

SCRUTINY COMMISSION – 8 DECEMBER 2011

REPORT OF DEPUTY CHIEF EXECUTIVE (COMMUNITY DIRECTION)

RE: AFFORDABLE HOUSING DELIVERY OPTIONS

1. PURPOSE OF REPORT

To inform members of the alternative ways of increasing the supply of affordable housing in the Borough and potential opportunities for the Local Authority to increase its stock, including:

- The use of commuted sums in increasing affordable housing.
- Potential for new build Council housing.
- Alternatives to new build properties to increase affordable housing stock.

2. RECOMMENDATION

- i. That members note the content of the report and particularly:
 - The potential for using commuted sums where on-site provision is not desirable;
 - the different ways that affordable housing can be increased and
 - the constraints around the new supply of council housing.
- ii. That Scrutiny recommends its position with regard to the alternative options available including the use of council owned land for new build.

3. BACKGROUND TO THE REPORT

Hinckley and Bosworth Borough Council currently owns and manages 3,427 properties. The last family housing built by the council was in the mid 1970s but housing for older people such as bungalows and sheltered housing continued up to 1990. At this time, the development of social housing moved to housing associations, as local authorities became enablers of housing rather than providers. Central government applied disincentives for councils to build, including the requirement to pool 75% of all capital receipts and the inability to borrow against the HRA Account to fund new housing.

4. CURRENT POSITION

The council is one of a number of stock retained authorities and therefore still the landlord of the council housing in the Borough. Properties have reached the decent homes standards and there is no appetite from Members or tenants to transfer the stock away from council ownership and management.

In 2009 the government announced that funding was available to build up to 900 new council homes nationally. Local authorities interested in building some of these properties had to bid for grant, which could cover up to half of the cost of development, with a requirement that councils would fund the remainder of the build cost, and that land would be donated free of charge for the building site. Bidders needed to be accepted as a Homes and Communities Agency development partner. Hinckley and Bosworth Borough Council successfully bid for funding to build two new three bedroomed houses in Hinckley for social rent. These properties are currently nearing completion and expected to be let by January 2012.

5 OPTIONS FOR INCREASING HOUSING STOCK

1 Use of commuted sums

Policy position

The principle for the acceptance of commuted sums in lieu of on site provision for affordable housing is set out in Planning Policy Statement 3 (PPS3), which states: “where it can be robustly justified, off site provision or a financial contribution in lieu of on- site provision may be accepted as long as the agreed approach contributes to the creation of mixed communities in the local authority area.”

The Affordable Housing Supplementary Planning Document sets out the Borough Council’s approach to acceptance of commuted sums. Again the preference is for on-site provision but where commuted sums will be accepted the stated uses are:

- To increase the provision of affordable housing on an alternative scheme;
- To support schemes where affordable housing would not otherwise be viable;
- Increasing the number of family units on a scheme;
- Increasing the quality of dwellings on a scheme, such as a higher level of Code for Sustainable Homes;
- for regeneration projects which will contribute to the creation of mixed communities within Hinckley and Bosworth.

Paragraph 7.18 of the Affordable Housing SPD states:

“Clauses in respect of the use of commuted sums should initially target the use of the sum to the local area of the development (within three miles) but should also allow for the use of the sum in any part of the Borough, depending on priority housing needs, if opportunities for spending the sum in the vicinity of the original development appear to be limited within any defined time limits, normally two years.”

Calculation of commuted sums.

The formula for calculating commuted sums is set out in the Affordable Housing SPD in paragraph 7.16:

RV 100% MH	= Residual value with 100% market housing
RV AH	= Residual value with x% affordable housing (% as set out in Policy 15 of the Core Strategy)
Equivalent commuted sum	= RV 100% MH minus RV AH

This will give a different amount for commuted sums on each site, as the cost of developing the site and the value of the completed homes will vary across the Borough.

Earl Shilton and Barwell.

Development in Hinckley and Bosworth in recent years has been focussed in the urban settlements of Hinckley, Burbage, Barwell and Earl Shilton. It therefore follows that the majority of affordable housing has also been delivered in these areas as part of section

106 agreements. For the 5 years from April 2005 to March 2010 the following numbers of affordable housing have been delivered in Earl Shilton and Barwell:

Earl Shilton:	102 rented	35 shared ownership
Barwell	35 rented	10 shared ownership

The total number of affordable housing delivered in the Borough in these years is 283 rented dwellings and 102 shared ownership dwellings. This means that during those 5 years 47% of all affordable housing provision was in Earl Shilton and Barwell.

New affordable housing during this period was dominated by 2 bedroomed apartments and 3 bedroomed houses. There is however a shortage of 1 bedroomed apartments and 2 bedroomed starter / family houses in the Borough.

The Sustainable Urban Extensions.

Hinckley and Bosworth Borough Council are committed to the provision of two new Sustainable Urban Extensions in Earl Shilton and Barwell. The expectation is for the delivery of 1600 new homes in Earl Shilton and 2500 new homes in Barwell. The policy position for both of these developments is for 20% of the new dwellings to be provided as affordable housing, which would give 320 new affordable homes in Earl Shilton and 500 new affordable homes in Barwell.

Earl Shilton and Barwell Area Action Plan.

The draft Earl Shilton and Barwell Area Action Plan (AAP) preferred option document was subject to a public consultation period between 7th January and 13th February 2011. In the vision and objectives section the AAP states: "the planned urban extensions to Earl Shilton and Barwell will act as a catalyst for their regeneration, notably through the enhancement of the existing centres, improvement of the existing facilities, and provision of new facilities to assist the integration of the existing and new communities."

Reference to affordable housing in the SUEs is contained within paragraph 7.2.9 for Earl Shilton and paragraph 8.3.9 for Barwell, and sets out the principle of commuted sums in lieu of affordable housing on site. In practice, in the interest of creating mixed communities and the provision of affordable housing to meet the shortage of certain house types, it is possible that commuted sums may be accepted as part of the required provision rather than totally replacing the on site provision.

Innovative Approaches

Development of new housing, and the provision of affordable housing, must now be considered in the context of a climate of economic constraint and reduced public funding to support affordable housing development. This means that new and innovative ways need to be introduced to ensure affordable housing provision is maximised in the Borough. Previous dependence on new build needs now to be one of a number of solutions to increasing provision. Judicious use of commuted sums may achieve increased provision and regeneration objectives at less cost than a section 106 new build cost.

Other uses of commuted sums.

Commuted sums may also be used to increase the supply of new housing stock. However it must be borne in mind that acceptance of commuted sums does not result in an equivalent number of off site properties – i.e. a commuted sum on one property will not be sufficient to build one property elsewhere. However some new properties could be obtained by:

- The money being passed to RSL partners to increase the number of properties they acquire on section 106 sites;
- Using commuted sums to build new council housing – especially if the council builds on land it already owns;
- The council could offer to purchase affordable housing on a section 106 site – but they will be in competition with RSLs to win the bid to acquire the affordable housing.

(ii) **NEWBUILD COUNCIL HOUSING.**

The Council has already successfully become a development partner registered with the Homes and Communities Agency. This has led to the development of two new council houses in Hinckley in a successful partnership with Mansell Construction Ltd who built the properties on the Council's behalf. Business Services have expressed an appetite to continue to deliver new council homes. However the Council has not bid for funding from the Homes and Communities Agency in the current bid round Affordable Homes Programme 2011 -15. Therefore there will be no opportunities for the council to obtain grant to build affordable housing until at least April 2015. The Council is able to increase its supply of new build housing without grant, and there are two main routes to this: by owning and managing properties for affordable housing on section 106 sites, and by developing outside of the planning gain system.

Section 106 Supply

The provision of affordable housing on sites which cross the threshold is secured through a legal section 106 agreement. This obliges the developer to build a certain number of affordable units and to transfer them at an agreed price to a Registered Provider.

The Council do not operate a preferred provider list for Registered Providers for affordable housing. This means that developers are free to approach whichever Registered Provider they choose to take over the affordable housing provision. Developers normally approach several providers to see what they will offer for the affordable housing. If the Council wished to own affordable housing on section 106 sites we would therefore be involved in a competitive process where the offer will have to be more advantageous for the developer than other Registered Providers.

Affordable housing on section 106 sites covers a number of products and the council would therefore need to be prepared to manage a wider range of affordable housing, including affordable rent, shared ownership and shared equity products. This is not an insurmountable problem but has capacity and resource implications for housing management staff.

An alternative might be for the Council to manage properties on section 106 sites but ownership remain with another organisation. This is unlikely to happen as other Registered Providers would prefer to manage stock they own, and developers usually have no interest in maintaining an interest in a site once it is developed out.

New build Projects

Whilst most affordable housing in the Borough is delivered through section 106 agreements, there are other opportunities for affordable housing delivery by private development. The Council would have two opportunities:

- To buy land and develop properties on it;
- To use council owned land for development of affordable housing.

It is possible to designate sites purely for affordable housing; however, in the current economic climate it is more common for Registered Providers to develop a mixed site, selling a proportion of the properties on the open market which then cross subsidises the affordable housing on site. Again, the Council would be in the position of having to compete with others for purchase of the site and for ensuring that development would be viable.

The alternative is for the council to use its' own land as a development site. This removes the price of land from any viability appraisal and therefore makes it more likely to be able to develop affordable housing. It must be borne in mind that many of the sites the council may own will be relatively small and therefore more expensive to develop: with some sites such as garage sites there will also be the cost of clearing the land prior to development. This approach will also have the advantage of bringing redundant land back into use alleviating anti social problems associated with unused land such as fly tipping.

Financing new development

As previously stated, the Council has not bid for HCA funding for 2011 to 2015. However after this time it is expected that the Council will be able to bid for funding in future bid rounds.

The reforms to the Housing Revenue Account leading to self financing for local authorities will present an opportunity for the council to once again be involved in council house building. The reforms will take effect from April 2012 with a one off settlement which removes the requirement for the council to return money to central government for redistribution. Councils will have much greater control and freedom about how money raised through rents can be spent, including a proportion for capital projects. Councils will be allowed to borrow against the HRA to fund new build projects, however the final settlement will result in an increased level of debt on the HRA, so this will initially constrain any future borrowing for new build.

(iii) ALTERNATIVES TO NEW BUILD

Empty Homes Programme.

The Government is strongly in favour of encouraging local authorities to tackle the issues of empty homes in its area. This is for a number of reasons:

- It brings a home back into use that would otherwise be unoccupied – the Government has acknowledged the importance of this by allowing New Homes Bonus to be claimed for empty homes brought back into use;
- It improves the look and perception of a neighbourhood as a desirable area to live;

- Empty homes are a focus for anti-social behaviour and vandalism;
- Refurbishment of empty homes may provide local opportunities for employment and add to the economic health of an area.

There are currently 304 long term empty homes in the Borough. Policy restricts the use of commuted sums to within 3 miles of the development site. For the acceptance of commuted sums from the SUEs, this would bring 196 of these long term empty homes into the jurisdiction of the commuted sum area, though work should be focussed on properties within the two settlements in the first instance, to meet the regeneration objectives for their communities.

There are several ways for the Council to facilitate empty homes coming back into use, ranging from financial incentives in the way of loans or grants for owners to bring properties up to standard, to Compulsory Purchase Orders as a last resort.

In all cases where the Council would be seeking to intervene to bring empty homes back into use, it will also be seeking to use the refurbished empty homes to increase affordable housing stock, managed by either the Council or an RSL partner. The Council could decide the preferred use of the dwelling, for example, as a family dwelling or as a House of Multiple Occupation.

5 **FINANCIAL IMPLICATIONS [DB]**

None arising directly from this report, however, if the Council were to become involved in the direct provision of affordable homes then there would be significant implications regarding capital expenditure and how it is financed. Where capital expenditure cannot be immediately funded by the Council from within its own capital resources, i.e. capital receipts, grants and contributions; it will generate a funding requirement that will result in additional expenditure on interest and provision for the repayment of debt. Ownership and management of properties will generate rental income, but also expenditure for management and maintenance. This will be contained within the HRA, but at this time it is not possible to quantify the impact.

6 **LEGAL IMPLICATIONS [AB]**

None raised directly by this report as it is for noting only. In respect of commuted sums members should note that in addition to being compliant with policy any request will also be required to be compliant with CIL regulations and as such be necessary to make the development acceptable in planning terms, directly related to the development and fairly and reasonably related in scale and kind to the development. Additionally after 6th April 2014 no more than 5 separate contributions may be pooled to fund a single project unless a Community Infrastructure Levy charging schedule has been adopted.

7 **CORPORATE PLAN IMPLICATIONS**

Consideration of increasing the supply of affordable housing meets the following objectives of the Corporate Plan 2009 – 2014:

- Strong and distinctive communities
- Decent, well managed and affordable housing.

8. **CONSULTATION**

Officers from Hinckley and Bosworth Borough Council's planning policy and housing department have been consulted, along with officers from the Homes and Communities Agency.

9 **RISK IMPLICATIONS**

It is the Council's policy to proactively identify and manage significant risks which may prevent delivery of business objectives.

It is not possible to eliminate or manage all risks all of the time and risks will remain which have not been identified. However, it is the officer's opinion based on the information available, that the significant risks associated with this decision / project have been identified, assessed and that controls are in place to manage them effectively.

The following significant risks associated with this report / decisions were identified from this assessment:

Management of significant (Net Red) Risks		
Risk Description	Mitigating actions	Owner
Loss of asset through use of council owned land for development of council housing.	Careful selection of suitable sites.	Valerie Bunting
Dependence on partners to deliver new housing to required standard and budget	Robust procurement procedures and project management.	Valerie Bunting
Cost of developing exceeds budget	Careful project management and cautious approach to development opportunities. Using opportunities to bid for grant where possible.	Valerie Bunting

10 **KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS**

This report is concerned with increasing the supply of affordable housing in the Borough, which will help the most vulnerable and lowest income people in the Borough.

It is an opportunity for the Council to use its own land which is disused and derelict for housing, improving the environment. It may also increase the supply of affordable homes in rural areas of the Borough, depending on the sites the Council chooses to develop and bid on.

11. **CORPORATE IMPLICATIONS**

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

- Community Safety implications – None identified

- Environmental implications – Identified in the report
 - ICT implications – None identified
 - Asset Management implications - Contained within the body of the report
 - Human Resources implications – Outlined in the report
 - Planning Implications - Contained within the body of the report.
 - Voluntary Sector – None identified
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Background papers: The Core Strategy. Weblink : http://www.hinckley-bosworth.gov.uk/downloads/file/487/core_strategy_adopted_document
Affordable Housing Supplementary Planning Document. Weblink: http://www.hinckley-bosworth.gov.uk/downloads/file/2247/affordable_housing_spd-adopted_february_2011
Earl Shilton and Barwell Area Action Plan Weblink: https://www.hinckley-bosworth.gov.uk/downloads/file/1714/consultation_draft_7111-18211-pages_01-37

https://www.hinckley-bosworth.gov.uk/downloads/file/1715/consultation_draft_7111-18211-pages_38-76

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