



HOUSING COMMITTEE

Wednesday, 10 March 2021

REPORT TITLE:	PROPOSAL TO ACQUIRE UNITS FOR AFFORDABLE HOUSING USE
REPORT OF:	DIRECTOR OF REGENERATION AND PLACE

REPORT SUMMARY

The purpose of this report is to brief the Housing Committee on the options available and the benefits to the Council to increasing the number of homes in Wirral's social housing sector, through the use of existing resources available from:

- Commuted sums secured for affordable housing secured through the planning system.
- Adaptations Budget passported through the Better Care Fund (BCF)
- Potentially also securing funding from Homes England from the Government's Affordable Housing Programme

The options detailed in this report will assist the Council in meeting the objectives of the Wirral Plan, specifically focusing on 'good quality housing which meets the needs of residents.

Wirral's Housing Strategy has supported the 2020 Plan, clearly setting out the long-term strategic housing direction for the borough. The strategy has assisted the delivery of new homes through an enabling role with key agencies such as Registered Providers to deliver more social housing sector homes for those in housing need, yielding 687 new affordable homes over the last five years in Wirral.

Building on this, the Council will continue to strategically support appropriate organisations to deliver new energy efficient social housing sector homes, as it adopts the new Wirral Plan 2025, Cool 2 Climate Change Strategy and Local Plan targets. There are also opportunities for the Council itself to progress delivery of some new social housing sector homes, in a way that directly benefits the Council in its obligations to enable people in housing need. This includes enabling homeless households and those with specific adaptation needs to access appropriate homes whilst at the same time supporting the Council through securing a long-term financial benefit in terms of generating income.

This matter affects the Rock Ferry ward.

This is a key decision.

Appendix 1 to this report 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.

RECOMMENDATION/S

That Housing Committee requests that Policy & resources Committee approves the following recommendations:

(1) the Director of Law and Governance in consultation with the Director of Regeneration and Place be authorised to negotiate the acquisition of six new social rented housing properties from Lovell Partnerships Ltd and to finalise all necessary associated legal documentation

(2) Director of Regeneration and Place be authorised to enter into negotiations with Lovell Partnerships Ltd to negotiate an enhanced energy efficiency specification which may include the installation of solar photovoltaics for such properties.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 This report sets out the current approach in place to strategically support key agencies such as Registered Providers in the delivery of social sector housing to meet Wirral's housing need. It recognises this approach should continue building on a successful track record of delivery but that the Council itself could also contribute to increasing the supply of social rented homes through a small-scale acquisition of new homes. The Council would ensure these homes are allocated to those most in housing need, including more difficult to place homeless households and those where accommodation is not readily available due to their specialist adaptation need.
- 1.2 A Housing Revenue Account (HRA) records expenditure and income for running a Council's own stock, legislated for by the Housing Act 1985 and heavily controlled by government. Wirral Council closed its HRA in 2005 following the sale of the remainder of the Council's housing stock to Magenta (was Wirral Partnership Homes) and is not required to reopen a HRA if its housing stock is less than 200 units. If the Council purchases six additional units on the Sevenoaks site, its total housing stock would be 34 units.
- 1.3 There is currently a sum of £1,098,219 ring-fenced for affordable housing in Wirral, secured through commuted sums for affordable housing through the planning system. This resource could be used to acquire six homes which the Council would allocate and grant tenancies to those in housing need. This would also provide the Council with a rental income which would support its long-term financial plan.
- 1.4 In addition there is the flexibility to utilise the Disabled Facilities Grant Adaptations budget passported through the Better Care Fund (BCF) to part fund the acquisition of four units identified on the Sevenoaks scheme in Rock Ferry which have been specially designed for households with an adaptation need including two level access flats and two wheelchair adapted units, with one of these being for bariatric wheelchair users as there is a critical shortage of this type of property in Wirral. This accommodation has been designed to meet the needs of disabled households where the adaptation will enable them to remain living independently, prevent carer breakdown or delayed transfer of care or enable hospital discharge.
- 1.5 The Homes will produce 20% less CO2 emissions in respect of current building regulations. There is a possibility of reducing CO2 emissions further by installing solar photovoltaic which will cost an additional £4,500 per unit and the Council is currently in discussions with Lovell about this.
- 1.6 The purchase of six units together with the Council's existing small number of homes could provide a further asset which would add to the existing rental income generated from the Council's current housing stock.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 The Council could allocate funding secured through commuted sums and the Better Care Fund to Registered Providers (RP) to support the strategic delivery of these six units as new social sector homes for social rent but would still need to provide some level of funding to enable the homes to be let at social rents. The units would be allocated to those in housing need on the housing register however the RP would retain ownership of the units and so the Council would not receive any rental income from these units to support the long-term financial plan.

3.0 BACKGROUND INFORMATION

- 3.1 Housing shortage and affordability is a national issue, with the Government clear in its housing ambitions to build 300,000 affordable homes per year. To help achieve this, there is a national drive for Councils to start building again or acquire units to help meet the national and local housing need. To achieve these housing ambitions, the Government finances a national Affordable Housing Programme which enables Registered Providers and Local Authorities to bid for funding to help finance affordable housing. Wirral Council would be able to submit a bid for funding if a decision to build Council houses is made.

- 3.2 In 2005, Wirral Council transferred its housing stock but retained a strategic housing function and its statutory duties including allocating housing to those most in need and alleviating homelessness. The 2017 Homeless Reduction Act extended the legal duty on all Councils to prevent and alleviate homelessness.

Need and Demand

- 3.3 In recent years, the demand for housing has increased and there is an annual shortfall of affordable housing in the borough. As of 31st December 2020, there were 10,614 households registered on Property Pool Plus, the Council's Choice Based Lettings Scheme, and of those, 2,230 were considered to have an assessed housing need (Bands A – C).
- 3.4 The extent of the housing shortage in Wirral is further evidenced in the Strategic Housing and Market Assessment (2020) which has highlighted an annual net shortfall of 374 affordable housing units.
- 3.5 Increasing homelessness and an imbalance in housing supply means more properties are needed to accommodate the growing population. This is not only a question of numbers but of type and choice. A balanced supply is needed to meet specific needs; family size, disability and affordability otherwise people will be inappropriately accommodated, which can lead to issues relating to wellbeing, poverty and homelessness having a significant impact on their lives.
- ### **Strategic Approach to Social Sector Housing Delivery**
- 3.6 To address this imbalance, the Council works strategically with key agencies such as Homes England who allocate and manage the Government's Affordable Homes Programme and Registered Providers to bring forward affordable housing developments, some of which may also utilise Council land assets. This funding opportunity also enables the development and delivery of social rented homes within

areas of high affordability challenge or elsewhere, provided that the grant requested is not higher than it would be for an affordable rented unit.

- 3.7 In Wirral, some Registered Providers have secured funding to deliver a small number of affordable rented homes where they have also used other financial resources to enable them to charge less than the maximum (80% of market rent) they can. There are 45 social rented units currently in development in Wirral where the Registered Provider has managed to adopt this limited approach.
- 3.8 Wirral is no stranger to piloting new initiatives and maximising the use of different funding streams to address the delivery of new social housing sector homes. An example of this was in 2011, when Wirral Council was successful in securing Homes England funding to build 23 homes across three of its own sites in the borough, providing a range of houses, bungalows and apartments to help address housing need. These units remain in Council ownership and provide the Council with an annual rental income of over £90,000, plus Council Tax income. The homes are managed on its behalf by a Registered Provider at an annual cost to the Council of approximately £20,000. All tenancies are secure Council tenancies and individuals are charged a social rent for their homes.
- 3.9 Pilot Council housing scheme at Sevenoaks, Rock Ferry
The former Housing Market Renewal Site in Rock Ferry, Sevenoaks, has seen the development of over 220 new homes already. A planning application for the final phase of this scheme for 43 units is currently being considered. This will complete the masterplan for the area with the Council's developer partner Lovell Partnerships Ltd.
- 3.10 The site being developed presents an ideal opportunity for the Council to pilot the approach of purchasing a small number of new build, specially adapted, social rented units. Officers have explored this option with the developer Lovell Partnerships Ltd and the Council now has the opportunity to purchase six units on the site.
- 3.11 There is an acute shortage of this type of accommodation and it is proposed that these new homes could be used to support people who may need temporary accommodation whilst their longer-term housing options are addressed. In addition, the bungalows proposed could assist the Council in supporting people who are not able to be discharged from hospital as they have specific adaptation needs which cannot currently be addressed elsewhere.
- 3.12 Lovells have offered to provide six units on this site to Wirral Council built at cost plus 10% which is the rate they would sell to a Registered Provider. Appendix 1 (exempt) shows a summary of these costs.
- 3.13 These costs are subject to an appraisal and verification by an independent cost consultant, Lambert Smith & Hampton. Appendix 1 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.

FINANCIAL IMPLICATIONS

- 4.1 Officers are currently in discussion with Homes England regarding the possibility that Wirral Council could bid for Affordable Housing Programme funding to lever in additional funding for these units. Wirral would need to re-apply for Investment Partner status to do so.
- 4.2 Planning policy requires an affordable housing contribution (subject to viability) for sites of more than 10 units in Wirral. Wirral Council's policy is for on-site provision wherever possible, but the Council can receive a commuted sum in lieu of units for those sites where on-site provision is not able to be achieved. If planning approval is approved subject to this requirement then a Section 106 agreement is drawn up to as part of the planning process to ensure either on site units are provided or if agreed a commuted sum in paid to the Council to use for the delivery of affordable homes in the borough.
- 4.3 To date, Wirral Council has received a total of £1,098,219 in commuted sums secured through Section 106 agreements, a source of income which is ring-fenced for affordable housing in the borough. The Council can utilise this income for the delivery of new affordable homes on sites in the future. There is also the possibility that some additional commuted sums may be secured through this route going forward, if sites are viable financially and on site affordable housing provision cannot be achieved.
- 4.4 As four of the properties are adapted units, the Council also has access to Adaptations funding which is passported through the Better Care Fund. Officers have consulted with Foundations, the Governments advisory agency on home adaptations, who have advised that the funding can be used for this purpose. Flexibilities allows this funding to be utilised towards the general acquisition costs of adapted properties.
- 4.5 The remaining financial implications for these units can be found in Appendix 1 of this report, which is exempt from public information as it contains commercially sensitive information.

4.0 LEGAL IMPLICATIONS

- 5.1 Lovell Partnerships Ltd was originally appointed as Development Partner for the Sevenoaks scheme in Rock Ferry and this agreement has been extended to 2024 so as to enable completion of this final scheme . A planning application for the remaining 43 units is currently being considered by the Council and subject to planning approval, they intend to commence work later on in 2021. An appraisal for this last phase of the scheme has been externally validated by Lambert Smith and Hampton as per the terms of the Development Agreement and therefore the Council will now proceed to finalise the Lease with Lovell Partnerships Ltd to enable them to commence on site. The six units the Council is looking to retain will not be part of the lease and so a variation to the development agreement will be needed to enable the freehold of these plots to remain with the Council. The Council will then enter an appropriate legal contract with Lovell Partnerships Ltd for these specific six units.

- 5.2 The Council currently has an agreement with a Registered Provider to manage the Council's existing general needs housing stock of 23 units. This agreement is due to expire in August 2021 and if approval is secured to purchase these additional six social housing sector homes, they will be included in a new tender exercise for the management of the Council's housing stock.
- 5.3 A Local authority may hold up to 199 homes outside the HRA under a Government direction. Local authorities planning to build outside the HRA must write to the Secretary of State for Housing, Communities and Local Government to apply for a direction that permits homes to be held outside the HRA; this is usually a formality, though in some instances there is a duty to consult and so the Council will need to progress this, if members agree to this pilot approach.
- 5.4 If the Council were to build and retain units, there would be a requirement to provide Tenancy Agreements for each property. An existing Tenancy Agreement is currently in place for the 23 units of general needs Council owned property, and this could be utilised for any new properties.
- 5.5 If the Council successfully applies for funding from Homes England Affordable Homes Programme, it will need to sign a grant agreement and enter into legal obligations.

5.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

- 6.1 There are no HR implications resulting from this proposal.
- 6.2 If the properties are new build, there will be a build contract, including a detailed specification required before the building work can start. If the recommended option is taken forward, Lovells are already the appointed developer for the scheme with rights to this site. The project management of this acquisition and ongoing monitoring of these units will be progressed through existing resources from within the Council.
- 6.3 There are no ICT implications arising from this proposal.
- 6.4 There will be an asset implication resulting from this proposal as the number of properties owned by the Council will increase, and the management, maintenance and upkeep of the properties will need to be managed by the Council via a contracted Registered Provider. This is currently in place for the Council's existing general needs housing stock.

6.0 RELEVANT RISKS

- 7.1 Properties are not developed to the correct specification. This risk is mitigated by project oversight . staged payments with final payment not being paid until properties meet a required standard and are covered by a NHBC certificate. t.
- 7.2 The developers overspend on the build contract. This risk is mitigated by a contract which provides a set cost for each unit. Regular scheme progress meetings will take place to ensure the project does not overspend. The cost of the units includes a

contingency which can be utilised without overspending once the developer has permission.

- 7.3 As the units would be Council owned, tenants will have the Right to Buy their home, which will reduce the future income of the units. The Council will be able to recoup some of the build costs from the sale but depending on the amount of discount, this may not cover all costs.

7.0 ENGAGEMENT/CONSULTATION

- 8.1 Engagement regularly is undertaken by officers from the Housing and Investment Team with Registered Provider, Homes England and relevant agencies, in relation to the development of new social sector housing in the borough.

8.0 EQUALITY IMPLICATIONS

- 9.1 Wirral Council has a legal requirement to make sure its policies, and the way it carries out its work, do not discriminate against anyone. An Equality Impact Assessment is a tool to help council services identify steps they can take to ensure equality for anyone who might be affected by a particular policy, decision or activity. An EIA was completed for Wirral's Housing Strategy 2016 – 2020
<https://www.wirral.gov.uk/sites/default/files/all/communities%20and%20neighbourhoods/Equality%20Impact%20Assessments/EIA%20since%202014/Regeneration%20and%20environment/Housing%20Strategy%202016%20-%202026%20EIA.pdf>
The EIA included consideration of the work Wirral Council does in relation to the development of new affordable housing to meet the diverse housing needs for the borough and is still valid.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

- 10.1 Morgan Sindall Group plc, the parent company of Lovell Partnerships Ltd, has been awarded an A grade by CDP, formerly the Carbon Disclosure Project, in recognition of its actions to tackle climate change and efforts to do business in a greener, more sustainable way and so this development will benefit from this approach to addressing climate change.
- 10.2 Whilst it is recognised that house building increases the total amount of CO₂ emissions from the domestic sector, the homes which Lovell will be building have been designed to produce 20% less CO₂ emissions than homes built to current Building Regulations, this includes addressing air leakage performance and mechanical ventilation for heat recovery. There is a possibility of reducing CO₂ emissions further by installing solar photovoltaics at a cost of £4,500 per unit and discussions are ongoing with Lovell Partnerships Ltd to see if these can be realised.
- 10.3 The content / recommendations in the report are therefore expected to reduce Greenhouse gases.

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APPENDICES

Appendix 1- Financial implications analysis.

Appendix 1 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

Lambert Smith and Hampton Land Value Review - Appendix 1 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.

Housing ~Benefit Subsidy Guidance Manual, Section 6: Temporary Accommodation
Planning Application reference APP/20/01728

SUBJECT HISTORY (last 3 years)

Council Meeting	Date