

NORTH LINCOLNSHIRE COUNCIL

**ASSET MANAGEMENT, CULTURE AND HOUSING
CABINET MEMBER**

AFFORDABLE HOUSING

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 To advise members about the government's 2015-18 programme for supporting affordable housing.
- 1.2 To seek approval to offer some support to housing associations to help build new homes.
- 1.3 Key points in this report are:
 - The Homes and Communities Agency is inviting housing associations and others to apply for subsidies to build affordable homes
 - The council must confirm that affordable housing will meet local needs
 - The council works with housing associations and other organisations to meet local housing needs

2. BACKGROUND INFORMATION

- 2.1 The council works with housing associations and others to meet local needs as stated in our housing strategy.
- 2.2 Our planning policy is that up to 20% of new homes in the Scunthorpe urban area on sites above 15 units should be affordable. Elsewhere in North Lincolnshire 10% of new homes should be affordable.
- 2.3 The government is making £1.7bn available to help provide affordable housing in England. There is a separate allowance for London.
- 2.4 The Homes and Communities Agency (HCA) is managing the funding. Guidance on how to get funding is set out in a prospectus. This guidance is summarised in appendix 1.
- 2.5 The HCA will not award funding unless the local authority confirms that there is a need in the area. The HCA will also take into account the Strategic Economic Plans of the Local Enterprise Partnerships.

- 2.6 The guidance “strongly encourages” councils to consider how they can make their own land or funding available to help develop new affordable homes.
- 2.7 Discussions with housing associations providing homes in North Lincolnshire indicate that there may be a number of schemes where council support could prove key to enabling local needs to be met.
- 2.8 The deadline for housing associations and others to submit bids is 30 April.
- 2.9 Further reports will be submitted in the future to consider how the council might best support individual schemes.

3. OPTIONS FOR CONSIDERATION

- 3.1 Option one – assumes that the council will provide support either via discounted value or direct funding towards affordable Housing schemes to meet an established housing need.
- 3.2 Option two – assumes the Council will not contribute via either discounted land value or direct funding to any affordable housing schemes.
- 3.3 Option three – assumes the Council will consider on a scheme by scheme basis the level of support that it is prepared to make towards affordable Housing schemes when there is an established need.

4. ANALYSIS OF OPTIONS

- 4.1 Option one – One of the council’s priorities is regeneration. As part of that priority, the council wants in principle, to support housing development where there is clear evidence of need. Option one will support this council priority. The contribution of discounted land value or direct funding will however mean that less funds are available for other priorities.
- 4.2 Option two – The lack of contribution of discounted land value or direct funding towards affordable Housing schemes may affect the delivery of our housing strategy. Achievement of full land value for land and property disposals will provide funding for other priorities.
- 4.3 Option three – Considering each scheme on its merits allows the council to ensure that value for money is achieved. Any concession of land value or allocation of direct funding can then be targeted where there is greatest need or where it will have the greatest effect on the regeneration of our area.
- 4.4 Option three is the preferred option as it best serves to meet the council’s overall objectives.

5. RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)

5.1 The council has allocated £300,000 via the capital programme to support affordable housing development in 2014/15. There is a further £1,143,000 in the Property Trading Account Managed Schemes-General Fund to support housing schemes.

5.2 Each new affordable home generates New Homes Bonus worth £8,300 over six years to the council.

5.3 Any discounting of land value will affect the ability of the Property Trading Accounts to meet its budget targets.

5.4 There are no other resource implications to consider.

6. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)

6.1 There is a positive benefit for low income households who cannot afford a home on the open market.

7. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED

7.1 Discussions are being held with housing associations active in North Lincolnshire to identify schemes to meet local needs.

8. RECOMMENDATIONS

8.1 That further reports be presented as housing associations seek support for affordable housing developments.

DIRECTOR OF PLACES

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Background Papers used in the preparation of this report:

North Lincolnshire Housing Strategy 2013 to 18

HCA Affordable Homes Programme 2015-18 Prospectus.

The HCA issued the bidding prospectus yesterday 27 January. £1.7bn is available nationally (outside London) over the 3 year programme.

The prospectus is different in character and scope from the previous affordable homes programme.

Housing associations can now bid via this route for specialist housing, older persons' accommodation, empty homes, homelessness accommodation or the provision of traveller pitches.

The programme seeks to:

- Increase the supply of new affordable housing at Affordable Rent and affordable home ownership (shared ownership). Development at social rent will not be funded.
- Maximise the funding contributions from housing associations own resources, local authorities and LEPs;
- Build homes that address demographic challenges, including the need for more one and two bedroom homes in response to benefit changes;
- Maximise delivery of new affordable homes by March 2018 using off site or other faster construction techniques; and
- Encourage providers to deliver more.
- Drive value for money through the competitive process and transparency.

Timetable

Milestone	Date
Launch of bid round	27 Jan 2014
Close of bid round	noon Wednesday 30 April 2014
Clarification and assessment of bids	01 May-20 June 2014
Moderation of bids	23-30 June 2014
Clearance of recommendations for allocations	early July 2014
Announcement of successful allocations	mid-July 2014

Relevance to North Lincolnshire

The new prospectus is good news for North Lincolnshire in that the HCA is prioritising the ability to deliver based on existing partnership working between councils and housing associations. We have very effective delivery partnerships with North Lincolnshire Homes, Longhurst Group, Guinness Partnership, and Sanctuary Housing that are recognised by the HCA.

There is however the need to ensure strategic fit from LEP level downwards and that robust needs data is provided to support individual schemes.

It must be noted that the HCA's definition of strategic fit appears to be based on local authorities' willingness to commit funding and/or land at nil value to support schemes.

We expect the HCA's 2015-18 Affordable Housing Programme to increase in the numbers of affordable homes built in North Lincolnshire. We will have built 164 affordable homes under the 2011-15 programme.

The HCA expect to see planning officers supporting individual schemes as well as housing officers.

The funding model

The government expects bidders to use:

- Free or discounted public land, including local authority land, and local authority contributions such as from the New Homes Bonus; and
- Borrowing capacity generated by the net rental income stream of the new properties which must be let at affordable rent;
- Develop additional borrowing capacity by maximising conversion of existing social rent properties to Affordable Rent (or other tenures) at re-let (*no reference to the need to have regard to council's tenancy strategies*);
- Sell some existing stock (disposals). The HCA expects bidders to set out how many properties they are planning to sell and *why they have chosen not to dispose of more*;
- Cross subsidy, including surpluses from existing stock and activities, Recycled Capital Grant Funding and Disposal Proceeds Funding and income from developing new properties for outright sale; and,
- Government backed guarantees.

Requirement for Local authority contributions

Local authority financial support will be taken as a strong signal of local strategic fit and will be a factor in HCA assessment of bids.

Local authorities are "*strongly encouraged*" to consider the financial contribution that they can make through the use of their own land holdings, as well as through their negotiation of Section 106 agreements to deliver affordable housing.

There is an expectation that local authority land can be brought forward at nil consideration. This will be taken as signalling clear support that the proposed scheme meets local strategic priorities, as well as an expectation that the scheme has a high degree of certainty of delivery.

Local authorities are also encouraged to consider the application of other sources of funding such as from the New Homes Bonus, or Community Infrastructure Levy.

Revenue support for supported housing must be guaranteed.

Reducing the costs of new homes

To maintain a strong focus on the management of costs the HCA will require providers to work on an open book basis, sharing their cost data on specific projects. The HCA will publish comparable cost data on a regular basis.

Bidding framework

The 2015-18 Affordable Homes Programme offers two bidding routes:

- A mixed (indicative and firm scheme) approach; and
- A firm scheme only approach.

Providers have until 3 February to agree whether they are eligible for the mixed route. We expect North Lincolnshire Homes and Guinness to bid via the mixed route.

Bids must include at least 50% firm schemes, and nationally the target is 70% firm bids. Indicative schemes must be progressed to firm schemes no later than 30 May 2016.

The HCA intends to allocate 75% of the £1.7bn pot at the outset of the programme with the remaining 25% held back for future market engagement.

Bid requirements

Bids for firm schemes will be expected to include:

- Details of ownership or control by the bidder (for example, ownership of the land, or an option);
- Planning stage reached and
- Tender stage reached

Forecast dates for start on site (and completion) will be taken into account in the assessment of deliverability.

Bids are sought for schemes which:

- Offer good value for money (the extent to which bidders have applied their own resources, including through utilising flexibilities available to generate capacity);
- Have a demonstrable prospect of delivery within the programme timeframe; and
- Meet local needs and priorities, including building homes that address the demographic challenges and any mismatch in existing stock due to benefit changes (i.e. more one or two bedroom homes in areas where there is a shortage of these).

HCA expectation is that S106 schemes will be delivered at nil grant input for both Affordable Rent and for affordable home ownership.

They also expect providers who enter into a contract with the HCA to record all affordable homes delivered with nil grant.

Procurement and efficiency changes

The HCA claim homes started within the Affordable Homes Programme in 2012/13 had real average build costs 15% cheaper than a 2009/10 baseline (though with wide variation around this average) achieved without compromising quality or sustainability requirements.

The construction industry and Government published *Transforming Construction: An Industrial Strategy for Construction* (Department for Business, Innovation and Skills: June 2013). This sets out a joint ambition for 2025 for a 33% reduction, from 2009/10, in both the initial cost of construction and the whole life cost of assets. The HCA want to ensure its programme aligns with this vision.

The HCA is hoping that some providers will use off-site manufacture to reduce costs.

Meeting local needs

The 2015-18 Affordable Homes Programme is intended to be shaped by local authority's views on affordable housing needs.

The HCA wants local authorities to have regard to the statutory equalities requirements they have as public bodies.

Providers are particularly encouraged to include smaller, rural, specialist (including supported housing and housing for older people, people with disabilities etc) and community based schemes.

Schemes must meet the long term needs of the area, so design (for alternative use) and location of schemes is important.

In areas where there is a particular shortage of smaller homes for under-occupying tenants to move to, they expect local assessments of needs and bids to reflect this, by including a high proportion of one and two bedroom properties.

Local needs may also include ongoing requirements for family homes or the provision of sheltered housing.

Indicative proposals will include the outline mix and anticipated size to be delivered, as well as tenure, minimum geography and whether delivery will be in a rural area.

The HCA is keen to deliver in population settlements of 3,000 or less. In order to classify whether a scheme is rural the Agency relies upon the Department for Environment, Food and Rural Affairs Government wide rural definition. The Rural – Urban classification has from 2012/13 been updated to include 2011 census data.

The HCA recognises the role played by Local Enterprise Partnerships in providing strategic economic leadership for their areas, understanding the drivers and barriers to growth and identifying key priorities for their areas.

They will have regard to Strategic Economic Plans and European Structural and investment Fund Plans and the deployment of the Local Growth Funds and EU Structural Funds. The HCA expects that there will be a close alignment of delivery priorities during the lifetime of the programme.

Bidders are expected to discuss (rather than agree) stock disposals with their local authority partners.

Ministers have affirmed their own preference for refurbishment rather than demolition³.

Bidders should take their own view on accommodation standards. The former design standards for social housing are no longer recognised.

Assessment criteria

Delivery is worth 50% of the assessment score, Value for money makes up the remaining 50%.

Strong evidence, including from the 2011-15 Affordable Homes Programme that a local authority and local providers have been able to work well together, will be considered to offer particularly strong local fit.

Bids which include a range of types of provision (including, for example, rural provision, provision for the elderly, supported housing) and in partnerships involving a range of providers, including specialist or small scale providers, are more likely to offer a good fit with local needs.

The HCA do not intend to set a grant rate for the programme and no such grant rate can be extrapolated from dividing the capital grant available by the total number of homes which it is Government's aspiration to deliver

Wherever possible, the HCA will seek to take account of genuine comparators (such as other rural or older persons' specific schemes) and may seek further information from the bidder to understand whether there are genuine reasons for higher costs or grant requirements.

Delivery

The HCA wants bidders to bring forward schemes which can be built out early in the programme period.

Significant slippage against forecast dates (on either firm schemes or indicative proposals) may result in an allocation being withdrawn and the grant re-allocated

Appendix 1

Schemes being proposed on land already in the provider's ownership or being offered at nil consideration by the local authority scoring more highly.

Strong support from the local authority, including both planners and housing officers, will also be seen as a good indicator of deliverability.

Who can bid?

Stock retaining local authorities and housing associations can bid. House builders can bid but will have to submit robust sustainable plans to finance affordable housing provision with an ultimate landlord.

Other factors

The HCA is committed to work with providers to understand the impact of this programme on their employment and skills strategies.

All providers will be asked to submit high level indicative quantitative information on apprenticeships created or safeguarded and employment opportunities created for 16-23 year olds as a direct result of this programme.

It will be a condition of the framework contract that providers in contract for total allocations of more than £3m must publish quarterly all expenditure in excess of £500 relating to delivery of schemes which form part of the framework contract.

The strategic housing team, planning officers and the asset management team work together to support bids by partner housing associations to address identified local housing needs and meet the HCA Affordable Housing Programme 2015-18 Prospectus criteria.