

Report to:	Overview and Scrutiny Committee (Regeneration and Skills)	Date of Meeting:	25 June 2024
Subject:	Council Housing Programme	Wards Affected:	All
Report of:	Assistant Director Economic Growth and Housing		
Is this a Key Decision?	No	Is it included in the Forward Plan?	No
Exempt/Confidential	No		

Purpose/Summary

To update the committee on the Council's Housing Programme.

Recommendations:

That the committee:

- (1) notes the contents of this report and endorses the approach which is being taken

Reasons for the Recommendation:

To ensure overview and scrutiny of this area of work.

Alternative Options Considered and Rejected:

A number of alternative options were considered and these are outlined in the body of the report.

What will it cost and how will it be financed?

(A) Revenue Costs

There are no financial implications arising for the Council as a direct result of this report.

(B) Capital Costs

There are no financial implications arising for the Council as a direct result of this report. There are financial implications from the delivery of the programme of work outlined in this report, however, these are all considered separately and presented for approval as required.

Implications:

The following implications of this proposal have been considered and where there are specific implications, these are set out below:

Financial: Financial implications relating to this work are considered separately by members								
Legal: Legal implications relating to this work are considered separately by members								
Human Resources: None – this work is currently delivered through existing staff resources.								
Equality: None								
Impact on Children and Young People: This work will have a positive impact on Children and Young People through the provision of affordable and stable housing.								
<p>Climate Emergency Implications:</p> <p>The recommendations within this report will</p> <table border="1"> <tr> <td>Have a positive impact</td> <td>Yes</td> </tr> <tr> <td>Have a neutral impact</td> <td>No</td> </tr> <tr> <td>Have a negative impact</td> <td>No</td> </tr> <tr> <td>The Author has undertaken the Climate Emergency training for report authors</td> <td>Yes</td> </tr> </table> <p>There are no direct climate emergency implications arising from this report. The programme of work outlined here will have a positive impact as the housing developed through this programme will have high levels of energy efficiency compared to the average property in the borough.</p>	Have a positive impact	Yes	Have a neutral impact	No	Have a negative impact	No	The Author has undertaken the Climate Emergency training for report authors	Yes
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Have a neutral impact	No							
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Contribution to the Council’s Core Purpose

Protect the most vulnerable: Council housing will provide high quality, affordable and stable housing for those that need it in the borough.
Facilitate confident and resilient communities: Good quality housing is a basic requirement of a confident and resilient community
Commission, broker and provide core services: Once operational Council Housing will be a service provided by the council.
Place – leadership and influencer: None
Drivers of change and reform: N/A
Facilitate sustainable economic prosperity: N/A
Greater income for social investment: Rental income will be generated by this project.
Cleaner Greener: The properties developed through this programme will have high standards of energy efficiency compared to the average property in the borough.

What consultations have taken place on the proposals and when?

The Executive Director Corporate Resources and Customer Services (FD 7690/24). The Chief Legal and Democratic Officer (LD 5790/24) have been consulted and notes there are no direct financial implications arising from this report.

Implementation Date for the Decision

Immediately following the meeting

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Background Papers:

There are no background papers available for inspection

1. Introduction/Background

- 1.1 In January 2021 Cabinet considered a Strategic Business Case proposal to re-enter the Social Housing market through the acquisition of properties from Sandway Homes, at their site at Buckley Hill Lane for use as affordable housing.
- 1.2 At the January 2021 meeting Cabinet agreed:
 - (1) the strategic case for Sefton Council re-entering the social housing market through the provision of council housing for rent set out in this report;
 - (2) give authority to negotiate the terms to acquire one block, comprising nine apartments, as the start of its future stock of council housing from Sandway Homes, as part of Sandway's development at Buckley Hill Lane Netherton;
 - (3) give approval to register Sefton Council with the Regulator of Social Housing as a social housing provider;
 - (4) give authority to apply to Homes England to become an Investment Partner;
 - (5) instruct officers to develop a Business Plan for council housing provision which sets out greater detail for the operational requirements, including financial modelling and management arrangements;
 - (6) give authority to pursue the procurement of a suitable housing association to provide the required housing management services, and delegate authority to the Head of Economic Growth and Housing in consultation with the Cabinet Member for Communities & Housing to appoint a management agent;
 - (7) to the procurement and appointment of suitable consultant(s) to assist undertake associated tasks set out in this report and arising from the recommendations in this report. The costs will be met from within the existing budget for the Economic Growth and Housing Service. Delegate

the appointment of the consultants to the Head of Economic Growth and Housing in consultation with the Cabinet Member for Communities and Housing; and

(8) that a further report will be submitted to Cabinet setting out the terms to acquire the council housing stock from Sandway Homes, and which sets out the Business Plan and proposed operational arrangements.

1.3 The Council currently has approximately £5m of capital available to fund the acquisition of Council Housing as a result of the Right to Buy Receipts Sharing Agreement with One Vision Housing and from commuted sums secured via S106 agreements. It is made up as follows: uncommitted receipts and S106 commuted sums.

1.4 In December 2021 a Workshop was held with Cabinet to sketch out the plan the approach which was to be taken to this work.

The key conclusions from the Workshop session were as follows:

- There is a strong corporate commitment among Councillors and Senior Officers to take forward Council housing in Sefton. It is important that we continue to move forward with this and move forward positively;
- It is important to understand what we want to achieve and how we are going to achieve it and be clear on the aims and objectives of a programme;
- It was recognised that Sefton are not setting out to achieve a large development programme but will rather start small, take a cautious approach and grow slowly ensuring that housing need is at the heart and centre of a programme;
- Financial resource is finite and will determine the scale and pace of a programme with grant funding opportunities to be maximised;
- The relationship with Sandway Homes offers the lowest risk option including opportunity to target housing need through early identification of homes required and this unique position should be prioritised;
- Ensure that the programme connects to wider corporate objectives including that of the housing management requirements;
- Commit to Social Rent tenure being the starting point ensuring true affordability but consider the use of Affordable Rent on a scheme-by-scheme basis;
- Consider structures that could reduce the financial risk of Right to Buy.

Strategic Rationale

1.5 Over the past few years there has been a growing acceptance in Government that councils need to play a greater role in meeting new build housing targets. Although very little additional council housing has been developed in the last 50 years the active participation of local councils acting as developers and landlords is something that government are actively encouraging. Sefton

Council has already partly responded to this through the establishment of Sandway Homes, its wholly owned private housing development company.

- 1.6 As is the case with other Local Authority areas the Council is currently experiencing significant homeless pressures due to the 'cost of living' crisis and changes to the structure of the housing market, particularly rent increases in the private sector. There are currently approximately 200 households living in Temporary Accommodation in the borough, at significant financial cost to the council, and to the lives of those affected. The direct provision of social housing will help meet the needs of those who need affordable and stable housing in the borough. The programme supports one of the key themes of our Housing Strategy 2022- 2027; to meet peoples housing needs.

2. Progress to Date

- 2.1 Since the Cabinet resolution of January 2021 a considerable amount of work has been undertaken to establish a new Council Housing Programme (CHP):

- *Buckley Hill Lane (recommendation 2 and 8)* – Cabinet considered a report in November 2023, approving the acquisition of 18 apartments for social rent at Buckley Hill Lane.

Agreement has been reached with Sandway for the purchase of these properties which are expected to be handed over to us in April 2025.

In May 2024 a grant application was submitted to Homes England for the scheme. The application includes our application to be a Homes England Investment Partner (recommendation 4)

- *Regulator of Social Housing (recommendation 3)* – In November 2021 the Council successfully registered with the Regulator of Social Housing as approved by Cabinet in January 2021.
- *Development of a CHP Business Plan (recommendation 5)* – Ark Consultants were appointed in July 2022 to help officers prepare a Business Plan as instructed by Cabinet in January 2021. Cabinet approved this Business Plan in April 2023.
- *Procurement of a Management Agent (recommendation 6)* – A local Registered Housing Provider has been selected for this role following a procurement exercise.
- *Consultant Team (recommendation 7)* – in order to help develop the CHP external consultants have been procured and used where necessary to provide specialist advice to officers.

3. Phase 1 Business Plan

Delivery Model Option Appraisal

3.1 Specialist housing consultancy Ark Consultants were appointed to prepare the Business Plan and with reference to the conclusions of the December 2021 Workshop event followed a process agreed with officers to complete this commission. In preparing the Business Plan Ark carried out a number of interviews with key officers as well as speaking to Cabinet Member Housing and Communities. The initial stage of the Business Planning process was the preparation of an options appraisal study evaluating a number of different delivery models. Following approval of the preferred option following the Option Appraisal stage they began work on the Council Housing Business Case.

Options Appraisal – Business Plan Part A

3.2 Four delivery models were appraised as part of the Option Appraisal process:

- A) Direct Delivery via the Council's General Fund
- B) Establishing a Special Purpose Vehicle (or expanding the role of Sandway)
- C) A Joint Venture with a Private Developer/Contractor
- D) A Joint Venture with a Registered Provider (housing association)

3.3 Each of the delivery models were assessed against 14 criteria:

- Strategic Fit
- Council Control
- Capital Cost/Viability
- Start Up Costs
- Operational Revenue Costs
- Retained Equity
- Legal Implications
- Tax Implications
- Right to Buy Implications
- Skills/Experience
- Flexibility
- Resilience
- Social Value
- Balance of Risk

3.4 The delivery models were scored against each of the above criteria and the full analysis is contained within the Option Appraisal report appended to this paper at Appendix I and summarised below:

Option	Strategic Fit	Council Control	Capital Cost	Start Up Cost	Operational Revenue Cost	Retained Equity	Local Implications	Tax Implications	RTB Implications	Skills/Experience	Flexibility	Resilience	Social Value	Risk	Total
Direct Delivery	8	7.5	4.5	1	6	7.5	4	2.5	1	2	4.5	4.5	4	4.5	61.5
SPV/Sandway	6	4.5	3	1	6	6	2	1	4	3	6	3	3	3	51.5
JV with Developer	4	3	6	1.5	8	3	3	1.5	2	3	3	4.5	3	4.5	50
JV with an RP	4	3	6	4.5	6	3	3	1	3	4	4.5	3	3	6	54

3.5 As can be seen the direct delivery option scored the highest of all of the options.

3.6 Under the direct delivery model homes will be in the legal ownership of the Council and the programme under the Council's direction, control is at a high level. Because the Council has already registered with the Regulator of Social Housing an application can be made to access Homes England grant on eligible schemes. The Council will also make an application for Homes England Investment Partner status alongside our first grant application for the Buckley Hill Lane site. We do not anticipate any issues with this process and extensive discussions have already taken place with Homes England over an extended period about our Council Housing Programme and they are very supportive. The control environment will need an appropriate level of policy, process and authorisation procedures and these are in development.

3,7 The strengths and weaknesses of the direct delivery model are as follows:

STRENGTHS	WEAKNESSES
<p>Straightforward and deliverable</p> <p>Enables the Council to retain ownership of assets</p> <p>Most rented homes developed will be social rented</p> <p>Tenants have high security of tenure</p> <p>The Council will have an additional tool in its box to support affordable housing development in Sefton</p>	<p>There is less flexibility with tenure than in some other models</p> <p>Over 199 homes will require HRA re-establishment</p> <p>Tenants of social rented homes will have the Right to Buy</p> <p>Outsourced services for development and management will be required</p> <p>There is an additional scheme viability gap for the Council to bridge</p> <p>Achieving an effective governance and organisational model can be difficult</p>

- 3.8 As detailed in the table above future Council Tenants will have the Right to Buy their homes. However, this would have to meet what is known as the 'Cost Floor Rule':

A special limit on the amount of discount may apply if the property is newly built or acquired, or where there have been improvements, repairs or maintenance work on the property. This is known as the 'cost floor rule'.

If a total of £5,000 or more has been spent in the 10 years (15 years for properties built or acquired by the landlord on or after 2 April 2012) before the right to buy application, the discount must not reduce the sale price below the amount that has been spent.

Ongoing repairs and maintenance work to existing properties (as opposed to work on recently acquired dwellings) can only be counted if the cost of the work exceeds £5,500.

- 3.9 As part of their commission Ark Consulting considered an Exit Strategy of selling the portfolio of stock to an existing Registered Provider should RTB sales undermine the Business Plan. Any sale of the portfolio to an existing Registered Provider will ensure that it is retained as affordable housing.

Business Plan Overview

- 3.10 The Phase 1 Business Plan for the Council Housing Programme is outlined below:

Site	Units	Timescales	Progress
Buckley Hill Lane	18 x 1 & 2 bedroom apartments for	Handover April 2025	The scheme has started on site and the 18 apartments

	social rent		are expected to be handed over in April 2025
Bootle High	8 – mix tbc	TBC	Pre-development
Benthams Way	11 – mix tbc	TBC	Pre-development