

# Cabinet Report



Listening Learning Leading

Report of Head of Housing and Environment and Deputy Chief Executive -

Place

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To: CABINET

Date: 10 November 2022

## Housing Delivery Strategy and Action Plan

### Recommendations

- (a) That Cabinet considers and adopts the joint Housing Delivery Strategy 2022-2024
- (b) That, subject to recommendation (a), Cabinet considers and adopts the associated Action Plan
- (c) That Cabinet makes a recommendation to Council for the use of up to £2m of capital funding to invest in the purchase of property with the aim of them becoming social housing, as outlined in section 25-26 of this report
- (d) That subject to decision (c) the Cabinet delegate authority to the Head of Development & Corporate Landlord in consultation with the Heads of Housing & Environment, Finance and Legal, to take the required actions as outlined within this report to purpose the purchasing of property to be used as social housing.

### Purpose of Report

1. To present the joint Housing Delivery Strategy 2022-2024 for consideration.

2. Subject to the joint Housing Delivery Strategy 2022-2024 being approved, for the Action plan to be considered.
3. Subject to the Action Plan being accepted, for Cabinet to approve the specific next steps identified.

## **Corporate Objectives**

4. This strategy meets the following themes within the Corporate Plan 2020-2024.
  - Action on the Climate emergency
  - Improved economic and community wellbeing
  - Homes and infrastructure that meets local needs.

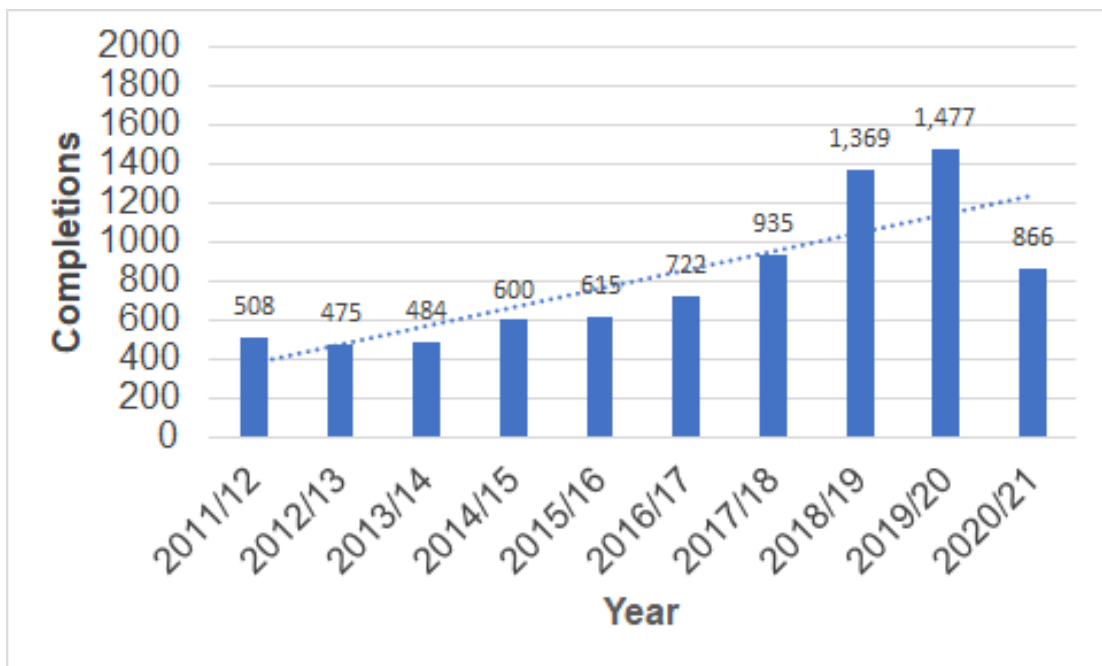
## **Background**

5. Everyone needs a home. The availability, affordability, location and quality of housing have major impacts on people's lives and their sense of wellbeing. Increasing the supply of housing remains a priority for national Government with 216,490 new homes were completed in 2020/21, of which 90 per cent were new build and just 24 per cent were considered as affordable using the National Planning Policy Framework definition.
6. The terms "Affordable housing" and "Social housing" are often used interchangeably in the media and elsewhere. They generally mean the same thing, which is sub-market rent level housing, most usually provided by councils or housing associations (Registered Providers). However "Affordable Rents" and "Social Rents" do have specific meanings. Affordable Rent is defined by national planning guidance as being up to 80 per cent of prevailing market rents in each area. Social Rents (also defined by planning guidance) are calculated according to government rent regime guidance, and typically fall between 45 and 60 per cent of market rents.
7. In South Oxfordshire, the high cost of housing has meant that new homes and homes built for "affordable rent" remain unaffordable locally to those on lower incomes. In 2021 the Government introduced funding through Homes England for social rent in areas with "high affordability pressures" including South Oxfordshire and Vale of White Horse. Additionally, The Housing and Planning Act 2016 introduced Starter Homes as a new affordable housing product, the prototype for what are now called First Homes. This Act also updated a requirement for local authorities to hold a register of applicants and potential sites for self-build and custom-built housing.
8. Heavily influenced by the concerns arising from Grenfell Tower fire, The Charter for Social Housing Residents was published in November 2020 and emphasised the importance of residents being safe in their homes, informed and listened to, and complaints being dealt with fairly and quickly. The aspirations in the Charter are to be strengthened in the proposed Social Housing Regulation Bill 2021. This will introduce a more rigorous inspection and rectification regime, with new powers granted to the housing Ombudsman. The rights of tenants in all tenures may be strengthened further if the proposed Renters Reform Bill 2021 becomes legislation as it aims to ban no fault evictions, extend the decent homes standard to private

rented properties; and introduce a ban on landlords having blanket exclusions of those on benefits.

9. Furthermore, The Levelling Up and Regeneration Bill contains a number of proposals which will impact on the delivery of new homes. It plans to replace the current Section 106 and Community Infrastructure Levy (CIL) with a new locally set infrastructure levy, gives greater weight to Neighbourhood Plans, already widely in place across the district. The Bill also proposes the use of national and local design codes to set the expected standards of good design to which all new developments must adhere. It includes measures to unlock sites and aims to increase the build out rates for new homes including sites where planning permission has been gained but development is not taking place – known as land banking.
10. Locally, the council plays a role through its Local Plan in enabling it to meet the challenges that the district faces whilst protecting what is valued about the district, and also building on opportunities to make it an even better place. The current Local Plan sets out how development will be planned and delivered across South Oxfordshire to 2035. It sets out a vision, shows the strategy which responds to that vision and how it will be delivered working in partnership with everyone with a stake in the future of the district. It also includes policies that are used when determining planning applications. It identifies appropriate areas and sites for development, such as new homes, offices, shops and community facilities, and also outlines how valuable historic and natural environments will be protected and enhanced. The policies in the Local Plan are used to help make decisions on planning applications in the district.
11. More broadly, the council plays a significant role in the development and success of the whole housing system, regardless of tenure. Enforcement within the private rented sector, management of the housing allocations policy for social housing and support for those who are, or are at risk of, homelessness.
12. Housing plays a central role in the council's ambition to take action to tackle the climate emergency, and the strategy outlines its desire to reduce the carbon contribution of existing homes through retrofitting. New developments should look to reduce carbon emissions both in the methods by which homes are constructed (embodied carbon in materials and construction methods), and in the design of the homes. The council is constrained by the requirements of national building regulations, although these have been updated to require reduced carbon emissions. Regulations will be further strengthened when the Future Homes Standard comes into effect in 2025 which will require new builds to produce 75-80 per cent less carbon emissions.
13. South Oxfordshire have seen a steady rise in the number of completions each year, delivering a total of 8,051 homes in the last ten years, exceeded their target between 2017 to 2020. The figures for 2021 will have been affected by the impact of Covid which saw a slowing down of the rates at which homes were built.

Housing target for new homes. - South Oxfordshire (Local Plan 2035)	
2011 - 2035	18,600
Oxford Unmet need (additional 2021-35)	4,950
2011 – 26 annual targets	900 dwellings per annum
2026 – 32 annual targets	1120 dwellings per annum
2032 – 35 annual targets	1110 dwellings per annum



### Housing Delivery Strategy

14. The council, working with an external Housing Consultant, began work earlier this year to develop a Housing Delivery Strategy which would meet the corporate objectives outlined and look to address delivery of more affordable and social housing at a local level.
15. The strategy document for approval is shown in Appendix 1, and outlines four strategic housing priorities which encapsulate the existing activity and future ambitions. These are:
  - Providing homes to meet current and future local need
  - Delivering housing that is truly affordable
  - Valuing and supporting council and community led housing initiatives
  - Planning for well-designed net zero carbon housing.

## Action Plan

16. To deliver the Housing Delivery Strategy, officers have identified a strategic action plan, which is shown in Appendix 2. This action plan is split into short-, medium- and long-term actions and, subject to its approval, officers will aim to deliver within the timescales identified
17. As part of the operational restructure approved by the Head of Paid Service in February 2022, a new service team was created under the Head of Housing and Environment to focus on Housing Delivery. Recruitment to the post of Housing Delivery Manager is currently underway.

## Options for delivery of new social housing

### Needs Assessment from the Housing Register

18. It is vital in considering any new social housing that the specific requirements are considered to ensure that properties are in the right location and to meet the most need. The details of the specific needs to be addressed will come from a regular and more detailed interrogation of the housing register by officers to establish where supply may not be meeting the demands, such as where there some hard to place households or areas where there is a demand for affordable housing but a lack of supply.
19. It is not possible to state exactly what the council would be requiring from new social housing as the needs would change on a regular basis. However the following criteria will be used to enable officers to create a specification:
  - Location
  - Need for adaptation
  - Accessibility
  - Size of family to be accommodated
  - Requirement of local services
20. This information on housing need will be shared with potential providers of social housing to help them to take account of need in their plans to bring forward new housing.

### Sources of funding

21. The council can place planning obligations on developers of new sites under Section 106 (S.106) of the Town and Country Planning Act 1990, and where these obligations cannot be achieved on site the council can receive financial contributions, called commuted sums, in lieu of the on-site delivery of affordable housing.
22. In October 2020, Cabinet approved a framework for Registered Providers and other housing providers to apply for grant funding to subsidise the delivery of affordable homes. The assessment criteria include environmental considerations, for example the carbon footprint of the project.

23. The council invites bids for affordable housing grant from housing providers to enable delivery of additional affordable homes where subsidy is required to make the project financially viable.
24. As identified within the action plan for the Housing Delivery Strategy, there is a need to agree criteria and put in place a framework and to agree a set of principles which inform the priorities for use of S.106 funding and can demonstrate value for money. By having such criteria, the council can have more confidence that available resources will be used in a coordinated and strategic way and aligned to identified priorities.

**Strategic options for providing new social housing**

25. There are four strategic options that could be pursued.
- Option 1 - Continue to invest into schemes presented by Registered Providers. Invest S.106 or council capital funds into schemes presented by Registered Providers of housing to bring forward otherwise unaffordable schemes to be social housing. This represents a continuation of the current approach to using S.106 funds.
  - Option 2 - Invest into council-owned property. Invest S106 or council capital funds into property, to be owned by the council and provided to those with a housing need at social rent.
  - Option 3 - Support community led housing to deliver affordable housing, using S.106 or council capital funds. The models for community led housing can include social and affordable rent and low-cost home ownership.
  - Option 4 - Reject the options and not invest in housing schemes. This is the 'do nothing' option and will significantly restrict the increase in affordable and social housing in the district and not meet corporate aspirations. Additionally, if this option is taken it should be recognised that S.106 receipts that can only be invested in social housing will not be able to be spent.
26. Overall it is officers' recommendation that a balanced approach, following options 1,2 & 3, should be taken. The provisional capital programme, as agreed in the budget agreed for 2022/23 in February 2022, included a sum of £5 million, fully funded from S.106 receipts, for affordable housing schemes.

**Council-owned housing considerations**

27. When considering if the local authority should operate its own housing stock, there are a number of factors to be taken into account before reaching a decision to proceed

**Housing revenue account**

28. A Housing Revenue Account (HRA) is intended to record expenditure and income on running a council's own housing stock and closely related services or facilities, which are provided primarily for the benefit of the council's own tenants. A local authority may hold up to 199 homes outside the HRA under Direction. Once the 200-home threshold is reached, a local authority must open an HRA and may

borrow prudentially to continue their building within the HRA. To hold property outside the HRA, the council must write to the Secretary of State for Housing, Communities and Local Government to apply for a direction that permits these homes to be held outside the HRA; this is usually a formality, though in some instances there is a duty to consult. Any council dwellings that are built outside the HRA must be covered by a direction.

**Financial model for purchase and operate**

29. The council needs to ensure that it is using best value when purchasing property and operating as a social landlord. A full financial appraisal will identify the most prudential way to fund the scheme. There will then be costs involved in operating the property including:

- Depreciation of capital
- Insurance
- Emergency repairs
- Medium- and long-term maintenance
- Housing officers to manage tenancy, ensure rent and service charges is paid, follow eviction procedures where required
- Grounds maintenance

All of these costs need to be factored into determining the lifetime of the asset, and which rent level is appropriate to ensure that the housing costs are not being subsidised by the taxpayer.

**Right to buy obligations**

30. 'Right to Buy' allows most council tenants to buy their council home at a discount.

**Obligations to meet with the social charter**

31. The new Charter for Social Housing will apply to all social housing and will place obligations on all social landlords.

**Economies of scale**

32. The number of properties that are owned will have an impact on the value of resources. For example, regardless of the number properties owned, there will be a need for housing staff to manage the tenancies, and access to repairs and maintenance staff who can look after the properties.
33. If Option 2 (as set out in paragraph 23) meets with formal approval, and subject to council agreeing the use of £2 million to fund the direct purchase of property, it is proposed that delegated authority is provided to Head of Development & Corporate Landlord in consultation with Heads of Housing & Environment, Finance and Legal to take the following operational approach:

- ensure that the council has the sufficient approvals to hold housing stock outside on a Housing Revenue Account.
- develop the financial model which will guide on the best use of capital or borrowing to enable purchase. The model also needs to ensure that all operational costs are covered by the level of rent set, and that there is no ongoing revenue pressure upon the General Fund
- use the housing needs assessment to identify suitable property types and locations
- review the use of S.106 contributions to ensure that suitable funding is available to purchase property
- investigate all options to enable purchase
- once purchased, management of the property would sit with the Housing Delivery team
- in the medium term (up to a maximum of 12 months from purchase) this would be used as temporary accommodation in line with existing accommodation recently purchased
- investigate the council obligations and approach to being a social landlord and bring back a further report with more detail upon which a decision to become a landlord can be taken
- subject to that decision, enter into a procurement exercise would be undertaken to obtain a housing partner who will undertake the tasks of the landlord on behalf of the council
- subject to the decision to provide social tenancies, and a successful procurement exercise, it is anticipated that properties would be used as social rented properties by Autumn/Winter 2023
- Once this happens, the council will be able to assess the best route to continual management of the property and any additional properties it purchases. If direct management offers the best outcome for tenants, additional council resources will be required to act as the landlord function.

### **Approach to all housing issues**

34. This strategy sets the vision of how the council wants more suitable and affordable housing to be delivered. In addition, further work, as indicated within the action plan, will be undertaken on the following issues:

- review of the private rental sector within the district, with the aim of bringing forward a strategy to help ensure that private rent, in all its forms, works for tenants, landlords and residents, including Homes of Multiple Occupation (HMOs).
- review of the number of empty properties within the district, and how the council can work with property owners to maximise the number of them brought back into use as homes
- working closely with Registered Providers of housing



35. Together, and working alongside the current and future Local Plan, these will form an overall strategic approach to improving the availability, affordability, location and quality of housing.

### **Climate and ecological impact implications**

36. The Housing Delivery Strategy has set one of its priorities as “Planning for well-designed net zero carbon housing.” In addition it meets several actions within the corporate plan.
37. All new homes directly purchased by the council will have a financial appraisal for retrofitting to ensure that it meets the minimum standards but aims for higher where possible. Where financially viable will be designed to zero carbon standards on a previously developed site.

### **Financial Implications**

38. As identified within the Action Plan, any action requiring additional resources to that already identified within the existing budget will require further approval.
39. The report above identifies where additional resources would be required to deliver the specific action within the Action Plan to purchase properties and the associated resources required to support that.
40. The council will complete financial due diligence in advance of any grant funding being made available to a Registered Provider of Housing.
41. Any council decision that has financial implications must be made with the knowledge of the council’s overarching financial position. For South, the position reflected in the council’s medium-term financial plan (MTFP) as reported to Full Council in February 2022 showed that the council is due to receive £2.1 million less in revenue funding than it plans to spend in 2022/23 (with the balance coming from reserves).
42. This funding gap is predicted to increase to over £3 million by 2026/27. As there remains no certainty on future local government funding, following the announcement of a one-year spending review by government, and as the long-term financial consequences of the Coronavirus pandemic remain unknown, this gap could increase further. Every financial decision made needs to be cognisant of the need to address this funding gap in future years.
43. S.106 monies held by the council are developer contributions received in lieu of affordable housing and cannot be used support general revenue budgets.
44. In addition to S.106 monies held, the council has approximately £14 million in contributions secured by way of S.106 agreements. It should be noted that the council has no control over when these monies might be received, and in some cases, developments may not proceed, or may not proceed in their original form.
45. The budget agreed in February 2022 included £5 million, funded from the Section 106 contributions, to fund affordable housing. This is included in the provisional capital programme across 2022/23 and 2023/24.

## Legal Implications

46. Housing Act 1985, Section 9 allows a local authority to provide housing accommodation by erecting houses, or converting buildings into houses, on land acquired by them, or by acquiring houses.
47. The Housing Act 1985, as amended gives eligible tenants of social rented housing the right to buy their property at a discount.
48. Legal to be instructed in connection with any procurement required and to carry out the conveyancing in respect of any properties agreed to be purchased in accordance with the proposals.
49. Any tenancies granted that do not fall within one of the exceptions will be secure tenants under the Housing Act 1985.
50. The Social Housing Regulation Bill 2022-23 was introduced on 8 June 2022. It proposes to make all registered social housing providers subject to a new regulatory regime, with failing social landlords facing unlimited fines if they fail to meet expected standards. The Bill aims to have “more people living in decent, well looked-after homes enjoying the quality of life they deserve”.

## Risks

51. There is a risk that the Action Plan will not be delivered to the timescale indicated. To minimise this outcome, Heads of Service have reviewed the Action Plan and will work corporately to deliver the actions.
52. The Council transferred its housing stock as part of a Large-Scale Voluntary Transfer (LSVT) in 1997, and has since been reliant upon external organisations to deliver social housing. It is therefore a risk that the council has chosen not have expertise in this area. This risk is mitigated by the creation of a new team and recruitment of a suitably experienced Housing Delivery Manager, and the use of experienced external consultants to produce the strategy.
53. There is a risk that conditions on S106 funds may prevent the purchase of the ideal property. This will only be known once the housing needs assessment has been completed, and may result in compromises being made between the perfect type and location of property, and the conditions of the funding. The mitigation is that a financial appraisal will be undertaken, overseen by the Head of Finance, prior to purchase.
54. It is a risk that suitable property will not be available, or once bought may have structural or other issues. This risk is mitigated by the use of the experienced property team within the Development & Corporate Landlord service
55. It is possible that the council may not find a suitable organisation to manage the social housing properties purchased in the medium term. This is currently being investigated and will be considered before any final purchase. Additionally the short term use of property as temporary accommodation will enable a procurement exercise to take place.

## **Conclusion**

56. The Housing Delivery Strategy outlines a direction of travel in how the council will increase the amount of affordable and social housing in South Oxfordshire, whilst taking account of important factors relating to the local community and environment.
57. The associated Action Plan identifies a wide range of actions that services from across the Council will undertake to support in the delivery of that strategy.
58. Using funding to purchase property to be used as social housing will seek to directly deliver new social rent properties for local residents. This will be a small number but will enable the council to develop its approach to the owning and operational management of social housing to support needs of its housing register
59. Additionally, by continuing to use S.106 funds to support applications from Registered Providers and supporting community led housing initiatives the council has a clear opportunity to support the provision of the four key objectives as set out in the Housing Delivery Strategy.