

POLICY FINANCE AND ADMINISTRATION COMMITTEE

28 SEPTEMBER 2011

REPORT OF HEAD OF COMMUNITIES & NEIGHBOURHOODS

DELIVERY OF AFFORDABLE HOUSING AT SOMERBY

1.0 PURPOSE OF REPORT

- 1.1 To inform Members of a request for the Council to contribute funding towards an Affordable Housing Scheme at Somerby.

2.0 RECOMMENDATIONS

- 2.1 **Members approve a capital allocation to enable the Affordable Housing Scheme at Somerby to proceed and delegate to the Head of Communities & Neighbourhoods, in consultation with the Chair of Policy Finance & Administrative Committee and the Head of Central Services the amount, subject to on-going discussions with Leicestershire County Council.**

3.0 KEY ISSUES

Background

- 3.1 Current evidence suggests that there is a need for 200 affordable homes each year. In recent years approximately 16 new homes are built per annum with re-lets of existing stock contributing an additional 130 to supply.
- 3.2 In 2003, working in partnership with Somerby Parish Council and the Rural Housing Enabler to investigate the local need for affordable housing in Somerby, a survey identified a need to provide 14 affordable homes for local people and community support for a small affordable housing development to accommodate this need.
- 3.3 Nottingham Community Housing Association came forward to work within the partnership approach to identify a suitable site. As is the case with the majority of affordable housing schemes it took a number of years to progress through the site identification and selection process. By 2007 a scheme for the development of 14 homes on land to the rear of the doctor's surgery on Oakham Road, Somerby had been identified and proposals discussed with the community. The site is owned by the County Council who are to benefit from the sale of the land to NCHA from a £70,000 capital receipt.
- 3.4 Due to the passage of time, a revised housing needs survey was conducted. Published in 2008, the new Housing Needs Survey found a need to provide 7 affordable homes for local people over the next 5 years.
- 3.5 Detailed proposals were then prepared by Nottingham Community Housing Association to secure funding from the Homes and Communities Agency and to submit an application for planning permission.
- 3.6 The Coalition Government has overhauled the funding regime for affordable housing delivery. The HCA Affordable Homes Framework has been introduced which invited

Registered Providers (formerly known as Housing Associations or Registered Social Landlords) to bid for funding which is available for the next four years.

Despite submitting a bid for funding the Somerby scheme, NCHA did not secure any HCA funding. As a result the Somerby scheme has been left without the prospect of funding within the next four years and uncertainty beyond that period. The total funding gap for the scheme currently stands at £275,000.

3.7 In July 2011 Leicestershire County Council announced that they would use grant funding made available to them through the Coalition Government's New Homes Bonus to aid the delivery of Rural Affordable Housing in Leicestershire. The County Council invited each of the Shire District Councils to identify and promote for funding 'shovel ready' rural affordable housing schemes.

3.8 Clearly the advanced stage of the Somerby scheme provides certain prospects for it to take place if funding can be sourced. Following discussions between officers at Melton Borough Council and NCHA a proposal was put together, in line with the County Council's criteria for the Somerby scheme. The following options were proposed to County:

Option 1 £275,000 County Council New Homes Bonus funding - to meet the current funding shortfall units to HCA Design and Quality Standards.

Option 2 £195,000 County New Homes Bonus funding - to meet the funding shortfall if the homes were built only to Building Regulation standards rather than to HCA Design and Quality Standards and smaller size (this was to demonstrate the cost of design and quality standards).

3.9 The County Council have made a preliminary offer of £188,000, dependant on the Borough Council also making funding available. Following their Cabinet meeting of 13th September 2011, the offer was approved subject to Melton Borough Council meeting the shortfall (£87,000).

3.10 Officers of Melton Borough Council have been working on this scheme for the last 7 years with proactive support from the ward councillor, Councillor Mark Barnes.

3.11 Several options are available to prevent the scheme from stalling or failing:

a) Melton Borough Council to contribute £87,000 to deliver Option 1 (above). This reflects the work carried out by council officers by continuing to support this scheme to fruition and the work of the local community supported by the ward member.

b) Melton Borough Council to contribute at a level on par with another scheme in the county that LCC have made a 'NHB' contribution to. This would then require a contribution of £58,500 from Melton Borough Council.

3.12 Officers have been liaising with the County Council on this basis and a further update will be verbally provided at the committee meeting for members to consider. Officers of Melton Borough Council have highlighted our record on the provision of affordable homes which was recognised by Shelter very recently showing Melton to be the second highest provider of affordable homes in the region.

- 3.13 Furthermore, officers have advised that any contribution would be a call on our capital and we would agree to make the contribution at the end of the financial year.

4.0 POLICY AND CORPORATE IMPLICATIONS

- 4.1 Helping to provide a stock of housing accommodation that meets the needs of the community is a corporate priority for Melton Borough Council. Specifically, the corporate plan recognises the need to secure more rural affordable homes through promotion, planning and delivery of 'exception' sites in the rural area. Officers have also confirmed with NCHA that in regards to nomination rights it is 100% in perpetuity.
- 4.2 Planning permission is required for the development. Any application will be considered by the Council's Development Committee having regard to the Melton Local Plan and any other material considerations.

5.0 FINANCIAL AND OTHER RESOURCE IMPLICATIONS

- 5.1 The Council received a New Homes Bonus of £168,868 for the delivery of new homes in 2011. The bonus is made as an unringfenced grant through Section 31 of the Local Government Act 2003. However, the scheme design intends the funding to benefit those communities who receive growth.
- 5.2 Members should be aware that the sum of £100k is already reflected in the revenue budget as approved by members as part of the budget setting process for 2011-12. The remaining sum of £69k is already committed to fund budget pressures elsewhere in the Council's budget. This still leaves a potential overspend in the region of £100k; the details of which are reflected in the Council's budget monitoring action plan.
- 5.3 Under the Local Government Resource Review the government has issued proposals for the localisation of business rates. The impact for Melton cannot be predicted with any degree of confidence due to the anticipated variables in the calculation. However, very crude modelling does show that in real terms Melton would have to use all of its New Homes Bonus in the future to support the revenue budget if it wished to provide funding at existing levels.
- 5.4 If a supplementary estimate is approved by this committee it is suggested that this be funded from capital receipts. The current balance of uncommitted capital receipts money is only £221,854.

6.0 LEGAL IMPLICATIONS/POWERS

- 6.1 Planning permission may be granted under Section 38(6) of the Planning and Compensation Act 2004. The Act requires the determination of planning applications to be in accordance with the Development Plan (Melton Local Plan and Regional Plan) unless material consideration indicates otherwise.

7.0 COMMUNITY SAFETY

- 7.1 There are no direct links to community safety arising from this report

8.0 EQUALITIES

- 8.1 Providing a stock of affordable homes helps those households that cannot afford a home at the market rate to secure accommodation.

9.0 **RISKS**

9.1

Probability
↓

Very High A				
High B			1	
Significant C				
Low D				
Very Low E				
Almost Impossible F				
	IV Neg- ligible	III Marg- inal	II Critical	I Catast- rophic

→
Impact

Risk No.	Description
1.	Shortfall in funding cannot be met and development cannot go ahead

10.0 **CLIMATE CHANGE**

10.1 Design standards of housing delivered will affect the developments impact on climate change.

11.0 **CONSULTATION**

11.1 Community consultation has taken place as part of the scheme.

12.0 **WARDS AFFECTED**

12.1 The development proposal is in Somerby Ward

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Date: 20 September 2011

Appendices : None

Background Papers: None

Reference : X : Committees\PFA\HR.Affordable Housing Scheme Somerby/290911