. The Council could use its' own funds, from Right to Buy receipts, use of commuted sums, or money released from the HRA reform. As a development partner, the Council could bid for grant from the Homes and Communities Agency in future bid rounds from 2015 onwards. However it would involve the Council growing its own expertise in this area since it is many years since the Council has delivered a programme of house building. This would include not just development skills, but land identification and negotiations for purchase of land in the longer term. There are therefore resource implications greater than any of the other options as capacity and skills within the current workforce are limited. It may not therefore be viable if development is to take place on a relatively small scale.
- g) Private Sector Leasing  
Work has already commence on the delivery of a Private Sector Leasing scheme. This does not involve the Council in new build properties, but increases the supply of affordable housing by using privately owned housing for an agreed period to meet the needs of households on the Housing Register.
- h) Buy Back  
The Council could increase its stock through buying back Council properties lost through the Right to Buy. There are financial incentives for this, as the Government allows Councils to fund up to 50% of the cost of repurchasing these properties up to a maximum of 6.5% of any additional net receipts from the new Right to Buy scheme. This could be particularly significant in rural areas where land for new development may be scarce.

Delivery of the options in partnership with another organisation (either private or Registered Provider), can be arranged in several ways:

#### Local Delivery Vehicle

Owned by the Local Authority, it allows the council to build new properties as well as contracting with another organisation to deliver new build. The structure varies, from being run by a board or by shareholders. The income stream is derived from the rents charged, and the capital to build is raised through a private funder.

#### Local Housing Company.

This uses surplus land owned by the local authority for development. Any development must be for at least 50% affordable housing. The capital is raised though the private sector, and also draws on private sector expertise to develop the new homes. The Company is joint owned by the local authority and the private sector partner, and the risk shared either 50/50 or 49/51. The big disadvantage to this mechanism is that it is unable to draw down HCA grant for development.

#### Special Purpose Vehicle.

This is a new company set up to achieve a specific end (i.e. the delivery of new affordable housing). It limits the risk to organisations by being separate from the companies which have set it up as assets not transferred to the Special Purpose Vehicle can not be touched. A shareholders agreement sets out the obligations of each party. Whilst these vehicles have been used in the past, since the financial crisis they are rarely viable and therefore have gone out of use. A further disadvantage is that the Council does not control the Special Purpose Vehicle once it is in operation.

## 5. FINANCIAL IMPLICATIONS (KB)

- 5.1 The main sources of funding for the Affordable Housing Delivery Plan include:
- Borrowing – based on the self financing settlement, the Council has approximately £4.281million of “headroom” for borrowing within the HRA. This headroom will increase as the debt is repaid. Approximately £0.113k of this headroom has been utilised to fund housing repairs overspends in 2012/2013
  - HRA Regeneration Reserve- as at 31<sup>st</sup> March 2013, the Regeneration Reserve was £2.834million. The HRA Business Plan forecasts that a balance in excess of £10.00million will be achieved by 2018
  - Commuted sums, particularly the significant contribution from Barwell SUE – at the present time, the timing and level of these receipts are currently under review
  - Right to Buy receipts retained for affordable housing – the Council has signed up to revised right to buy guidance, which allows certain receipts to be retained on the condition that they are spent within a set period for the purpose of Affordable Housing. As at 31<sup>st</sup> March 2013, the Council held £0.131million of these receipts which, in line with the guidance should fund £0.518million of spend by 31<sup>st</sup> March 2016
  - Empty Homes Grant (Private Sector Leasing) funding received from the HCA – the Council is due to receive £522,120 of funding through this mechanism in 2013/2014. This will be split between HRA and non HRA property.
- 5.2 The provision of additional affordable housing will also increase rental income to the HRA and therefore balances on this fund. Any new affordable housing will additionally contribute towards New Homes Bonus which equates to 6 years of Council Tax for each property, with an additional £300 for affordable homes.
- 5.3 Any additional affordable houses will require ongoing repairs commitments in line with stock condition data collated.

## 6. LEGAL IMPLICATIONS (AB)

Any of the mechanisms which require the disposal of Council Land held for housing will require the consent of the Secretary of State. The current general consent for 2013 states that the Council may dispose of any vacant land.

## 7. CORPORATE PLAN IMPLICATIONS

Contributes to Decent, Well managed and Affordable Homes.

## 8. CONSULTATION

None required at present.

## 9. RISK IMPLICATIONS

## 10. KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS

An increase in the supply of affordable housing improves the opportunities for people in the Borough who cannot meet their own needs through the open market. This is

especially important in the rural areas of the Borough where high prices and low turnover of properties make it harder for households to meet their own needs.

#### 11. CORPORATE IMPLICATIONS

By submitting this report, the report author has taken the following into account:

- Community Safety implications – None identified
- Environmental implications – None identified
- ICT implications – None identified
- Asset Management implications – Contained within the body of the report.
- Human Resources implications – None identified
- Planning Implications – None identified
- Voluntary Sector – None identified.

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Background papers: None

Contact Officer: Valerie Bunting.  
Executive Member: Michael Mullaney