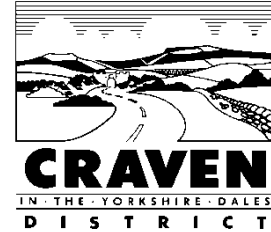


# AGENDA ITEM \$19

**NOT FOR PUBLICATION** : Appendix A is exempt by Virtue of Category 3 ( financial or business affairs of any particular person including the Council) of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended).

**Policy Committee – 15<sup>th</sup> December 2015**

## **ACQUISITION OF ONE SHARED OWNERSHIP DWELLING AT GIGGLESWICK**



Report of the Director of Services

Lead Member – Councillor Foster

Ward(s) affected: All

### **1. Purpose of Report -To**

- a) Update Members on the impact of Budget announcements on the ability of Registered Providers (RPs) to deliver affordable homes, which will result in the loss of some on-site affordable homes.
- b) Seek approval for the Council to acquire 1no. shared ownership dwelling at Lords Close, Giggleswick.

### **2. Recommendations - Members are recommended to approve:**

- 2.1 that the Council purchase 1no. shared ownership dwelling at Lords Close, Giggleswick at the approved Transfer Price of £1000 per sm. plus costs using commuted sums generated in lieu of the second affordable dwelling originally approved on-site
- 2.2 a supplementary estimate of £80,000 for the purchase of the property plus associated costs to be funded from the s106 receipt for the site.

### **3. Background**

- 3.1 For a number of years, the Council has worked with a range of RP partners to deliver affordable homes across the district. Increasingly, these are on mixed tenure sites where the RP buys homes from private developers on completion. This arrangement has worked well. As at 1 April 2015, the Council was working with seven RPs, having delivered 92 affordable homes in 2014/2015 and forecasting even higher completions in 2015/16.
- 3.2 .However, changes to rent setting policy announced in the Budget (a move from ten years of rent increases at CPI + 1% to four years of 1% rent

## AGENDA ITEM \$19

**NOT FOR PUBLICATION** : Appendix A is exempt by Virtue of Category 3 ( financial or business affairs of any particular person including the Council) of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended).

reductions), in addition to the impacts of Welfare Reform and a raft of measures to be introduced through the Housing and Planning Bill, from Right to Buy to Pay to Stay, have meant that all RPs are currently having to review their development programmes

- 3.3 The impact of these changes is twofold - firstly and most directly arising from the unplanned rent reductions, is the effect on development viability. In Craven and a number of other local authority areas, RPs pay approved transfer prices to buy completed affordable homes. In Craven, the transfer price ranges from £900 per sm. to £1000 per sm., dependent on property type and location. These prices are payable because of the rents and the rent increases charged by RPs. Rent cuts mean that an RP's ability to buy affordable homes comes under threat.
- 3.4 Secondly and more difficult to deal with, is the uncertainty these changes have brought. The RP sector is currently considering all options and all are making efficiency savings. Nationally a number of RPs have said they will no longer develop or take transfer of affordable rented housing, moving instead to low cost home ownership or market sale. Others, including those who operate in Craven, are still assessing the situation, believing it will be well into the New Year before the national picture and their position is clearer.
- 3.5 It is expected that there will always be some sites that will be viable to RPs. In addition, those areas such as Craven that have both relatively high values and housing demand will be more popular (although small sites and more rural ones may be less so). In the medium to long term, it is expected that the situation will improve as the full extent of financial change becomes clear and is addressed by RPs. In the meantime, it is important to understand that even though 40% of dwellings on a site may have been granted planning permission as affordable dwellings, if there is no RP able to buy them on completion, they will not remain as on site affordable homes. Instead they will all be sold as market housing by the developer, who will pay a commuted sum in lieu of the on-site homes. Expenditure of this sum will be time limited and (with relatively few opportunities for housing development), is unlikely to help meet housing need in the same area
- 3.6 Strategic Housing is currently in discussion with a number of developers who are either on site already or are looking to start on site. In a number of cases, Officers have been unable to identify a RP to take on the affordable homes. It is not that developers are not willing to provide the affordable homes but rather that RPs are unable to commit to buying them at this time. Whilst it is hoped that the situation will improve as the financial implications of the Budget and Spending Review become clearer, this cannot be guaranteed.

# AGENDA ITEM \$19

**NOT FOR PUBLICATION** : Appendix A is exempt by Virtue of Category 3 ( financial or business affairs of any particular person including the Council) of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended).

## 4.0 The Proposal

4.1 Within both national planning policy and local planning guidance there is a presumption in favour of on-site affordable housing provision. The aim is therefore to safeguard as many on site affordable homes as possible by introducing a 'fall-back' mechanism that will allow partial replacement of affordable homes with commuted sums in instances where there is no RP to buy the homes on completion. Whilst a number of affordable housing completions are some way off, two affordable homes at Lords Close, Giggleswick are due to complete this month. This is a small rural site, some way distant from the management base of any of the Council's RP partners. As a result, Officers have been unable to identify an RP partner to buy the homes at this time.

.4.1 It is therefore proposed that the Council buys one of the two affordable homes at Lords Close as a shared ownership dwelling, using commuted sums generated in lieu of on-site provision of the other, which will then be sold by the developer as a market home. The commuted sum payable (which must be used for the provision of affordable housing) is the difference between the transfer value of the dwelling (£70,000) and its market value less reasonable costs. Further financial detail is given at exempt **Appendix A**.

## 5. The Existing Affordable Housing Commuted Sums Pot

5.1 Commuted sums are not new. Over the years, the Council has chosen to take them in lieu of on-site affordable housing, where it meets wider Housing and Planning objectives to do so and where it can be robustly justified. This is in the context of national planning policy and local planning guidance that requires that affordable homes are provided on-site. At the current time, the Council holds £60,000 in unallocated commuted sums. Commuted sums taken this way are planned; their expenditure can therefore be planned too.

5.2 The mechanism for spending these sums was approved by Policy Committee at its meeting of 3 March 2015. A list of 'preferred options for expenditure' was agreed, with an outline programme for expenditure forming part of the Council's approval of its annual budget. Approval for specific expenditure of affordable housing commuted sums in line with the list of preferred options and the approved capital budget is delegated to the Director of Services in consultation.

## 6. The Purchase of Two Shared Ownership Dwellings at Littlecroft, Sutton

6.1 At its meeting of 9 June 2015 (Minute POL.669), Policy Committee approved

# AGENDA ITEM \$19

**NOT FOR PUBLICATION** : Appendix A is exempt by Virtue of Category 3 ( financial or business affairs of any particular person including the Council) of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended).

the acquisition of two shared ownership dwellings as part of a mixed tenure site (subject to recouping all costs); using £150,000 commuted sums held by the Council for the provision of affordable housing in the district as a whole (as distinct from 'fall-back' commuted sums), with selection of the affordable homes delegated to the Director of Services in consultation.

6.2. These dwellings have now been identified (Little Croft, Sutton) and acquisition has been authorised. Completion is expected in January 2016, with the homes marketed to local households in the first instance. Whilst the fund is recyclable, this is a pilot scheme and outcomes will be reported to Policy Committee.

6.3 The affordable homes at Giggleswick are being built by the same developer. They will complete at or near the same time as those in Sutton and the findings of the Little Croft pilot scheme will not be known prior to Policy Committee making a decision on buying a shared ownership dwelling at Giggleswick. Nonetheless, acquisition of 1 shared ownership dwelling at Giggleswick, funded by commuted sums generated by the site itself, is considered to represent little or no risk to the Council and is therefore recommended.

## 7.0 **Implications**

7.1 **Financial & Value for Money (vfm) Implications** – Financial implications for the Council are positive. Taking a commuted sum in lieu of one affordable dwelling at Lords Close to fund acquisition of the other (at the Council's approved transfer price of £1000 per sm) means that acquisition and on costs will be generated from within the site and recouped on sale of the dwelling to be spent on affordable housing elsewhere in the district. Any additional cost to the Council (e.g. council tax charges) will also be recouped at the point of sale. The Council will receive rental income at 2.75% of unsold equity.

7.2 The cost of the purchase plus costs estimated at £80,000 will be funded from the s106 receipt from the site. Costs will include legal fees, council tax, marketing and stamp duty. This purchase will be added to the Council's capital programme.

8. **Legal Implications** - The Council has the power to develop housing under Part II of the Housing Act 1985 which can be owned without the need for a HRA by requesting a s74 (3) (d) direction of the Local Government and Housing Act 1989.

# AGENDA ITEM \$19

**NOT FOR PUBLICATION** : Appendix A is exempt by Virtue of Category 3 ( financial or business affairs of any particular person including the Council) of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended).

## 9. **Contribution to Council Priorities -**

The recommendations directly contribute to a number of Council Priorities, namely

### **'Enterprising Craven'**

Determining future land allocations for housing and employment across the District outside the National Park and **securing affordable homes**, improving infrastructure throughout the District and supporting business growth.

## 10. **Risk Management**

There is a small risk that either there is insufficient demand for a shared ownership dwelling in Giggleswick or that lenders will not lend against this product. Some difficulties were experienced nationally with some lenders during the period of economic decline, when shared ownership was seen as something of a niche market. This was particularly the case with rural shared ownership, because of the restrictions on outright ownership. The situation is much improved with lenders generally and there is widespread acceptance now of the standard, government-approved, shared ownership lease.

## 11. **Author of the Report**

Wyn Ashton, Housing and Environmental Health Manager

Note: Members are invited to contact the author in advance of the meeting with any detailed queries or questions.

**See attached Exempt Appendix A**