

South Lakeland District Council
Cabinet
10 November 2021
Affordable Housing Delivery Options

Portfolio: Housing Portfolio Holder
Report from: Director of Customer and Commercial Services
Report Author: Julie Jackson – Principal Specialist People
Wards: (All Wards);
Forward Plan: Key/Budget and Policy Framework Decision included in the Forward Plan as published on 12 October 2021

Links to Council Plan Priorities:

The proposal will seek to assist the Council in the delivery of more affordable homes through the use of the Right to Buy replacement scheme monies.

Working across boundaries – delivery of affordable homes will seek to contribute towards the Council's Housing and communities target to deliver 320 homes every year across the District.

Delivering a balanced community – the proposal will seek to assist in meeting Housing and communities targets to deliver 477 affordable homes for rent and 588 affordable homes to buy between 2020 to 2025.

A fairer South Lakeland – N/A

Addressing the climate emergency – potential for energy efficient new affordable homes.

1.0 Expected Outcome and Measures of Success

1.1 This proposal will mean that funds may be able to be used to increase the delivery of affordable housing in the District as well as ensuring that new homes are energy efficient contributing towards the Council's Climate Change ambitions set out in the Climate Change Policy 2020. This will be through potential land acquisition and grant funding to Registered Providers with deliverable schemes subject to further investigations outlined within this report under 3.0. This will assist in meeting housing needs of communities, working across boundaries and delivering balanced communities through the increased supply of affordable housing.

2.0 Recommendation

2.1 It is recommended that Cabinet:

(1) In principle and subject to Council approval, approve the change of policy from the provision of loans to the provision of affordable housing grants for Registered Providers, for a Right to Buy Replacement scheme subject to further investigations as detailed in 3.3 of this report.

(2) In principle approve the change of use from the provision of loans to include the acquisition of land for the delivery of affordable housing subject to further investigations as detailed in 3.3 of this report.

(3) agrees that a further report to Cabinet is brought back to a future meeting to clarify the outcome of the further investigations and to agree any delegations required.

(4) Requests Council to update the Capital Programme to reflect the change in use of the RTB capital receipt as set out in this report subject to further investigations outlined in 3.3 of this report.

3.0 Background and Proposals

- 3.1 The South Lakeland District Council Housing Strategy 2016 to 2025 contains an action to consider alternative methods of delivery of affordable housing to meet the Council's affordable housing targets for affordable rent and affordable sale homes. Action A3 of the Strategy Action Plan was "to consider options to establish a mechanism to help with land identification, acquisition and assembly; coupled with on-lending for new affordable housing delivery". Members may recall a decision made by Cabinet 28 November 2018 to approve the commencement of an affordable housing loan facility for the sum of up to £6m previously agreed by Cabinet in December 2017. This was to allow South Lakes Housing and other Registered Providers to draw down monies supporting the development of new affordable homes. Subsequent to this and despite work being carried out to agree terms, there has been a number of issues that renders the proposed loans scheme unworkable.
- 3.2 An alternative approach is now required to ensure funds in the Right to Buy Replacement Fund are applied to the delivery of affordable housing. There are strict guidelines in respect of Councils retaining the additional Right to Buy receipts arising from the increased level of discount from April 2012 being used to replace on a one to one basis stock that has been sold under the Right to Buy. This excludes improvements or conversions of existing stock, but rather refers to additional social housing to replace homes that been sold through the Right to Buy.
- 3.3 It is recommended that in principle approval is given for a change in approach from that of loans to the provision of grants and also direct acquisition of appropriate sites subject to some further investigatory work. This is due to the fact that legal advice has been received and this details that there is strict new criteria on use of Right to Buy receipts that will need some further investigation to ensure that these new criteria apply to the preserved Right To Buy receipts due to the Council and, if so, that the potential uses outlined in 3.3.1 to 3.3.5 below fit the criteria for use of these resources. Such conditions would then need to be reflected in any grant recipient(s)' grant agreement(s) as appropriate. Further clarification is being sought from the Department of Levelling Up, Housing and Communities to determine the potential use of these funds and whether new Government Guidance published 8 July 2021 that references major changes to the Right to Buy pooling system that took effect from 1 April 2021, applies to existing receipts received prior to 1 April 2021 or to receipts from preserved Right to Buy. A further report will be presented to Cabinet on 7 December 2021 outlining the findings and proposed schemes in more detail. The following paragraphs present the potential proposals subject to the outcome of these investigations.

Affordable Housing Grants to Registered Providers

- 3.3.1 The Council already has a Policy to provide affordable housing grants to Registered Providers through the Affordable Housing Grants, Empty Homes and Renovation Grant fund. Grant applications are submitted by the Council's preferred development partners for consideration and are assessed against two measures:

Firstly, the project addresses community needs, and

Secondly, the project needs to provide good value for money and deliverability.

It is possible that this Policy could be adapted to meet the Council's ambitions for affordable housing delivery, together with addressing energy efficiency standards in new homes. Following the outcome of the further investigations advice will be provided on whether a revised or new policy may be required.

- 3.3.2 Further clarification is being sought to determine whether the Right to Buy Replacement Fund monies can be used to provide affordable housing grants to Registered Providers on a similar basis as those provided through the Affordable Housing Grants, Empty Homes and Renovation Grant fund. The approval process previously agreed by Cabinet is that grants under £100,000 can be agreed by Administrative Decision and grants £100,000 and over need Cabinet approval. Amendments to the constitution will be considered as part of this process should we proceed.
- 3.3.3 Early discussions with Registered Providers indicate that there are potential schemes where grants could be used effectively to increase affordable housing provision, and to ensure new schemes have high energy efficient standards to benefit residents and reduce fuel poverty.
- 3.3.4 It could be that the approval of a grant offer will be considered as a securing of commitment to expenditure. The proposals will best ensure that the existing funds are applied to the delivery of affordable housing in the South Lakeland District.

Purchase of land

- 3.3.5 Further clarification is being sought to determine whether the Right to Buy Replacement Fund monies can be used to purchase land that can then be later developed by the new Unitary Council that arises from the Local Government Reorganisation process, or by a Registered Provider should the Council decide to sell, for example, for less than best consideration, in order to enable new affordable homes. This would be consistent with the Council's Housing Strategy's Action A3 referred to in 3.1 above that specifically references the acquisition of land and assembly.

4.0 Appendices Attached to this Report

Appendix No.	Name of Appendix
1	Health and Sustainability Impact Assessment

5.0 Consultation

- 5.1 Consultation with Registered Providers and other parties to assess the deliverability of these proposals.

6.0 Alternative Options

- 6.1 Members could decide to not pursue any proposals for use of the Right to Buy Replacement Fund at this time, however, this is not recommended as the opportunity to use these funds to meet the needs in South Lakeland could be lost.

7.0 Implications

Financial, Resources and Procurement

- 7.1. There is currently £3m in the capital programme KRT10 for the provision of loans from RTB receipts for 2021/22. A further £3m is to be included within the capital programme for 2022/23 based on current and assumed future levels of receipts from sales.
- 7.1.2 The Council currently holds £5.47m of capital receipts from RTB sales, of which £5.105m was received before 1 April 2021 and receipts relate to sales between 1 April 2012 (when the previous rules on RTB capital receipts came into effect) and before 1 April 2021 (when the revised rules for RTB capital receipts come into effect). These

capital receipts all related to sales under the preserved Right to Buy (RTB) that applies to tenants of housing associations who retain their Right to Buy when their home is transferred to a housing association from a local authority. These preserved RTB receipts were specifically excluded from the 2012 rules for pooling of RTB receipts.

- 7.1.3 Council on 30 March 2021 agreed to earmark a total of £1.571m of the RTB receipts for contingency and guarantees relating to the Cross-a-Moor roundabout to facilitate the provision of affordable homes leaving a maximum of £3.898m that can be committed to other projects before 31 March 2022. Clarification is being sought from DLUHC to confirm whether any RTB receipts relating to 2021/22 can be committed once received in April 2022.
- 7.1.4 There will need to be a change to the capital programme to change the use of the monies from loans to the proposals set out in this report for grants and land acquisitions.
- 7.1.5 It is envisaged that, dependent on the LGR timescales, there may need to be a change to the timescales for the commitment of funds which will be set out in a report to Council on 14 December 2021. This will be clarified when at Structural Changes Order and any related determinations are reported to Council.
- 7.1.6 It is proposed that for individual schemes, delegated authority be given..
- 7.1.7 There are resource implications in respect of the legal work required to complete the necessary grant agreements and in relation to purchase of land.

Human Resources

- 7.2 N/A.

Legal

- 7.3 A Council decision is required to repurpose the monies from loan to grant and this is part of the recommendations and will be the subject of a separate report.
- 7.3.1 Legal advice has been sought on the proposals contained within this report. Legal and finance colleagues are seeking clarification from Department of Levelling Up, Housing and Communities regarding the criteria and conditions on use of Right to Buy receipts. The Council may need to then reflect this into our grant conditions and agreements.
- 7.3.2 The Constitution may also be required to be amended to accommodate the changes required for decision making regarding the approval of grants, land acquisition and other matters.
- 7.3.3 There will be a requirement for grant agreements to be in place for any successful grant applications. Legal Services will assist the Service in drafting these.
- 7.3.4 Legal work will be required in respect of the purchase of any potential land for the conveyancing work.
- 7.3.5 There are resource implications to ensure that the legal work is progressed at pace alongside existing and other new commitments including LGR. This is set out under the Finance section at 7.1.
- 7.3.6 Subsidy Control advice will be required as part of these proposals.
- 7.3.7 The Implications of any proposals relative to Local Government Reorganisation will be continually reviewed.

Health and Sustainability Impact Assessment

- 7.4 Have you completed a Health and Sustainability Impact Assessment? Yes (attached at Appendix 1)
- 7.5 If you have not completed an Impact Assessment, please explain your reasons: n/a

7.6 Summary of Health and Sustainability Impacts

		Positive	Neutral	Negative	Unknown
Environment and Health	Greenhouse gases emissions		Y		
	Air Quality		Y		
	Biodiversity		Y		
	Impacts of Climate Change	Y			
	Reduced or zero requirement for energy, building space, materials or travel				
	Active Travel		Y		
Economy and Culture	Inclusive and sustainable development	Y			
	Jobs and levels of pay		Y		
	Healthier high streets		Y		
	Culture, creativity and heritage		Y		
Housing and Communities	Standard of housing	Y			
	Access to housing	Y			
	Crime		Y		
	Social connectedness		Y		

Equality and Diversity

7.7 Have you completed an Equality Impact Analysis? No

7.8 If you have not completed an Impact Analysis, please explain your reasons: contained within Equality Impact Assessment for the South Lakeland Housing Strategy 2016-2025

7.9 Summary of Equality and Diversity impacts

Please indicate: P = Positive impact; 0 = Neutral; N = Negative; Enter "X"						
Age	P	X	0		N	
Disability	P	X	0		N	
Gender reassignment (transgender)	P		0		N	X
Marriage & civil partnership	P		0		N	X
Pregnancy & maternity	P		0		N	X
Race/ethnicity	P		0		N	X
Religion or belief	P		0		N	X
Sex/gender	P		0		N	X

Sexual orientation	P		0		N	X
Armed forces families	P	X	0		N	
Rurality	P	X	0		N	
Socio-economic disadvantage	P	X	0		N	

Risk Management	Consequence	Controls required
There is a risk that expenditure of funds may be restricted in future by the LGR process.	The schemes may not go ahead and resources could be reallocated elsewhere.	Create commitment to expenditure through the approval of the grants
There is a risk that Registered Providers may not choose to apply for funds to support the affordable housing delivery.	Schemes may not go ahead.	Engagement with Registered Providers to gain commitment.
There is a risk that the land could be sold to alternative buyer.	Ability to ensure land is used for affordable housing may be limited to planning policy only rather than 100% affordable schemes.	Progress with the purchase of the land.

Contact Officers

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Background Documents Available

Name of Background document	Where it is available
South Lakeland District Council Housing Strategy 2016 - 2025	South Lakeland District Council web-site .

Tracking Information

Signed off by	Date sent	Date Signed off
Section 151 Officer	7.10.21	27.10.21
Monitoring Officer	7.10.21	02.11.21
CMT	21.10.21	21.10.21

Circulated to	Date sent
Lead Specialist	7.10.21
Human Resources Lead Specialist	N/A
Communications Team	N/A
Leader	13.10.21
Committee Chairman	N/A
Portfolio Holder	13.10.21
Ward Councillor(s)	N/A
Committee	N/A
Executive (Cabinet)	10.11.21
Council	14.12.21