



Cabinet

Tuesday, 12 October 2021

Allocation of Affordable Housing Capital Budget Update

Report of the Director – Neighbourhoods

**Cabinet Portfolio Holder for Communities and Climate Change,
Councillor A Brennan**

1. Purpose of report

- 1.1. This report seeks approval to procure external support to investigate alternative vehicles and opportunities to allocate the Council's Affordable Housing Capital Budget. This Budget is allocated within the Capital Programme to support the provision of affordable housing and consists of the receipts from the sale of the Council's former housing stock and sums allocated in lieu of on-site affordable housing.
- 1.2. This report updates a previous Cabinet report: 'Allocation of Affordable Housing Capital Budget' considered on 10 September 2019. That report built upon the Affordable Housing Capital Review (13 March 2018) and the Property Company Options (14 November 2017) Cabinet reports.
- 1.3. A further report is required because the Council has received significant additional windfall funds in excess of the current Capital Programme from a development in Bingham. Additional funds of £2,387,500 have already been received and a further £1,392,500 will be received as a second tranche in May 2022. The Capital Programme prior to the allocations of the additional funds amounted to circa £1.6m giving an overall revised budget of circa £5.4m for affordable housing.

2. Recommendation

It is **RECOMMENDED** that Cabinet approves the appointment of a suitable qualified consultant to assess the options for the Council in respect of a Council company or joint venture vehicle through which the Council may retain some form of interest in the dwellings funded by way of the Affordable Housing Capital Budget.

3. Reasons for Recommendation

- 3.1 Given the significant additional resources available to the Affordable Housing Capital Budget, the Council needs to ensure that the options for expenditure of this Budget both maximise affordable home delivery and offer good value for money.

- 3.2 This is a specialist area of work and so the Council requires an independent consultant to objectively review the options relating to retention of a Council interest in affordable housing delivered by way of the Affordable Housing Capital Budget.

4. Supporting Information

Affordable Housing Capital Budget – context and general principles

- 4.1. The Council's Affordable Housing Capital Budget supports the provision of additional affordable housing. This Budget consists of the capital receipt from the sale of the Council's former housing stock and sums allocated to the Council in lieu of the onsite provision of affordable housing where local planning policies require.
- 4.2. The use of the capital receipt generated from the sale of the Council's former housing stock to a Registered Provider (RP) is governed by the Transfer Agreement between the Council and the RP which is now Metropolitan Thames Valley Housing (MTVH). Funds allocated in lieu of onsite affordable housing provision on new development sites are known as Section 106 funds or commuted sums and are ring-fenced by way of the planning agreement (under Section 106 of the Town and Country Planning Act 1990) relating to the site in question and governed by said Section 106 agreement.
- 4.3. Of the £1.6m allocation at the start of 2021/22, £1.1m is the balance of capital receipts set aside from transfer of the housing stock and £0.5m is the balance of commuted sums received. Of this allocation, circa £420,000 has been provisionally allocated as follows:
- £160,000 Garage site phase 2b;
 - £53,000 Next Steps rough sleeper units; and
 - £207,000 Specialist adapted bungalow.
- 4.4. In conclusion, the current programme focusses upon small interventions. The £3.780m allocation is a significantly greater sum than the current and historic programme. Hence the Council can consider more ambitious options, the broad parameters of which are set out within this report.
- 4.5. As background, the £3.780m commuted payment has materialised as a result of application of Section 106 governing land to the east and west of Chapel Lane, Bingham. The sum has been paid by the landowning party to the agreement. The application scheme was subject to an independent viability assessment which led to a reduction in the affordable housing units from that required by the Council's planning policy. An overage agreement was inserted within the Section 106 agreement which provided for the payment of a commuted sum in lieu of affordable housing in the event that the receipt achieved on sale was higher than assumed within the viability assessment.
- 4.6. In event the price achieved for sale of the land was significantly higher than that assumed within the viability assessment, which has led to the payment of

said commuted sum to the Council. The broad use of the monies is determined by the Section 106 agreement and must be spent to support the delivery of affordable housing within the vicinity of the Borough and within ten years of their receipt.

4.7. The Allocation of Affordable Housing Capital Budget (Cabinet – 10 September 2019) set out several options for allocation of capital support from the Affordable Housing Capital Budget within the context of the budget amounting to £1.6m. This included allocation of funds to support:

- Acquisition of open market property to let as affordable housing;
- Acquisition of empty property to let as affordable housing;
- Loans to property owners of empty properties to refurbishment and let as affordable housing for an agreed period or term of the loan;
- Loans to third parties to support the provision of affordable housing; and
- Support to ensure planning led schemes are policy compliant in respect of the provision of affordable housing.

4.8. Within the context of the original budget, 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 own their own land assets. These partners may then apply for funds from the Council to support the development of affordable housing.

4.9. In respect of the new funds, the Council has the opportunity and resources to intervene more strategically to support the delivery of affordable housing and to reconsider the option of retention or partnering to the delivery of affordable housing and hence retain a stake in funded assets.

4.10. The Council already has a number of potential options that could be explored utilising the previous policy framework approved in 2019 (paragraph 4.7) these include the following:

i) Grant funding acquisition of additional units on newbuild sites

This option is to grant fund RPs to acquire market units on large sites to convert to affordable housing. These would be units outside of those provided under planning obligations. This intervention could be focussed on sites where the affordable housing provision is lower than usual policy requirements. Any market acquisitions would usually be agreed with the developer and suitable property types would need to be identified.

ii) Funding specialist affordable development in partnership with public sector landowners

Work with public sector landowners to develop bespoke accommodation for groups of residents who require specialist accommodation. With an increasingly ageing population in the Borough, there is a priority to deliver appropriate and sustainable housing for our elderly population. Nottinghamshire County Council

has a strategy to develop more extra care housing across the county. Extra care housing enables elderly residents to be supported in a secure and independent residential environment that reduces the need for placements in residential care. A modern extra care scheme within the Borough would be a positive addition in meeting housing and support needs within the Borough. The extra care scheme would in all likelihood be owned and managed by a specialist RP, although all options would be considered.

If a site has both county and city ownerships as an example, the said site would provide an option for a partnership approach to developing extra care provision. Further, the upcoming Planning Bill is likely to apply more pressure on public sector landowners to release allocated land they own for redevelopment.

The advantage of working with public sector landowners is that if a zero or reduced land value is brought into equation, then the effective subsidy is significantly increased.

iii) Acquisition of land for bespoke affordable housing development

The third option is for the Council to acquire land for development of affordable housing or to facilitate development, where the affordable housing is provided in excess of the policy requirements. With this option, the Council may seek to acquire land itself and develop the units in partnership with a RP or contractor partner.

The opportunity here is to develop bespoke units. This may include units where the Council wishes to provide energy efficient exemplars and/or bespoke wheelchair adaptable unit. This option requires an assessment of the market, including the options for acquisition with other parties.

- 4.11. However, with options ii) and iii) there is an opportunity to review whether the Council grant funds a RP partner or whether the Council considers some form of joint venture or housing company to deliver these options. Therefore, it is proposed that an independent consultant is appointed to review the options in this regard to ensure full transparency and objective value for money considerations.

5. Risks and Uncertainties

There is a ten-year limit on the allocation of this funds and if they are not allocated within that period they may need to be returned to original party.

6. Alternative Options Considered and Reasons for Rejection

The Council could do nothing further and rely on the current funding options. However, this presents a risk that the budget will not be fully allocated and that opportunities to maximise a return to the Council are missed.

7. Implications

7.1. Financial Implications

The cost of sourcing a qualified consultant is estimated to be in the region of £10k which will be covered by in year efficiencies or alternatively from general contingency.

7.2. Legal Implications

The procurement of an appropriate consultant will be undertaken in line with Council policies and procedures.

7.3. Equalities Implications

There are no Equalities Implications connected to the recommendation of this report.

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

There are no Section 17 Implications connected to the recommendation of this report.

8. Link to Corporate Priorities

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	Not Applicable
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)
The Environment	The opportunity to fund affordable housing with a commitment to incorporating carbon and energy reduction measures will be a key consideration

9. Recommendation

It is RECOMMENDED that the Council appoints a suitable qualified consultant to assess the options for the Council in respect of a council company or joint venture vehicle through which the Council may retain some form of interest in the dwellings funded by way of the Affordable Housing Capital Budget.

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Background papers available for Inspection:	None
List of appendices:	None