

<b>Report to:</b>	Cabinet	<b>Date of Meeting:</b>	Thursday 26 May 2022
<b>Subject:</b>	Provision of Council Housing at Buckley Hill Lane, Netherton		
<b>Report of:</b>	Head of Economic Growth and Housing	<b>Wards Affected:</b>	St. Oswald;
<b>Portfolio:</b>	Cabinet Member - Communities and Housing		
<b>Is this a Key Decision:</b>	Yes	<b>Included in Forward Plan:</b>	Yes
<b>Exempt / Confidential Report:</b>	No, however, the information contained in Appendix 3 is NOT FOR PUBLICATION by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972. The Public Interest Test has been applied and favours the information being treated as exempt		

### **Summary:**

This report seeks approval to proceed with the acquisition of homes at Buckley Hill Lane, Netherton through the provision of 13 homes for social rent and shared ownership

### **Recommendation(s):**

#### **Cabinet is asked to:**

- (1) Agree the Business Case for the acquisition of 9 homes for social rent and 4 homes for shared ownership from Sandway Homes at the Buckley Hill Lane development in Netherton and recommend that Council approve and financially support as a capital scheme committing the use of Section 106 affordable housing receipts and Historic Right to Buy receipts to fund the purchase
- (2) Give authority to the Head of Economic Growth and Housing in consultation with the Cabinet Member for Communities and Housing and Cabinet Member for Regulatory Compliance and Corporate Services to negotiate and agree the financial terms with Sandway Homes as identified within the Business Case and formally submit an offer to acquire the homes subject to the Council being able to secure grant funding from Homes England to cover the viability gap
- (3) Give authority to the Head of Economic Growth and Housing in consultation with the Cabinet Member for Communities and Housing and Cabinet Member for Regulatory Compliance and Corporate Resources to submit a bid to Homes England for capital grant funding through the Affordable Homes Programme 2021-26 supporting the acquisition to cover the viability gap and subject to grant offer to enter into contract with Homes England
- (4) Give authority to the Chief Legal and Democratic Officer to negotiate the contract terms and finalise all associated legal documentation for the purchase and acquisition

(5) Instruct officers to develop the operational requirements for the new council homes as set out in the Cabinet report and Business Case and delegate authority to the Executive Director of Place in consultation with the Cabinet Member for Communities and Housing to approve the details

(6) Note the intention to seek Council approval for a Supplementary Capital Estimate once negotiations have concluded and the overall costs of the scheme are known

(7) Note the intention to seek Council approval for the net rental income from the scheme, including that received during the initial payback period, is reserved and reinvested into the Council Housing Programme

### **Reasons for the Recommendation(s):**

To progress with the delivery of council housing at Buckley Hill Lane through the acquisition of 9 apartments for social rent and 4 houses for shared ownership from Sandway Homes and apply for Homes England Affordable Homes Programme (AHP) 2021-26 grant funding to support the acquisition (Option 3 in the Business Case).

### **Alternative Options Considered and Rejected:** (including any Risk Implications)

Option 1 – Do Nothing, choose not to provide council housing

The Council could choose not to provide council housing at Buckley Hill Lane, however this could limit the opportunity to provide new social housing aimed to meet identified housing need in Netherton and does not align with the strategic case for Council housing delivery. Further, this option would remove the complimentary offer of additional social housing provision thereby relying on Housing Associations to meet housing need.

Option 2 – Acquire 9 apartments for social rent with grant funding

Acquiring 9 homes for social rent would support the Council's ambition to provide affordable housing to households in housing need in Sefton. Applying for grant funding would enable the scheme to be financially viable to deliver. However, the further 4 shared ownership homes would need to be delivered by another Registered Provider.

Option 3 – Acquire either mix without Homes England grant funding

The Council could proceed with approval for the acquisition of homes at Buckley Hill Lane based on the Business Case but choose not to apply to Homes England for grant funding through the AHP and instead fund solely from its own financial resources. This option is not recommended on the basis that acquisition would not be financially viable for the Council to deliver.

### **What will it cost and how will it be financed?**

#### **(A) Revenue Costs**

Revenue costs will be required for the ongoing and long-term housing management and maintenance of the properties once they are in Council ownership. The cost of this service will be off set against the rental income that the Council will receive from letting of the properties. An assumption of costs has been made within the Business Case based

on benchmarking with the social housing sector. An updated scheme appraisal can be undertaken once a Housing Management Agent is procured and appointed, and firm housing management and maintenance costs known.

No borrowing has been assumed in the delivery of the scheme due to the existing capital finance available within the Council to support the delivery of social housing, however the appraisal is modelled to generate payback of the capital investment. It is recommended that this payback and any future net rental income beyond the payback period is reserved and reinvested into the Council Housing Programme to reflect year on year fluctuations and also develop and enable the provision of future council housing delivery across Sefton. There is therefore no impact on the bottom-line budget.

## **(B) Capital Costs**

Capital acquisition costs are fully detailed within the Business Case along with the level of grant funding required to make the scheme financially viable. The final capital cost required will be subject to further work to negotiate the shared ownership homes and a competitive bid being made to Homes England for grant funding and a subsequent grant offer being made and accepted.

Sufficient finance is available to support the acquisition through S106 commuted sum monies for the provision of affordable housing and Historic Right to Buy Sharing Agreement receipts following the Councils stock transfer to One Vision Housing.

### **Implications of the Proposals:**

#### **Resource Implications (Financial, IT, Staffing and Assets):**

Financial resources are required to fund the acquisition of properties from Sandway Homes as a capital cost. Revenue resources are required to fund the housing management and maintenance service that the Council will offer to its tenants through an appointed Housing Management Agent, the cost of which will be fully funded by rental income received for the properties.

Specialist external advice is required to support in a number of areas to enable the operational activity in delivering council housing including legal and project management of the acquisition. The procurement and financing of external support was approved at Cabinet in January 2021.

There will be an asset implication resulting from the acquisition of properties, although the management and maintenance of which will be managed by a Registered Provider following a compliant procurement process.

#### **Legal Implications:**

A local authority may hold up to 199 homes outside of a Housing Revenue Account under a Government direction subject to writing to the Secretary of State for Housing Communities and Local Government to apply to hold specific homes outside of an HRA.

Sefton Council have registered as a Registered Provider of Social Housing with the Regulator of Social Housing based on the intention to provide social housing as is required under Section 114 of the Housing and Regeneration Act. The Council will be subject to regulatory and legislative requirements and compliance through its new landlord duties.

There would be a requirement to provide tenancy agreements for each property determined by the Housing Act 1985, Housing Act 1996, and Localism Act 2011. Standard tenancy agreements would need to be developed with the support of expert legal advice. Such agreements could then be utilised for any future council housing properties considered.

Section 27 of the Housing Act 1985 allows local authorities to enter into management agreements in relation to their housing stock. Under this Section 27, local authorities which are Registered Providers of social housing are required to seek the approval to these agreements from the Regulator of Social Housing. Further, the Council would need to enter into contract with the appointed Housing Management Agent.

The Council would need to enter into a new supply contract with Homes England to agree to the terms and conditions attached to any grant offer and ensure compliance with the AHP.

**Equality Implications:**

An Equality Impact Assessment has been undertaken through development of the Business Case and no negative impacts have been identified. The EIA found that the provision of council housing and subsequent landlord service will have a positive impact on the protected characteristics of age and disability. The EIA will be reviewed and updated at the relevant review point and as work continues with the operational requirements to enable the Council to provide council housing.

**Climate Emergency Implications:**

The recommendations within this report will

Have a positive impact	N
Have a neutral impact	N
Have a negative impact	Y
The Author has undertaken the Climate Emergency training for report authors	Y

Building of new homes will have a negative impact on the Climate Change Emergency as a result of the construction and build process. Sandway Homes have included mitigation measures within their design for the development and will be undertaking the development in a manner compliant with Planning policy EQ7 Energy efficient and low carbon design.

Measures introduced at Buckley Hill Lane to reduce the carbon footprint through construction include:

- Electric vehicle charging points to each dwelling and to the apartment block
- Energy efficient design with high thermal efficiency values to reduce heat loss, high efficiency boilers and heating systems
- Sustainable design and landscaping throughout the site with ‘green streets’
- Surface water drainage integrated into landscape features to encourage wildlife

**Contribution to the Council’s Core Purpose:**

Protect the most vulnerable: New council housing at Buckley Hill Lane will provide secure, quality homes to those most in housing need. Homes will be let at social rent level which offers the most affordable route to social housing. Homes will be developed to high energy efficiency standards which will help to reduce energy bills for tenants

Facilitate confident and resilient communities: Provision of new council housing will provide additional housing choice to local communities in Sefton. Homes will be offered through Council tenancies enabling stability for households and families in housing need creating sustainable, confident, and resilient communities. A new housing management and maintenance service will be in place for tenants of any new council owned homes and will support tenants and communities through this service. Provision of shared ownership homes will provide an added housing offer and alternative route to home ownership at Buckley Hill Lane.

Commission, broker and provide core services: Provision of new council housing will become a core service. A housing management and maintenance service will be procured, and the Council will work with a Registered Provider of Social Housing to deliver this for new Council tenants. Homes will be let through the existing allocations scheme, Property Pool Plus which is already in place as a core service.

Place – leadership and influencer: Not applicable

Drivers of change and reform: Delivery of new council housing will offer homes at social rent adding to the existing provision of social housing in Sefton and providing an alternative social housing offer to those in housing need.

Facilitate sustainable economic prosperity: Development of Buckley Hill Lane and other sites within Sandway Homes' Phase 1 programme will generate direct and indirect employment and training opportunities supporting economic prosperity. Supply chains such as contractors, suppliers, technical and professional services will be supported throughout the development process.

Greater income for social investment: Not applicable

Cleaner Greener: Newly developed council housing will provide high quality homes and be energy efficient with low carbon design measures. Design of the homes has been developed by Sandway Homes to be compliant with Planning policy and Building Regulations.

## **What consultations have taken place on the proposals and when?**

### **(A) Internal Consultations**

The Executive Director of Corporate Resources and Customer Services (FD.6772/22) and the Chief Legal and Democratic Officer (LD.4972/22.) have been consulted and any comments have been incorporated into the report.

### **(B) External Consultations**

Not applicable

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## **Appendices:**

The following appendices are attached to this report:

Appendix 1 – Business Case: Provision of Council Housing at Buckley Hill Lane, Netherton

Appendix 2 – Equality Impact Assessment: Provision of Council Housing

Appendix 3 - Exempt Appendix Business Case Provision of Council Housing at Buckley Hill Lane, Netherton

Appendix 3 is exempt from publication under Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 as it contains commercially sensitive information

## **Background Papers:**

Cabinet (07/01/02021) – Item 79 – Provision of Council Housing Buckley Hill Lane, Netherton

### **1. Introduction/Background**

- 1.1 In January 2021, Cabinet considered a report seeking approval for the Council to re-enter the social housing market through the provision of Council housing for rent and set out the direction of travel to achieve this. Authority was granted to negotiate terms to acquire one block, comprising nine apartments (6 x 1-bed, 3 x 2-bed), as the start of its future stock of council housing from Sandway Homes, and as part of Sandway's development at Buckley Hill Lane, Netherton.
- 1.2 Since approval of the Cabinet report, officers have been in discussion and negotiation with Sandway Homes. A Business Case has been now prepared for consideration by Cabinet, which is appended to this report at Appendix 1, setting out the proposed acquisition and detailed costs to the Council and to seek approval to proceed with the acquisition as a capital scheme. A full risk register is detailed within the Business Case document.

### **2. Buckley Hill Lane Development**

- 2.1 In November 2021, planning permission was granted for the Buckley Hill Lane development to include the provision of 13 affordable homes. The provision of 13 affordable homes means that the development is compliant with the Council's planning policy and consists of the previously agreed 9 apartments offered to the Council for council housing and a further 4 homes to be provided as shared ownership. Sandway Homes offered the Council the opportunity to acquire all 13 homes forming the total affordable housing provision for the site. The Council

acquiring the full provision offers benefits in that it would be the sole provider of affordable housing on the site as opposed to a second RP acquiring the small number of homes for shared ownership.

- 2.2 In working to bring forward Council housing at Buckley Hill Lane, officers have undertaken a financial viability appraisal, with the support of a specialist consultant, based on a key set of assumptions to determine the viability of delivering both the originally approved 9 apartments for social rent of which independent valuation has been undertaken and purchase price agreed with Sandway Homes and the alternative offer of a mixed scheme for social rent and shared ownership. The purchase price for the shared ownership homes may change as further work will need to be undertaken including obtaining independent valuation subject to proceeding with the full acquisition.
- 2.3 Full financial viability appraisal outcomes are detailed within the appended Business Case. Both acquisition opportunities are viable to deliver in financial terms with the requirement of grant from Homes England through the AHP 2021-26.
- 2.4 Officers have been in dialogue with Homes England about the availability of grant funding to support the delivery of council housing at Buckley Hill Lane. Bidding for grant funding through the new AHP is now open through Continuous Market Engagement (CME) route on a scheme by scheme basis which is the intended route for any bid made by the Council. The programme requires a start on site by 30 September 2025 and completion by March 2026, which is in line with Sandway's programme for the site.
- 2.5 Alongside a bid for grant funding, the Council will be required to apply as an Investment Partner to Homes England and achieve this status prior to the payment of any grant. Approval of any grant funding will require the Council to enter into a new supply contract with Homes England and ensure compliance with the contractual framework, including the Capital Funding Guide and recovery determination. A review of compliance may take place through Compliance Audit post completion and handover of the homes and so it is important to prepare and plan for this throughout the bidding process and grant drawdown process.
- 2.6 Capital resources are also available internally to contribute to funding the purchase of homes from Sandway Homes arising from s106 commuted sum monies for the provision of affordable housing and the historic Right to Buy Sharing Agreement following the Council's' stock transfer.

### **3. Housing Need and Demand**

- 3.1 Sefton's Local Plan identifies a need for new homes, including affordable homes across Sefton to 2030. The latest Strategic Housing Market Assessment (SHMA) 2019 evidence continues to support the need for the provision of affordable housing identifying an annual estimated need of 391 new affordable homes.
- 3.2 The need for affordable housing differs between the North and the South of the borough in terms of the type and size of homes needed. SHMA evidence suggests that there is an adequate supply of general needs housing across the South (Bootle/Netherton), however there remains a need for smaller 1- and 2-bedroom

homes, some larger (4+ bedroom) homes and some specialist accommodation such as homes for people with disabilities.

- 3.3 Provision of rented homes at Buckley Hill Lane will provide 6x1-bedroom and 3x2-bedroom apartments aimed at meeting identified need within Netherton with all ground floor apartments being accessible and adapted with level access shower facilities. Housing need for this accommodation type is further supported by demand evidence from the Council's Property Pool Plus (PPP) waiting list which shows that over half of the households currently registered for affordable housing for rent require 1-bedroom homes. Data also demonstrates strong demand for adapted properties with only a small number of adapted homes becoming available to let compared to those registered based on this housing need.
- 3.4 The SHMA recognises the likely demand in Sefton for affordable home ownership homes and suggests that shared ownership is likely to be the preferred product due to requiring a much lower deposit and lower overall costs making it more affordable than alternative home ownership routes. Recognising the adequate supply of general needs rented housing in Bootle and Netherton, Planning policy requires a tenure split for affordable housing in these areas of 33% affordable or social rent; 67% affordable home ownership. The SHMA does recognise that Bootle and Netherton are affordable in relation to accessing home ownership on the open market due to lower house prices, however, shared ownership will provide further housing choice in the area and aligns with the preferred choice of product.

#### **4. Operational Requirements and Further Work**

##### ***Buckley Hill Lane Development and Shared Ownership***

- 4.1 Recommendation 1 is to proceed based on acquiring the mixed tenure offer of social rent and shared ownership. Further work and negotiation will be required with Sandway Homes to agree a purchase price and the Council would need to undertake an independent valuation for the 4 shared ownership homes. An updated financial viability appraisal can then be undertaken for the scheme and a grant offer to Homes England informed accordingly.
- 4.2 The alternative mix presents a new tenure for the Council to consider delivering and further work would be required to model the tenure including first tranche sales, staircasing points and associated costs and risks to the Council to deliver which will include a sales and marketing risk. Government have introduced a new model for shared ownership following consultation which includes the following key changes to the tenure that will require modelling:
- Reduction in the minimum first tranche share to 10%
  - Ability for shared owners to staircase by 1% annually for up to 15 years
  - A 10-year repair free period during which the landlord will be responsible for repairs up to £500 per year
  - Minimum 990-year lease terms

##### ***Housing Management Agent***

- 4.3 Further to the January 2021 Cabinet resolution, work is ongoing to procure and appoint a housing management agent. During 2021 a soft market testing exercise was undertaken with Registered Providers (RPs) currently operating in Sefton to help understand the appetite in working with the Council to support activities in delivering Council housing including potential development expertise and options for housing management and maintenance services.
- 4.4 Feedback was generally positive, and work is underway to undertake a full procurement exercise to appoint a Housing Management Agent. Under Section 27 of the Housing Act 1985, the Council will need to seek approval for its housing management arrangements and will follow guidance issued by the Regulator of Social Housing (RSH) in doing so.
- 4.5 Irrespective of its housing management arrangements, the Council will remain accountable as landlord. Procurement of a service will include detailed specification, a specialised contract between the Council and Registered Provider and a robust performance framework that will be used to report to the Council across financial, operational, and regulatory services.
- 4.6 In addition to the work to progress the acquisition of homes at Buckley Hill Lane, work is ongoing in relation to the wider Business Plan for the provision of council housing which will include consideration of the Council's decision-making framework and constitution relating to future council housing stock and how and where reports will be considered, and decisions taken. A future report will be brought to Cabinet setting out the Business Plan as agreed in January 2021.

### ***Regulatory Requirements***

- 4.7 Registered Providers of Social Housing in England are regulated by the Regulator of Social Housing (RSH) as legislated through the Housing and Regeneration Act 2008 with Section 114 setting out the requirements for the registration of Local Authorities.
- 4.8 Sefton Council are now registered as a Registered Provider of Social Housing with the RSH based on the intention to provide council housing. Registration is also required for any providers seeking to apply for grant funding through Homes England's AHP.
- 4.9 The Council will need to ensure compliance with legislative and regulatory frameworks in delivering its landlord function including the setting of rents and service charges for its rented properties. Rents are to be set according to Government formula in accordance with the policy statement on rents for social housing and in compliance with the RSH Rent Standard.
- 4.10 Tenancy agreements will need to be provided for each property that the Council lets. There are certain types of tenancy that a Council can grant to its tenants; the appropriate tenancy type and standard template would need to be developed ready for when the properties are handed over and expert legal advice would be required to support with this. Once prepared, tenancy agreements can then be used for any future properties that the Council may deliver providing that they are suitable.

- 4.11 Similarly, arrangements will need to be developed for the sale of shared ownership properties. Homes England have developed various model leases for houses and flats to assist shared ownership providers, however this is an area that the Council would need to seek legal advice on.

### ***Social Housing White Paper***

- 4.12 In November 2020, the Government published its Social Housing White Paper titled 'The Charter for Social Housing Residents' following consultation and engagement with social housing residents after the Grenfell Tower fire. The paper set out plans to raise standards, increase transparency and give social housing tenants a voice and ensure they are listened to. Many of the proposals set out in the paper require legislative changes to be introduced.
- 4.13 On 29<sup>th</sup> March 2022 the Department for Levelling Up, Housing and Communities have published draft clauses for social housing regulation with a view to delivering the transformational change. Primary legislation will be introduced when Parliamentary time allows. Regulatory changes will affect the regulation of social housing providers, including Local Authority providers and the changes will be monitored and considered throughout the new programme development.

### **Conclusion**

- 5.1 Following detailed financial viability appraisal and discussion and negotiation with Sandway Homes, delivery of the Council's first homes at Buckley Hill Lane can be achieved in financial terms and will meet the Council's strategic priorities by providing new, quality, safe and secure homes to households in housing need.
- 5.2 The original option of acquiring 9 apartments for rent is achievable and an additional alternative option to acquire 13 homes, 9 apartments for rent and 4 houses for shared ownership has now been presented for consideration. Shared ownership involves delivering a different type of tenure and brings a different set of risks for the Council including sales and marketing risk as well as resource requirements in relation to staircasing and additional maintenance costs brought by the new model. Whilst there are challenges, shared ownership offers an affordable route to home ownership and broadens the housing offer provided by the Council.
- 5.2 Further work is required around the operational aspects of delivering council housing including the housing management specification and housing management agreements, development of tenancy agreements and lease agreements, the setting of rents and service charges.
- 5.3 The new homes at Buckley Hill Lane will be the first of the Council's new homes for council housing and a separate Business Plan will be brought to Cabinet to set out proposal for a new Council Housing Programme in Sefton.