

Committee: Cabinet

Date of Meeting: 8 January 2020

Subject:	Affordable Housing Enabling Fund - Proposals for Spend
Lead Officer:	Head of Housing Services / Interim Housing Strategy & Enabling Manager
Portfolio Holder:	Portfolio Holder for Housing
Link to Council Priorities:	H2: Deliver an increase in the supply of affordable housing
Exempt information:	None
Delegated Status:	For recommendation to Council on 26 February 2020
Key Decision:	Yes

Executive Summary:

This report sets out five proposals to provide grants from the Affordable Housing Enabling Fund, amounting to a combined maximum of £2,060,000, to support three Registered Providers (Crown Simmons, Transform Housing & Support and PA Housing) to deliver up to 29 affordable homes across the borough. Any grant awards would be subject to terms and conditions set out in funding agreements between the Council and each of the registered providers.

Recommended: that

- (a) Cabinet endorses the five proposals developed in partnership with Crown Simmons, Transform Housing & Support and PA Housing to increase the provision of affordable housing of different types and tenures to meet identified housing needs;**
- (b) Council approves an allocation of £165,000 from the Enabling Fund to support Crown Simmons to deliver 11 shared-ownership homes at the site of Rosemary House, Portsmouth Road, Esher (Proposal 1);**
- (c) Council approves an allocation of up to £300,000 from the Enabling Fund to Transform Housing & Support to enable the acquisition of no fewer than three and no more than four 1-bedroom homes to be used as rented 'move on' accommodation for single people who have been homeless (including rough sleepers) (Proposal 2);**
- (d) Council approves an allocation of up to £320,000 from the Enabling Fund to PA Housing to support the delivery of a fully wheelchair accessible home in Claygate (subject to planning permission) (Proposal 3);**
- (e) Council approves an allocation of up to £500,000 from the Enabling Fund to PA Housing to support the delivery of at least six and no more than seven one-bedroom homes for affordable rent at 95 Queens Road, Hersham (Proposal 4);**

- (f) **Council approves an allocation of up to £775,000 from the Enabling Fund to PA Housing to enable the acquisition of up to six former right-to-buy dwellings for letting on social rents (Proposal 5);**
- (g) **Council delegates authority to the Head of Housing Services, in consultation with the Portfolio Holder for Housing, to enter into funding and any relevant nomination agreements with registered providers and subsequently to authorise the release of funds for specific schemes; and**
- (h) **Council agrees that any future capital receipts repaid to the council under these initiatives will be paid back into the Enabling Fund to support the delivery of more affordable housing in future.**

Report:

1. The Enabling Fund

- 1.1 The Council's Affordable Housing Enabling Fund ("the Enabling Fund") is a fund set aside for the purposes of enabling the delivery of affordable housing to meet local need.
- 1.2 The fund mainly comprises contributions received from private developers of residential housing, secured through planning obligations set down in the Council's planning policies. The balance is also made up by a portion of the Council's New Homes Bonus (NHB) allocation along with various other capital receipts.
- 1.3 As at 30 November 2019, the current uncommitted balance of the Enabling Fund stood at £8,921,000.
- 1.4 Increasing the supply of affordable housing and reducing homelessness are two of the Council's most important priorities. This is reflected within the Council Plan priorities for 2019/20 and in the council's Housing, Homelessness & Rough Sleeping Strategy, 2020-24, which was adopted in December 2019.
- 1.5 Registered Providers of Social Housing ("RPs") have been encouraged to come forward with proposals to draw on the Enabling Fund (AHEF) to deliver additional affordable homes across Elmbridge. As a general principle, bidders are encouraged to maximise the use of funding from other sources before seeking to call on the Enabling Fund, thereby making use of the limited funds held by the council.

2. Proposal 1 – Funding to support Crown Simmons in the delivery of 11 shared-ownership homes at Portsmouth Road, Esher

- 2.1 Crown Simmons is an Esher-based housing association with approximately 200 affordable homes in management in the borough.
- 2.2 Council officers have ongoing dialogue with their counterparts at Crown Simmons concerning partnership working to improve the supply of affordable

housing in Elmbridge. This dialogue has led to a request for assistance from Crown Simmons in delivering 11 shared ownership units at the site of the housing association's former offices at Rosemary House, Portsmouth Road, where the association has encountered unexpectedly high costs related to the relocation of an electricity sub-station.

- 2.3 In 2017, Crown Simmons has planning permission to redevelop the site and provide 11 apartments, along with undercroft parking and landscaping. The building has been empty for a number of years and the site also accommodates an electrical sub-station. In 2018, Crown Simmons were advised by UK Power Networks that the sub-station would need to be relocated on the site. This has resulted in delays (in relation to securing a revised planning consent) and Crown Simmons incurring additional costs (the costs of the relocation of the sub-station is £265,000, which is £165,000 more than Crown Simmons were anticipating).
- 2.4 A policy compliant level of affordable housing delivery for an 11-unit scheme is 3 homes, plus a pro-rata financial contribution to affordable housing. However, Crown Simmons has made a commitment to deliver all 11 homes as affordable housing – in the form of shared-ownership properties, with priority given to initial purchasers who live or work in Elmbridge.
- 2.5 Crown Simmons has advised that the additional, abnormal costs associated with the re-location of the sub-station render the scheme unviable for delivery as affordable housing, without the council providing some subsidy to help meet the overall costs of the scheme. Crown Simmons staff are asking that the council provide a grant from the Enabling Fund of £165,000 from the Enabling Fund (equal to the additional costs associated with the sub-station) such that the scheme can proceed as an 100% affordable housing scheme. Crown Simmons has indicated that should the council funding be secured and certainty provided, that it would be possible to start the redevelopment in Spring 2020 with the scheme completed in 2021/22.
- 2.6 Council officers have been provided with the business case for the council providing a what is a modest outlay of £165,000 and Crown Simmons have shown that they have drawn in the majority of capital funding from other sources (including private borrowing, its own reserves and grant from Homes England). Without Council funding the scheme, at a total cost of £4.735m, would be financially unviable and, in the absence of this additional support from the council, the association will otherwise be forced to reduce the affordable housing element of the scheme and turn it over to market sales.
- 2.7 The provision of £165,000 funding to Crown Simmons will ensure the scheme's viability and expedite the delivery of an affordable scheme by making the development financially viable and avoiding the loss of affordable housing units on the site, which would otherwise be the case should the scheme not be supported by the Council.
- 2.8 An affordability calculation has been carried on behalf of Crown Simmons to show that a purchaser on a single income of £42,000 would be able to afford a

1-bedroomed flat at £350,000 (buying an equity share of 40% and paying rent on the share retained by Crown Simmons) , and a purchaser on a dual income of £52,000 , would be able to afford a 2-bedroomed flat at £430,000 (based on the same terms). It would be very difficult for households on these incomes to afford to buy on the open market.

- 2.9 It is proposed therefore that the Council agree, subject to the formulation and approval of a funding agreement that £165,000 grant be provided from the Enabling Fund to Crown Simmons for this development, subject to terms and conditions which will include measures to ensure that households living or working in Elmbridge have preferential access to the purchasing of these homes for several months at least, before other households are considered.
- 2.10 Once this initial funding is confirmed and the scheme is under construction, officers from both organisations will explore the potential to adopt other measures to help maximise take-up from those with a local connection, should initial interest from this target group be limited. This may entail the provision of further subsidy from the Enabling Fund, subject to member approval, to improve the affordability of the scheme, thereby broadening the pool of potential purchasers with a local connection.

3. **Proposal 2 – Funding for ‘move on’ accommodation for single homeless people**

- 3.1 In August 2018, the Government made £50 million available through the Move on Fund, with the aim of freeing up hostel spaces by increasing the availability of affordable move-on, or second-stage housing, for rough sleepers and those in hostel accommodation. The Move on Fund will provide capital grants contributing towards the costs of developing move-on accommodation for the target group. Revenue funding will also be made available to be accessed by successful bidders to provide ongoing tenancy support to ensure that those accessing the accommodation are able to keep their tenancies and avoid becoming homeless again. The Move on Fund has acted as a catalyst for Council officers and Transform Housing & Support to collaborate on developing plans which could, with funding, help meet that need. This has culminated in the proposal detailed below.
- 3.2 The latest estimate provided to Central Government indicate that, as at November 2019, there are nine individuals sleeping rough on a typical night in Elmbridge. The council is working with a range of partners, including Elmbridge Rentstart, Walton Charity and Transform Housing & Support to develop solutions to what is a complex and multi-faceted problem, with the intention of preventing rough sleeping and homelessness, wherever possible, intervening where it is happening and helping recovery from rough sleeping through the provision of suitable accommodation and support to help people rebuild their lives.
- 3.3 A key part of the solution locally is increasing the supply of ‘move on’ accommodation (with support) to tackle the problem through the effective provision of supported accommodation. Transform Housing & Support,

building on a similar scheme in East Surrey, have indicated a willingness to bid to Homes England for money from the Move on Fund to support the acquisition of between three and four one-bedroom flats in Elmbridge, but that even with Homes England funding and their own resources, they will need in the region of £75,000 to £100,000 per dwelling from the council in order to be able to purchase and if necessary, repair and furnish suitable one-bedroom homes in Elmbridge for this purpose. The table below provides an example of the indicative costs of acquiring and refurbishing a dwelling under the project and the respective capital contributions to meet these costs.

Table 1 Indicative costs and capital contributions for “move-on scheme” (per dwelling basis)

Indicative purchase price	£310,000
Refurbishment, conveyancing costs etc	£19,500
Capital contribution from Homes England	£55,000
Presumed capital contribution from Elmbridge BC	£75,000
Remainder to be financed by Transform Housing & Support	£199,500

- 3.4 Transform Housing & Support would provide support to help tenants to settle into their homes and sustain their tenancies and the Government would provide revenue funding for this support until 31 March 2021. Beyond then, the Council would need to fund that support, but this can be met through the Council’s Flexible Homelessness Support Grant or other Government funding for the foreseeable future and an exit strategy could be put in place in the event that the council could not or did not want to fund this support. One such exit strategy would be for the units to be re-categorised as general-needs, rented affordable housing.
- 3.5 This detail, and other terms and conditions (including the council having nomination rights to the first lets and future relets) would be tied up within a funding and nomination agreement.
- 3.6 Given the continuing incidence of rough sleeping in the borough and other indicators of single homelessness, it is proposed that the council agree to allocate up to £300,000 from the Enabling Fund to support Transform Housing & Support to acquire between 3 and 4 1-bedroom homes for use as “move-on accommodation”. The precise number purchased will depend on the costs of buying, repairing and fitting out properties.
4. **Proposal 3 – Funding for development of a new-build wheelchair accessible**
- 4.1 There are a number of households either on the council’s housing register or on PA’s Housing transfer register who require fully wheelchair accessible housing. There is a limited number of new-build wheelchair accessible affordable homes in development (for example, two two-bedroom flats on the Walton Park development in Walton on Thames) but there is a need for more.

Council officers and PA Housing have been in discussions about the opportunity to include a number of fully wheelchair accessible homes on a number of its garage / small site redevelopment programme which PA Housing intend to bring forward over the coming years. These homes could either be built with particular households in mind (e.g. whose needs are already known and identified) or for future needs.

- 4.2 There is a particular need to provide a small number of larger family homes (i.e. with 3 or 4 bedrooms) for wheelchair users. The limited supply of relets of homes of this size and the fact that not all of these homes will be suitable for adaptation (in construction) or that it is financially viable to proceed. In such circumstances (and given that we do not know which properties may become available for reletting in the future) the option of new-build has a number of advantages, in terms of certainty of delivery and being designed with the needs of a specific household in mind.
- 4.3 Staff at PA Housing have indicated that a number of the small sites which it intends to develop housing on could be suitable for wheelchair-suitable accommodation (for example, bungalows). One of these sites is in Claygate and this could accommodate a four-bedroom, single-storey bungalow (subject to planning permission) and meet the needs of a particular household with an urgent need to move to a property of that size and of that design. Should the project go ahead, then the intention would be that the first letting would go to this particular family, who are existing PA Housing tenants, but that any subsequent relets would be given to the council. Furthermore, the council would require that the vacancy created through the transfer of the prospective occupiers from their existing home would be made available to a council nominee from the council's housing register.
- 4.4 PA Housing have indicated that the total scheme cost is likely to be in the region of £500,000. The build costs are higher than a typical build due to the larger footprint that it would occupy and elements of the specification to make it suitable for wheelchair users. It is proposed that the council allocate a maximum of £320,000 from the Enabling Fund to support this development, should planning permission be obtained. PA Housing have indicated that a planning application should be submitted in early 2020 and that the delivery of the scheme would be expedited, if consent were granted. Whilst it is recognised that the proposed maximum allocation from the Enabling Fund is relatively high, this reflects the high costs of the scheme and the limited rental income that would be generated from a single unit. However, one of the main advantages of the Enabling Fund is that it can help support delivery of schemes that meet particular needs but which might not be viable otherwise and on that basis, it is recommended that approval be given to provide up to £320,000 towards the delivery of this unit so that PA Housing can proceed with the knowledge that funding is in place. Officers can negotiate on the final size of the grant with PA Housing once build costs are finalized and other funding options are explored.
- 4.5 Any funding provided from the council's Enabling Fund would be subject to terms and conditions set out in a funding and nominations agreement with PA

Housing.

5. Proposal 4 – PA acquisition of new-build homes on Queens Road, Hersham

- 5.1 PA Housing have an opportunity to enter into a contract with a local housebuilder in respect to a site on Queens Road, Hersham. There is already an outline consent for six one-bedroom flats on the site, with a planning obligation in place requiring one of these being for shared-ownership, meaning that the rest would be developed as market housing. There is a current application under consideration to redevelop the site to provide seven one-bedroom beds.
- 5.2 PA Housing have approached the council and requested that in order to be able to afford to take up this opportunity and provide all the homes as rented affordable housing, Enabling Fund grant would be needed to provide the necessary subsidy so that the scheme would be financially viable. PA Housing have indicated that a grant of in the region of £71,000 per unit would be necessary, such that if the six unit scheme were the option proceeded with, the council's contribution would be £426,000 and if the seventh unit was added, then this would rise to £497,000 (or £500,000 with rounding). This grant level is based on PA Housing acquiring the units at £254,000 each (plus PA Housing's on-costs). This subsidy would enable the homes to be let at affordable rents (£183.97 per week, including service charges) and the council would obtain 100% nomination rights to the first lets and 75% thereafter. It is anticipated that the units would be delivered by summer 2021. It is recommended that the allocation be supported (up to a maximum of £500,000) subject to terms and conditions set out in a funding agreement between the council and PA Housing.

6. Proposal 5 – Right-to-Buy buy-back scheme

- 6.1 From time to time, PA Housing are contacted by the leaseholders of properties purchased through right to buy in blocks (or their representatives) and asked whether they would like to buy the properties back (and let them as affordable housing). In certain cases, this is an attractive proposition for PA Housing as it helps consolidate the ownership of the properties within the blocks and gives it greater control in respect of the ongoing management of the building and individual dwellings. "Buy-backs" also provide an opportunity to add to the supply of affordable housing quickly and generally, the costs of buying these homes is lower than buying homes in privately-owned freehold buildings.
- 6.2 PA Housing staff have approached council officers with a proposal under which the council could set aside an element of the Enabling Fund which could be drawn down by PA Housing to part-fund fund a "buy-back" programme. Initially it is proposed that a commitment be made to provide sufficient funding to support PA Housing to acquire six dwellings initially (comprising three 1-bedroom three 2-bedroom homes) and add them back into the rented affordable stock.
- 6.3 The actual amount of subsidy required from the council will depend on a

number of factors, including the purchase price and the rent charged. PA Housing have indicated that if the properties were to be let at affordable rent levels (i.e. at no more than 80% market rents) then the maximum grant required from the Enabling Fund would be £50,000 for a one-bed property and £85,000 for a two bedroom property. This would result in weekly rents of £175 and £221 respectively. This would result in a total maximum grant allocation of £405,000. If the properties are to be let at lower social rents (at approximately £142 and £160 per week for one and two bedroom properties respectively) then the maximum grant per property will rise to £92,000 and £105,000 respectively (which totals £771,000). Given that the latest Strategic Housing Market Assessment indicates that the need for social rented accommodation forms the largest single part of the need for affordable housing and that the other PA Housing proposals outlined in the report are to fund affordable rent properties, it is recommended that the buy- back programme be funded to support social rented housing so as to provide a mix of tenures, reflective of need.

6.4 Hence, it is recommended that approval be given to allocate up to £775,000 from the Enabling Fund to support PA Housing to acquire six former right to buy properties (three with one bedroom and three with two bedrooms) within the borough for reletting at social rents.

6.5 Should this proposal be approved in principle, then the provision of grant to PA Housing would be subject to a contract setting out standards of properties to be purchased and giving the council veto over what units are to be purchased, as well as guaranteeing the affordability of the units acquired and granting the council nomination rights.

7. **Conclusions and next steps**

7.1 Subject to the proposals being approved, it is recommended that authority be delegated to the Head of Housing Services, in consultation with the Portfolio Holder for Housing, to formulate and enter into agreements with the relevant Registered Providers, stipulating the terms and conditions attached to any funds, including the nomination rights to be given to the council in respect of the rented homes to be provided. Where any agreement set out conditions whereby the council would be able to recover its grant funding at a later date, it is recommended that any such capital receipts are paid back into the Enabling Fund to help provide affordable housing in the future.

Financial Implications:

There is currently an unallocated balance in excess of £8,921,000 in the Affordable Housing Enabling Fund. The total maximum outlay (should all five proposals be approved and require the full extent of grant outlined) would be £2,060,000, leaving over £6,861,000 for other future projects.

Environmental/Sustainability Implications:

None for the purposes of this report.

Legal Implications:

The proposals in the report would give effect to the Council's powers to assist in the provision of affordable housing. The Affordable Housing Enabling Fund (AHEF) comprises money lawfully obtained or applied for this purpose. If the funding is agreed, then the Council's reasonable conditions will be incorporated into an appropriate funding agreements entered into between the parties.

Equality Implications:

Increasing the supply of affordable housing, including the provision of a property built to be suitable for wheelchair users, should help the Council towards meeting its objectives around equality and diversity.

Risk Implications:

The funding agreements between the Council and the Registered Providers will identify risks and seek to mitigate them, for example, by limiting the amount of forward-funding provided by the Council and instead, tying payments to achievement of agreed milestones.

Community Safety Implications:

None for the purposes of this report.

Principal Consultees:

Not applicable.

Background Papers:

None

Enclosures/Appendices:

None.

Contact Details:

Robert Johnson – Interim Housing Strategy & Enabling Manager – 01372 474626 – rjohnson@elmbridge.gov.uk

Colin Waters – Head of Housing Services – 01372 474631 – cwaters@elmbridge.gov.uk