

CABINET (HOUSING) COMMITTEE

26 MARCH 2014

OPTIONS FOR INCREASING THE SUPPLY OF AFFORDABLE HOUSING

REPORT OF HEAD OF NEW HOMES DELIVERY

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RECENT REFERENCES:

None.

EXECUTIVE SUMMARY:

The report advises Members on options to increase the supply of affordable housing in the Winchester District.

RECOMMENDATIONS

1. That the Committee confirms its interest in exploring options to increase the supply of affordable housing.
2. That Officers commission the appropriate legal and financial advice to develop the proposals set out in the Report with this being funded from the HRA revenue new build feasibility budget.
3. That the Chief Finance Officer, in conjunction with the Assistant Director (Chief Housing Officer), be authorised to apply for additional Housing Revenue Account (HRA) debt headroom to be distributed by Local Enterprise Partnerships.

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1. Background

- 1.1 The provision of affordable housing is a key priority of the Council in the Active Communities theme. Whilst the Council has a new build programme and local Registered Providers have developed over 1000 new homes in the last 10 years there still remains over 2000 households on the waiting list (which grows by 100 new applicants every month). On average, applicants on the Hampshire Home Choice list in priority wait over 6 years for a suitable vacancy.
- 1.2 The Council's own new build programme will provide an average of 30 new homes per year over the next 10 years. There are limited options to increase this supply as the Council has no additional debt headroom within the Housing Revenue Account to borrow the funds required. Some additional money may be available through the proceeds of Right to Buy sales and developer contributions from S106 sites but they will have a marginal effect on the whole programme
- 1.3 Registered Providers (RPs) have been the primary providers of new affordable housing since the mid 1990's. However, they have experienced significant changes over the last 4 years. The biggest change has been the introduction of the affordable rent model and the corresponding reduction in Government grant funding. The average grant offered from the Homes and Communities Agency has fallen from £45,000 per property to approximately £10,000, the difference being made up through taking larger loans. This has, and will continue, to affect the ability of RPs to fund new development opportunities as their own borrowing capacity is eroded
- 1.4 There are a number of large housing new sites coming forward in the Winchester District over the next 5 years which will all have a 40% affordable housing requirement. It is considered prudent that the Council explores alternative options to ensure that the appropriate level and type of affordable housing is provided on these sites.

2 Alternative Options

- 2.1 If the Council wishes to see an increase in the amount of affordable housing being provided and/or to have alternative options available if RPs cannot deliver the affordable homes on S106 sites, it may wish to consider the following options:

- Land Disposal - disposal of General Fund and HRA assets to RPs, possibly at less than best consideration to enable affordable housing without grant.
- Build through HRA – This requires additional capital resources to be generated. This could come from selling vacant HRA assets (land or buildings) and using the capital receipts to fund additional housing. Other options would include bidding for an increase in the debt cap (see para 2.5 below) and more generally supporting organisations like the LGA in their attempts to get the debt cap removed.
- Housing Company - This involves the Council establishing a wholly owned Company whose role is to develop new housing for rent (and possibly sale).
- Joint Venture – The Council would enter into an arrangement with a private sector partner to develop housing on identified Council sites. This model is often used for area regeneration schemes.
- Sale and Leaseback – The Council would sell land (HRA or General Fund) and leaseback completed dwellings from the developer or the institutional investor. The Council would manage the properties and collect the rent, a proportion of which would cover the cost of the Lease.

- 2.2 It is recommended that officers be authorised to explore in more detail the delivery options listed above. It is envisaged that institutional investors and developers will come forward with proposals and the Council will want to be in a position to evaluate and possibly enter into agreements to facilitate the alternative methods of delivery of affordable housing.
- 2.3 The last 3 options listed in paragraph 2.1 will need specialist legal and financial advice. It is essential that any new affordable (or social) rented housing does not result in the HRA debt cap being breached. This is likely to require the property to be held outside the HRA and this will be an important consideration in evaluating the options. If the property is held outside the HRA, the financial implications for the Council would need to be considered in the context of the General Fund's financial position.
- 2.4 It should be noted that there may be financial or legal restrictions which may apply to some of the options, which limit the type of housing that can be provided under them. For example, the housing may have to be of certain tenures, at certain rent levels, or for particular sectors of housing need, which may or may not be in line with Members' aspirations. The financial and legal advice which would be sought will ensure that Members are clear on any limitations which may apply for any option which is under consideration.
- 2.5 An immediate option for the Council, to increase the supply of Council Housing, was announced by the Government through their Autumn Statement. The Autumn Statement included an announcement that the HRA borrowing cap would be lifted by £150million in 2015/16 and a further £150million on 2016/17 with the allocation to be distributed through local

enterprise partnerships (LEPs). All stock-owning authorities will be eligible to apply for additional borrowing capacity through a competitive process in partnership with LEPs and through local growth deals. Contact has been made with the North Hampshire LEP and Solent LEP who are very interested in working with the Council to bring forward new housing schemes. It is recommended that increases in the debt cap be sought through both LEPs and that delegated authority is given to the Chief Finance Officer, in conjunction with the Assistant Director (Chief Housing Officer) to apply for additional Housing Revenue Account (HRA) debt headroom.

OTHER CONSIDERATIONS

3 COMMUNITY STRATEGY AND PORTFOLIO PLANS (RELEVANCE TO)

- 3.1 Developing new affordable homes is a key priority of the Council as it seeks to promote active communities. It also facilitates the District's economic prosperity.

4 RESOURCE IMPLICATIONS

- 4.1 Officers are recommending seeking specialist advice on the legal and financial implications of the last 3 options in paragraph 2.1.. This advice will be crucial in determining which options are worth investigating further. A further report will be brought back to Members in due course to advise if any of the options should be pursued further. That will also include any specific proposals on the other options.

5 RISK MANAGEMENT ISSUES

- 5.1 The significant financial risk involved at this stage is the Officer time to investigate the options and the cost of specialist financial and legal advice. The exact amount of advice (and therefore the cost) cannot be quantified at this stage but would not be expected to exceed a few thousand pounds. This will be funded from the HRA revenue new build feasibility budget.

BACKGROUND DOCUMENTS

None

APPENDICES

None.