

This report contains an exempt appendix as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972

Report to: **Overview & Scrutiny Panel**

Date: **6 September 2018**

Title: **Next Steps - Enabling Homes to Meet the Needs for All**

Portfolio Area: **Cllr K Wingate, Strategy & Commissioning
Cllr H Bastone, Housing CoP, Customer First**

Authors: **Darren Arulvasagam**
Group Manager, Business Development
Darren.Arulvasagam@swdevon.gov.uk

Alex Rehaag
Senior Specialist, Place & Strategy
Alex.Rehaag@swdevon.gov.uk

RECOMMENDATIONS

That the Panel AGREE the following principles:

- 1. that there is no requirement to form a South Hams District Council Housing Wholly Owned Company at this time;**
- 2. that Council borrowing in order to acquire or develop affordable homes is acceptable in principle;**
- 3. that affordable homes may be acquired or developed via the community housing strategy OR through existing work with Registered Providers or Developers. These properties will be allocated in accordance with local lettings plans and may be managed via the Council's Direct Lets service; and**
- 4. will guide the Council's affordable housing development / acquisition plans as detailed in section 5 of this report**

1.0 Executive Summary

- 1.1 This report was requested by the panel in May 2018, when Members requested a detailed business case for the formation of a Housing Wholly Owned Company (WOC), prior to it being presented to Executive.
- 1.2 At that time, Members acknowledged the good work to support the Council's strategic aim of enabling homes to meet the needs for all.
- 1.3 The May 2018 report stated that a housing WOC could potentially be used as a mechanism to achieve the Council's strategic aims, provide further support for Community-led housing, generate modest income streams and increase the number / value of assets owned by the Council.

- 1.4 Further analysis and investigation has led officers to recommend that the formation of a WOC is paused, as the Council can support community-led housing and acquire or develop a stock of council-owned properties for rent, without the need for the governance, investment and ongoing overhead that would accompany the formation of a WOC. The full detailed business case which was requested by O&S has therefore not been progressed as it was felt this would not have an effective use of Council resource.
- 1.5 Appendix C of this report shows the affordable housing delivery that has been achieved over the past 5 years. Half of the 2018/19 delivery has already been achieved. This should be contrasted with the published aspirations of the housing companies formed by local authorities.
- 1.6 The principles for housing delivery previously agreed by panel Members in May (as set out in section 5) are unchanged. These would apply to any 'affordable' houses developed or acquired by the Council.
- 1.7 In order to acquire or develop 'affordable' housing (see appendix A for definitions), the Council will need to borrow funds. An outline financial appraisal is shown in Exempt Appendix B for illustration purposes, showing the quantum of borrowing that may be required for an illustrative scheme. Members must note that borrowing, subject to a revised treasury management strategy, would be required in order to facilitate affordable properties let on a long term basis.

2. Background

- 1.1. Affordable housing describes housing for sale or rent to those whose needs are not met by the market (generally households on low-to-middle incomes). There is, however, no all-encompassing statutory definition of affordable housing in England. For the purposes of this report, the definition for affordable housing and the types of affordable housing tenure are explained in Appendix A.
- 1.2. Members requested the Council consider options to once again become a housing stock holder, perhaps through the formation of a local authority housing company.
- 1.3. This topic has been researched in detail over the past two years. Legal advice and counsel opinion confirmed the Council has legal powers to develop and/or acquire property for affordable housing.
- 1.4. South Hams and West Devon were successful with a funding bid to the Local Government Association's (LGA) Housing Advisors programme. The LGA commissioned Altair Ltd (www.altairltd.co.uk) to conduct research and make recommendations into the potential for the Council's to become stock holders again. This research and advice was provided free of charge to the Council. Representatives from Altair presented to the panel on 3rd May 2018 and a copy of the presentation was made available to Members after the meeting. The report concluded that a WOC would be the best solution from which to deliver housing. However, direct delivery by the Council can deliver affordable homes in the short term, without the need for the governance, investment and ongoing overhead that would accompany the formation of a WOC.

3.0 The changing local authority landscape

- 3.1 Government broadly welcomes “councils building again” and the establishment of local authority housing companies (WOCs), but has no specific policies or funding to support them.
- 3.2 Many WOCs have been established by residential stock-holding councils as a reaction to government constraints on the Housing Revenue Account (HRA), e.g. borrowing caps, rent controls and the Right to Buy (RTB), as well as to cuts in housing budgets.
- 3.3 WOCs offer Councils a “triple dividend” in the form of extra housing, a greater stewardship role in place-shaping and a financial return to the Council. However, housing delivery under any guise can deliver the majority of these benefits.
- 3.4 There are now as many as 150 WOCs in England, most formed in the past few years. WOCs have been established by all kinds of Councils, across the size spectrum. The largest concentrations are in London and the South East.
- 3.5 Most WOCs have modest ambitions to build (averaging around 50 units a year), although there are larger housing companies in urban areas with major build programmes. It has been estimated (by the Smith Institute in their report “Delivering the renaissance in council-build homes, 2017”) that around 30%-40% of new WOC homes are likely to be ‘affordable’, with a minority at the equivalent of social rented levels.
- 3.6 Research has shown that some authorities have opted not to form a WOC initially, thereby saving on the cost and effort to form, resource and run a company, yet still deliver the outcomes envisaged by forming a WOC. This is the route recommended for South Hams to pursue.
- 3.7 A green paper has just been published by MHCLG, heralding a ‘fundamental review of social housing’. This is likely to lead to changes in the policy environment that could make direct housing delivery or setting up a WOC more challenging.

4.0 Enabling Homes to meet the needs of all

- 1.5. The Council’s recent and projected delivery within the district is:

Affordable Homes delivered 2017/18	= 160
Projected Affordable Home completions for 2018/19	= 96
Projected Affordable Home completions for 2019/20	= 301

Appendix C of this report shows the affordable housing delivery that has been achieved over the past 5 years. Half of the 2018/19 delivery has already been achieved. These numbers should be contrasted with the published aspirations of the housing companies formed by local authorities.

It is important for Members to understand what role different ‘teams’ within the Council play in enabling affordable housing. Ultimately, the same goal is achieved, but there are differences in how the outcomes are delivered, depending on the wishes of the communities affected. Appendix A of this report details the definition of different types of affordable tenure.

4.2 **Place Making CoP – Affordable Housing**

The senior specialist (Alex Rehaag) and specialist within the place making CoP (Cassandra Harrison) primarily focus on traditional shared ownership and rented housing. Housing dealt with by this team has historically been owned and managed by a Registered Provider (RP). These properties are either developed directly by a RP, or more often, are built by developers who then seek to dispose of the affordable housing element of their schemes.

4.3 In the future, the Council could seek to acquire such properties directly from a developer. The Council could acquire housing and arrange for their management, using the infrastructure developed for managing the Council's Direct Lets service. This would work particularly well where a RP is unwilling to take on such properties due to concerns over viability or low numbers of properties.

4.4 The houses delivered by this team are those which have been included in the Joint Local Plan and are included within the affordable home supply forecasts.

4.5 **Section 106 contributions – on-site provision**

In order for planning to be granted on schemes of 10+ units, a section 106 agreement is required to detail the affordable housing on-site provision or off-site contribution required. This is prepared in conjunction with the legal and planning team. On-site contributions have historically been owned and managed by an RP and are advertised to potential residents through the Devon Home Choice (DHC) register (or Help to Buy South West register in the case of intermediate home ownership properties). The 'affordable housing team' negotiate the % of affordable housing required, including the type and tenure, based on a viability appraisal. The section 106 agreement deals with other issues too.

4.6 **Section 106 contributions – off-site provision**

For schemes of 10 or fewer units, which are not exception or departure sites, an off-site contribution in lieu of affordable housing is required. This will be determined by a viability appraisal and negotiation with the 'affordable housing team'. These schemes are looked at on a case by case basis and a blanket policy cannot apply. The spending of the payments collected, will be decided by the ward member, parish councillors and if relevant Neighbourhood Planning Group, with guidance and support from the affordable housing team. If this money cannot be spent within the specified time frame (varies from scheme to scheme) then the affordable housing team will look to direct these monies elsewhere. This money can only be used to meet an affordable housing need.

4.7 **Dartmoor National Park Authority**

South Hams District Council is the responsible authority for meeting housing needs, however the planning authority is Dartmoor. Therefore the 'affordable housing team' are required to provide consultation responses to DNPA as statutory consultees. This also leads to involvement with the legal team at DNPA to ensure that the legal agreements meet the housing authority's requirements. DNPA can

decide who retains any s106 monies but it must be spent in the parish of provision or within Dartmoor National Park's planning area.

4.8 Assets CoP - Community Housing Strategy

The Community Housing Strategy was put in place to support the development of homes that are accessible to those with local connections for whom the cost of market housing (to purchase and rent) is beyond their reach. The lack of such housing is having an adverse impact on the underlying vitality and sustainability of local communities.

4.9 The community housing strategy was "kick started" through the Government's Community Housing fund through the allocation of £1.88m to South Hams last year. These resources are being invested in project development such that schemes will deliver a profit margin for the authority (through a revolving financial model) which will enable the programme to grow over time. These funds have been used to acquire land and help provide start-up ('pump prime') funding for some of the schemes. Funds have also been used to form a core project team, incorporating the community housing lead (Rob Ellis) and a specialist.

4.10 Most projects are being delivered via exception planning policy enabling affordable housing delivery through reduced land value, e.g. £10,000 per unit maximum or land in return for a serviced plot(s) and cross-subsidisation from open market units. This follows Village Housing Initiative Guidance, which allows a small number of open market dwellings on a departure or exception site to be considered through the relevant planning policies. Sites which are brought forward as exception or departure sites can be challenging, particularly due to topography and requirements for infrastructure.

4.11 It is anticipated that the JLP process will see up to 40% of open market housing allowed on sites that fit the village housing or community housing criteria in order to cross subsidise affordable (rent or shared equity) and discounted market sale properties. Where a serviced plot or plots are negotiated with landowners in lieu of a payment, any property built on this land must be of similar size and character to the affordable or discounted market sale properties which are envisaged.

4.12 Housing needs assessments and a community assessed need combine to identify the mix of affordable housing types and tenures required for a development. Examples of these are described in Appendix A. The final decision on the split between discounted market sale and affordable rented will be based on responding to local housing need and community involvement. These may include self-build or custom-build plots, which may additionally be informed by the self-build/custom build register. The financial viability of any scheme will be determined by this split and the cost of developing the affordable or discount sale units and will be cross-subsidised by open market sales. Exempt Appendix B gives an illustration of this – where a development of 14 houses would see 5 affordable rent (36%), 4 discount to market (28%) and 5 open market (36%) properties. This illustration suggests that the open market homes could subsidise the discounted market properties and affordable rent properties to enable the discounted properties to be priced at 55% of the

open market value, whilst the rented properties would be available at Local Housing Allowance (LHA) equivalent rents.

- 4.13 Properties developed through the Community Housing Strategy are in addition to the homes included within housing numbers shown in the JLP. These schemes are likely to be smaller scale developments, where open market developers would normally struggle to make a scheme financially viable. This is particularly suited to the smaller villages and settlements within the South Hams, where the volume of housing required and size of land available for housing development is too low & unattractive for most housing developers and higher volume or density of development is not warranted or acceptable to local residents.
- 4.14 Houses developed via the Community Housing Strategy will be developed in close collaboration with a recognised community body (such as a Community Land Trust (CLT) or Parish Council). The CLT will dispose of properties at open market value or discount to open market value. The properties to be let below open market value or on a shared equity basis may need to be sold by the CLT to the Council or a RP, depending on the CLT's ability or risk appetite to raise finance and/or manage the properties.
- 4.15 Through the community housing strategy, CLTs will strive to deliver high quality homes (above open market delivered properties), to meet the needs of the community. It is likely that these will be attractive to existing community residents who wish to downsize from their property but have been unable to do so and stay within the community or have been unwilling to downsize due to the quality of a typical new build property.
- 4.16 Initiatives based on the Village housing scheme have been in force for a number of years and have proved to be very successful. Schemes such as Churchstow, Frogmore and Rattery would not have come forward without this initiative. This is now recognised in the NPPF and is being considered as a policy mechanism in the JLP.
- 4.17 The team's involvement is through liaison and negotiation between housing association colleagues, communities and landowners. Communities must have involvement in order to progress these type of sites. Identifying the housing need and which tenure is required is key in order to bring a site forward. The section 106 agreement determines who can live in the properties in perpetuity.
- 4.18 In summary, the key benefits of a community housing strategy scheme will be:
- Delivering discount market, affordable rent, and potential for self-build and customer build plots, subsidised by open market housing and low cost land
 - Smaller scale development – schemes will average between 10 – 20 homes
 - High quality build and properties that meet RIBA "Case for Space" sizes

- Will seek to benefit from Homes England infrastructure grants to subsidise schemes

2. Principles for affordable housing delivery

- 2.1. Below are the principles and strategic aims which were agreed by the panel in May 2018. It is envisaged these would apply to any properties developed or acquired by the Council, whether or not through a WOC. It is important to note that any deviation from this could either make the venture not financially viable or not fit for purpose. By agreeing this report's recommendations, Members are broadly agreeing with these principles:
- 5.1.1 The delivery of affordable housing by the Council or via a WOC should be financially viable and not dependent on funding from the Council to cover any possible financial losses.
 - 5.1.2 Any housing activity must be aligned with the Councils' Corporate Strategy of enabling homes to meet the needs of all. Affordable housing is to be provided across the district, for those with a local connection or those identified as key workers.
 - 5.1.3 The volume and speed of new affordable housing supply in the district will be increased. This housing delivery will provide an alternative source of supply to existing developers and registered providers.
 - 4.1.4 The intervention in the market must be as rapid as possible to address mounting local housing market challenges.
 - 4.1.5 Any affordable housing delivered must ensure long term provision of affordable housing.
 - 4.1.6 New housing delivery will support the medium to long-term alleviation of homelessness.
 - 4.1.7 It is understood that a mix of housing types and tenures will be provided. This will include housing units for sale or rent at market rates and this will subsidise the provision of affordable housing. A minimum ratio of 30% affordable housing will be provided on all Council / WOC schemes, in line with the proposed JLP policy. In any event, the focus is to provide affordable housing for sale or rent at below market rates.
 - 4.1.8 Affordable Housing rents will be set in order to meet the Council's objectives. This does not mean that social rents will be made available.
 - 4.1.9 S106 agreement contributions will continue to be used to help facilitate development and increase housing delivery.

6 Member Engagement

- 6.1 It was resolved at the panel meeting on May 3rd that arrangements should be made for relevant officers to meet with Members on a ward by ward basis so as to investigate and ascertain possible opportunities that may be available for affordable housing delivery.
- 6.2 Meetings were held with ward members and representatives from four of the larger town councils – Kingsbridge, Salcombe, Totnes and Ivybridge. Drop-in sessions were also arranged for members during August.
- 6.3 No new sites were raised during these sessions that were not already known by officers or part of the Joint Local Plan allocations.

- 6.4 It was clear from these meetings, that stakeholders and Members are keen to see an increase in affordable housing delivery within the South Hams and that there is agreement that the Council has a role to play. However, issues over availability, suitability and viability of land remain.

It was also noted that in the smaller villages, the volume of housing required to enable a scheme to become viable is unlikely to be popular with local residents.

7.0 Financing & Maintaining Acquisitions & Developments

- 6.5 It is for each Council to take a view of how much additional capital expenditure funded from borrowing is affordable within its forward-looking revenue budget strategy. In addition to borrowing costs (interest), councils are liable to make a Minimum Revenue Provision (MRP) as set out in the 2008 Capital Finance and Accounting Regulations. A report recommending the Council's future treasury management and borrowing strategy will be presented to Council in December 2018.

- 6.6 When determining the affordability of the existing capital programme together with any proposed borrowing for housing, the Council should ensure that the repayments are affordable. The illustration in Exempt Appendix B is based around the assumption that affordable rented properties will be let at LHA (Local Housing Allowance) weekly rates. From these rents, an allowance to cover property maintenance, management, service charges and repairs will be set aside, to determine the annual amount available to cover the cost of building the homes and the financing of that build and ongoing liability. The table below shows how the annual amount is calculated, per property (Based on the Broad Plymouth Rental Market Area):

Size (bedrooms)	Local Housing Allowance (per week)	Equivalent Annual Rent	Mgmt, Repairs, Maint, Svc Chg @ 25% of Annual Rent	Net Annual Rent
2	£122.36	£6,362.72	£1,590.68	£4,772.04
3	£145.43	£7,562.36	£1,890.59	£5,671.77

- 6.7 Once rental housing has been delivered by the Council, it is proposed that it will be managed by a Council team (Direct Lets) or by an external managing agent. The cost of this will be covered within the 25% amount shown in 7.2 above. Those responsible for the delivery of these services will be determined by capacity to deliver and value for money (on a scheme by scheme basis). It is initially anticipated that housing volumes will allow for this to be managed in-house, with no additional resource requirements. In time, delivery of these services may require additional resource or management by a third party – but this will be fully funded from the rental income, as described above.
- 6.8 The illustration in Exempt Appendix B shows a scheme of 14 houses, with 5 open market sale properties subsidising the 4 discount market sale and 5 affordable rent properties. If a higher number of affordable rent properties were required by local housing need and the CLT, then the mix of type of open market properties would need to increase in order to offer

greater cross subsidy and in turn, the council would need to take on larger borrowing to finance the affordable rental property acquisition. Conversely, a scheme with fewer affordable rental and greater discount market sale would need less ongoing borrowing.

- 6.9 It is not yet possible to forecast on a scheme by scheme basis how much borrowing will be required – as the number of affordable rented properties has yet to be confirmed. The illustration in Exempt Appendix B suggests £640k would be required for five rental properties.
- 6.10 The illustration in Exempt Appendix B results in a circa 5% net margin after all known costs on the scheme. Whilst this is for illustration purposes only, this margin is to be recycled into other future housing schemes. This is in-line with the principles outlined in section 5 above.
- 6.11 The workings above are based on the Council holding these properties direct within its general fund – without the added cost and overhead of a WOC. Holding properties in a WOC would increase the cost of carrying and therefore would result in a lower margin to be recycled into other housing developments.

7 Why & How Direct Delivery?

- 1.1. While housing delivery vehicles are the most common approach taken, it is possible for a local authority to deliver new housing directly as Councils have the statutory powers to carry out the development of housing that it intends to use to meet housing need in its area.
- 1.2. The two main powers available to the Council to deliver housing directly are Section 9 of the Housing Act 1985 (relating to general housing need) and Part VII of the Housing Act 1996 (relating to temporary homelessness).
- 1.3. Where a Council places reliance upon Section 9 of the Housing Act 1985, to develop directly, there is a requirement for this to be accounted for within a Housing Revenue Account (HRA). However this is only a requirement if the number of properties held exceeds 50 – the present forecast is not for this level to be breached for at least two years. Housing held directly by the Council in a HRA would be:-
- subject to rules on allocation in accordance with the requirements of Part VI of the Housing Act 1996;
 - subject to rent regulations (where the accommodation constitutes social housing); and
 - subject to the provisions in Part V of the Housing Act 1985 relating to a tenant's right to buy.
- 8.4 Housing developed directly by the Council will be subject to rules on allocation in accordance with the requirements of Part VI of the Housing Act 1996; subject to rent regulations (where the accommodation constitutes social housing); and subject to the provisions in Part V of the Housing Act 1985 relating to a tenant's right to buy if the council has a HRA. It is recommended that if the council's stock rose to a level where a HRA was required, the Council then forms a WOC. The Council can apply to the MHCLG for dispensation to increase the HRA threshold from

50 to 200 and it is recommended that the Council does this when the stock level is forecast to breach the 50 mark.

- 8.5 Alternatively, a Council may seek to rely upon the Part VII Housing Act 1996 powers to justify the activity, however a link to temporary homelessness would be required. This wouldn't apply to homes delivered through s106 or the community housing strategy.
- 8.6 When considering whether or not to reopen it's HRA, the Council will need to consider whether the benefits of this approach are sufficient to outweigh the restrictions associated with an HRA. The table below applies to direct council delivery:

Strengths	Challenges
<ul style="list-style-type: none"> ▪ Less complex to set up than a WOC ▪ More transparent structure ▪ Lower cost to run ▪ No corporation tax ▪ No VAT ▪ Delivery is already in progress via Affordable housing team and community housing strategy ▪ Most flexible given Government has just issued review of social housing green paper 	<ul style="list-style-type: none"> ▪ Restrictions on borrowing (if using a HRA) ▪ All revenue generated must remain in the HRA so no ability return to the General Fund (doesn't apply as no HRA below 50/200) ▪ Subject to central government policies (e.g. rent reduction, high income social tenants and right to buy) ▪ Less flexibility over tenure and rent setting

- 8.7 Opting to deliver homes without a WOC is activity aligned with the Councils' Corporate Strategy of enabling homes to meet the needs of all. It will enable rapid intervention in housing delivery. It will help achieve long term provision of affordable housing and will give an alternative source of supply to existing developers and registered providers.
- 8.8 A site appraisal, alongside an understanding of local housing need and evidence from the CLT will be analysed to establish the level of each type of tenure needed to make a development viable. As a minimum we would expect that a scheme would deliver:
 - 8.8.1 Outright sale – to subsidise other “affordable” tenure types
 - 8.8.2 Sub-market rent – to address housing need / homelessness concerns and generate a long-term income stream to make this type of development self-sustainable (at LHA rates)
 - 8.8.3 Low-cost (discount) home ownership – as a route into homeownership for those unable to afford outright sale, and to provide a mix of capital receipts and long-term revenue to the vehicle

8.8.4 Potential for equity/shared ownership properties and/or self-build and/or custom build plots

8.9 It has been forecast that to warrant the set-up costs of a WOC would require around 100 units. In addition to this, a WOC would be subject to corporation tax and have different rules for VAT.

9 Options available and consideration of risk

4.1. Members could opt to 1) do nothing, 2) accept or 3) reject the recommendation and proposals. If option 1 or 3 is pursued, no further cost would be incurred – however the success of the community housing strategy would be affected without the Council having the ability to acquire affordable rented properties delivered through this strategy.

4.2. If option 2 is chosen, then subject to Executive and Full Council approval, work will continue as detailed in section 4 of this report. The Council would monitor the number of properties owned and the need to either form a WOC, open a HRA or obtain dispensation from the MHCLG regarding the number of affordable properties held by the Council before opening a HRA.

4.3. The risks are shown in section 11.

10 Proposed Way Forward

5.1 Assuming the Panel agree the recommendations and this is confirmed by Executive and Full Council, then the two housing teams (as described in 4.2 and 4.8 above) will continue to work on schemes that will deliver affordable housing within the district with the aim of providing the Council with affordable housing stock.

11.0 Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/ Governance	Y	<p>Appendix B of this report is exempt from publication because it contains information about the Council’s financial and proposed commercial affairs as defined in Paragraph 3 of Schedule 12A to the Local Government Act 1972. The public interest test has been applied and it is considered that the public interest lies in not disclosing this information because it contains financial and commercially sensitive information which could prejudice the Council if such information was disclosed at this time.</p> <p>The two powers available to the Council to deliver housing directly are Section 9 of the Housing Act 1985 (relating to general housing need) and Part VII of the Housing Act 1996 (relating to temporary homelessness).</p> <p>The Council would be able to justify open market sale to cross-subsidise the sale of discounted to market value, shared ownership or affordable rented properties. Where a Council places reliance upon Section 9 of the Housing Act 1985, to develop directly, there is a requirement for that activity to be accounted for within a Housing Revenue Account (HRA). If a Council does not have a HRA to commence carrying out</p>

		<p>housing development under this power, it would need to reopen its HRA once the number of units that it holds exceeds 50. This number rises to 200 if dispensation for the MHCLG is received. It is understood that other local authorities have done this.</p> <p>The Council could opt to form a WOC at any point to give it an option other than re-opening a HRA. This decision does not need to be made until the volume of houses developed and retained OR acquired is close to exceeding 50 (or 200 depending on the above point).</p>
Financial	Y	<p>There are no direct financial consequences in relation to this report or its recommendations.</p> <p>Any potential housing acquisition will require a business case approval by the relevant committee. This will be determined on a case by case basis and will have scheme specific financial requirements and outcomes. If progressed, it is envisaged that the majority of acquisitions will be funded via borrowing, e.g. the Public Works Loan Board. Other sources of funding could be from any capital receipts, s106 affordable housing contributions, grant funding, or any other unallocated or available Council reserve.</p> <p>It is not possible to forecast the quantum of borrowing or returns that would be derived at this time. Exempt Appendix B gives an illustration of a typical scheme and shows the requirement for an initial £2.8m of initial funding, which would then be partly repaid through discount and open market sale receipts, but £640k of borrowing would be required to fund the ongoing affordable rented properties.</p> <p>The Council would need to determine at each acquisition if it has sufficient borrowing or financing capacity and appetite to complete each transaction. A revised treasury management strategy is due to be presented to the Council in December 2018 and will discuss these points in more depth. Any borrowing decision is at the discretion of the s151 officer in line with the Council's adopted Treasury Management Strategy and Affordable Borrowing Limits</p> <p>Specialist treasury management & Tax advice has previously been sought regarding the Council's proposed formation of a LACC. This information will be re-analysed in the context of a WOC and included in any required supporting business case.</p>
Risk	Y	<p>There are a number of risks that the Council would need to manage to successfully implement this recommendations. Key potential barriers include:</p> <p>Corporate priority against competing pressures and demands for time and resources: To successfully set-up a WOC or directly deliver affordable homes, this work needs to be supported by Councillors, and be both a corporate and political priority.</p> <p>Timeline slippage: There is a risk that delays when setting up a WOC will increase the delivery costs, and reduce the impact of the vehicle in the short term. It is therefore recommended that a WOC is not implemented in the short term, thereby not</p>

		<p>affecting short term delivery.</p> <p>Financing: Changes to the CIPFA prudential code, interest rates or the availability of PWLB borrowing may all have an impact on the cost of financing the WOC and/or home delivery, thereby having a knock-on effect on the viability of the activity and/or the WOC. The Council is likely to be subject to a maximum limit of borrowing (the MTFS due to be presented Executive in September & treasury management strategy due to be presented to Council in December will address this) and therefore housing delivery may be constrained by the Council's borrowing capability.</p> <p>Central Government policy: A Green paper has just been published by MHCLG, heralding a 'fundamental review of social housing'. This is likely to lead to changes in the policy environment that could make direct housing delivery or setting up a WOC more challenging.</p> <p>Resourcing: Housing delivery or a WOC will need appropriately skilled staff and consultants to support the set-up and operation of the business. A WOC would need additional staff in the short term, direct delivery will not.</p> <p>Development risk: During any delivery phase there will be a range of the usual risks associated with development delivery, for example planning risk, market risk, site abnormalities etc. A contingency of 5% has been allowed for in the financial projections, but costs would be monitored throughout to ensure early warnings of issues and to ensure projects are tightly controlled.</p>
Comprehensive Impact Assessment Implications		
Equality and Diversity	N	N/A
Safeguarding	N	N/A
Community Safety, Crime and Disorder	N	N/A
Health, Safety and Wellbeing	N	N/A
Other implications	N	N/A

Appendices:

Appendix A: The different types of Affordable Housing Tenure and Affordable Housing Definitions

Exempt Appendix B: Illustration of an affordable housing development scheme

Appendix C: Last 5 years Affordable Housing Delivery within SHDC

Background Papers

- Enabling homes to meet the needs for all, presented to O&S Panel, 3rd May 2018
<http://mg.swdevon.gov.uk/ieListDocuments.aspx?CId=134&MId=507&Ver=4>