

DECISION-MAKER:	Cabinet
SUBJECT:	The Development of a Framework of Housing Providers to Deliver Affordable Housing in Southampton.
DATE OF DECISION:	14th March 2022
REPORT OF:	Deputy Leader of Southampton City Council and Cabinet Member for Growth - Councillor Jeremy Moulton

<u>CONTACT DETAILS</u>			
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STATEMENT OF CONFIDENTIALITY
Nil
BRIEF SUMMARY
The purpose of this report is to seek approval for the development of a framework of preferred Housing Provider (HPs) partners to deliver affordable housing within the City as part of a new programme to enable the delivery of homes on Council land.
The Corporate Plan Southampton: City of Opportunity - 2021-2025 states 'Bringing forward a plan for regeneration in our districts and promoting home ownership' is a priority element of the strategy. It also refers to developing a Housing Growth Partnership to deliver more home ownership across the city. There are currently a number of city council owned sites across the city which are suitable for development of new homes, these are a mixture of Housing Revenue Account (HRA) and General Fund land. Some of the sites have already been cleared and are ready for development.
Due to the number of sites and properties proposed to be developed, it will require several Housing Providers (HPs) to be engaged to ensure sufficient development and funding capacity is available to ensure the objectives of the enabling new homes project are achieved. The proposed approach is recommended as the most efficient and effective method of achieving the objectives of the programme.
Whilst the Council will not be preventing developers who are not registered providers from joining the framework for the purposes of building affordable housing, there will be a requirement that the properties are operated and managed by a Registered Provider (RP) once completed. Where a developer (that is not an RP,) applies to join

the framework they will need to include the details of their RP partner at the submission stage of the process.

There will be some flexibility provided in the framework to enable providers to provide some market sale or rent as part of the sites if it is necessary to create a financially viable scheme or to enhance the tenure mix. No sites will be considered for market sale properties only within the framework.

RECOMMENDATIONS:

	That Cabinet <u>Approve:</u>	
(i)		the creation of a framework of Housing Providers to deliver affordable housing throughout Southampton.
(ii)		the use of a competitive tender process to determine the successful HPs.
(iii)		delegated authority to Head of Supplier Management for undertaking the process to implement a framework.
(iv)		delegated authority to the Head of Property to: <ul style="list-style-type: none"> • agree and approve the criteria on which applying HPs are to be assessed on prior to appointment. • approve the appointment of successful applicants onto the framework. • take any other actions required to give effect to this decision.
(v)		a further report will be brought back to the appropriate decision maker, seeking approval for a schedule of sites to be included in the initial programme of disposals.

REASONS FOR REPORT RECOMMENDATIONS

1	The proposed framework will increase the number of affordable homes within Southampton including those provided at social rent, affordable rent and shared-ownership. This will create an opportunity for the council to negotiate nomination rights for residents on the housing register, it will also enable more residents who wish to take a step on the housing ladder to own a share of their own home.
2	The purpose of developing a framework for the appointment of HPs is to create an efficient and effective process which is consistent in each case for the transfer/disposal of land. This process will include due diligence of each of the HPs before they are appointed to the framework.
3	The Council will proactively control the release of sites through the framework rather than reacting to the demands of the market, ensuring there is a clear, consistent and fair approach.
4	By using a procured framework, the Council will have the opportunity to directly influence the type and tenure of accommodation to be provided on each site and any other requirements that it has in relation to the quality of delivery and management of the homes.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

	<u>Disposal of individual/multiple sites</u>
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5	The simple disposal of land would not enable the Council to determine or influence the end use of the land. It would not be possible to specify the property type, the tenure mix or any quality aspects.
6	Long stop dates could be set as a deadline within which a development should take place. However, the Council could only enforce longstop dates on the basis that the land is returned into Council ownership if contractual timescales for carrying out works were not achieved. No financial recourse could be imposed.
	<u>Procurement of single sites</u>
7	Although this would allow the Council to place usage restrictions on the land sale/transfer (property type, tenure, size etc), each single site procurement would need to be tendered and advertised separately, this could result in a lengthy process for each site procured.
8	Due to the number of potential sites being considered for transfer, the administration and additional workload for the Council would be significant including the due diligence which would need to be completed with each submission.
9	Procurement of individual sites could lead to several additional HPs operating within the city, with some only having a limited presence. This could lead to lower standards of management services to residents, and remote management offices where it may not be cost effective to have a local presence.
	<u>Joint Venture</u>
10	A joint venture (JV) is a model where two or more parties enter into an arrangement to jointly share risk and benefit. This usually involves the development of a separate company which all parties become part of. This approach is unlikely to maximise the number of affordable homes on each site as capital receipts would be required to fund the JV. Additionally, there would be a lengthy programme of procurement, selection and implementation associated with it. There are additional associated practical difficulties in owning, managing and operating a separate company.
DETAIL	
11	Current estimates suggest that overall housing need throughout the City by 2040 will require the addition of 26,391 homes of all tenure types (including private sale), with a current homes achievable figure of 15,479. This will lead to a shortfall of 10,912 homes based on existing supply provision.
12	Between 2012 and the end of 2022 there will be an estimated loss of 1,148 properties owned by the Council as of a result of the Right to Buy (RTB) sales outpacing delivery of new affordable housing.
13	As at 16 th December 2021 there were 7,647 live applications for social/affordable housing with average waiting times for property size shown in the chart below.

	Property Size	Numbers Waiting		Wait Times (with priority)		Wait Times (no priority)	
	1 bed	4,360	(includes 1,406 eligible for older persons housing)		4 years 7 months	4 years 7 months	
2 bed	1,482			1 year 4 months	3 years 10 months		
3 bed	1,484			4 years 2 months	11 years		
4 bed +	321			4 years	10 years		

14 It has also been identified that 950 specialist homes– including extra care (housing with care), learning disability, children’s residential care and young people leaving care will be required over the next 10 years.

It is proposed that as part of the tender process consideration is given to HPs that can develop and manage specialist housing either as part of a development partnership or direct provision.

15 The table below provides information about the number of affordable homes delivered in the city since 2010. The table outlines that whilst there has been a significant reduction in affordable homes delivered as section 106 obligations as a requirement through the planning process the Registered Providers continue to deliver the majority of affordable homes.

	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
A All New Build completions	1034	525	791	662	417	405	1312	1046	997	826	1211	460	750
B No. of affordable completions			472 (410)	353 (322)	196 (148)	300 (281)	422	204	156	32	154	93	129
C Of which s106 units			85	140	45	168	237	37	37	11	25	0	59
D For Rent			272	229	112	170	273	144	142	24	51	93	37
E For shared ownership			97	40	36	79	149	41	14	8	88	0	92
F For Int. Rent/Rent to Buy			41	53	0	32	0	19	0	0	15	0	0
G SCC			33	20	0	0	25	8	84	0	15	51	0
H Other Registered Provider			377	302	148	281	397	196	72	32	139	42	129

A = all new built homes completed
B = the total number of affordable homes included in A
C = the number of affordable homes in B delivered under a S.106 agreement
D, E & F = total affordable homes in B split by tenure
G & H = Total affordable homes in B by provider

16 A previous “partnership” arrangement with 5 RPs terminated in 2018 and this new framework will follow on from that previous approach. No other mechanisms were put in place to succeed it.

17 Between 2015 – 2018 when the “partnership” was in place RPs delivered 243 units of affordable housing, with the council directly providing a further 99 units.

18 The previous “partnership” was not procured but based on a Memorandum of Understanding with 5 RPs with the option for others to join. It outlined the principles for affordable housing provision within Southampton such as tenancy

	type, best practice for management and maintenance, affordability of rents and service charges and design standards.
19	The proposed framework will have a formal and structured approach with the Council having significant influence over the housing provided – for example unit numbers, property type, tenure and nominations and aspects of quality including energy efficiency.
20	With the release of identified council owned land (subject to approval) for the provision of affordable housing, there will be a planned programme of development, rather than ad-hoc opportunities as previous. It is anticipated that this will result in a greater delivery than that provided for under the previous “partnership”.
21	In order to gauge interest in the concept of a framework some soft market testing has been carried out. Several RPs currently operational within the city have indicated that this would be an approach that they would be keen to be involved with.
22	All of the RPs approached are Strategic Partners with Homes England with grant allocated to develop both rented and shared-ownership properties. Many RPs are looking to expand their stock of homes generally, but there is also a significant focus on opportunities that might become available in the city.
23	The process for setting up the framework will include developing the following: <ul style="list-style-type: none"> 1 – Intention of the framework 2 – Southampton City Council expectations 3 – Deliverables expected 4 – Requirements of applicants <ul style="list-style-type: none"> a – property development b – housing management services c – maintenance expectations 5 – Weighting of assessment scoring 6 – Development of contract form and commercial model
24	Once the tender packs have been produced, it is anticipated that there should be a 35-day period for return, with a further 20 days to assess and award framework status to the successful HPs. It is anticipated that the framework will be in place by the autumn of 2022.
25	Once in place land will be released either in lots, comprising several plots or as single plots. The active HPs will then be invited to submit a mini-tender with clear criteria. The details of this will be part of a separate report later in the year. Plots which do not attract interest may then be disposed of to organisations who are not on the framework via a competitive process.
26	A separate report later this year will seek approval for the schedule of sites to be included in the initial programme of disposals.
27	All plots to be disposed of will be subject to the requirements of the Local Government Act 1972 s.123 for best consideration. Valuations of sites will be undertaken by the Council’s Valuation and Estates team or commissioned

	externally if required. Paragraph 34 & 35 provide further details as to “best consideration reasonably obtainable”.
RESOURCE IMPLICATIONS	
<u>Capital/Revenue</u>	
28	The proposal to set up the framework itself does not have any direct implications other than the officer resource involved. This can be managed within existing revenue budgets.
29	It is anticipated that any costs incurred, such as valuations for the land, will be recovered from the capital receipt for any land disposed of.
30	There may be capital receipts associated with the transfer of land. All capital receipts received will be appropriated into the applicable account. The sites will include both General Fund and Housing Revenue Account (HRA) land.
31	It is anticipated that there will be no ongoing capital or revenue funding required for the new homes as these will not be owned by the Council. However, a fuller financial assessment of any proposed disposal will be needed to ensure any tax implications, likely capital receipts, best consideration or any other wider financial impacts are understood. A further report will be presented at a future date seeking approval for a schedule of sites to be included in the initial programme of disposals, This will include comprehensive information on the financial implications of the proposed disposals.
<u>Other</u>	
32	The resources within the council will be realigned to prioritise the development and implementation of the framework. This will involve property, finance, legal and procurement officers.
LEGAL IMPLICATIONS	
33	The Council can dispose of land providing it is compliant with Local Government Act 1972 s.123 in achieving best consideration reasonably obtainable.
34	Where the best consideration reasonably obtainable is less than £2,000,000 below the market valuation then authorisation for disposal can be granted by the Council providing the disposal contributes to the promotion/improvement of economic well-being, promotion /improvement of social well-being or the promotion/improvement of environmental well-being.
35	Where the best consideration reasonably obtainable is greater than £2,000,000 below market valuation then a request to the Secretary of State for authorisation must be obtained.
36	The Council has the power under Section 32 of the Housing Act 1985 to dispose of land held for housing purposes subject to the consent of the Secretary of State unless it is permitted under the General Housing Consents Order 2013. Under Section 33 of the Housing Act 1985 the Council may impose such covenants and conditions as it sees fit subject in some circumstances to the consent of the Secretary of State. Land or property assigned to the HRA must be disposed of in accordance with the above legislation, and any capital receipts retained within the HRA.
37	The Council will still have its obligations under the Allocation of Housing and Homelessness (Eligibility) (England) Regulations 2006 and its own Allocation

	policy through either providing homes owned by the Council or by nomination for a housing association tenancy.
38	<p>Appointed RPs operators must comply with the requirements set out in the Homes England Rent standard 2020, which requires approval of the Secretary of State or a Homes England Housing Supply delivery agreement. Where Affordable Rent is being charged, the maximum rent inclusive of service charge for a new tenant under a new tenancy is 80% of the market rent.</p> <p>Where the Council rely on the general consent order for a sale to an RP of social housing it must remain as social housing for the period it is owned by the registered provider of social housing until it ceases to be social housing under the provisions of sections 72 to 76 of the Housing and Regeneration Act 2008.</p>
RISK MANAGEMENT IMPLICATIONS	
39	The implementation of the proposed framework approach is considered as a lower risk than many other approaches to the delivery of new homes due to the risk associated with the financial viability, design, construction and management resting with the RPs. There is significant interest in RPs willing to work with the Council in this way to provide affordable housing in the City
40	As part of the process for the transfer of land, all plots considered for sale will have a risk mapping assessment undertaken to highlight any potential issues that may affect the process for transfer to any HP, or the deliverability of homes on the site.
41	There may be plots that are of less interest to HPs which may be due to location, site capacity or valuation. In such instances consideration will be given to promoting these to the wider market including specialist RPs outside of the framework or private developers.
POLICY FRAMEWORK IMPLICATIONS	
42	The proposals in this report reflects the Council's Corporate Plan 2021-2025, Southampton City Council Housing Strategy 2016-2025, the Core Strategy and the Southampton City Council Tenancy Strategy 2020-2025.

KEY DECISION?	Yes
WARDS/COMMUNITIES AFFECTED:	All
<u>SUPPORTING DOCUMENTATION</u>	
Appendices – None	

Documents In Members' Rooms

1.	None
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Equality Impact Assessment

Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.	Yes - More detailed Equality Impact Assessments will be undertaken on specific projects as
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	<p>they are taken through the design process. As part of this process, we will work with local communities and groups, including those representing people with protected characteristics, to design and deliver schemes.</p>
<p>Data Protection Impact Assessment</p>	
<p>Do the implications/subject of the report require a Data Protection Impact Assessment (DPIA) to be carried out.</p>	<p>No</p>
<p>Other Background Documents - None</p>	