



**AGENDA ITEM: 5(b)**

**CABINET:  
18 NOVEMBER 2008**

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**Report of: Executive Manager Housing and Property Maintenance Services**

**Relevant Portfolio Holder: Councillor Val Hopley**

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**SUBJECT: TRANSITIONAL HOUSING CAPITAL RECEIPTS AND  
AFFORDABLE HOUSING**

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5 November 2008

District wide interest

**1.0 PURPOSE OF THE REPORT**

- 1.1 To propose governance, monitoring and delivery options in relation to providing affordable solutions for the District.
- 1.2 To outline proposed options to utilise the available Transitional Housing Capital Receipts [THCR] funding earmarked for affordable housing purposes.

**2.0 RECOMMENDATIONS**

2.1 That Cabinet establish an Affordable Housing Cabinet Panel to:

- Drive forward the Council's work on developing affordable housing by ensuring that the local affordable housing policy is conducive to realising positive affordable housing outcomes
- Ensure appropriate housing need and housing market information is available to support need for affordable housing interventions, including LDF policy formulation
- Explore delivery mechanisms that will enable maximum benefit of THCR and any other funding that is levered in to West Lancashire

- Commission appropriate research to further the affordable housing agenda
  - Consider how to use THCR to invest in appropriate affordable housing schemes
- 2.2 That the Cabinet Panel agree a spending plan for the use of THCR funds, subject to any decisions made by Council during the budget process on the future Capital Programme.
- 2.3 That the Executive Manager Housing and Property Maintenance Services be given delegated authority to agree the terms of reference of the Cabinet Panel after consultation with the Leader.
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### **3.0 BACKGROUND**

- 3.1 One of the Council's Corporate Priorities is "Improving housing and ensuring that there is affordable housing available for local people". This priority is at the heart of the Council's Housing Strategy Update 2004-2009 and the recently approved Affordable Housing Strategy 2008 – 2013.
- 3.2 Achieving success against this priority and associated housing need priorities is dependent on a number of practical factors, some of which are beyond the direct control of the Council.
- 3.3 Identifying appropriate land opportunities, designing a financially viable scheme that meets identified housing need and contribute to balancing housing markets along with satisfying planning requirements, are just some of the principle challenges of delivering successful affordable schemes.
- 3.4 Due to the complex nature of introducing affordable housing products, it should be noted that the provision of funding alone will not guarantee positive outcomes unless appropriate support, policy, evidence and administrative structures are in place.
- 3.5 A typical scenario when trying to develop new build affordable housing is one whereby a landowner, a land agent or Registered Social Landlord approaches the Housing Strategy Unit with a plot of land, which cannot be developed by virtue of planning policy into residential market housing, but could possibly be used as an affordable housing site. What follows is generally a great deal of work, in establishing:
- If a need for affordable housing exists in any given location
  - An appropriate tenure mix
  - How to pay for the land and scheme construction
  - How to keep scheme costs down, yet deliver high quality housing that is "affordable"
  - Obtaining local community support for the scheme
  - Obtaining planning permission

- Overcoming hurdles such as design considerations, conservation issues, and meeting Lancashire County Council Highway requirements to name a few.
  - Dispelling misconceptions about the development and who can access it.
- 3.6 The above work is often resource intensive and, therefore, if an enquiry does not result in new affordable housing units, then the work can be regarded as abortive. In addition, the process is reactive in nature, very time consuming, expensive and does not guarantee that any affordable housing will be achieved.
- 3.7 The Affordable Housing Strategy 2008 – 2013 picks up on the issue mentioned in the above paragraph and aims to change our approach from “reacting” to land opportunities to being “proactive” and seeking out land opportunities within a “Commissioning Framework”, which adopts a strategic and ranking approach to identifying acceptable affordable housing development opportunities.
- 3.8 Clearly, for any type of intervention, an appropriate understanding of housing need, housing demand and local housing markets is required, not only in terms of an evidence base but also in definition terms. In that regard, this would mean establishing a mutual understanding of what affordable housing is regarded to be at a local level, from both an officer and Elected Member perspective. At the present time the Council has a definition of what constitutes affordable housing in tenure terms but not in financial terms.
- 3.9 As part of the Council’s commitment to its affordable housing Corporate Priority, Council approved a programme of spend for the THCR at their meeting on the 4th October 2006 and a sum of £2.3m was set aside to support affordable housing delivery across the District. The financial programme was revised by Council on 12 December 2007 and the total spent for affordable housing provision was set at £2.2m, a reduction of £100,000.
- 3.10 This THCR allocation was profiled on an indicative basis over five years from 2006/07 onwards covering an initial two phases of work activity.
- 3.11 The phases involve:

**Phase I - Detailed Housing Needs Survey**

- Aim – to identify housing need at both District and Parish/settlement level.

This would help us to target a development programme in areas of most housing need, once site availability was known through the phase II process. It would also help shape other affordable housing and housing need interventions required.

**Phase II - Affordable Housing Land Availability Assessment**

- Aim - identify land and buildings, which may be appropriate for the development of affordable housing

- Aim - assess the level of housing provision that could be created on the identified site
- Aim - assess the developability of the sites by identifying constraints and sustainability issues that might make the site unavailable and/or unsuitable for development

The above approach is intended to help shape a rank order of sites in relation to housing need and in terms of the sites potential to be developed.

- 3.12 It was anticipated that once a list of sites was established, through Phase II, then a transparent assessment process would be required to determine not only the rank order of sites but whether, and how, the Council should use its THCR fund to resource proposed development on the identified sites, as well as determine if there were other affordable housing delivery methods, that may achieve our aim. Additionally, the Cabinet Panel will wish to consider wider regeneration issues which could benefit from investment. A Cabinet Panel could then consider the various issues so that there is advised and informed debate across the complexity of the agenda. In that regard the assessment process would need to determine economic viability of developing sites, as well as being mindful of any other funding streams that could contribute, such a Registered Social Landlord reserves and/or Housing Corporation funding to regenerating areas and helping mixed development within sustainable communities.

**Important Note** – identifying sites does not mean that a landowner is prepared to sell at a price that will make a scheme economically viable for affordable housing.

#### 4.0 CURRENT POSITION AND PHASING PROGRESS

- 4.1 The total financial programme of £2.2m is made up of Revenue of £149,000 and the Capital element is shown below:

YEAR	Total £(000)
2008/09	751
2009/10	675
2010/11	600
2011/12	25
	<b>2,051</b>

- 4.2 The original programme of two phases is shown on the attached Composite Ranking report, which formed the Transitional Capital Receipts Programme 2006/7 – 2011/12 Bid Analysis. This is shown in Appendix A.
- 4.3 Preliminary work has taken place to date on both Phase I and II, however progress has not been as quick as first anticipated. This has not been due to

lack of effort to progress the issue. To the contrary, Officers have been considering how best to:

- Dovetail emerging external work programmes, in relation to housing market assessment and housing market area identification. In short, there has been a great deal of housing market research across Liverpool City Region, North West Region and Lancashire. Officers did not want to commission work which had the potential to either be out of kilter or duplicate elements of that regional work. In addition there was also the potential for the Council to benefit, in evidence base terms, from the work that was being undertaken and paid for by others, particularly work around identifying housing markets. This has had an impact on Phase I of the programme and how best to frame a consultants brief for local housing needs and housing market assessment work. These are very important activities as they also underpin our planning colleagues evidence base for Local Development Framework purposes. The regional work also underpinned Regional Spatial Strategy formulation.
- Dovetail existing internal work programmes, between the Planning and Housing Division in order to avoid duplication of work, confusion amongst members of the public and provide a consistent approach to similar work items. For example, planning colleagues have a requirement to undertake SHLAA – Strategic Housing Land Availability Assessments and Housing need to undertake research into land availability for affordable housing. This has had an impact on Phase II of the programme.

4.4 Other relevant factors to being able to make progress on Phase I and II, surround the availability of revenue funding. A transfer to revenue was made to reflect the nature of the expenditure as referenced in Quarter 1 Capital Monitoring Report , presented to Cabinet in September 2008.

4.5 Phase II work has been deferred further as a consequence of changes in the SHLAA timetable, the work being undertaken by planning colleagues. Their original timetable saw closure of the “call for sites” exercise in December 2007, however this was later re-opened and extended to end of July 2008. A first draft report from their consultants was scheduled for Autumn 2008, but is now unlikely to be ready until early 2009. That report will provide a preliminary assessment of the submitted sites. At that time the Housing Strategy and Development Section will be able to start making headway on identifying, along with planning colleagues, potential affordable housing site opportunities, although, further assessment may be required to determine developability of the sites by identifying constraints and sustainability issues that might make the site unavailable and/or unsuitable for development.

## **5.0 THCR SPEND OPTIONS**

5.1 There are a number of interventions that can be introduced that would require THCR funding. Not all relate to building new affordable housing. Spend options include:

- Introducing financial products that help facilitate the purchase of a home for first time buyers or other client groups
- Introducing financial incentives to RSL partners to ensure all RSL new build dwellings meet Lifetime Home Standards or other quality standards over and above current requirements
- Provide grant to RSL's to support new build development, in such a way that the level of grant requested from the Housing Corporation is reduced, thus making a scheme more appealing to the Housing Corporation
- Utilise for special projects such as developing housing for special needs groups – Learning or physical disability
- Purchase property for, and rent back to, special need clients
- Buy land as part of land assembly in line with Commissioning Framework priorities
- Buy existing houses, even through auction, to renovate and rent to residents, perhaps as part of bringing empty homes back into use
- Embark on an improvement for sale programme. This could also start off as rent and perhaps convert to sale at a later date
- Purchase property from those in mortgage arrears and lease/rent back or enter into arrangements with local banks, so as to avoid repossession scenarios
- Directly fund new build housing
- Look to find RSL partners who will enter in partnership and provide match funding for any Capital investment
- For use as capital funding as part of a Local Housing Company which could assist wider regeneration and associated affordable housing development
- Self build schemes
- Shared ownership subsidy – a fund that could be used to reduce rent requirements of new shared ownership dwellings, eg, every 10k provided would reduce monthly rent outgoings by £22
- Commuted sum fund – a fund that would be targeted at RSL's only developing affordable housing. The Council would pay the commuted sum liability up to a fixed sum for RSL's, thus reducing their grant requirement
- Purchase land as part of wider regeneration activity

- Build houses on land owned or acquired by the Council and then lease the property but attach to it a lease ingoing premium equivalent to multiplier of average household income. A model would then be used to restrict future resale prices, yet afford some benefit to the ingoing lessee
- Infrastructure works to support a strategically relevant scheme, such as relocation of existing car park facilities

5.2 In order to give Members a flavour of how a programme may look, attached at Appendix B is a draft two-year programme of work along with indicative costs. The programme reflects our Affordable Housing Strategy Action plan and also includes direct spend type items. The appendix does not attempt to balance the books in relation to the amount of THCR currently available. A steer would be required from Elected Members in relation to their delivery preferences and the amount of spend they feel is appropriate against those delivery types, although in accordance with usual practice the decision will be exercised by the Executive Manager Housing and Property Maintenance Services. Members will also need to consider the difficult financial situation facing the Council, as set out in the Budget Prospects report elsewhere on this agenda, and the need to produce a balanced Capital Programme.

5.3 While Elected Members may wish to commit the THCR funding, at this time, to one or a combination of the spend options shown in appendix B before doing so, they may wish to understand further, the wider theme based issues and approaches that can be adopted for the following:

- Definition of Affordable Housing
- Evidence Base - Housing Needs and Housing Market Assessment
- Commissioning Framework
- Land Assembly and Site Assessment
- Financial Packages to Support Affordable Housing Products
- Delivery Mechanisms
- Interim Measures

The above can further influence the way in which the THCR should be applied.

Appendix C touches on some of the issues relevant to the above.

## **6.0 VALUE FOR MONEY**

6.1 The original indicative spend profile for the THCR funding was framed around direct spend type activity, with some Officer and Member discussions centred on land buying activity. While this would be a way of securing sites, it may or may not represent value for money. Additionally, Members will be aware that there have been significant and fundamental changes in the housing market and

funding availability since the initial indicative programme was collated. It seems an appropriate time for the Cabinet Panel to modify this and reflect current market issues in terms of deliverability, scope and pace of work proposed.

- 6.2 In considering how best to use THCR funding earmarked for affordable housing purposes, this may be an opportune time, given the current housing market landscape, to consider if the fund can be utilised in such a way that it could lever in additional funds, match funding or whether there are opportunities to use some or all of the fund to create a recycled pot, which enables the current THCR to “stretch” and therefore achieve greater benefits for residents of West Lancashire. A mix and match of financial approaches could be considered.
- 6.3 The Housing Green Paper, issued late in 2007, and the Housing and Regeneration Act 2008, provide emphasis on trying to develop affordable housing, but also provide some flexibility that local authorities could explore in order to achieve their own local affordable housing objectives, for example that of establishing a local housing company. Members may wish to explore this option, as part of the wider THCR spend discussions.
- 6.4 The following gives a general indication of what would be provided as direct spend. Each bullet point line represents full THCR spend. (*Not all delivery scenarios are catered for*).

- 27 x 3 bed houses at 85 square metres suitable for rent
- The following is a combination of property types for rent. A total of 36 units

11 x 2 bed bungalow	55 square metre
11 x 2 bed flat	55 square metre
5 x 2 bed house	65 square metre
7 x 3 bed house	75 square metre
2 x 4 bed house	85 square metre
- 51 x 3 bed houses at 85 square metres suitable for shared ownership
- 44 x £50,000 Equity Purchase Loans – in this instance the loans would be repaid at some point in the future and therefore a capital return would be realised. The nature of the financial return and the timing would all be dependant on the terms and conditions established for the scheme.

The property examples above are based on **build costs only** at £850 per square metre. No consideration is given to land purchase costs, any other associated design, commuted sums, legal fees, professional fees or complex financial modelling.

## 7.0 GENERAL CONSIDERATIONS

- 7.1 Any project that tries to deliver affordable housing products tend to have a long lead in and delivery timetable, hence a quick turnaround of spend is unlikely.



7.2 From an accounting perspective the THCR funds may appear uncommitted, yet from a strategic delivery perspective, the funds actually underpin and form part of a long-term programme of affordable housing interventions and preparation activity.

## **8.0 CABINET PANEL**

8.1 Members will have noted that there are a number of interconnected issues which all have an impact on how best to utilise and spend the TCHR. With that in mind Members may wish to form a Cabinet Panel, to shape, monitor and approve our affordable housing framework in such a way that it:

- Produces viable affordable housing policy
- Meets Members affordable housing expectations
- Meets Members expectations in respect of data evidence base
- Meets housing need
- Deals with any other associated issues
- Assists wider regeneration proposals

8.2 A general process flowchart is shown at Appendix D

## **9.0 SUSTAINABILITY IMPLICATIONS/COMMUNITY STRATEGY**

9.1 Affordable housing is a corporate priority and as such compliments the Council's and LSP Sustainable Community Strategy objectives, particularly, *to provide more appropriate and affordable housing to meet the needs of local people..*

9.2 The recently agreed Local Area Agreement contains targets to be achieved in respect of affordable housing. Appropriate structures and spend of the THCR will help the Council achieve its LAA targets.

9.3 Statutory Guidance issued in July 2007, by Department of Communities and Local Government covering Community Strategy development, "Creating Strong, Safe and Prosperous Communities" places increased emphasis on Community Strategies ensuring synergy with Housing Strategy objectives, such as affordable housing. Again establishing appropriate structures and spend of the THCR will help the Council achieve affordable housing objectives and thus demonstrate synergy between our Sustainable Community Strategy 2007 - 2017 and Housing Strategy Update 2004-09.

## **10.0 FINANCIAL AND RESOURCE IMPLICATIONS**

10.1 The THCR are identified as available to fund capital expenditure and the Cabinet Panel needs to agree capital expenditure plans within the totality of the THCR budget, subject to the Council reviewing the overall Capital Programme as part of

the budget process, so that funding can be applied to meet objectives and maximise the delivery of affordable housing across the District.

## **11.0 RISK ASSESSMENT**

- 11.1 There is a clear need for Member ownership of this agenda and the approval mechanism to apply funding in a measured and informed manner.
- 11.2 Additionally, failure to demonstrate some real progress on this agenda would be reflected adversely in both achievement of a key Corporate priority, in meeting Government targets and in accessing available Regional and central funding streams as they become available.

## **12.0 CONCLUSIONS**

- 12.1 The THCR, represents a huge opportunity to make a difference to many local people, in that it can help produce or facilitate the development of affordable housing products, particularly if applied in a way that stretches the value of the initial capital sum.
- 12.2 It would be very easy to spend the THCR in a very short period of time, however by adopting a more patient and long term strategy of evidence based action, then our interventions are likely to benefit a larger number of people.
- 12.3 The THCR is a significant sum, but in the development world, where land values and development costs are high, there is a risk that the sum would be quickly swallowed up if due thought and diligence were not applied to understanding the whole development process along with how our own existing affordable housing policies could impact on us having more positive outcomes.

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### **Background Documents**

There are no background documents (as defined in Section 100D(5) of the Local Government Act 1972) to this Report.

### **Equality Impact Assessment**

There is no evidence from an initial assessment of an adverse impact on equality in relation to the equality target groups.

### **Appendices**

Appendix A - Composite Ranking report for the Transitional Capital Receipts Programme 2006/7 – 2011/12 Bid Analysis

Appendix B - Draft Two-Year Programme of Spend

Appendix C - Theme Based Issues

Appendix D – General Process Flowchart.