



**CABINET: 10 November 2020**

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**Report of: Corporate Director of Place & Community**

**Relevant Portfolio Holder: Cllr J. Wilkie**

**Contact for further information: Jonathan Mitchell (Extn. 5244)**  
**(jonathan.mitchell@westlancs.gov.uk)**

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**SUBJECT: AFFORDABLE HOUSING CAPITAL BUDGET**

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Wards Affected: Borough wide

## **1.0 PURPOSE OF THE REPORT**

- 1.1 To consider ending the current Regenda Partnership and using the remainder of the linked Affordable Housing Capital Budget to support Council development of affordable housing.

## **2.0 RECOMMENDATIONS TO CABINET**

- 2.1 That Cabinet endorse the ending of the Regenda Partnership with the remaining Affordable Housing Capital Budget being used directly by the Council to develop affordable housing through its Development Company, Tawd Valley Developments.
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## **3.0 BACKGROUND**

- 3.1 In June 2011, Cabinet approved an affordable housing project which involved the Council providing an Affordable Housing Capital budget to a housing association, through a funding partnership arrangement, to support the delivery of affordable housing in the Borough.

- 3.2 The funding partnership would operate until the budget available had been exhausted. This approach was considered necessary to help attract a partner. Additionally, it also took account of the variable nature of housing development, in that it takes time to locate sites and then determine if they are economically viable to deliver.
- 3.3 It was intended that the chosen housing association would help to make more of the Council's financial contribution by bringing their own financial resources and by them attracting additional affordable housing grant from the then Homes and Community Agency (HCA). The HCA are now known as Homes England.
- 3.4 At the time it was thought that up to thirty two rented properties would be built through such a partnership arrangement. The properties developed would be owned and managed by the chosen housing association, with the Council having nomination rights.
- 3.5 In January 2013, Regenda Housing Group were appointed as the delivery partner, following a formal selection process. The affordable housing capital budget that was available was £657,000
- 3.6 The partnership arrangement proved to be a success in the early years of its operation, and to date has resulted in sixty one affordable units being built, with the last of the units being provided during 2016/17.
- 3.7 The Council is able to dissolve the funding partnership at any time without affecting the Council's relationship with Regenda. Both parties will continue to engage with each other in respect of affordable housing opportunities that may arise in the future. Should such opportunities arise, then Regenda will be required to fund any development through other recognised means, such as Homes England affordable housing grant funding as is usual practice.

#### **4.0 CURRENT POSITION**

- 4.1 Despite the initial success of the funding partnership, and although Regenda Housing Group continue to look for viable development opportunities in West Lancashire, there are currently no schemes in the pipeline that would seek to access the Affordable Housing Capital budget within the next 12/18 months. Development activity has become stalled with the budget not being used since 2016/17 and so this report introduces an alternative approach to utilise the budget. The amount of budget remaining is £247,000.
- 4.2 Since the appointment of Regenda, the Council's approach to development has been able to change significantly. This is as a consequence of the Government allowing Local Authorities to increase their Housing Revenue Account borrowing headroom and the fact the Housing Revenue Account became self-financing. These changes meant that it became more conducive and economically viable for the Council to become directly involved in the

development of both market and affordable housing. In the case of affordable housing, the benefit is the retention of the homes built along with rental income.

4.3 To date the Council has:

- Directly developed two affordable housing schemes at Firbeck and Beechtrees in Skelmersdale and a market housing scheme at Walmsley Drive in Ormskirk;
- Established a development company in the form of Tawd Valley Developments, with the first development of 13 units at Eskbank in Skelmersdale now underway with start on site for 58 units planned during the remainder of 2020/21;
- Achieved Homes England Investment Partner status. This means the Council can apply for affordable housing grant in its own right.

4.4 The underlying reason for entering into a partnership arrangement with a housing association was because the Council did not, at the time, have a way in which to directly build or manage affordable housing development projects and to do so within the finance regulations that applied to the Housing Revenue Account at the time. This has now changed and the Council has capacity through the development company and is directly developing affordable and market housing.

4.5 With paragraph 4.4 above in mind, it is recommended to:

- a) Dissolve the partnership with Regenda Housing Group with immediate effect; and
- b) Use the remainder of the Affordable Housing Capital Budget to support in-house development of affordable housing through the Council's Development Company.

4.6 In operation of (b) above seek to:

- Apply for Homes England Affordable Housing Grant where appropriate to add to the Council's own budget; and
- Ensure that the Affordable Housing Capital Budget is spent, as is the case now, on developments that will provide additional affordable housing in line with the Council's Housing Strategy in order to address housing need in the borough.

4.7 The budget is not to be used to deliver the affordable housing planning requirement on market housing sites, except in such cases where it is possible to provide additional affordable housing units over and above the percentage required by planning policy on market housing sites.

## **5.0 BENEFITS OF THE PROPOSAL**

5.1 The remainder of the Affordable Housing Capital Budget will continue to be used to develop affordable housing as originally intended, but in doing so:

- the Budget will be used directly by the Council to support affordable housing development;
- may enable affordable housing units to be developed that reflect the Council's Climate aspirations as it relates to energy efficiency and zero carbon developments;
- the affordable housing built will remain in the ownership of the Council and rented to applicants from the Council's Housing register; and
- provides additional rent income for the council which helps to support the HRA Business Plan.

5.2 In contrast, the existing partnership arrangement with Regenda Housing results in the Council providing a capital payment to support the development of affordable housing but thereafter the Council has absolutely no financial interest in the new affordable housing. The housing is entirely owned and managed by Regenda Housing along with the rental stream. The Council does however receive nominations rights.

## **6.0 SUSTAINABILITY IMPLICATIONS**

6.1 The proposal will result in the development of much needed affordable housing in the Borough. This is in line with the Council's Housing Strategy and delivery objectives, particularly:

- Achieve the right supply of new homes including maximising affordable housing;

6.2 This report has no significant impacts upon crime and disorder.

## **7.0 FINANCIAL AND RESOURCE IMPLICATIONS**

7.1 There are no additional resource implications as an existing approved budget will be used.

7.2 This proposal seeks to redirect how the remaining Affordable Housing Capital Budget is used to deliver affordable housing with a preference for it to be used directly by the Council to achieve that aim.

7.3 It is likely that there is a positive implication, by virtue of using the Budget directly as it will support existing Council activity. Furthermore, the Council will

retain the affordable housing built as a Council asset and increase its rental income.

## **8.0 RISK ASSESSMENT**

- 8.1 By retaining the budget and using it towards affordable housing projects to be delivered by the development company, the Council will have direct control of the budget and how it is allocated to support the development of any given site. In that regard, the Council can ensure that the budget is spent in line with paragraph 4b above.
- 8.2 It is important that the Council maximises Homes England affordable housing grant income where this is sought. Where a given site will be seeking both Homes England affordable housing grant and use of this budget, then any Homes England bid will be structured in a manner to maximise Homes England affordable grant. This approach is possible because the grant per unit thresholds of Homes England can be discussed through their continuous market engagement processes, ahead of any bid submission.
- 8.3 There is a risk, in allocating the budget for affordable housing development through the development company in that the budget may not be spent. This is a risk that exists in the current Regenda funding partnership where development activity has come to a halt, with no suitable sites identified for development in the pipeline.
- 8.4 It should be noted that the development company is highly focused and actively looking for sites in and out of the Borough suitable for development over and above the sites identified in its current Business Plan. This level of activity increases the chance of finding sites suitable for this budget and therefore reduces the risk identified in paragraph 8.3. Furthermore, once the availability of this budget is confirmed for use through the development company, it may be deemed suitable on some previously identified sites.
- 8.5 In light of the above, use and allocation of the budget will be monitored through existing governance arrangements between the Council and the development company, including Tawd Valley Developments Shareholders Cabinet Working Group. In addition, the budget spend will continue to be reported as part of existing Capital outturn monitoring.

## **9.0 HEALTH AND WELLBEING IMPLICATIONS**

- 9.1 It is recognised that living in a safe environment in good quality housing can have positive benefits on good physical and mental health. Good health depends on having homes that are safe and free from physical hazards. In contrast, poor quality, expensive and inadequate housing contributes to health

problems such as chronic diseases and injuries, and can have harmful effects on childhood development.

- 9.2 Use of the Budget to develop good quality affordable housing contributes positively to health and wellbeing themes.
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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 direct impact on members of the public, employees, elected members and / or stakeholders by virtue of this report. Therefore an Equality Impact Assessment is not required.

### **Appendices**

There are no appendices