

DECISION-MAKER:	CABINET
SUBJECT:	THE AFFORDABLE HOUSING FRAMEWORK - FIRST TRANCHE OF LAND TRANSFER
DATE OF DECISION:	20 DECEMBER 2022
REPORT OF	COUNCILLOR MITCHELL CABINET MEMBER FOR HOUSING & THE GREEN ENVIRONMENT

<u>CONTACT DETAILS</u>			
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STATEMENT OF CONFIDENTIALITY
<p>Appendix 1, 2, 3, 4, 5, 6, 7, 8, 9 contain information deemed to be exempt from general publication based on Category 3 (information relating to the financial or business affairs of any particular person (including the Authority holding that information)) of paragraph 10.4 of the Council's Access to Information Procedure Rules. In applying the public interest test this information has been deemed exempt from publication due to confidential sensitivity. It is not considered to be in the public interest to disclose this information as it would reveal information which would put the council at a commercial disadvantage.</p>
BRIEF SUMMARY
<p>Approval was given at Cabinet on 14th March 2022 to establish a framework of Affordable Housing Providers (AHP) to deliver affordable housing throughout the city utilising council owned land.</p> <p>It is estimated that the framework will be in place in early 2023 with a number of providers appointed. Several plots of council owned land have been identified as being suitable for the development of affordable housing using the framework partners. The purpose of this report is to seek approval for the first tranche of sites to be transferred using the framework.</p>
RECOMMENDATIONS FOR CABINET

	(i)	To approve the list of sites included in Appendix 1 as the first tranche for transfer to Affordable Housing Providers (AHPs) through the city council framework.
	(ii)	<p>To delegate any further decisions relating to the terms for transfer or implementation of the recommendations of this report to the Executive Director of Place following consultation with:</p> <ul style="list-style-type: none"> - Cabinet Member for Housing and Green Environment - Executive Director for Corporate Services - Executive Director for Wellbeing and Housing - Director Human Resources and Governance <p>including the tenure mix for each site and any specific housing requirements.</p>
	(iii)	<p>To delegate approval to the Executive Director of Place following consultation with the:</p> <ul style="list-style-type: none"> - Cabinet Member for Housing and Green Environment - Executive Director for Corporate Services - Executive Director for Wellbeing and Housing - Director of Human Resources and Governance <p>to identify and include further plots for tender through the city council framework subject to achieving best value for the sites and only for those sites where the valuation of the site is within officer delegated powers.</p>

REASONS FOR REPORT RECOMMENDATIONS

1	The proposed framework will increase the number of Affordable homes within Southampton providing the opportunity for social rent, affordable rent and shared ownership. This will enable the council to negotiate nomination rights for residents on the housing register and will provide an opportunity also for those who wish to take a step on the housing ladder and own a share of their own home.
2	All the sites included in the first tranche are either vacant sites, have empty buildings or an existing approved decommissioning plan in place.
3	The recommendations relating to the sites and their intended use have been developed in consultation with officers across the council with an interest in housing needs, including general needs social housing, supported housing (learning disabled, mental health, physical disabled), housing with care (extra care), homelessness and children's services. The proposals are also based on the needs identified through the housing register.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

4.	Option 1 – Not identify any sites for transfer for Affordable housing. This is not recommended given that the framework will be established in the new year, and this will provide an opportunity to transfer sites for the provision of Affordable
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	housing. This approach will enable the council to take proactive action using its own land to address the significant need for Affordable housing in the city.
5.	Option 2 – Identify a long list of sites regardless of their readiness to transfer for Affordable housing. This is not recommended as the process of decommissioning can be lengthy. The list in Appendix 1 includes only those properties which are available to transfer in the short term as they are either already vacant or in the process of/or have approval for being decommissioned. It is proposed that sites that still need approval for decommissioning are included in a later phase of transfer.
6.	Option 3. To only sell the Housing Revenue Account land for affordable housing and to sell the General Fund land at the highest market rate. This may result in the provision of no affordable housing on the General Fund sites given that it may not be financially viable to provide affordable housing and to pay the full market rate for the land. This would result in an estimated 60 fewer affordable homes as part of the first tranche of sites.
7.	Option 4. To seek approval to transfer sites (in Appendix 1) that are either vacant or are in the process of or already have approval for decommissioning for Affordable housing. This is the recommended option.
8.	Some of the sites could have an alternative use recommendation - the rationale is explained in the appendix for each plot.

DETAIL

9.	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 (based on current land availability). This will lead to a shortfall of 10,912 homes on the existing supply provision.
10.	Southampton City Council has set a target to increase the supply of Affordable housing by 8,000 homes by 2040
11.	Between 2012 and 2022 there was a reduction of 1,148 properties owned by Southampton City Council as of a result of Right to Buy sales.
12.	In the year 2021/22 there have been 153 additional Affordable homes developed in the city, comprising 148 rented homes, and 5 shared-ownership.

	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22
All Completions	417	405	1312	1046	997	826	1211	460	750	476
Affordable completions	196	300	422	204	156	32	154	93	129	153
Of which s106 units	45	168	237	37	37	11	25	0	59	44
For Rent	112	170	273	144	142	24	51	93	37	148
For shared ownership	36	79	149	41	14	8	88	0	92	5
For Int. Rent/Rent to Buy	0	32	0	19	0	0	15	0	0	0
SCC	0	0	25	8	84	0	15	51	0	126
Registered Provider	148	281	397	196	72	32	139	42	129	27

All Completions = total properties completed

<p>Affordable completions (tenure split) = total of For rent (148) + For shared ownership (5) + For Int. Rent/Rent to Buy (0)</p> <p>(delivery method) = SCC (126) + Registered Provider (27)</p>																							
13.	<p>Currently there is limited mechanism to deliver new affordable housing, other than through S.106 requirements for new build private developments. However, in the last 10 years there have only been 663 Affordable homes delivered through s.106 requirements, with none delivered in 2019/20, 59 in 2020/21 and 44 in 2021/22.</p>																						
14.	<p>As at October 2022 there were a total of 7508 households on the housing register, the breakdown of this number and the estimated wait time is shown in the table below.</p> <table border="1"> <thead> <tr> <th>Property size</th> <th>Numbers waiting</th> <th>Wait times (with priority)</th> <th>Wait times (no priority)</th> </tr> </thead> <tbody> <tr> <td>1 bed</td> <td>4,220 (*includes 1,500 eligible for older persons housing)</td> <td>1 year 4 months</td> <td>3 years 10 months</td> </tr> <tr> <td>2 bed</td> <td>1,440</td> <td>2 year 6 months</td> <td>5 years 0 months</td> </tr> <tr> <td>3 bed</td> <td>1,523</td> <td>9 years 0 months</td> <td>11 years 5 months</td> </tr> <tr> <td>4 bed</td> <td>325</td> <td>8 years 9 months</td> <td>11 years 2 months</td> </tr> </tbody> </table> <p>*Older persons housing is classed as suitable for those aged 50+.</p> <p>Those with priority may include homelessness, overcrowding, medical requirements, those looking to downsize, and management moves.</p>			Property size	Numbers waiting	Wait times (with priority)	Wait times (no priority)	1 bed	4,220 (*includes 1,500 eligible for older persons housing)	1 year 4 months	3 years 10 months	2 bed	1,440	2 year 6 months	5 years 0 months	3 bed	1,523	9 years 0 months	11 years 5 months	4 bed	325	8 years 9 months	11 years 2 months
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15.	<p>Cabinet on 14th March 2022 approved the development of a framework for the transfer of land for the provision of Affordable housing. It estimated that this will be in place early in 2023. There has been engagement on the content of the key documents with officers across the council and the New Homes Board.</p>																						
16.	<p>A list of some of the key requirements that will be included in the tender documents are included in Appendix 8.</p>																						
17.	<p>Previous indicative design and layout suggestions for each site have been developed by the City Council's Design Team, and these have been used as the base plans as to what capacity each site has, as well as property and design type. With the proposed first tranche land release this will allow for an estimated total of 297 homes with a net gain of 220. This is based on the figures provided from the internal design team and existing planning permission.</p>																						
18.	<p>In most cases pre-planning advice has been sought and the suggested property numbers included in the proposals for each site have been based on the feedback given. These are indicative designs and densities, and it is anticipated that the AHP will develop their own proposals based on viability and their own design requirements.</p>																						

19.	Valuations have been completed for each site by an independent RICS surveyor and these are included in the valuation report as Appendix 9. Valuations are also noted in the 1 st Tranche Site Schedule (Appendix 1).
20.	It is anticipated that the land will be released for tender from Spring 2023 onwards.
21.	<p>It is proposed that the tender criteria for each plot will look at:</p> <ul style="list-style-type: none"> • Best use of the land – property types, number of homes delivered, tenure mix. • Best consideration against predetermined valuations. • Deliverability – community engagement, build timescales. • Affordability – social rent, affordable rent, sales valuations for shared-ownership. • Design – extent that the designs adhere to the City Council Design Manual
22.	<p>With regards specialist housing there is limited scope to provide this type of accommodation within the first tranche of land highlighted, as explained in the appendices to this paper.</p> <p>The current council requirement for specialist housing is as follows:</p> <ul style="list-style-type: none"> • Specialist Supported Housing (Learning Disability/Mental Health/Physical Disability) <ul style="list-style-type: none"> ○ 1-bed self-contained homes. ○ These can be in blocks of up to 12 homes together. ○ Access to local amenities are required. ○ Some 2-bed homes may be required for those requiring 1:1 personal support/care • Housing with Care (extra care) <ul style="list-style-type: none"> ○ These need to be a minimum 50 homes of self-contained. ○ They include communal facilities on-site (lounge, activity room, café/restaurant) and have communal grounds. ○ Where these are specialist dementia homes, they can be smaller – c.40 homes. • Children’s Services <ul style="list-style-type: none"> ○ The requirement is for 4 en-suite client rooms. ○ 2 units for staff. ○ Communal shared facilities (lounge, kitchen, laundry). • Homeless Accommodation <ul style="list-style-type: none"> ○ These are self-contained. ○ There is a need for local amenities. ○ “Pod” or modular type accommodation can be used.
23.	It is proposed that there will be a requirement that 5% of the Affordable housing delivered on land provided by the council will be fully wheelchair accessible as part of the terms for AHPs on the framework.
24.	Site 1 was previously used for the provision of homeless accommodation The property is now vacant and in poor condition, requiring demolition as it has been concluded that it is not viable to maintain/repair. Although the report seeks approval to transfer this site, prior to a tender process there will be a full cost benefit

	analysis completed to confirm whether this should be a general needs or homeless provision.
25.	Site 3 can provide up to 42 homes and it is proposed that this is considered to provide a housing with care scheme and potentially a dementia specialist extra care scheme. An interest in the provision of extra care has been identified by AHPs that are interested in becoming part of the framework.
26.	It has also been proposed that Site 6 provides 10-15 properties specialist supported housing for those with a lower level of dependency. This can be included in the mini-tender documentation as a clause for compliance if consideration is given to transfer to an AHP through the framework.
27.	The final detailed requirements for each site will be concluded using the delegations in the recommendation (ii) of this report.
28.	Future tranches of sites will be brought forward after further consideration, and this may include further sites suitable for specialist housing.
RESOURCE IMPLICATIONS	
<u>Capital/Revenue</u>	
29.	No capital funding is required for this proposal. There will be capital receipts received with the transfer of land. It is anticipated that any costs incurred including land registry information, site valuations and any ancillary amounts will be recovered from the capital receipt for any land transferred.
30.	All but two of the proposed sites sit within the Housing Revenue Account (HRA). For those sites, any capital receipt will be ring fenced to support the HRA capital programme and reduce future borrowing requirements. An assumption will be built into the 2023/24 HRA Business Plan based on the valuations provided. For those sites that sit within the General Fund, receipts will be invested back into the General Fund capital programme or, where possible, transformation projects.
31.	The independent valuations completed for each site comprise two elements: <ul style="list-style-type: none"> • Valuation based on open market sale (OMV) (i.e. no restrictions for the use of the land, but usually based on market sales properties) • Valuation based on social/affordable housing (EUV-SH) (based on 20% social rent, 30% affordable rent and 50% shared-ownership) <p>In all instances, aside from site 7, the valuation for use as social/affordable housing is higher than for open market sales. This is predominantly as a result of build costs exceeding sales values when assessing the location and existing housing stock.</p> <p>The valuations do not take into account a Registered Provider's ability to access funding through Homes England or other sources. This potentially increases the valuation for affordable housing.</p> <p>The valuations do not represent the possible capital receipt from disposal. What they do represent is that, in the current market, provision of affordable housing</p>

	represents the best value use of the sites going forwards. Where a negative market valuation is identified, a capital receipt of £0 would be assumed
32.	There will be no ongoing capital or revenue funding required for the new homes as these will be owned by the AHP who will be responsible for the management and maintenance. The AHP will also receive the rental income receivable from the new homes once occupied.
33.	The general implication for transfer of properties out of the HRA is the potential loss of rental income, which is used to fund specific services to tenants, and contributes towards the repayment of investment costs within the housing stock. Proposals to take viable properties, or properties that have recently received significant investment, out of the housing stock could therefore adversely impact the HRA in the medium to long term, and therefore an assessment needs to be made based on the current status of the properties concerned.
34	Currently, of the proposed HRA sites, three are currently empty and are not contributing any rental income to the HRA; however, the HRA continues to pay empty property council tax charges and is responsible for securing and maintaining the empty properties.
35	The remaining two sites are occupied and currently, the business plan assumes that these properties are decommissioned by 2025. A rental loss of approx. £0.8m is therefore already factored into the business plan. The assumption built into the business plan for these specific sites in 2022/23, following the decision to pursue land transfers, was that no development would be undertaken by the Authority and, pending the valuations now received, no capital receipt was assumed.
36.	From the perspective of the business plan, the alternative option for the sites would be to bring the properties back into use. To do so would require significant investment and, given the current pressures on the HRA business plan and Capital Programme, this is not likely to be viable.
37	Both of the General fund sites are currently costing the General Fund £20k per annum to maintain as empty units. Site 3 provides an opportunity for a new development to help meet the needs of provision of care in the city. It is expected that the delivery of new facilities on this site would result in improved care provision and potentially reduce overall care pressures accordingly
38.	Although it is expected that framework providers will have access to Homes England grant there is an opportunity to use receipts from Right to Buy sales to partially fund new homes. Homes England grant and Right to Buy (RTB) receipts cannot be used to fund the same individual property, however it can be used to part fund a wider development site or programme. Further work is needed to identify how RTB funding could be transferred to AHPs and would be subject to obtaining necessary approvals. Any RTB funding that the council is unable to use itself has to be paid back to Government with interest after 5 years.
LEGAL IMPLICATIONS	
39.	The Council can dispose of land providing it is compliant with Local Government Act 1972 s.123 in achieving best consideration.

40.	As previously noted, as the intended use for the land is the provision of social/affordable housing the capital receipt offered may be lower than the valuation for open market sale.
41.	Where best consideration is less than £2,000,000 below the market valuation then authorisation for transfer can be granted by the Council providing the transfer contributes to the promotion/improvement of economic well-being, promotion/improvement of social well-being or the promotion/improvement of environmental well-being.
42.	Where best consideration is greater than £2,000,000 below market valuation then a request to the Secretary of State for authorisation must be obtained. As no site currently has an expected valuation exceeding £2,000,000 this is unlikely to be implemented.
43.	Land or property assigned to the HRA must be transferred in accordance with the above legislation, and any capital receipts retained within the HRA.
44.	The Council will still have its obligations under the Allocation of Housing and Homelessness (Eligibility) (England) Regulations 2006 through either providing homes owned by the Council or by nomination for a housing association tenancy.
45.	Disposals of Housing Revenue Account (HRA) property out of the Council's ownership, whether on a freehold or a leasehold basis, require consent under Section 32 of the Housing Act 1985 (the 1985 Act). The current General Consents are 'The General Housing Consents 2013. Where the land is vacant it is covered by the general consent and therefore specific permission is not required for this disposal.
46.	The General Consent allows a local authority to dispose of HRA land at market value. Disposals of the freehold of tenanted properties to private landlords are not covered by the Consent; nor are disposals to a body owned or partly owned by the local authority.
47.	A dwelling-house which was social housing disposed of pursuant to this consent to a registered provider of social housing 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.
48.	RTB receipts must be applied in accordance with relevant legislation and guidance and particularly the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended) and the terms of any retention agreement reached under section 11(6) of the Local Government Act 2003 modifying the applicability of the regulations
49.	The council has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness-the best value duty.
50.	Under Section 3 of the Local Government Act 1972 the Council has the power to do anything incidental to the exercising of any of its functions. The general power of competence under section 1 of the Localism Act 2011 gives local authorities a broad range of powers "to do anything that individuals generally may do" subject to limits within other legislation and there are no adverse limits on the proposed scheme under the current legislation.

RISK MANAGEMENT IMPLICATIONS	
51.	The implementation of the proposed framework is considered as low risk due to the existing interest by the AHPs to work with Southampton City Council to provide Affordable housing in the city, which has been based on discussions with existing providers, therefore it is anticipated that there will be robust demand for the sites included in the first tranche.
52.	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 to process for transfer to any AHP, or the deliverability of homes on the specific land.
53.	There may be plots that are of less interest to AHPs 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 providers outside of the framework or private developers.
POLICY FRAMEWORK IMPLICATIONS	
54.	The proposal in this report reflects the Council's Corporate Plan 2022-2030, 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	
1.	Appendix 1 - 1st Tranche Site Schedule (Confidential)
Documents In Members' Rooms	
1.	Appendix 2 – Site 1 Information Sheet (Confidential)
2.	Appendix 3 – Site 2 Information Sheet (Confidential)
3.	Appendix 4 – Site 3 Information Sheet (Confidential)
4.	Appendix 5 – Site 3 Information Sheet (Confidential)
5.	Appendix 6 – Site 5 Information Sheet (Confidential)
6.	Appendix 7 – Site 6 & 7 Information Sheet (Confidential)
7.	Appendix 8 – Land Transfer Requirements (Confidential)

8.	Appendix 9 – Valuation Report. (Confidential)
9.	Appendix 10 – Equality and Safety Impact Assessment
Equality Impact Assessment	
Do the implications/ subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.	Yes
Data Protection Impact Assessment	
Do the implications/ subject of the report require a Data Protection Impact Assessment (DPIA) to be carried out.	No
Other Background Documents	None