

Part A

Report to: Cabinet

Date of meeting: 10 September 2018

Report author: Deputy Managing Director - Place Shaping & Performance

Title: Opportunity to increase the provision of social rented housing

1.0 Summary

- 1.1 The Mayor has agreed to consider this report as an urgent item as a decision is expected from Homes England (HE) before the date of the next Cabinet meeting.
- 1.2 Watford Borough Council (WBC) and Watford Community Housing (WCH) have been considering how to increase the supply of new socially rented housing through Hart Homes.
- 1.3 The Mayor has committed to the provision of 16-18 new social housing units per year over the next three years which is now embedded into the Council's Corporate Plan.
- 1.4 WBC and WCH have been in active dialogue for over twelve months to consider how joint investment might increase the supply of social rented housing and a number of sites have been identified.
- 1.5 Opportunity has arisen to seek grant funding from Homes England (HE) to achieve this joint objective. HE recently announced in June 2018 a programme of grants for 12,500 socially rented homes, targeted at high value areas outside London; regionally HE accepts that Watford qualifies. In Watford, we have a real opportunity to deliver socially rented homes within what might be a limited window, which should be exploited whilst possible.
- 1.6 The programme will be funded by equal cash and subsidy from WBC and WCH either in the region of £1 million or £2.65 million each depending on the success of the Homes England grant. The WBC cash contribution can be funded through a reallocation of part of the funding earmarked for temporary accommodation currently forming part of the Medium Term Finance Plan.

2.0 Risks

2.1

Nature of risk	Consequence	Suggested Control Measures	Response (treat, tolerate, terminate or transfer)	Risk Rating (combination of severity and likelihood)
Subsidy from WCH or WBC not agreed	Opportunity for the proposal not secured and social rented housing remains a significant issue. Corporate plan priority not delivered.	Agreed costs equalised between each organisation.	Treat	Unlikely (2) x High (2) = rating of 4
Grant not received from Homes England	WBC and WCH will have to reconsider the proposal and the way forward based on the revised costs	This is a unique opportunity to bid for a higher grant level than usual under the affordable rented programme which will make the proposal more feasible and therefore achievable	Treat	Unlikely (3) x High (3) = rating of 9
Sites not being available for development	Delay in the programme and/or risk of not being able to draw down on Homes England grant funding if achieved.	Sites identified have been selected for deliverability (subject to planning permission in most cases). They are essentially within established residential areas so in principle there is minimal risk.	Treat	Unlikely (2) x High (2) = rating of 4
Development costs increase	The amount of subsidy will increase and WBC and WCH will have to reconsider the proposal and the way forward based on the revised costs	Development costs will be closely monitored during the project and where possible cost increases will be considered and absorbed within the scheme.	Treat	Unlikely (3) X High (3) = rating of 9

3.0 Recommendations

3.1 Cabinet is asked to:

- (i) approve a joint proposal by Watford Borough Council and Watford Community Housing (WCH) to provide 50+ socially rented properties in the Borough to be delivered over a 3 year period by WCH subject to agreeable nomination rights and subsidy being received from WCH on an equal basis with WBC and,

- (ii) subject to the approval of Council to (v) below confirmation from an independent valuer that the Council is achieving best consideration the transfer of land as identified in 4.6 below from WBC to WCH at nil consideration and,
- (iii) approve the commencement of consultation on redevelopment of the WBC sites where required (as identified in the Part B appendix) followed by the submission of a planning application this financial year and,
- (iv) agree that any amendments on the sites to be brought forward for socially rented homes including the scheme design (relating to overall numbers and mix of units) is delegated to the Deputy Managing Director in consultation with the Portfolio Holder for Property and Housing.

And to recommend to Council:

- (v) that £2.65 million from the funds currently earmarked for the provision of new temporary accommodation are reallocated to support this project, the money being split between 2018/19 and 2019/20 financial years.

Contact Officer:

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Report approved by: Manny Lewis – Managing Director

4.0 Detailed proposal

4.1 Background

- 4.2 Watford Borough Council and Watford Community Housing have been considering, through a joint delivery vehicle (Hart Homes), a number of sites that can potentially be developed to provide more affordable homes in the Borough.
- 4.3 The first scheme, as part of a Hart Homes development for a 40 bed temporary accommodation unit, is due to open late September 2018 as part of the first phase of Croxley View development which will also comprise 36, one and two bed apartments in two further blocks.
- 4.4 Although there are number of socially rented homes being delivered through the planning system as planning applications are granted, the supply is not as the council would like. In the majority of cases a developer has been able to demonstrate there are viability issues which are a material planning consideration

that has to be taken into account and therefore it is the socially rented housing that often suffers. In addition the mix of dwelling unit size and overall bedroom numbers intended to be provided by developers has not always matched the current needs within the Borough. The demand is predominantly for two, three and four bedroom properties, suitable for families.

- 4.5 A unique and possibly limited opportunity has arisen through a wider national review of social housing post-Grenfell. Homes England has recently introduced a programme to fund the provision of social rent in areas of high rental value. HE funds have been set aside to create opportunities to provide in the region of 12,500 new socially rented homes. Presently, affordable rent attracts up to £35k grant per dwelling but the social rent upper limit, so far untested, is predicted to be up to double this figure.
- 4.6 WBC and WCH have sought to make a bid for this grant to deliver the aspiration to increase the supply of socially rented homes. A number of sites have been examined which are capable of being developed in the next 3 years. WCH have put forward 7 potential sites and WBC have put forward 2 sites as follows:

Site	2 Bed Flats	3 Bed Flats	2 Bed Houses	3 Bed Houses	Total
WCH. 9 Sites	7	3	3	16	29
WBC. 2 Sites	21	5			26
Total	28	8	3	16	55

- 4.7 One of the two WBC sites is generally ready to be developed and the site has been cleared, whereas the other will require a planning consent following an appropriate and proportionate consultation with the local community. (See Part B appendix.) The WCH sites will also require planning consents.
- 4.8 HE grant is only available to Registered Providers (RP), and although for-profit businesses can achieve this status, by registering, Hart Homes (HH) would be subject as a whole to oversight by the Regulator of Social Housing, rent control and the potential of Right-to-Buy. When establishing HH it was agreed that registration would not be sought, to ensure maximum operational flexibility and there is no compelling reason to change that view now. As a result WCH is the applicant for grant and would be the delivery body working jointly with the Council.

4.9 The financial model is predicated on:

- All projects being developed through Watford Community Housing (WCH)
- WBC sites being transferred to WCH at nil value
- Similarly WCH sites being valued at nil value
- All dwellings to be developed for Social Rent

4.10 The balance of contribution required for this programme of 55 dwellings to be shared equally between WBC and WCH (see Part B appendix for details)

5.0 **Implications**

5.1 **Financial**

5.1.1 The Shared Director of Finance comments that there is sufficient available budget in the Temporary Accommodation capital budget to reallocate £2.65m to this project given that the demand for Temporary Accommodation is currently being managed within existing provision. A decision to reallocate the budget must be made by Council.

5.2 **Legal Issues** (Monitoring Officer)

5.2.1 The Head of Democracy and Governance comments that the Council will need to be satisfied that providing the land at nil consideration is necessary as the Council is under a duty to get best consideration on any land disposal. It will also need to enter into an agreement with WCH to ensure it gets full nomination rights to any units built and that in any subsequent sale the money is used to reprovide further social rented units. In addition it will require a restrictive covenant to prevent the land being used for anything other than housing. State Aid needs to be considered in respect of the provision of the £2.65 million subsidy. The Council has previously taken counsels advice and the provision of subsidy to support social housing is permitted under the State Aid regime.

5.3 **Equalities, Human Rights and Data Protection**

5.3.1 Consultation with stakeholders and the wider community will be undertaken as required. As part of the development proposal the individual schemes will be (or have been) subject to planning consent and is therefore subject to a statutory consultation process. However, it is proposed to augment this by undertaking a separate consultation with the

local community where necessary. An equalities impact analysis will also be undertaken

5.4 Staffing

5.4.1 Refer to Appendix Part B

5.5 Accommodation

5.5.1 There are no impacts

5.6 Community Safety/Crime and Disorder

5.6.1 Suitable design and the opportunity for crime and disorder mitigation measures form part of the planning process. An analysis of the crime and disorder implications will also be undertaken.

5.7 Sustainability

5.7.1 Any construction at the site will look to mitigate its impact on the environment by use of energy efficient energy generation measures, such as the use of solar PVs on roofs and electric vehicle charging points, dependent on the scale of the development.

Appendices

Appendix 1: PART B – Social Rent

Background papers

No papers were used in the preparation of this report.