



# Cabinet

13<sup>th</sup> July 2022

**Report of:** Councillor Ronan Browne -  
Portfolio Holder for Housing and  
Landlord Services

## Affordable Housing Development Plan 2022-26

<b>Corporate Priority:</b>	Providing high quality council homes and landlord services.
<b>Relevant Ward Member(s):</b>	All
<b>Date of consultation with Ward Member(s):</b>	N/A
<b>Exempt Information:</b>	No
<b>Key Decision:</b>	Yes
<b>Subject to Call In</b>	Yes

### 1 Summary

- 1.1 There is currently a shortage of affordable homes in Melton. To help address this need, the Council is undertaking a housing development programme to increase the supply of homes.
- 1.2 The Affordable Housing Development Plan (AHDP) sets out the criteria for the way new council homes will be delivered and supports the adoption of the HRA Business Plan 2022-2052.

### 2 Recommendation

**That Cabinet:**

- 2.1 **Approves the Affordable Housing Development Plan 2022-26 which will confirm the Council's approach for the delivery of additional homes to add to its housing stock.**

### 3 Reason for Recommendations

- 3.1 The Affordable Housing Development Plan (AHDP) will ensure that new homes are delivered in a planned way.
- 3.2 This will enable high standards of design, construction and procurement to achieve the best value for the Council.

## **4 Background**

- 4.1 According to the Authority Monitoring Report 2020-21, Melton has a population of 51,400 (an increase of 200 from 2019). The total number of households is 24,490, with most homes privately owned. There are only 5,456 rented homes which means providing accommodation for those that cannot afford to buy is a key challenge. A large proportion of homes are big, detached houses. The limited supply of smaller homes currently available makes it difficult for older people who want to downsize, those on low incomes, and younger people who want their first home.
- 4.2 According to the Council's Housing Needs Survey (2016), a net deficit of 95 affordable homes per annum is identified for the period 2011-2036. This predicts a shortage of 2,375 affordable homes over 25 years.
- 4.3 The Council has a stock of 1,782 council homes (May 2022). However, this is being diminished due to Right to Buy with the loss of 137 homes since 2006.
- 4.4 The Council intends to help address the shortage of affordable homes in the borough by developing additional council homes to add to its stock.

## **5 Main Considerations**

### **5.1 Objectives**

- 5.1.1 The objectives of the AHDP are to increase the number of affordable homes and to achieve high standards of design, construction and procurement. This should also improve the circumstances of vulnerable households, promote energy efficiency and reduce fuel poverty.
- 5.1.2 The AHDP will ensure new council homes meet high standards both in the way they are designed and the way they are delivered.

### **5.2 Standards of Housing**

- 5.2.1 Sustainability will be one of the main priorities. New homes will incorporate energy efficient technology to minimise environmental impact.
- 5.2.2 New homes will need to meet high standards of design. We expect to deliver homes and environments that people want to live in. Homes that are durable, accessible, easy to maintain and which will make a positive contribution to the borough now and into the future.
- 5.2.3 Tenant safety will be a priority. Homes will be designed to take account of fire safety, security and crime reduction.
- 5.2.4 Construction of new homes will consider people with special needs. The Council will provide homes with wheelchair access wherever possible in new developments.

### **5.3 Standards of Business**

- 5.3.1 The maintenance of homes will be considered early in the design stage with the asset management team. This will ensure that new homes are built to an appropriate design taking the future into account.
- 5.3.2 As part of any development proposals, we will consult with residents and stakeholders to ensure that new homes support housing need. Information from tenants about the type of homes required and demand for locations will be used to inform delivery. Once new

homes are complete, we will obtain feedback from tenants. This will help the Council to consider any improvements that might be required for future projects.

5.3.3 Procurement of all development services will take place in accordance with the Council's contract and financial procedure rules.

## 5.4 Funding

5.4.1 The council house building programme will be mainly funded from HRA surpluses or borrowing.

5.4.2 This will be supplemented by utilising Right to Buy receipts.

5.4.3 Homes England grant funding will be sought where possible.

5.4.4 Commuted sums which private developers pay to the Planning department in lieu of providing affordable homes on site, may also be used to deliver new homes subject to Section 106 agreements.

## 5.5 Right to Buy Receipts

5.5.1 The Council can spend some of the funds it receives from the sale of homes sold under Right to Buy to deliver additional homes. However, only 40% of the cost of new council homes can be funded with RTB receipts and they are subject to spending deadlines. If they are not reinvested within five years, they have to be repaid to HM Treasury with a premium interest cost.

5.5.2 As with other eligible council homes, tenants may exercise their right to buy new council homes under current Government policy. However, the Council will be able to recover its investment in new homes if these are sold. This is due to the cost floor figure which is the amount of money spent on an individual property in the 10 year period prior to the sale, for properties acquired or built after 1<sup>st</sup> April 2012 this period increases to 15 years. This means that the purchasers full discount would not be applied if that would result in the purchase price being below the cost of purchase/build plus repairs. The government also has a limit to the maximum discount which is currently £87,200. The Council's policy is to charge affordable rents on new homes (80% of market rents). These three factors mean that the full costs of building and borrowing could be covered by any sales even if homes are purchased under Right to Buy.

5.5.3 This is an area of housing policy which has been changed by successive national governments and will be kept under regular review.

## 5.6 Business Case

5.6.1 All housing development projects will be subjected to a business case to ensure that they are financially viable. Expenditure on new council homes is an investment that will bring in additional income via new rents. This addition to revenue can pay for the cost of delivery.

5.6.2 The business case will consider the cost and income of any development scheme over the life of the asset. The income will be in the form of affordable rent. In line with the requirements of the HRA, provision for the repayment of debt will not be set aside. The HRA business plan sets out how the affordability of any new borrowing will be assessed. This will be using the industry standard indicators based on data taken from the individual project business cases that will be tracked and monitored over the life of the business plan. This will ensure that interest payments are affordable.

## 5.7 **Delivery**

- 5.7.1 Delivery of new homes will be in any one of the following ways:
- 5.7.2 Building on land already owned by the Council.
- 5.7.3 Converting redundant Council owned buildings.
- 5.7.4 Acquisition of new build homes from private developers through commercial agreements or Section 106 opportunities.
- 5.7.5 Acquisition of older properties including former council homes sold under Right to Buy if viable.
- 5.7.6 Purchasing additional land on which to build new homes.

## 5.8 **Historical Delivery**

- 5.8.1 Since 2012, the Council has built 10 new homes on former garage sites and acquired another 12 homes to add to its housing stock. This has ensured that Right to Buy receipts have been spent within deadlines. The aim of the Affordable Housing Development Plan 2022-26 is to substantially increase the delivery of new council homes.
- 5.8.2 Previous development opportunities were limited under self-financing reform in 2012, which saw the Government impose a cap on HRA borrowing to the amount of the self-financing debt level. We were therefore unable to borrow above this level, limiting us to a maximum of £2m of new borrowing while the cap was in place. This therefore constrained the Council's ability to progress development opportunities due to the restrictions on borrowing. In October the Government confirmed the borrowing cap was abolished with immediate effect, now allowing borrowing against expected rental income, in line with the prudential code.

## 5.9 **Future Delivery**

- 5.9.1 In its forecast of the financial position of the HRA over 2022-52, the HRA Business Plan has assumed sales of 10 homes per annum due to RTB and replacement with 5 new council homes per annum. Although this is less than the amount sold, 5 units per annum will meet Right to Buy spend targets and will not require any borrowing.
- 5.10 The Affordable Housing Development Plan will aim to deliver 10 new homes per annum to try to make up for any potential shortfall of homes lost due to Right to Buy. However, this may require borrowing of funds. The potential number of new homes that can be delivered will be subject to there being sufficient availability of funds in the HRA and borrowing affordability. If there is capacity, the target can be increased in future years.

## 5.11 **Initial Housing Development Programme**

### 5.12 **Building on land owned by the Council**

- 5.12.1 It would be sensible to maximise the potential of existing council land assets. These include garage sites. There are currently approximately 400 garages on various sites throughout the borough. Many garages are vacant and in need of repair. However, some sites have the potential to be redeveloped to provide new council housing.
- 5.12.2 Garage sites will be treated as a priority for new housing development. All sites will be assessed for suitability and a business case will be submitted for potential schemes.

### **5.13 Converting redundant Council buildings**

5.13.1 There are some vacant council buildings which have potential for conversion to housing but could also provide community use.

5.13.2 Priority will be given for community use if this is required, and any proposals will be the subject of a future business case.

### **5.14 Acquisition of new build homes**

5.14.1 Once feasibility, planning, procurement and construction are considered, it will take a while for the Council to deliver its own housing developments.

5.14.2 At the same time, there are deadlines in which to spend RTB receipts on new housing.

5.14.3 In this case, it would be reasonable to acquire some homes which are already built.

5.14.4 It would be better to acquire new build homes rather than old ones as they are more energy efficient and will have less maintenance issues.

### **5.15 Acquisition of older properties**

5.15.1 Although there is a preference for new build homes, older ones will also be considered in certain circumstances.

5.15.2 For example, acquisitions of homes adjacent to narrow entrances of garage sites may be made in order to aid the viability of development schemes.

### **5.16 Purchasing additional land**

5.16.1 Opportunities to acquire land both in the town centre and in villages will be sought.

5.16.2 A business case for any potential sites that are suitable for new council housing will be provided before any acquisition.

## **6 Options Considered**

6.1 Doing nothing is not considered an option as an Affordable Housing Development Plan will help to achieve corporate objectives.

## **7 Consultation**

7.1 The Affordable Housing Development Plan has been developed in response to the Housing Strategy which was subject to consultation with a wide range of partners and stakeholders.

7.2 The Affordable Housing Development Plan was considered by the Council's Scrutiny Committee in June 2022. The Portfolio Holder for Housing and Landlord Services was present for this session. Scrutiny committee members raised queries including the impact of the Government's Right to Buy Policy and ability to develop new homes to offset any reduction in housing stock, local connection criteria for allocating affordable homes and the volume of development of new homes. More detailed comments will be provided to Cabinet by the Committee Chair.

## **8 Next Steps – Implementation and Communication**

8.1 Subject to Cabinet approval, the proposed Affordable Housing Development Plan 2022-26 will be implemented.

8.2 The Affordable Housing Development Plan will be kept under annual review.

## **9 Financial Implications**

- 9.1 There are no direct financial implications as a result of the report but in order to deliver the Plan, the funding sources outlined in the funding paragraph above will be required. Any housing development proposal will be required to demonstrate its financial viability through the completion of a business case and the impact on the HRA business plan.

**Financial Implications reviewed by: Director for Corporate Services**

## **10 Legal and Governance Implications**

- 10.1 The Council has power under Section 9 of the Housing Act 1985 to erect or acquire houses for the purpose of providing housing accommodation. The houses so acquired must then be dealt with in accordance with the provisions of the Act, and any relevant subsequent legislation and may become subject to Right to Buy. The Right to Buy scheme is governed by the 1985 Act.
- 10.2 RTB receipts must be applied in accordance with relevant legislation and guidance and particularly Section 11(6) of the Local Government Act 2003 (LGA 2003) and the Local Authorities (Capital Finance and Accounting)(England) Regulations 2003 (as amended) and the terms of any agreement reached under the Local Government Act 2003 modifying the applicability of the regulations.
- 10.3 In finalising the Plan, the Authority must comply with the public sector equality duty as set out in S149 of the Equality Act.

**Legal Implications reviewed by: Deputy Monitoring Officer**

## **11 Equality and Safeguarding Implications**

- 11.1 The Affordable Housing Development Plan will make a significant contribution to the provision of additional high-quality affordable housing in the borough, providing homes for those facing homelessness and on lower incomes.
- 11.2 Equalities Impact Assessments will be undertaken on individual schemes as they are brought forward.
- 11.3 The proposals in this report do not raise any negative impacts for equalities and demonstrate that the Council has paid due regard to equalities as required by section 147 of the Equality Act 2010.

## **12 Community Safety Implications**

- 12.1 There are no community safety implications.

## **13 Environmental and Climate Change Implications**

- 13.1 Building new homes with energy saving measures will reduce carbon emissions and help to tackle climate change.

## **14 Other Implications (where significant)**

- 14.1 No direct implications

## 15 Risk & Mitigation

Risk No	Risk Description	Likelihood	Impact	Risk
1	The Affordable Housing Development Plan is rejected by stakeholders.	Low	Critical	Medium Risk
2	There is a delay in the implementation of the housing development programme.	Low	Marginal	Low Risk
3	The business case's developed for the delivery of new housing are shown not to be viable.	Low	Critical	Medium Risk

		Impact / Consequences			
		Negligible	Marginal	Critical	Catastrophic
Likelihood	Score/ definition	1	2	3	4
	6 Very High				
	5 High				
	4 Significant				
	3 Low		2	1, 3	
	2 Very Low				
	1 Almost impossible				

Risk No	Mitigation
1	The AHDP has been carefully considered in consultation with other departments. All comments and feedback will be considered, and the document will be amended if required.
2	Work is being done on the housing development programme while the AHDP is being considered and will be adjusted accordingly.
3	Business case's will be considered early to ensure that requirements for viability are met before submission.

## 16 Background Papers

16.1 None

## 17 Appendices

17.1 Appendix A: Affordable Housing Development Plan 2022-2026

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