

Cabinet Report

Report of Head of Development and Regeneration

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To: CABINET

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Affordable Housing and Oxfordshire Growth Deal

Recommendations:

(a) To award Oxfordshire Growth Deal funding (subject also to the approval of the Growth Deal Programme Board, planning permission for the scheme and transfer of the land to Housing 21 from Oxfordshire County Council) of up to £2.9 million for an Extra Care Housing Scheme of up to 80 dwellings which is anticipated will be delivered on Great Western Park, Didcot (parish of Harwell).

(b) To approve the use of S.106 financial contribution commuted sums as 'top up funding' up to a maximum total of £746,500 in connection with the Oxfordshire Growth Deal, the levels of which to be identified and approved on a scheme by scheme basis.

(c) To delegate authority to the Chief Executive to enter into a legal agreement with Oxfordshire County Council, in respect of the detailed funding arrangements for the affordable housing element of the Oxfordshire Growth Deal.

(d) To delegate authority to the Head of Development and Regeneration to enter into a funding agreement with Housing 21 (a Registered Provider) in connection with (a) above.

(e) To seek Cabinet approval to enter into a joint approach with South Oxfordshire District Council to explore a joint solution to the delivery of affordable housing through a joint council delivery vehicle.

Purpose of Report

1. To update Cabinet on progress with the Joint Housing Delivery Strategy 2018-2028 action plan.
2. To provide background information regarding the Oxfordshire Growth Deal and to recommend support for Growth Deal funding to an identified Extra Care project, together with the creation of a top-up fund to supplement additional Growth Deal projects where a shortfall in grant requirement is demonstrated.
3. To delegate authority to the Chief Executive and the Head of Development and Regeneration to enter into the appropriate legal agreements relating to Growth Deal and Registered Provider funding conditions.
4. To seek Cabinet approval on the exploration of a potential joint housing delivery company with South Oxfordshire District Council.

Corporate Objectives

5. To deliver the right balance of types and tenure of new homes to meet housing need and support economic growth. To Ensure a good supply of affordable rented homes for those unable to buy. To actively work to bring forward development where we see gaps in provision, using council resources and delivery mechanisms as appropriate. To seek to improve access to major new developments and town centres in the Vale for people with disabilities, carers and older people. (Corporate plan 2016-20)

Joint Housing Delivery Strategy 2018-2028

6. Cabinet approved the Joint Housing Delivery Strategy 2018-2028 in December 2017 (published January 2018 and attached at Appendix 1) and agreed an action plan. Each task associated with the identified actions is assigned an expected delivery period, with the shortest being one to three years.
7. To date we have carried out the following actions:

| Task Ref | Task | Action |
|----------|---|---|
| 03 | Promote identification of suitable smaller sites | Engaged with a number of Parish and Town Councils to explore opportunities. |
| 06 | Develop an Affordable Housing Supplementary Planning Document (AH SPD) | Held preliminary meetings with Policy colleagues to consider how and when a Supplementary Planning Document might be progressed (subject to Local Plan adoption) |
| 08 | Continue to work with Oxfordshire County Council to develop older persons housing and other specialised housing | Worked closely with Oxfordshire County Council to identify specialist housing requirements and explore ways of securing delivery where required. |
| 10 | Support alternative tenures and forms of delivery where the aim is to help local workers, including, for example, through Community Land Trusts | Engaged with Oxfordshire County Council to identify accommodation options for healthcare workers. Engaged with, and provided support to, a local Community Land Trust. |

8. We intend to continue to review the relevant actions contained in the Action Plan, and progress them further to achieve the identified outcomes where required.

Oxfordshire Housing and Growth Deal

9. The Oxfordshire Housing and Growth Deal is a partnership between Government and all of the Oxfordshire councils and Oxfordshire Local Enterprise Partnership (OxLEP) (the Oxfordshire Partners). The Deal was agreed by Council on 14 February 2018. The Deal aims to facilitate, accelerate and enhance the delivery of major infrastructure, housing and economic growth in Oxfordshire. Within the Deal, £60 million is allocated for the delivery of new affordable housing which is additional to that which would be delivered through planning policy.
10. In submitting a proposal to the Ministry of Housing, Communities & Local Government (MHCLG), the Oxfordshire Partners established an affordable housing delivery trajectory totalling 1,322 additional affordable homes to be delivered over three financial years ending 2020/21. For Year one (2018/19) the Council was due to deliver a proposed five-unit project, but due to unanticipated funding complexities, was unable to do so.
11. At the inception of the Deal, the Council was given a short period of time in which to identify opportunities which might contribute to the Oxfordshire total of 1,322 starts on site by March 2021. Over time, the list of possible opportunities has changed or been amended to reflect the likelihood of delivery following dialogue with Registered Provider (RP) partners, housebuilders, or other factors which have influenced opportunities.
12. Funding for the affordable housing delivery is paid by MHCLG to Oxfordshire County Council (OCC), which acts as the accountable body. The district and city councils claim back expenditure incurred at each financial year end. Average grant rates payable per dwelling were set at the commencement of the Deal and are based upon tenure types delivered. These unit rates are shown below:

| | |
|------------------|---------|
| Social Rent | £55,000 |
| Affordable Rent | £40,000 |
| Shared Ownership | £25,000 |

Oxfordshire Housing and Growth Deal - Top up funding proposal

13. The Council is currently reliant on its Registered Provider (RP) partners to deliver on the Deal, and although significant work has gone into engaging with partners, RP's advise that the unit grant rate offered through the Deal is not attractive. Moreover, grant rates offered by Homes England are more favourable than those offered through the Deal and are thus regarded as a more attractive source of funding. The grant rates the Deal is able to offer therefore present a significant challenge to delivery of our agreed targets.
14. The Council currently holds in the region of £3.1 million in financial contributions received in lieu of the on-site delivery of affordable housing by way of the regular

planning function. These contributions are to be used for the provision of new affordable homes, and the opportunity to disburse the funds is time limited. If expenditure is not achieved, the monies must be returned to the developer. These funds are summarised at Appendix 2 of this report. Cabinet has previously approved (April 2017) the use of the contributions to deliver affordable housing in a number of scenarios, but these scenarios did not envisage the possible combining of financial contributions with other Government funds, such as Growth Deal. The combining of financial contributions and Growth Deal funding could provide a more attractive offer to RPs, which could increase the rate and numbers of affordable homes delivered. RPs would be required to submit detailed costings in connection with any application for funds in addition to those provided through the Deal and would be assessed against common criteria to ensure value for money. The use of a Growth Deal 'top up fund' has now been approved by Homes England and MHCLG. MHCLG has also approved the use of Recycled Capital Grant Funding (RCGF) by RPs, which had not previously been permitted. Any such arrangement would remain under the control of the individual councils, which would determine the size of any top up fund and have absolute discretion over any commitments made.

15. Discussions with Homes England and MHCLG over seeking to align grant levels and subsidy rules with those available to RPs through the Shared Ownership and Affordable Homes Programme administered by HE nationally now means that the use of RCGF by RPs is now permitted through the Growth Deal. RCGF derives primarily from sales of shared ownership properties developed with the use of grant funding. The grant funding must be 'recycled' within the area from which it was derived, or otherwise repaid to government within strict time limits if not used.
16. It is important that the decision to proceed with the funding of an identified project can be made promptly, whether this is to be solely through the Deal or with the use of combined funding as described above. Delay in the decision-making process may result in opportunities being lost or delayed beyond the life of the Deal.

Oxfordshire Housing and Growth Deal – Housing 21 scheme

17. Housing 21 (H21) is a major provider of affordable retirement and Extra Care housing. It is a *not for profit* organisation registered with Homes England, the Regulator of Social Housing, and the Care Quality Commission.
18. The site on which the Extra Care Scheme will be delivered was secured through the S.106 Agreement pertaining to the overall Great Western Park development for the purpose of Extra Care provision and passed to Oxfordshire County Council. The site will be transferred by Oxfordshire County Council to H21 under a long lease (125 years) for a peppercorn. H21 will then develop the site which will provide a facility to meet the residential and care needs of older people in the area. The project requires grant funding to bring it to fruition.
19. The H21 proposal will deliver up to 80 apartments, together with associated facilities, on the site to be transferred to it. The scheme will be a mixed-tenure development comprising rented and shared ownership accommodation. The majority of the apartments will be for affordable rent.

20. Planning consent has yet to be obtained for the proposal, although pre-application discussions have taken place, and a full planning application has been submitted. Although the H21 proposal is for 80 apartments, the precise detail will be subject to a formal planning application process, and this number could reduce as a result. The Growth Deal grant requirement will be calculated in accordance with the Deal parameters. The current grant requirement estimate is £2.9 million. If total apartment numbers are reduced, or the tenure mix amended, the grant requirement is expected to change accordingly. H21 has confirmed that no additional grant will be sought from the Growth Deal top-up fund referred to at paragraph 14. above.

Council-led affordable housing delivery

21. At its meeting of 25 October 2019, South Oxfordshire District Council's Cabinet considered a report by the Head of Development and Regeneration regarding possible options for council-led affordable housing delivery. The report included a number of examples of delivery vehicles set up by local authorities in England and considered how a new approach might deliver genuinely affordable and innovative types of affordable housing in South Oxfordshire.

22. South Oxfordshire's Cabinet requested officers to undertake an exploratory study and prepare a report to recommend suitable options for proactive action by the council, to bring forward a wider range of housing in South Oxfordshire. Additionally, officers were asked to identify whether the housing market conditions across South Oxfordshire and Vale of White Horse District Council are such that the option of a joint solution and approach would be beneficial.

Financial Implications

23. The financial implications have been outlined in the body of the report. It should be noted that in the case of Recommendation (a). above, funding will be from an external resource, although forward funding of the grant will be involved.

24. The grant funding required for the Housing 21 scheme has been budgeted for in the council's capital programme and is fully funded by grant from MHCLG.

25. Any award of S.106 monies, to be used as top up funding in connection with the Oxfordshire Housing and Growth Deal, will be subject to an assessment of development costs in order to ensure that funding over and above that offered through the Deal is robustly justified and evidenced by the applicant.

Legal Implications

26. The council needs to negotiate and agree terms with Oxfordshire County Council, in its role as Growth Deal accountable body, and with H21 as the recipient of Growth Deal funding. There is some risk associated with this option in relation to repayment of Growth Deal funds, should MHCLG seek repayment if the project were deemed not to comply with Growth Deal requirements.

27. Vale of White Horse District Council and Oxfordshire County Council (the Growth Deal accountable body) are still in discussions on the terms of the Growth Deal funding agreement. It is anticipated that these discussions will be concluded shortly, having recently made significant progress.

Risks

28. The proposals covered in this Report are contingent upon the continuation of the Growth Deal.

29. To date, no additional affordable homes have been delivered in Vale of White Horse through the Deal. In part, the level of grant funding the deal has so far been able to offer is limited in its attractiveness to Registered Providers, and without the application of additional funds as referred to above, future delivery prospects are likely to remain poor.

30. Vale of White Horse District Council and Oxfordshire County Council (the Growth Deal accountable body) have not, at the date of this report, finalised the Growth Deal funding agreement, although this is believed to be imminent.

31. There remains a risk of MHCLG clawback of grant funding, should the H21 scheme fail to deliver. It will therefore be necessary for the council to mitigate this risk through a robust scheme evaluation process and through entering into a secondary funding agreement with H21 to address such an eventuality. This would include the scrutiny of H21's contract with its appointed builder, and other contractual arrangements connected with the development. It should be noted, however, that Registered Providers are stringently regulated by government in financial conduct, governance, delivery and quality. In the unlikely event that a Registered Provider encounters financial difficulties, the Regulator of Social Housing will seek to retain the RP's affordable housing assets as such.

32. Although it is intended that H21 will achieve a contractual start on site (the trigger for 90 per cent of the total grant being payable) within the current financial year (2019/20), it is possible that any unanticipated delay could result in a contractual start after March 2020. Current Growth Deal arrangements mean that grant expended by the district council throughout the year is repaid by the county council at financial year end. The risk therefore exists that in the event of contractual start on site not being achieved until the beginning of the following financial year (2020/21), grant expenditure would not be repaid to Vale of White Horse until almost one year later.

33. The period in which the council must spend S.106 monies is time limited. The time period usually commences upon receipt of monies from the relevant development. Unspent sums must be returned to the developer.

Conclusion

34. This report provides an overview of some of the elements of work currently being undertaken by the affordable housing team, together with an update on actions undertaken, and work ongoing, in connection with the Joint Housing Delivery Strategy 2018. Additionally, it provides an outline of the affordable housing strand of

the Oxfordshire Growth Deal and some of the delivery challenges faced.

35. The report seeks cabinet support for a project of up to 80 units of Extra Care accommodation to be delivered in Didcot (parish of Harwell), together with approval of Growth Deal grant funding of up to £2.9 million. The project is subject to the granting of an appropriate planning consent. The project would contribute to the overall Oxfordshire delivery target for the Growth Deal but is subject to the conclusion of negotiations between Vale of White Horse District Council and Oxfordshire County Council as to the terms of the funding agreement between the two councils.

36. The report seeks approval for the use of funds of up to £746,500 to be drawn from S.106 financial contributions held by the council, to act as top-up funding in connection with the Oxfordshire Housing and Growth Deal where additional grant funding may be required.

37. The report asks cabinet to delegate authority to the Chief Executive to enter into a legal agreement with Oxfordshire County Council in respect of the Growth Deal.

38. The report asks cabinet to delegate authority to the Head of Development and Regeneration to enter into a funding agreement with Housing 21 in respect of the project described in this report.

39. Cabinet's approval is sought for the council to enter into a joint approach with South Oxfordshire District Council to the detailed exploration of council-led affordable housing delivery vehicle.