

BROMSGROVE DISTRICT COUNCIL

CABINET

6th APRIL 2011

WORCESTERSHIRE LOCAL INVESTMENT PLAN (LIP) AND AFFORDABLE HOMES PROGRAMME FRAMEWORK.

Relevant Portfolio Holder	Cllr Peter Whittaker
Relevant Head of Service	Head of Community Services
Key Decision - YES	

1. SUMMARY OF PROPOSALS

- 1.1 The first part of this report brings forward for member approval a Local Investment Plan (LIP) for Worcestershire that has been developed between Worcestershire local authorities, Registered Providers of affordable housing (previously known as RSLs) and the Homes and Communities Agency setting out the shared priorities for housing, regeneration, economic development and supporting infrastructure.
- 1.2 The second part of the report summarises a range of proposed government reforms to the way that social housing is delivered and sets out the significant changes in the Homes and Communities Agency's expectation of what RPs are required to contribute when bidding for what is now to be much lower levels of HCA grant support for new affordable housing development. It sets out the importance of the Local Investment Plan in assisting Registered Providers of affordable housing to achieve a strategic fit when addressing the priorities for new supply identified by local authorities and when bidding for grant funding under the HCA's new 'Affordable Housing programme Framework'.
- 1.3 The third section of the report sets out how the Council's Principal Preferred Partners (BDHT and West Mercia Housing) are proposing to respond to Government's new framework for the delivery of affordable housing. This part of the report provides an overview of the bid that BDHT/West Mercia are currently formulating for submission to the HCA by the 3rd May 2011 in order to seek grant subsidy to develop up to 250 affordable dwellings over the next 4 years. In response to the DCLG / HCA guidance the bid will seek lower levels of HCA grant (than has been previously available) necessitating the inclusion of financial contributions by the RSLs themselves, through the selected disposal of stock and a policy of increasing rents to a proportion of dwellings that are relet. The HCA, when assessing the bid will require confirmation that the necessary inputs to the funding of the proposed development is the result of agreement between the strategic housing authority and the Registered Providers.

2. RECOMMENDATIONS

- 2.1 That Members endorse the Worcestershire Local Investment Plan (LIP) set out at Appendix 1 of the report.**
- 2.2 That Members note the range of proposed reforms to the delivery of affordable housing and the summary of the key elements of the HCA's new Affordable Housing Delivery Framework set out at Section 5 of the report.**
- 2.3 Members are asked to consider the detail of BDHT/West Mercia Housing's proposed bid to the HCA Affordable Homes Programme (set out at Appendix II) and confirm the Council's commitment to the principles of the bid as detailed within Section 5 thereof with specific agreement to the bid elements detailed at 5.2 D and E as explained in sections 6.6 to 6.8 of this report.**

3. BACKGROUND

- 3.1 The Homes and Communities Agency (HCA) is the national housing and regeneration delivery agency for England. The HCA has aimed to connect local ambition with national targets by engaging local authorities in a 'Single Conversation' on all aspects of housing and regeneration.**
- 3.2 The HCA's 'Single Conversation' process was launched in early 2010 to streamline their engagement and negotiation with local partners to generate investment plans and agreements to secure the delivery of affordable housing at local level in support of national objectives.**
- 3.3 The term 'Single' Conversation refers to its comprehensive coverage including the full range of housing, infrastructure, regeneration and community activities identifying the priorities set out in key local plans and is an ongoing, evolving and dynamic process.**
- 3.4 To deliver the agreed vision for the area, the process is supported by a Local Investment Plan (LIP) (Appendix 1) which identifies the needs to be addressed (based on evidence from local strategies, including the Sustainable Communities Strategy, Local Development Framework and the Local Economic Assessment) and broad consultation that has helped to identify the objectives, outputs and outcomes that are expected from each partners' interventions and to assist the HCA, the LIP covers key areas for potential investment:**

- 3.5 With the change of Government during 2010, the concept of a Single Conversation was dropped and the requirement to develop a Local Investment Plan became voluntary although it is the document the HCA will use to determine housing investment within an area.
- 3.6 Dialogue with the Homes and Communities Agency indicated that it was desirable to continue to develop a Local Investment Plan that could be used to inform and support the forthcoming housing bidding round with the HCA (2011 – 15) under the new *Affordable Homes Programme Framework* which is described below, under Section 5 of this report.
- 3.7 The Worcestershire authorities jointly commissioned consultants, Regeneris Consulting and BBP Regeneration who had previous experience of developing LIPs to consult with key stakeholders and draw up the LIP. The development of the LIP was overseen by specific task and finish groups set up in the North and South, overseen by the Worcestershire Partnership Place Shaping Theme Group. Throughout the process Registered Providers (formally known as RSLs), with an interest in developing in the area, were consulted.

4.0 KEY ISSUES

- 4.1 The Local Investment Plan has identified three key strategic priorities:
- Creating the conditions to sustain and generate employment,
 - Providing the right housing for all communities
 - Developing Worcestershire's infrastructure.
- Within these three strategic priorities there are a number of elements and these are listed below;
- Priority 1: Developing high growth employment sites
 - Priority 2: Creating and sustaining employment in Worcestershire's main centres
 - Priority 3: Supporting the economic sustainability of Worcestershire's towns
 - Priority 4: Developing housing to support high growth employment sites and main employment centres
 - Priority 5: Supporting housing markets in Worcestershire's towns
 - Priority 6: Delivering sustainable rural housing
 - Priority 7: Meeting special needs
 - Priority 8: Improving the existing housing stock
 - Priority 9: Strengthening the highways infrastructure
 - Priority 10: Improving public transport

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- Priority 11: Developing social, community and green infrastructure
 - Priority 12: Managing Worcestershire's resources
- 4.2 For Bromsgrove, the proposals for housing and economic development and regeneration, identified through the draft Local Development Framework Core Strategy are picked up in priorities three, four and five. Delivery of affordable housing to meet rural housing needs is addressed by priority six and to meet special needs, including housing for older people is addressed by priority seven. Priority eight highlights the needs for ongoing improvements to the existing stock, especially around thermal comfort although recognition is given to the scale of disrepair in the private sector and the limited resources now available to support improvements. Priorities 9 – 12 cover various transport and infrastructure schemes under proposal throughout the county.
- 4.3 The LIP is an evolving document and it is recognised that in the short term it is a document that will inform the HCA bidding rounds. However, in the longer term it is the starting point for further prioritisation of Worcestershire's key employment and housing growth ambitions that require significant supporting infrastructure.
- 4.4 The development of a Worcestershire LIP has been supported by all of the Worcestershire Councils and other key delivery partners. Its implementation will continue to be overseen by the Worcestershire Partnership's Place Shaping Group as the next steps towards scheme prioritisation are addressed. However, in the meantime the LIP will serve as a document to support RP bids to the HCA. The Council is recommended to endorse the LIP.
- 5. AFFORDABLE HOMES PROGRAMME - FRAMEWORK**
- 5.1 The Localism Bill and the Government's consultation paper 'Local Decisions: A Fairer Future for Social Housing' proposed far reaching changes to the nature and length of tenancies offered by social landlords and, in the case of Registered Providers (RPs), to the rents charged to a proportion of their new tenants when properties become available for reletting..
- 5.2 It is proposed that local housing authorities will be under a statutory duty to formulate and publish a 'Tenancy Strategy' as a framework for the application of the new flexibility to tenancy terms and the proposed introduction by RPs of new 'affordable rents'. Individual social landlords

will also be expected to publish policies on their specific application of tenancy and rent reform.

- 5.3 In February 2011, the DCLG and Homes and Communities Agency (HCA) published an *Affordable Homes Programme Framework* setting out a new approach to the way that social housing is to be delivered from April 2011.
- 5.4 The Affordable Homes Programme Framework seeks offers from RP's (formerly known as RSLs, eg. BDHT, West Mercia Housing etc) to work with the Homes and Communities Agency (HCA) to deliver a new supply of affordable housing over the next four years - 2011 to 2015.
- 5.5 Whilst offering greater flexibility to RP's wishing to develop affordable housing, the basis of this new delivery model will be to encourage providers to use the potential to increase the rental stream from some of their existing stock (only when units become void for re letting) to help reduce the amount of public funding (HCA Grant) that will be needed to deliver the supply of affordable housing.
- 5.6 Key to this new structure is the introduction of a new '*Affordable Rent*' product which will form the principal element of the new supply offer. The new flexibilities will allow RP's to convert a proportion of their existing '*Social Rent*' dwellings (currently let at around 55% - 60% of open market rent) to the new '*Affordable Rent*' which can be let at up to 80% of open market rent. Existing tenants will not be affected as conversion to the new Affordable Rent product will only be an option available to a RP when stock becomes void and is relet to a new tenant.
- 5.7 Alongside this flexibility for RPs to capitalise upon an increased rental stream, the new delivery model will seek a competitive bid from RPs who use the new flexibilities on the use of existing assets to generate additional financial capacity to support new supply. There are therefore four broad funding streams:
- Additional borrowing capacity by conversion of Social Rent units to Affordable Rent.
 - Cross subsidy through surpluses, outright sale, shared ownership sales, recycled grant and stock disposals.
 - Free or discounted land.
 - HCA Grant funding (but only where required to make a development viable).

The assumption is that the most competitive bids made by RPs will effectively combine these funding streams.

- 5.8 The new delivery model will mean that the HCA's former 'scheme by scheme' appraisal process will end and providers will be expected to set out their proposals for a four year programme covering how they will manage their existing assets and capacity, and in particular how they will use the flexibility to convert some of their current stock to 'Affordable Rent', alongside HCA funding, to generate significant volumes of new supply.
- 5.9 When considering proposals, the HCA will consider the strategic fit and overall value for money. RPs will be encouraged to work closely with local authorities throughout the 2011 -15 development programme period to deliver against local needs and priorities. The HCA's local development teams will play a key role in brokering and enabling relationships between providers and local authorities to ensure that local priorities are delivered. Members will therefore recognise that the Local Investment Plan (LIP) as detailed in sections 3 and 4 of this report is a key tool in enabling this to happen.
- 6. OVERVIEW OF THE PROPOSED BDHT / WEST MERCIA BID TO THE HOMES AND COMMUNITIES AGENCY (HCA) FOR DEVELOPMENT GRANT FUNDING FOR THE PROGRAMME PERIOD 2011 – 2015.**
- 6.1 This section of the report sets out how the Council's Principal Preferred Partners (BDHT and West Mercia Housing) are proposing to respond to Government's new framework for the delivery of affordable housing that is explained in section 5 above.
- 6.2 At the time of writing this report, BDHT / West Mercia have provided an update (Attached at Appendix II) for Members consideration, that provides an overview of the bid that BDHT/West Mercia are jointly formulating for submission to the HCA by the 3rd May 2011 to seek grant subsidy to develop up to 250 affordable dwellings in the Bromsgrove District over the next 4 years.
- 6.3 In accordance with the DCLG / HCA guidance (Affordable Homes Delivery – Framework), the bid to develop up to 250 dwellings will seek the now required lower level of grant support from the HCA. However, to achieve this, it has been necessary for BDHT/WM to include within the bid, financial contributions from the sources recommended in the guidance that I made reference to in 5.7 above, i.e.:
- Additional borrowing capacity by conversion of a proportion of Social Rent units to the new Affordable Rent.

- Cross subsidy through surpluses, outright sale, shared ownership sales, recycled grant and stock disposals.
- Free or discounted land.
- The BDC approved capital grant budget of £200,000.

Members will note when reading the update provided by BDHT/WM set out at Appendix II, that in order for them to formulate a viable bid to the HCA, they are having to include a commitment to the disposal of some dwellings within the BDHT / WM housing stock and a policy of increasing rents on a proportion of dwellings when they become void for reletting to new tenants.

- 6.4 The Chief Housing Officers of the six Worcestershire Districts have been having meetings with all Registered Providers who operate across the County. Those that are proposing to formulate development bids are similarly having to give due consideration to the new guidance and the requirement to minimise the amount of grant requested from the HCA.
- 6.5 The HCA, when assessing the bids from BDHT/WM will require confirmation that the necessary inputs to the funding of the proposed development is the result of agreement between the strategic housing authority and the Registered Provider. Accordingly BDHT / WM seek the Council's commitment to the principles of their proposed bid to the HCA for the Affordable Homes Programme, as detailed within Section 5 of Appendix II.
- 6.6 In order for the Council to give its full commitment to the principles of the proposed bid, Members will be required to agree to two sensitive elements of the bid, as detailed at 5.2 D and 5.2 E of Appendix II.

Specifically:

5.2 D proposes that in order to raise sufficient funding to support the development bid, BDHT will need to convert approximately half of all new lettings of existing stock to new Affordable Rents that will be set at 80% of market rent.

5.2 E proposes that in order to raise sufficient funding to support the development bid, BDHT will have to dispose of between 15 – 20 dwellings over the period of the programme and also convert approximately 10 existing tenancies to shared ownership by offering existing tenants the opportunity to purchase a share of the property that they currently rent from BDHT.

- 6.7 In committing to the principles of the bid, Members will be agreeing to the full capital receipt from the proposed stock disposals being strategically invested in the development of new affordable housing provision on the basis of any proportion of the capital receipt that would be due to the Council would be waived as a Council contribution towards the development bid.
- 6.8 The Chief Executive Officer, Leader and Portfolio Holder have emphasised to BDHT our members' previous concerns over the loss of social housing in rural areas through stock disposals. In order to address these concerns, the Chairman of the BDHT Board has proposed that *'where BDHT disposes of a rural asset, being a property within a small settlement (as defined in Table 2 of the District's settlement hierarchy, BDC, Draft Core Strategy 2), fifty percent of the capital receipt after the deduction of reasonable and property incurred BDHT expenses, will be ring fenced by BDHT, for a period of 30 months, to be dedicated to a Rural Exception scheme, where there is a commitment by the District and Parish Councils and a strategic acknowledgement by the Planning Department of a need, as opposed to a demand, for the development.*

7. FINANCIAL IMPLICATIONS

- 7.1 The Local Investment Plan is a mechanism for drawing in financial resources and focusing resources on schemes of strategic importance.
- 7.2 The Registered Provider bids to the HCA will be expected to include commitment of any resources the RP's and any other public or private bodies can make e.g. free or discounted land, local authority grant or the use of S106 contributions.

8. LEGAL IMPLICATIONS

- 8.1 The Housing elements of the LIP will form the basis of the packages that Registered Providers put together to the HCA to deliver housing over the next four years. These packages will be subject to legal agreement between the RP's and HCA but Local Authorities are expected to participate in consultation around these.

9. COUNCIL OBJECTIVES

- 9.1 The Housing priorities and actions within the document link with the following Corporate Objectives and Priorities:

Council Objective One - Regeneration – CO1 Priority Housing

Council Objective Three – Sense of Community and Wellbeing

Council Objective Four – Environment – CO4 Priority Climate Change

10. RISK MANAGEMENT INCLUDING HEALTH & SAFETY CONSIDERATIONS

- 10.1 The LIP is a Worcestershire wide document, there are no risks associated with endorsing it. However, failure to endorse it could place the Council at a disadvantage going forward in terms of securing internal investment opportunities.

11. CUSTOMER IMPLICATIONS

- 11.1 The actions set out within the document are designed to enhance the Council's response to the identified housing needs of the community and to assist Registered Providers and the HCA to invest in affordable housing that accords with the needs and priorities identified.
- 11.2 The incorporation of a policy of increasing rental income to support a new affordable housing development programme will impact upon a proportion of new BDHT tenants who do not qualify for Housing Benefit.

12. EQUALITIES AND DIVERSITY IMPLICATIONS

- 12.1 It has not been considered necessary to carry out an impact assessment on the LIP.

13. VALUE FOR MONEY IMPLICATIONS, PROCUREMENT AND ASSET MANAGEMENT

- 13.1 The LIP will assist and encourage RP's to make best use of existing resources and guide their proposed investment and that of the HCA to most accurately reflect the needs and priorities of the County.

14. CLIMATE CHANGE, CARBON IMPLICATIONS AND BIODIVERSITY

- 14.1 Addressed within LIP Priorities 8 and 11.

15. HUMAN RESOURCES IMPLICATIONS

- 15.1 None identified.

16. GOVERNANCE/PERFORMANCE MANAGEMENT IMPLICATIONS

- 16.1 The LIP will assist in driving NI 155 Delivery of Affordable Housing.

17. COMMUNITY SAFETY IMPLICATIONS INCLUDING SECTION 17 OF CRIME AND DISORDER ACT 1998

- 17.1 None other than in assisting in creating sustainable communities and providing affordable homes that will help impact upon homelessness.

18. HEALTH INEQUALITIES IMPLICATIONS

- 18.1 Specifically addressed by LIP priorities 7, 8 and 11.

19. LESSONS LEARNT

- 19.1 Early engagement and agreement of priorities with RPs and with the HCA through the development of the LIP is clearly viewed as a positive support to the investment process.

20. COMMUNITY AND STAKEHOLDER ENGAGEMENT

- 20.1 Registered providers, County Council and District Council officers from housing, regeneration, planning, economic development teams have been involved in the development of the Worcestershire LIP.

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21. OTHERS CONSULTED ON THE REPORT

Portfolio Holder	Yes
Chief Executive	Yes
Executive Director (S151 Officer)	Yes
Executive Director – Leisure, Cultural, Environmental and Community Services	Yes
Executive Director – Planning & Regeneration, Regulatory and Housing Services	Yes
Director of Policy, Performance and Partnerships	Yes
Head of Service	Yes
Head of Resources	Yes
Head of Legal, Equalities & Democratic Services	Yes
Corporate Procurement Team	No

22. WARDS AFFECTED

All

23. APPENDICES

Appendix 1 – Worcestershire Local Investment Plan (LIP).
Appendix II – BDHT/West Mercia Housing Update on HCA Bid Proposals.

24. BACKGROUND PAPERS

DCLG / HCA - Affordable Homes Programme – Framework

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Local Investment Plan Appendix 1

25. KEY AUTHOR OF REPORT

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