

## Report of the Executive Manager – Neighbourhoods

### Cabinet Portfolio Holder for Housing and Planning Councillor R G Upton

#### 1. Summary

This report will provide Members with a review of affordable housing, including progress to date, forward projections and outline the emerging opportunities and challenges for increasing the future delivery of new affordable housing. The projections will set out delivery through both planning obligations and through direct partnership delivery. In respect of the latter, two Council owned sites are recommended for disposal to facilitate the delivery of affordable housing schemes. These proposals are expanded upon in paragraph 7.

#### 2. Recommendation

It is RECOMMENDED that Cabinet:

- a) approve the disposal of the Council owned site at Marlwood, Cotgrave and of the Council's part ownership of a site at Walcote Drive, West Bridgford to Metropolitan at a nil value to facilitate the delivery of affordable housing as determined by the Council subject to advertising the proposed disposals as set out in paragraph 7.2 and delegates the consideration of any representations received to the Portfolio Holder for Economic Growth and Business
- b) approve the commissioning of rural housing needs surveys and exception site development independent of the support of Parish Councils
- c) endorse the package of measures used to increase the provision of affordable housing utilising the Council's approved capital programme for affordable housing.

#### 3. Reasons for Recommendation

- 3.1 The report is to bring Cabinet up to speed on the current and historic delivery of affordable housing in the Borough and to consider future options and challenges for delivery.
- 3.2 The recommendation to approve the transfer of land assets to Metropolitan will facilitate the delivery of affordable housing in the Borough and help to address local housing need.
- 3.3 The continuation of the Rural Exception Site Programme to bring forward rural affordable housing will ensure the Council continues to meet rural local

housing need in settlements where land availability is limited and affordability is an issue.

- 3.4 Sums set aside for the provision of affordable housing will ensure a continued pipeline of affordable housing to meet local housing needs and assist in delivering the targets for affordable housing as determined by the Core Strategy.

#### 4. Supporting Information

- 4.1 The Supporting Information outlines the various definitions and aspects of affordable housing as introduced in the Summary to this report. See **Appendix A – Definition of Affordable Housing and Policy Framework**.

##### Current Position

- 4.2 This report focuses on new affordable housing, however Cabinet should be aware that the majority of allocations come through the allocation of existing social housing. Historically, the main sources of new affordable housing supply for the Borough have been Section 106 sites, the redevelopment of garage sites in partnership with Metropolitan Housing supported by the Council's capital grant, and the development of rural exception sites. This position remains largely the same during the next five years. However, the numbers of rural exception sites are likely to be fewer due to some Parish Councils' reluctance to support exception site development with the allocation of sites through the Local Plan Part 2.

##### Historic and Projected Delivery

- 4.3 The two tables show affordable completions and projections over a 10 year cycle.

**Table A - Affordable housing completions (2012/13 to 2016/17)**

| Year         | s106       | Rural     | In-fill (garage sites) | Other     | Total      |
|--------------|------------|-----------|------------------------|-----------|------------|
| 12/13        | 41         | 0         | 0                      | 0         | 41         |
| 13/14        | 10         | 12        | 0                      | 0         | 22         |
| 14/15        | 17         | 0         | 31                     | 21        | 69         |
| 15/16        | 79         | 0         | 0                      | 0         | 79         |
| 16/17        | 74         | 0         | 0                      | 0         | 74         |
| <b>Total</b> | <b>221</b> | <b>12</b> | <b>31</b>              | <b>21</b> | <b>285</b> |

**Table B - Affordable housing projections (2017/18 to 2021/22)**

| Year         | S106       | Rural    | In-fill (garage sites) | Other    | Total      |
|--------------|------------|----------|------------------------|----------|------------|
| 17/18        | 144        | 0        | 0                      | 0        | 144        |
| 18/19        | 108        | 0        | 0                      | 0        | 108        |
| 19/20        | 148        | 0        | 23                     | 0        | 171        |
| 20/21        | 156        | 0        | 0                      | 0        | 156        |
| 21/22        | 226        | 0        | 0                      | 0        | 226        |
| <b>Total</b> | <b>782</b> | <b>0</b> | <b>23</b>              | <b>0</b> | <b>805</b> |

- 4.4 As the tables illustrate, we anticipate a step change in delivery from 2017/18. This is reflective of the delivery of larger strategic housing sites in the Borough. While additional delivery is positive, it is proportionate to the overall housing growth within the Borough. Furthermore, additional housing needs pressures are envisaged through the implementation of the Homelessness Reduction Act which will extend the Council's statutory duties to assist people who are homeless or threatened with homelessness.

### **Key Methods of Affordable Housing Delivery**

4.5 **Section 106**

As can be seen from the preceding tables, the main form of new delivery is through section 106 agreements. Over the last five years, we have delivered 221 affordable housing units from S106 sites and we are predicted to deliver a further 782 over the next five years. Examples of the key sites we have achieved affordable housing through S106 are; Cotgrave Colliery, Land North of Bingham, Melton Road, Edwalton, Pasture Lane Ruddington, Wilford Lane West Bridgford, Lantern Lane, East Leake.

4.6 **Garage and/or Infill sites**

The Council works with Metropolitan Housing to deliver small in-fill schemes on garage sites and other redundant parcels of land. Phase 1 of a new garage sites programme is proposed to deliver 23 units over 5 sites. The schemes have the benefit of planning permission. A further phase has identified two sites, Marlwood in Cotgrave and Walcote Drive in West Bridgford. These sites are owned or part owned by the Council. It is recommended that the Council dispose of these sites to Metropolitan at nil value in order to facilitate the delivery of affordable housing on two schemes. In their current format, the two sites make minimal contribution to the Council's priorities but could clearly maximise the contribution via delivery of 7 affordable housing units across the two schemes. See **Appendices B and C** for the site plans and asset disposal procedure.

4.7 **Rural Exception Site Development**

The Council also works with a Rural Enabling Officer employed by Midlands Rural Housing and funded by Waterloo Housing Association, as part of the Trent Valley Partnership. This officer works with Parish Councils to bring forward rural exception sites. Rural exception sites are generally greenfield sites permitted in village locations as an exception to policy (which would not otherwise be released for general market housing) if exceptional housing need can be demonstrated by way of a housing needs assessment. This is time consuming work and is currently only progressed with the full support of the Parish Council.

- 4.8 Since the Partnership's inception in 2005, 7 affordable housing sites delivering in total 53 homes at Aslockton, Cropwell Bishop (phases 1 and 2), East Bridgford (phases 1 and 2), Kinoulton and Tollerton have been delivered via this route. Affordable housing provided through rural exception sites are locked in perpetuity for the benefit of local residents. The partnership has already surveyed the more sustainable settlements (under 3000 population) and is currently seeking to identify parishes for inclusion in the 2018/19 programme. Most of the parishes left are small and will only deliver small numbers of affordable housing. Many parishes are also awaiting the outcome of the Local Plan Part 2 consultation as some sites identified under this

programme are now being promoted through the Local Plan process for open market housing. In addition, some parishes are pursuing their own Neighbourhood Plans and therefore consider local housing needs can be met through that process.

### **Affordable Housing Funding**

- 4.9 As set out in **Appendix A**, affordable housing is housing provided with a subsidy. Affordable housing is let at below market rates or sold on a partial ownership or discounted value basis. Therefore it stands to reason that some form of subsidy is required to finance the delivery of affordable housing.
- 4.10 Councils can improve the delivery of affordable housing through creative use of their own resources or by working effectively with other providers. This can include providing homes directly if resources are available or via joint venture vehicles. They may also give planning permission or other support including land or money to new providers.
- 4.11 As indicated earlier in the report, most affordable housing in the Borough is provided on s106 sites. As such, the subsidy for the affordable housing dwellings is provided by the landowner/developer in order to comply with the s106 agreement. In effect, the units are sold to the RP (registered provider) at a discounted value. That value is broadly determined by the capital that the RP can raise from the net rental income – a capitalised rental stream.

- **Affordable Homes Programme (AHP)**

- 4.12 The main Government agency supporting affordable housing is Homes England, formerly known as the Homes and Communities Agency. Homes England (HE) provide grant funding to support the delivery of affordable housing, as well as providing infrastructure funding and support for general housebuilding through loan finance and risk sharing.
- 4.13 HE do not fund affordable housing provided through s106 agreements, as the subsidy is expected to come via the landowner/developer. However if the site will not deliver up to the Council's policy target of 30%, then the HE may provide gap funding to bring the affordable housing contribution up toward the policy target where 'additionality' can be evidenced. Whilst the HE is the main source of public subsidy for new affordable housing, other sources of funding are explained below.

- **Local Authority Cash Reserves and Receipts**

- 4.14 The Council also has its own capital funds through which to support the delivery of affordable housing. These are residual ring-fenced receipts from the original stock transfer of the Council's former housing and section 106 cash contributions received in lieu of affordable housing provided onsite. The existing capital programme which has been agreed up to 2020/21 has a ring-fenced budget of £1.619m to support the delivery of affordable housing.

|  | 17/18 | 18/19 | 19/20 | 20/21 | 21/22 | 22/23 |
|--|-------|-------|-------|-------|-------|-------|
| Support for Registered Housing Providers | £909  | £250  | £250  | £210  | £0    | £0    |

4.15 Successful negotiations have managed to lever in grant funding from HE to deliver the 23 affordable units (comprising of 16 affordable rent, and 7 shared ownership) across phase 1 of the garage sites redevelopment programme projected for 2019/20 (see table 3.2) without the need for the Council to use any of its own capital funds. However, it is hoped to continue to work in partnership with Metropolitan to bring forward further garage site redevelopment schemes which may require council grant to ensure these schemes are able to deliver a mix of affordable housing units.

- **Commuted Sums**

4.16 The Council's policy position is that affordable housing will be achieved through on site provision. Offsite financial contributions in lieu of affordable housing provision on site (commuted sums) will only be considered in exceptional circumstances. The Council currently has £0.469m in commuted sums to assist in the provision of more affordable housing.

- **Assistance from other Public Bodies**

4.17 D2N2 has allocated growth funding to unlock strategic sites which could bolster the level of affordable housing where viability has been cited. The Council has recently been successful in securing close to £10m Housing Infrastructure Funding (HIF), a government capital grant programme for new physical infrastructure, to bring forward development at Land South of Clifton. This will increase the level of affordable housing to be delivered on this site.

### **Securing the Future Delivery of Affordable Housing**

4.18 Decisions on future options for delivery should be made with regard to the existing capital programme allocations which are projected to be fully spent by 20/21, what is economically viable, realistic to deliver on sites, type and tenure mix, value for money and local housing need. The following options are either being progressed or could be considered as part of a menu of options to support or indeed recycle the Council's capital programme:

**a. Partnership working**

Ensure an on-going dialogue and regular strategic development meetings are maintained with landowners, developers, registered providers and government funded bodies to develop a strategic approach to development opportunities and maximise funding availability. Regular meetings are undertaken with both Metropolitan and Waterloo Housing, supported by annual partnership scrutiny. Further meetings also take place with developers and other stock holding RPs to promote a strategic approach to the delivery of new housing and consider opportunities to bring forward affordable housing.

**b. Garage site re-development programme**

As well as the garage sites already mentioned we will work with Metropolitan to continue to identify further garage sites and infill opportunities on their land assets.

**c. Rural exception site programme**

This programme makes an important contribution to meeting local rural housing needs where development opportunities are limited. It is considered the Council should adopt a more proactive approach to bring

forward exception sites which may or may not include support from the relevant Parish Council.

**d. New Homes Bonus**

Resources allocated from current and future New Homes Bonus (NHB) receipts could be used to supplement or sustain the current capital programme allocation to fund affordable housing activity in the medium to longer term. NHB has been used previously to supplement the capital programme to deliver an additional 24 homes in 2014/15. Future NHB payments could be used as an alternative source to replenish the capital programme post 2020/21. This is unlikely given existing NHB commitments in the Medium Term Financial Strategy and uncertainty regarding the medium term viability of NHB.

**e. Loan facilities**

The Council could consider using the existing Capital Programme to provide a loan at a market rate to enable a developer, landowner or registers provider to bring forward schemes to deliver affordable rented units in the borough. All loans would have to be considered within the Council's overall Medium Term Financial Strategy.

**5. Risk and Uncertainties**

- 5.1 As outlined in the latest Strategic Housing Market Assessment (April 2012), there is a considerable and growing need for affordable housing in the borough. Whilst the Council is taking a proactive approach to bring forward development in the borough to meet its housing targets, the rate at which major schemes are built out is unpredictable, and dependent on the state of the market, viability and mortgage availability.
- 5.2 Lack of alternative options available to households including reduced availability of both public and private investment in the delivery of affordable housing and its impact on the viability of sites could impact on homelessness and further service pressures in the form of temporary accommodation usage which is currently increasing and mirroring national trends.
- 5.3 The Council's policy position is that affordable housing will be achieved through on site provision. Offsite financial contributions in lieu of affordable housing provision on site (commuted sums) will only be considered in exceptional circumstances and therefore this cannot be seen as a reliable source of funding provision.
- 5.4 Lack of land availability in the borough to bring forward sites for affordable housing could limit the opportunities to spend the Council's capital grant allocation.
- 5.5 The extension of Right to Buy to Registered Provider tenants could reduce the amount of the existing supply of affordable housing.

**6. Other Options Considered**

- 6.1 Discontinue the capital programme for affordable housing and rely on planning obligations via S106 agreements to support the provision of affordable housing.

- 6.2 The Marlwood site could be marketed separately although the intention is to gain more social value from the use of both sites for affordable housing.

## 7. Implications

### 7.1 Finance

The sum available in the Capital Programme is £1.619m. This consists of £1.150m balance of capital receipts set aside for affordable housing from stock transfer (this is subject to affordability regarding the whole of the capital programme and ongoing Council approval) and £0.469m in S106 monies lodged in lieu of the provision of affordable housing on site.

The identified land plots at Marlwood and Walcote, in their existing use, are below the de-minimis value for inclusion in the Council's Asset Register. The value, with planning is assessed to be £120,000 for the Marlwood site and £100,000 for Walcote Drive. Disposal at nil value would not generate a capital receipt for the authority.

### 7.2 Legal

Section 123 of the 1972 Local Government Act requires that where a disposal of land which is either open space (in and of itself) or is part of open space is proposed, notices must be published in two consecutive weeks in a local newspaper (e.g. Nottingham Post), and any objections received be considered.

The intended disposals (of the parcels of land shown in Appendix C) are disposals caught by the Act. For the purposes of the Act, the definition of "open space" is any land laid out as a public garden, or used for the purposes of public recreation, or land which is a disused burial ground.

Under the Council's Disposal and Acquisition Policy for Land and Buildings, any disposal of land where there is a requirement to advertise the disposal of open space land under Section 123(2A) of the Local Government Act 1972 is a Cabinet decision.

## 8. Corporate Priorities

- 8.1 The provision of additional funding for affordable housing in the capital programme supports the Council's corporate priorities:
- 8.2 **Supporting economic growth to ensure a sustainable, prosperous and thriving local economy** – 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).
- 8.3 **Maintaining and enhancing our resident's 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, particularly in rural locations, will reduce the instability caused to families and communities by preventing homelessness and creating more sustainable communities.

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| <b>For more information contact:</b>               | Dave Banks<br>Executive Manager – Neighbourhoods<br>0115 914 8438<br><a href="mailto:dbanks@rushcliffe.gov.uk">dbanks@rushcliffe.gov.uk</a>                              |
| <b>Background papers Available for Inspection:</b> | None.  |
| <b>List of appendices (if any):</b>                | <b>Appendix A</b> – Affordable Housing Policy Framework and Definitions<br><b>Appendix B</b> – Land and Disposable Site Plans<br><b>Appendix C</b> – Disposals Procedure |



## **Appendix A**

### **Definition of affordable housing**

Affordable housing is defined in national planning policy guidance and is provided by registered bodies. Its broad definition is housing provided with a subsidy to households in housing need. The tenures of affordable housing are also determined through national planning policy and the forms of tenancy are determined through the respective Housing Acts. Rents are regulated by Government, the landlords are generally regulated bodies and the properties are let to households in priority of housing need (as determined by the Local Housing Authority). So in conclusion 'affordable housing' is a subsidised and regulated form of housing let to qualifying persons in housing need.

In reality most people know affordable housing as rented housing owned and managed by either the local authority or by a Housing Association. Affordable housing providers are currently referred to as 'Registered Providers'. Registered Provider encompasses traditional Housing Associations, local authorities and other providers such as non-Housing Association charities and for profit providers. For the purposes of this report it is sufficient to refer to Registered Providers (RP) when discussing providers of affordable housing.

### **Affordable Housing tenures**

Most affordable housing is rented housing granted on either a lifetime tenancy or a fixed term tenancy (usually for five years). Within this there are a number of rented tenures. Social rented housing is most common form of affordable rented housing and indeed by the far the most common form of affordable housing. Here rents are set by formula at a target rent.

Social rented housing is owned by local authorities and private Registered Providers (as defined in section 80 of the Housing and Regeneration Act 2008), for which guideline target rents are determined through the national rent regime. It may also be owned by other parties and provided under equivalent rental arrangements to the above, as agreed with the local authority or with the Homes and Communities Agency.

Affordable rented housing is let by local authorities or private Registered Providers to households who are eligible for social housing. Affordable Rent is subject to rent controls that allow a rent of up to 80% of the local market rent (including service charges, where applicable). Where 80% of market rent is higher than the local housing allowance (LHA), Registered Providers will often limit rents to LHA levels due to concerns about lettable and rent arrears.

Intermediate housing is homes for sale and rent provided at a cost above social rent, but below market levels subject to the criteria in the Affordable Housing definition above. These can include shared equity (shared ownership and equity loans), other low cost homes for sale and intermediate rent. The most recent intermediate tenure introduced by the Government is 'Starter Homes'. This provides a discounted (80%) sale to the eligible application who is granted full ownership after 5 years of continuous occupation.

The Government has been consulting on a further affordable housing tenure which would be called 'affordable private rent'. This proposes that within a 'build to rent' development where properties are built to let directly to renters without any pre-sale to individual investment landlords and will be owned by a single entity (one institutional investor or company acting as a landlord), then the affordable element can be retained by the owning entity and let to households in need at up to 80% of market rent on a form of assured shorthold tenancy.

### **Market access schemes**

There are schemes that are supported by the Government that assist households to access the housing market. These are not defined as affordable housing but can be viewed as assisting households who would not otherwise be able to afford to buy the property they want. Help to Buy is the current market access scheme. This provides an interest free loan for 5 years of 20% of the property value requiring the buyer to provide a deposit not less than 5% and raise a mortgage for the residual 75%. After 5 years, the household will need to remortgage the 20% interest free element provided by the Government.

### **Affordability and local planning policies in respect of affordable housing**

Affordability of the housing stock in general is a broader concept than the provision of planning policy defined affordable housing. The overall affordability of the housing stock looks at house prices as multiple of household income.

In the UK, most areas, including Rushcliffe, have seen house prices outstrip household incomes for a considerable period of time (lower quartile house prices are over 8 times lower quartile earnings in Rushcliffe). Therefore the ability to afford to buy a property for first time buyers or ability of households to upsize has been compromised. The affordability ratio (housing costs to income), as it is known, is one determinant of the extent to which local planning authorities can require affordable housing through planning policies.

As part of the evidence base to support adopted planning policies within the Local Plan, a Strategic Housing Market Assessment must be carried out to assess the level of housing need within the Borough. The affordability ratio along with a number of other measures will determine the proportion of affordable housing that new residential development can and needs to support where possible. This evidence will form the basis of local housing strategies and is an important aspect of developing affordable housing policies including targets and thresholds.

The Rushcliffe Local Plan Part 1: Core Strategy was adopted in 2014. Policy 8 sets out the broad Council requirements for affordable housing on qualifying sites. This is as follows:

#### "Approach to Affordable Housing

New residential developments should provide for a proportion of affordable housing on sites of 5 dwellings or more or 0.2 hectares or more. The proportion of affordable housing that should be sought through negotiation on strategic sites and within each housing submarket is as follows:

- Strategic Sites (Policies 20 to 25) Up to 30%
- West Bridgford, Rushcliffe Rural, Radcliffe, Gamston,
- Ruddington and Compton Acres 30%
- 'Leake', Keyworth and Bingham 20%
- Cotgrave 10%”

The type and tenure of dwellings will be determined for negotiation and informed by the Council's housing needs model.

It should be noted that all planning policy obligations are contingent on overall site viability. As such, the Council's requirements for affordable housing cannot constrain the delivery of housing development.

Following negotiations, affordable housing on qualifying sites is secured by agreement under section 106 of the Town and Country Planning Act 1990. These agreements are known as section 106 agreements and qualifying sites are often referred to as section 106 (s106) sites.

**Appendix B**

**Parcel of Land at Walcote Drive, West Bridgford**



**Parcel of Land at Marlwood, Cotgrave**



## Appendix C

### DISPOSALS

#### 4.0 DEFINITION OF SURPLUS/UNDER USED ASSETS

4.1 An asset can be considered for disposal if it falls within either category of surplus or under-used, as defined below:

4.2 An asset is deemed to be surplus to the Council's requirements if one or more of the following is true:

- a) it makes minimal contribution to the delivery of the Council's priorities and services as demonstrated through the options appraisal
- b) it does not generate sufficient income to be retained for investment purposes when compared to alternative rates of return estimated to be available in the longer term.
- c) it has no potential for future service delivery or strategic regeneration/redevelopment or wider community purposes
- d) an alternative asset has been identified which would achieve a more cost effective service delivery
- e) the asset has no alternative use

4.3 An asset is deemed to be under-used if one or more of the following is true:

- a) the income being generated from the site is below that which would be achieved from:
  - i. an alternative use
  - ii. disposing of the site and investing the receipt
  - iii. intensifying the use; or
- b) part of the site is vacant and is likely to remain vacant for the foreseeable future
- c) it makes insufficient contribution to the delivery of the Council's priorities and services as demonstrated through the options appraisal

4.4 An asset will be assessed against the above criteria in the context of the long-term potential, as well as the immediate situation.

#### 5.0 Disposal Considerations

5.1 In order to consider when and how to bring an asset forward for disposal, the following matters are to be considered:

##### **Legal/Legislative Considerations**

- The purpose/legislation under which the council holds the asset
- Legal constraints/powers to dispose
- Implications of disposing at an undervalue

- Ownership/Title constraints
- Which disposal route to follow

### **Financial**

- Consideration of the business case
- Consultation within the business case
- Optimising the disposal value i.e. development potential, adjoining asset
- Local Development Framework (i.e. allocation of asset)
- Cost and method of disposal
- Terms and conditions of sale
- Access to funding or a partnership/community arrangement
- Income generation
- Investment yield
- Business cost reduction

### **Timing/Local Considerations**

- Current local market conditions
- Potential for the asset to increase in value in the future against the opportunity cost
- Existing condition of the asset and operational costs
- Any anti-social or community matters