



Communities Scrutiny Group

Thursday, 5 October 2023

Social Housing Models

Report of the Director - Neighbourhoods

1. Purpose of report

- 1.1. This report will inform scrutiny of the Council's approved policy and operational framework for the provision of affordable housing. This will bring Councillors up to date on the current delivery of affordable housing in the Borough and provide an overview of other sector models. This includes the existing methods that are used to allocate the Affordable Housing budget and an overview of current and future housing need.
- 1.2. The report reflects upon a previous Cabinet report: 'Allocation of Affordable Housing Capital Budget' considered on 10 September 2019 which in turn built upon the Affordable Housing Capital Review (13 March 2018) and the Property Company Options (14 November 2017) Cabinet reports.

2. Recommendation

It is RECOMMENDED that the Communities Scrutiny Group scrutinises the information provided by officers on the Council's current approach to the provision of social housing.

3 Reasons for Recommendation

- 3.1 To ensure the Council maximises affordable housing options to meet local housing need and achieves the best return from its capital budget.

4. Supporting Information

Council build programme- background and context

- 4.1. In common with many other local authorities the Council transferred its housing stock in 2003. Initially the stock was transferred to Rushcliffe Homes, formed for the purpose of managing and maintaining the former council stock. Rushcliffe Homes subsequently merged with the Walbrook Housing Group and Metropolitan Housing Trust in 2007 to form Spirita. Spirita was formed as part of the Metropolitan Housing Partnership and later became known as Metropolitan Housing Trust Limited. In 2019, Metropolitan Housing Trust Limited merged with Thames Valley Housing to form Metropolitan Thames

Valley Housing (MTVH) who now own and manage the former council housing stock.

- 4.2. MTVH is a Registered Provider (RP) of affordable housing. They are the largest RP in the Borough, but not the only RP operating in the Borough. The Council is still responsible for managing the allocation of households to affordable social rented housing. The Council has nomination rights to RP stock in the Borough, secured by planning agreements and nominations agreements.
- 4.3. The Council currently owns no housing stock and no longer runs a Housing Revenue Account.
- 4.4. Over the last 15 years, successive governments have supported council house building programmes to varying degrees. This follows a period of limited council house building again under successive governments. The Housing Revenue Account subsidy regime was dismantled in 2012, allowing councils to keep surpluses on their rental income for reinvestment. Councils were also allowed to retain receipts from council house 'right to buy' sales in 2012 to fund development and acquisition programmes.
- 4.5. This has provided budget capacity for many stock owning councils to pursue house building programmes through their Housing Revenue Account (HRA). Locally, the unitary authorities of Nottingham, Derby and Leicester all have significant HRA funded council building and acquisitions programmes. Smaller local authorities such as Broxtowe and Ashfield also have development and acquisition programmes funded predominantly through HRA surpluses and Right to Buy receipts.
- 4.6. The vast majority of council house development and acquisition is provided by local authorities with existing HRA housing stock. However, there are examples of councils without existing stock developing or acquiring both affordable and market housing and there will be a number of drivers for this.
- 4.7. Current regulation allows councils to own up to 200 dwellings without the need to open a Housing Revenue Account. It is more common for a council without a HRA that wishes to acquire or develop affordable or even market housing to set up a bespoke company for this purpose.
- 4.8. The usual factors to support a council house building programme are as follows:
 - There is exceptional housing need and resultant temporary accommodation costs are a big financial drain as such there would be an overall cost saving;
 - Delivery by existing Registered Providers is limited;
 - The council has land assets that it wishes to develop;
 - The council wishes to develop bespoke housing; and
 - The council has funds which it wishes to invest in affordable housing.

Of the above factors, Rushcliffe has capital funds ringfenced for the provision of affordable housing. The Council may have some desire to develop bespoke

housing, which the report covers later on. However, none of the other factors above are relevant to the Borough, so the drivers for council house building are reduced within the context of Rushcliffe.

4.9. There are further considerations for the Council when assessing the options for a council affordable housing build programme. These are set out below:

- The Council has no management or maintenance capacity, so this would have to be bought in or delivered by way of a management agreement with a Registered Provider partner.
- A stock owning Council has Registered Provider status. A non-stock owning Council, like Rushcliffe Borough Council, will need to apply for Registered Provider status if it is intending to own stock. This is usually granted as a formality. A council owned company set for the purposes of delivering affordable housing will need to go through a formal application process for Registered Provider status, which is onerous and will require a raft of compliant policy documents.
- Any direct council owned housing will be let on a secure tenancy, irrespective of whether the Council operates a HRA. Secure tenants have a statutory Right to Buy and this presents a risk of stock loss at below market value.
- A council owned company is treated as a Registered Provider in this respect, so tenancies will be let on an assured tenancy with only the Right to Acquire applying. The discount under Right to Acquire is far less generous and is rarely taken up. A housing company registered as Registered Provider fully owned by the Council would have demonstrate regulatory compliance with Regulator of Social Housing, which will include setting up a Board and Constitution. This will absorb a significant resource.
- As the Council does not own any land suitable for development, the most effective delivery route would be through property acquisition. Acquired property generally presents a higher maintenance liability than new-build properties. The Council also has a target to be net zero by 2030. Any acquisitions would need to be considered in the context of that target.
- However, in spite of all the challenges, the Council has an uncommitted Affordable Housing budget of £4.5m and the acquisition or development of housing to let as council housing would produce a revenue income for the Council and potentially provide the opportunity to source specialist housing. It should be noted that a large proportion of the uncommitted balance is being considered to grant fund two MTVH schemes which would provide the council with nomination rights to social rented housing.

Affordable Housing capital budget

4.10. The Council's Affordable Housing capital budget 2023/2024 is £4.579m. A further £456k has been committed but not yet spent. The budget is made up of £0.638m residual receipt from the original sale of the council's housing stock and £3.941m commuted sums.

- 4.11. Of the commuted sum element of the budget, £3.653m was received as the result of an overage provision within the planning (section 106) agreement for the site known as Land East and West of Chapel Lane, Bingham (planning ref: 10/01962/OUT). The on-site affordable housing provision was reduced as a result of an independent viability assessment during the outline consent. As part of the planning agreement the Council would receive a payment in lieu should the site realise a greater value than assumed within the assessment, this is known as an overage.
- 4.12. In 2021/22 and 2022/23, the Council received the total sum of £3.780m from the Crown Estates (landowner). There is a time limit for the allocation of these sums, expiring on 8 April 2032. This amount of capital received through the overage is a far greater sum than the Council has received since the original transfer of the Council's housing stock. In 2018, the Council had less than £0.5m of commuted sums.
- 4.13. It is not a straightforward matter to allocate that amount of capital within the context of Rushcliffe for the following reasons:
- The majority of affordable housing in Rushcliffe is delivered by planning agreement, where there is no need for additional subsidy as the subsidy comes by way of the landowner/developer;
 - The Council has no land assets which it could develop for affordable housing;
 - Land values are high in Rushcliffe meaning it is difficult for Registered Providers to compete to acquire market sites;
 - The lead in time for development means that any allocation will take some time to come forward;
 - Most Registered Providers have funding awards from Homes England linked to delivery targets which they will tend to prioritise.
- 4.14. The main opportunity for the Council has been to continue to allocate its funds through the work of its RP partners in identifying and acquiring sites either on the open market or via their own land assets. These partners may then apply for funds from the Council to support the development of affordable housing.
- 4.15. This strategy was further endorsed as following Cabinet approval on 12th October 2021 Ade Regeneration consultants were appointed to undertake a High Level Options Review to consider options to maximise the benefits from future AH investments, including:
- Continue to provide grant to partners to develop schemes in return for nomination rights, specifically investing in existing struggling assets owned by partners such as Later Living Schemes as an alternative use of grant versus green field / new build housing development. This could deliver some 'quick win' solutions.

- Provide Council assets through a long-term lease to a partner RP, and grant, in return for the development and nomination rights for general needs housing.
 - Providing top-up payments to developers to increase affordable housing provision where viability issues mean they are below the required planning policy levels, or there is scope to exceed the planning policy numbers.
 - Working with partners to directly fund and deliver homes. But this is entirely predicated on there being land in the control of partners which there currently is not.
- 4.16. Several of the attractive options are dependent on the Council having access to land, for which none has been identified. Others require the willingness and collaboration of RP's who have access to land or developers who have plans to deliver houses in the Borough. Without controlling the land, all of the options are dependent on the cooperation of third parties.

Housing Needs

- 4.17. As planning authorities, district and borough councils prepare housing need assessments to inform their Local Plans. Paragraph 50 of the National Planning Policy Framework requires that local planning authorities plan for a mix of housing based on the needs of different groups in the community and identify the size, type tenure and range of housing that is required in particular locations.
- 4.18. The latest Housing Needs Assessment was produced by Icenl in 2020 to support the emerging Local Plan. This indicated an annual net unmet need for 294 affordable rented dwellings per year.
- 4.19. This figure appears quite high, but it is one of the lower figures relative to other district and boroughs across the County (see Table 2). It should also be noted that the affordable housing need figure was calculated in 2020 and considers new affordable housing completions over the previous three years to calculate the supply side.
- 4.20. Affordable housing completions since 2020/21 have increased significantly which has improved the supply side and we expect outturn levels at the 250 to 300 level for the next few years.

Table 1: NI 155 Affordable housing outturn v target (Rushcliffe)

Year	Outturn	Target
2019/20	154	171
2020/21	106	100
2021/22	114	100
2022/23	281	200
2023/24	On target	300

Source: Rushcliffe Borough Council

Table 2 Housing completions and level of affordable housing

	New housing completions 2017-2022	Affordable homes built (social rent, affordable rent, intermediate rent, shared ownership, affordable home ownership) 2017-2022	% Affordable housing
Ashfield	1,547	235	15
Bassetlaw	3,219	502	16
Broxtowe	1,147	92	8
Gedling	1,551	178	11
Mansfield	1,935	184	9.5
Newark and Sherwood	3,435	697	20
Rushcliffe	3,508	864	25
County total	15,105	2,752	18

Source: LPA housing monitoring reports and live tables on affordable housing supply December 2022 Gov.uk

- 4.21. However, since the pandemic the Council has seen increasing demands for affordable housing driven by a number of factors:
- Reduction in the size of the private rental sector (PRS)
 - Increasing rent levels within the PRS
 - Increase in affordability ratios income: house prices and increased mortgage costs
 - Increasing homelessness – the ending of tenancies by private landlords is a principal cause of homelessness and domestic abuse is a further major cause
 - Increasing demands from special Government resettlement and asylum programmes e.g. Syrian and Afghan resettlement schemes and Homes for Ukraine
 - Impact of ‘viability’ as a material planning consideration resulting in the reduction of affordable rented homes. Additional costs to meet enhanced building and fire safety standards and decarbonisation are likely to compound this further.
- 4.22. Table 3 below details the number of people on the housing waiting list (housing register) in each district of Nottinghamshire who are in housing need and seeking social housing accommodation, with each having different bedroom requirements depending upon family make up. Around 50% of those who apply to join the housing register across Nottinghamshire need one-bedroom accommodation.

Table 3 – Local Authority Housing Register (2021-22)

	Total households on housing register	Households on waiting list seeking homes			
		1 bedroom	2 bedrooms	3 bedrooms	3+ bedrooms
Ashfield	4,074	2,400	1,023	601	50
Bassetlaw	3,903	1,817	859	976	251
Broxtowe	2,795	1,579	507	403	306
Gedling	613	280	202	105	26
Mansfield	6,391	3,214	1,612	1,450	115
Newark & Sherwood	4414	1,517	988	390	58
Rushcliffe (at 15.8.23)	629 (584)	458 (466)	108 (73)	52 (41)	11 (4)
Total*	22,819	11,265	5,299	3,977	817

* Total households on the waiting list does not match the total number of bedrooms due to an unspecified number of bedrooms on the housing register
Source: DLUHC LA housing returns 2022

Specialist Housing Needs

- 4.23. There is a need for specialist housing in the Borough, in particular for adapted or adaptable housing. There are significant pressures on the Disabled Facilities Grant (DFG) service and budget. The Council’s Local Plan Part 2 Policy 12 (Housing Standards) states that in developments of more than 100 dwellings, at least 1% should comply with Building Regulation requirements M4(3)(a).
- 4.24. Within the Local Plan review the Council are proposing a more substantive policy but that will need to be borne out through the evidence base and viability assessment. The Council are also looking to use the affordable housing budget to fund additional adapted affordable housing provision on current and future sites. The Council has already recently financed the extension and adaptation of a 3 bedroom bungalow in Cropwell Bishop and there are also plans to fund some adapted dwellings on an identified MTVH site.
- 4.25. However, additional adapted dwellings will take some time to feed through to the adaptation waiting list as many applicants do not wish to move and owner occupier applicants would not be eligible for affordable housing. Ultimately this approach will assist in future proofing the stock in the Borough.
- 4.26. The County Council produced a Supported Housing Strategy in 2019, which outlined the housing needs of special needs groups across the County and sets out a four-year strategy for delivery. This identifies numerous groups who need some form of specialist accommodation and/or accommodation with support.

- 4.27. There is a general lack of suitable, affordable housing for those who need it in many parts of Nottinghamshire. This particularly is affecting younger people who cannot afford their own home, but there is a shortage of suitable accommodation for those in the later stages of life.
- 4.28. Nottinghamshire County Council plays a very important part of the housing system in Nottinghamshire, coordinating, commissioning, and market shaping activity to ensure housing is available for vulnerable people and those with care and support needs e.g., homelessness prevention, improving health and wellbeing, and integration support for resettled refugees. Given the prominence of housing in the Health and Wellbeing Strategy and other key strategic and policy frameworks including wider Integrated Care Systems it is envisaged that collaborative approaches will continue to develop which will assist with the overall housing provision.

5. Risks and Uncertainties

- 5.1. There is a time limit on the allocation of some commuted sums and if they are not allocated within that period they may need to be returned to the original party. This means the Council needs to be proactive in respect of budget allocation.
- 5.2. The report also identifies a range of risks and concerns that predicate against the Council looking to become a stock holding authority or develop and retain a smaller number of properties.

6. Implications

6.1. Financial Implications

The complexity and resources required to set up a council affordable housing build programme are considered to be prohibitive as set out in Section 4.9 – 4.16 Acquiring, for example, 20 properties and the land, even if land could be identified, would require a separate business plan and likely to place a debt burden upon the Council, and therefore a significant financial impact. The risks of not having the right governance and expertise in place can lead to the misappropriation of significant funds for example. Many local authorities that have a higher burden of debt are those that manage housing. This is evident in OFLOG data. The legacy impact of any borrowing is the cost of financing debt currently increasing as interest rates rise, not to mention other current cost drivers such as rising construction costs, with current construction supply side issues for both labour and materials. Debt management and rising inflation in their wider sense are real issues for some authorities that either have, or face the potential of, s114 notices.

The expiry date for the Affordable Housing Commuted Sum is 08/04/2032.

6.2. Legal Implications

There are no legal implications in this report.

6.3. Equalities Implications

There are no equalities implications in this report.

6.4. Section 17 of the Crime and Disorder Act 1998 Implications

There are no Crime and Disorder implications in this report.

6.5. Biodiversity Net Gain Implications

There are no biodiversity implications in this report.

7. Link to Corporate Priorities

The Environment	Making homes more energy efficient can significantly reduce energy consumption, thereby reducing carbon emissions
Quality of Life	Strong partnership working will enable residents to have safer, healthier and live longer lives in which they are able to fulfil their aspirations. The continued supply of affordable housing will reduce the instability caused to families and communities by preventing homelessness
Efficient Services	The provision of social rented affordable housing will have a greater impact on supporting the Council's priorities and ensuring best value
Sustainable Growth	Effective partnership working to increase the supply of affordable housing will meet a range of needs across the borough which in turn will generate economic growth and deliver other significant benefits (New Homes Bonus).

8. Recommendations

It is RECOMMENDED that Communities Scrutiny Group scrutinises the information provided by officers on the Council's current approach to the provision of social housing.

For more information contact:	Donna Dwyer Strategic Housing Manager 0115 914 4275 ddwyer@rushcliffe.gov.uk
Background papers available for Inspection:	None
List of appendices:	Appendix 1 – Scrutiny Matrix