

Report to: Cabinet **Community Protection Panel**

Date: 31 May **4 June**

Subject: **Provision of Additional Affordable Housing and New Opportunities for Bidding**

Report of: **Director of Environmental Services**

Contact officer: **Peter Layland 01942 404135**

Purpose/summary: To set out the developing situation with regard to affordable housing and the recently announced opportunities for bidding to the Housing Corporation.

Alternative options considered and reason for selecting the one recommended: Alternative options are set out within the report.

Recommendation/decision: Members are recommended to:

1. Note the contents of the report.
2. The Director of Environmental Services to evaluate the potential benefits of a joint approach with the Housing Corporation and to prepare possible bids
3. A further report to be presented that will seek approval to appoint Housing Association/ ALMO partners to help develop bids.

Key Decision: This report does not involve a key decision.

Risks / Implications:

Financial:	No funding requests at this stage
Staffing:	None
Policy:	Housing Strategy
Equal Opportunities - Has a Diversity Impact Assessment been conducted?	Assessment completed for the overall Affordable Housing Strategy
Wards affected:	

Special Interest Members – None
Which have been consulted

Has the Director of Legal and Property Services confirmed that the recommendations within this report are lawful and comply with the Council's Constitution? **Yes**

Has the Director of Finance and IT confirmed that any expenditure referred to within this report is consistent with the Council's budget? **Yes**

Are any of the recommendations within this report contrary to the Policy Framework of the Council? **No**

* delete which applicable

For Cabinet reports only :

Categorisation of the report:	X		X
Discussion leading to a decision	X	Discussion	
Monitoring		Decision	
Sharing for corporate understanding		Information	

Tracking/Process:

	Consultation	Ward Members	Partners
Panel	Overview & Scrutiny	Cabinet	Council
4 June		31 May	

There are no Background Papers to this Report within the meaning of Section 100D of the Local Government Act 1972.

Proper Officer Martin Kimber

Date 21 May 2007

1 Background:

1.1 The Affordable Housing Strategy was agreed last summer. It consists of a range of measures designed to address the shortfall in the numbers of affordable housing as identified by the 2005 Housing Needs Survey Update. These range from maximising our supply from existing resources / via short term measures and by developing new additional housing. The Affordable Housing Planning Policy which requires developers to provide affordable housing within any new development requiring planning permission is seen as the main way of achieving the new housing. An overall target of 530 additional properties has been set over a five year period.

1.2 A progress report on the strategy will be presented over the summer, but good progress has been made in maximising the use of existing resources and in increasing access to housing. However, due to the prior planning permissions and the length of the development process, the Affordable Housing Planning Policy is taking time to produce new housing. Significant progress is occurring with five schemes requiring "on site" provision by developers now agreed and with the first homes likely to be available by the end of 2007. No schemes requiring "off site" developer contributions have been agreed.

1.3 Progress has also been made on the component parts of the Affordable Housing Planning Policy including;

- Negotiation procedures / overall responsibilities
- Legal documentation
- Assessment / Allocation Policy for Shared Equity properties

1.4 The major area yet to be agreed is how to use the resources provided for affordable housing "offsite" by developers. Considerable preparation work on this has occurred and this report was to present proposals within this area.

1.5 However, over the past few weeks, new possible opportunities from the Housing Corporation have arisen which need to be taken into account before decisions in this area can be taken.

1.6 This report therefore seeks to set out

- Option appraisal work already undertaken in this area
- Changes in the Housing Corporation position
- Possible opportunities this situation allows
- Preparations required to fully explore these opportunities

2 Option Appraisal Work undertaken on committing "off site" Affordable Housing Planning Policy contributions:

2.1 The current Affordable Housing Planning Policy asks for developers to provide affordable housing "on site" as part of a development, where there are shortages of affordable housing in the area. However, where regeneration work is being undertaken or where this would be inappropriate given the proposed type of housing being provided, an off-site financial contribution (equivalent to the on-site financial contribution) is negotiated. This flexibility is

seen as being extremely valuable as it allows the development of more balanced housing markets which are responsive to local housing needs.

- 2.2 In order to determine the best use of future “off-site” resources, a full option appraisal has been undertaken and for those seeking detailed information a full copy is enclosed as Appendix 1. In summary it concludes that:;
- Based on assumptions relating to past trends, it estimates that between £14 - £19m will become available for affordable housing over the next 5 years with just under a half being off-site contributions. Due to existing permissions and the development time, it also predicts that the bulk of resources will rise from 2009 onwards.
 - Off-site monies should be used on a variety of small scale schemes such as the improvement of existing empty/poor homes and the targeted purchase of ex RTB homes. However, it stresses the need to invest the majority of resources in larger schemes aimed at developing new affordable homes.
 - To maximise the production of affordable housing a partnership with a Housing Association should be considered. This would attract private borrowing, could involve Wigan and Leigh Housing and would be flexible and easy to set up. It also sees advantages for Joint Venture arrangements, especially if wider development and regeneration opportunities arose.

3. Changes in the Housing Corporation Position

- 3.1 Whilst these considerations of how we should utilise future off-site contributions have occurred, the Housing Corporation have recently announced a bidding round which potentially open up further opportunities for the Borough.
- 3.2 Key aspects include:
- A three year bidding round for Housing Corporation resources will occur this Autumn, with proposals sought for 2008-11.
 - The bidding will encourage “value for money” with Councils encouraged to enter into partnerships so that larger integrated and longer term arrangements can be developed.
 - The Corporation will encourage ALMO involvement, with two star ALMOS being able to enter partnerships with Housing Associates and to manage (rather than own) property.
 - It is also proposed that the current separation between the Housing Corporation programme and individual Councils’ affordable housing initiatives be reversed and joint funding encouraged. If councils can provide resources (either affordable housing monies or council resources eg free land), this will be taken into account with the allocation of the grant.
 - Bids will also be encouraged for a limited number of specialist housing schemes.
 - Timescales are tight for bidding, as it is expected that partnerships should be in place, sites identified and financial arrangements detailed in time for the bid.

Whilst it has yet to be confirmed, it is likely that an opportunity to bid for extra sheltered housing via a Department of Health initiative will also be available in autumn.

4 Possible Opportunities

- 4.1 The possible opportunity created by this new situation is clear. If the Council combined part of its future Affordable Housing monies with Housing Corporation programmes it could significantly increase the resources coming into the borough for new affordable housing. The difference would be magnified in this borough due to our current low priority for Housing Corporation funding. Such an arrangement would also put us in a good position to be able to negotiate with developers well in advance of planning applications and help plan new communities, rather than react to “ad hoc” short term bidding opportunities.
- 4.2 Delivery would be via a partnership arrangement which we would lead. It is also the delivery vehicle we were going to recommend for our own off-site programme due to its ability to attract private borrowing, access RSLs new build development skills and due to its total flexibility. Such a partnership could involve WALH managing significant numbers of new properties, with possible future options to buy.
- 4.3 There are some uncertainties as to the extent to which the Housing Corporation will bend its regional priorities in return for better value and what the position “Communities England” will take when it succeeds the Housing Corporation. Another key issue will be our dependence on resources being received from developers to contribute to such a programme. Given inherent uncertainties in both the amounts available and its timing, caution will be needed when bidding unless wider Council resources can be found. It is also important to understand that this would be just one aspect of a wider strategy which would need to embrace other considerations such as low cost home ownership and regeneration issues.

5 Proposals

- 5.1 Given the potential scale of this opportunity, which could significantly increase the resources available for affordable housing, it is recommended that further detailed preparatory work is undertaken. This would be aimed at ensuring that we are in a position of being able to take advantage of the bidding opportunity, whilst also scoping the benefits and costs of such an approach before committing ourselves.
- 5.2 The size of this task shouldn't be underestimated and if bids are to be in place by the Autumn work will need to commence immediately. This reflects the need to identify our priorities, identify and work with new partners, identify sites and assess the likely resources available to the Council.
- 5.3 In terms of immediate action the following is proposed

6 Identifying the type of Housing Required

- 6.1 The description of the borough's mainstream affordable housing needs is contained within the Affordable Housing Strategy and the July 2006 Guidance Note. These documents set out the need for more affordable housing within the more peripheral townships, combined with the need for targeted

investment linked to regeneration in the more central areas. It also sets out the need for all types of accommodation.

- 6.2 In addition to the need for mainstream accommodation, there is also a need for more specialised accommodation. Needs within this area are being assessed, in liaison with the Supporting People programme. A report has already been presented to the Supporting People Commissioning Body (Appendix 2) which outlines a process for identifying needs. Once these have been identified, it will be reported to Cabinet for approval. However, it should be noted that strong indications of a need for extra care sheltered housing are emerging from this process along with a number of other smaller specialised needs eg homelessness etc.

7 Preparations in developing partnerships with Housing Associations

- 7.1 Both the option appraisal on the spending of off-site affordable housing monies and the Housing Corporation processes point to the need to develop partnerships with Housing Associations. It is equally clear that in order to develop bids, early involvement with a Housing Association Partner is needed. It is therefore proposed that the process of identifying Housing Association partners is commenced immediately. It is envisaged that the process of selection will be carried out over the next four weeks and then an early report recommending the appointment of the new partners will be presented. This tight timescale is necessary to provide sufficient time to work with the new partners to develop bids.

- 7.3 At this stage two different partnerships are proposed; one covering mainstream general needs housing and one covering extra care sheltered housing. It is envisaged that only Associations who have significant property in the borough/or have been active bidders be invited to take part within the mainstream partnership with a wider search taking place on the sheltered housing proposal. The criteria for selection being the following:

- Track record of working/bidding within the borough (or the region in the case of the extra care sheltered proposal)
- Ability to offer value for money
- Experience in the type of property being developed
- Ability to bring forward other benefits such as the Council's neighbourhood agenda and the Community Plan

- 7.4 Bids will be evaluated against this criteria and a recommendation will be made to Cabinet to appoint a partner to work to develop mainstream bids and one to work to develop extra sheltered housing bids. If further specialised housing needs are identified and prioritised by the Supporting People Commissioning Body, further selection processes may be needed depending on the type of housing needed.

8 Identification of Likely Sites/Developments

- 8.1 Given the Housing Corporation wish to have specific proposals in time for the bidding, early work on what sites are likely to be available is essential. Given the nature of likely bids, work on identifying long term opportunities on larger development sites and in identifying "windfall" sites on Council estates is likely

to be the most productive. Intensive officer work identifying sites will occur in the coming weeks if these proposals are accepted.

9 Further Work

- 9.1 Further work in assessing the likely resource availability to the Council via affordable housing and other sources will also be undertaken along with discussions with the Housing Corporation.
- 9.2 There is the strong possibility that the affordable housing initiative will impact adversely on the realisable land values in the Council's Land Disposal programme. This programme supports the Capital Programme and specifically those projects which do not have any dedicated funding. An assessment will be carried out in conjunction with the Director of Legal and Property Services and the Director of Finance and IT to determine the overall effect on the Capital Programme. This will be incorporated into the first review of the Capital Programme for 2007/08.
- 9.3 In determining suitable sites for the pursuance of the affordable housing objective there will be some costs incurred on site surveys. These costs are to be established but will be met from within existing Private Sector Housing Renewal funds

10 Conclusions:

- 10.1 This report seeks authorisation to undertake detailed preparation work to ensure the Council will be in a position to bid for Housing Corporation affordable housing resources in the autumn. In order to do this it needs to set up partnerships with Housing Associations which may involve Wigan and Leigh Housing. Reports on progress will be made to Cabinet and a decision on whether to participate within a joint approach with the Housing Corporation will need to be made in September.

Appendix 1

OPTION APPRAISAL FOR THE USE OF “OFF SITE “ AFFORDABLE HOUSING PLANNING MONIES

1. Introduction

This appraisal seeks to scope out the background to and the options available to the Council in committing its affordable housing resources. It summarizes decisions already taken in developing the policy, estimates the likely resource levels and then explores how future funding from the affordable housing policy (and possible council top-up resources) should be deployed.

Most of the funding from the policy is only likely to arise in future years rather than in the short term (possible exception of limited Council monies). However given the need to investigate and set up frameworks and programmes to spend the resources, it is important that decisions are taken within the coming months. The location and sizes of housing is not discussed in this note and this will be developed in the form of an annual statement taking account of current information.

2. Background

The Affordable Housing Policy was approved in the summer of 2006 with the strategic aim of providing more affordable homes.

It looks to achieve this aim by:-

- Maximising the use of the existing stock

Mainly via better allocations systems, linking with RSL / private landlords and minimising voids.

- Providing more affordable housing

Aim is to produce 530 additional homes by 2010 with 50% for rent and 50% for sale. (Numbers set by Needs Survey evidence 2005 and to be largely funded via the Affordable Housing Planning Policy)

- Provide affordable homes where they are most needed

Most severe affordable housing shortages are found in the more peripheral townships. Within the policy 75% of additional homes should be created in these areas. The presumption within the Affordable Housing Planning policy is for affordable housing to be provided “on site” within these communities.

- Create more balanced housing markets

The more central townships face problems of having a generally unbalanced / vulnerable housing market. The need in these areas is to make them more

attractive neighbourhoods and regeneration effort is already deployed to try to achieve these objectives. The presumption within the Affordable Housing Planning Policy is for affordable housing to be generally provided offsite within these communities, with some of these resources should be used to help regenerate these communities.

Following the approval of the policy a number of further decisions have been taken by Cabinet

- To produce significant numbers of homes for sale (50% of target), a shared equity scheme and the detailed framework / allocation scheme has been agreed. This will be implemented once properties start to be produced.
- It has also been agreed that at least initially this programme would be the main way of utilizing “on-site monies”.

Thus the key remaining element of the policy to be agreed is how to commit the remaining projected “offsite monies” and any other resources we can attract. In order to achieve this a discussion on likely resources and on the different options available is outlined.

3. Likely Resources

There are a host of contributions to the wider Affordable Housing Policy including efforts to improve the use of existing affordable housing eg allocation procedures, reducing void properties etc. There are also mainstream monies which are being invested in trying to regenerate areas and bring housing up to standard.

However the key source of resources will be the Affordable Housing Planning Policy. This may be supplemented by Council and Housing Corporation resources and associated private monies. Given the uncertainties of these sources it is very difficult at this stage to be specific about the overall size of these resources and indeed when they will become available. Despite this uncertainty some estimates are needed in order to inform the development and form of a programme.

Affordable Housing Policy

Our expectations of early resources from this source were always limited. However the experience of the last 12 months has shown that even these expectations to be optimistic. This is largely due to the considerable number of schemes with prior planning permission who are not covered by the affordable housing requirements and the reluctance of new developments to comply. Despite this the assumptions set out for the future are still predicting that significant levels of resources will become available but it is recognised that they will only be maximised in 2-3years time.

Based on previous development rates and on the planning system being able to deliver developer contributions, the predicted resources levels that will arise from the Affordable Housing Planning Policy is likely to be between £14 - £18m (£18m profile assumed).

Given the form these resources will take will vary depending on the location of developments (combination of off / on site provision) a further estimate is needed.

Again based on previous development, a split of 53% onsite / 47% offsite is assumed.

The speed these contributions will be made is also a key variable, with the income profile depending on the timing of planning approvals and commencement on site. Due to the approvals already in the pipeline (without affordable housing provisions) and initial developer reluctance, a profile heavily weighted in to the future is projected.

Based on these assumptions, the following estimate has been produced.

	Year 1 (2007/08)	Year 2 2008/09)	Year 3 (2009/10)	Year 4 (2010/11)	Year 5 (2011/12)	Totals
Onsite scheme value	1.19m	1.67m	1.90m	2.39m	2.39m	£9.54
Offsite developer contribution	0.42m	0.85m	1.69m	2.54m	2.96m	£8.46m

It should be stressed that this estimate is tentative and is largely based on past trends. The speed developers bring forward sites is critical in the calculations and this will depend on future market conditions.

Other Sources of Funding

Depending on capital allocations and other funding priorities, some resources could be made available from the Council's annual capital allocation for affordable housing. This would be small but could involve regeneration projects. Some other council's supplement these resources via the use of free or reduced value land within their wider housing policies. Indeed in many parts of the country this is now expected as part of investment agreements with the Housing Corporation. Due to existing commitments this would be difficult in Wigan's case, but one aspect that could be explored is the under-utilized potential of sites on council owned housing estates. (HRA land)

The borough is currently a very low priority for Housing Corporation funding and is likely to remain so. This is because our affordability problems are less severe than most other places within the region. However the Corporation have made it plain that if we have any proposals for using affordable housing funding and/or reduced value land with RSLs, it would consider giving a higher priority to the borough based on the grounds of better value for money.

Given these uncertainties it is very difficult to predict funding from these other sources. However it is clear that potentially the programme could be transformed if development options were chosen which encouraged the use of these additional sources

4. Policy Formulation

In order to make progress on how to commit these affordable housing resources and in particular the off site monies, the rest of this note sets out a full review of the different policy and partnership options. From this recommendations on the best course of action are made.

Types of Affordable Housing Schemes

Maximising use of existing stock

- 1 Relocation assistance to existing council tenants.

Most initiatives to maximise the use of the existing stock don't require investment and most ideas have already been deployed eg minimising voids, needs based allocations policies, etc. However one initiative would involve the payment of relocation assistance to existing council tenants who either wish to move to owner-occupation or from high demand housing. This occurs in some parts of the country to maximise the availability of existing social housing and typically includes modest contributions to be made towards the costs of removals etc. Whilst it can be a very effective way of releasing properties there are practical problems with some of these schemes. Evidence shows that only small scale and highly targeted schemes tend to be successful eg encouraging older people to move from family housing.

- 2 Expanding the Bond Scheme

The current Bond Scheme helps create affordable housing by providing a guarantee to private landlords for those in need of low cost housing who don't have enough monies to provide a bond. The current scheme (40) works well and for modest expenditure it could be expanded. There are some doubts about whether funding from the policy could be used for these purposes.

Providing more affordable housing

- 1 Buy ex Right to Buy homes *

A policy formulated to buy-up ex RTBs in areas of shortage would provide properties within the right areas and they would be in known house types thus making maintenance / management easier. It would also produce much needed properties relatively quickly. The problem would be if funding was used on behalf of the Council it would be result in poor value for money (as no private monies would be attracted) and properties would be subject to the right to buy. An RSL / WALH route would provide better value. Such a policy would also need to be carried out carefully as large scale bidding would inflate prices.

- 2 Exercise first right of refusal on RTB homes

Similar situation to the above. However, there would be a further drawback on an automatic policy of acceptance, namely properties may become available in areas of lower demand.

3 Acquiring empty homes for rent or shared equity *

This would be potentially attractive since it would improve both the existing stock and would also result in property being available to let at an earlier date than new development. Costs would generally be reasonable compared with new development although some improvement works would need to be taken into account. Again the use of RSLs (possibly WALH) would be more advantageous from a cost point of view because of their ability to attract private finance / borrowing and it would avoid the right to buy. This policy could be used to either increase affordable housing stock in areas of shortage or to help regenerate areas. It could be targeted on areas, on particular problem properties or on particular types eg flats over shops. Again care would be needed as large scale bidding could inflate prices.

4 Revised Empty Homes Challenge Fund

This would re-introduce the already tried and tested Challenge Fund approach with private landlords. It involves entering an agreement so that the Council would provide "gap" funding within a refurbishment deal in return for a tenanted and decent property. This proved successful in bringing back into use vacant rundown housing at a very reasonable cost. Some issues around the definition of affordable housing would need to be addressed. Given the limited number of suitable properties in today's buoyant housing market it only has scope to be a small programme.

5 Improvement of empty / poor standard property by training agencies

A small number of properties could be made into affordable housing with the involvement of local training agencies. This would produce housing at a relatively low cost but help train local offenders / unemployed. If successful there is scope to extend this to a self-build option. Again it only has potential to be a small programme.

6 Develop new homes for rent (WALH or RSL) *

This would develop new homes for rent. Given the right development framework it has the potential to provide significant numbers of property at a competitive cost. It could involve developments by WALH or RSLs. However due to the latter's experience in this field and ability to secure private monies this would be the more straight forward short term option but emerging partnership arrangements involving ALMOs are emerging. There is some scope to develop homes on large or small sites or indeed on redevelopment sites.

(* This option would need to be developed within a clear development framework)

7. Open Market Homebuy

This would involve a purchaser finding a property they wish to buy and seeking gap funding on a portion of the purchase they cannot afford. A shared equity arrangement would then be created with the purchasers share in the property being the equivalent to the proportion of the price paid by them. It could be operated alongside the similar new build shared equity programme.

Table 1 Analysis of Affordable Housing Schemes

Scheme	Fit with Policy Objectives	Value for Money	Speed of additional housing being available	Potential Scale	Management Considerations
Relocation assistance to existing council tenants	Yes, clear fit as it would potentially release socially rented housing.	Likely to be good value for money if scheme developed properly.	Very early vacancies created	Small scale only	None
Expanding the Bond Scheme	Yes, would potentially create better access to affordable housing	Very good value (if funding eligible).	Immediate access to vacancies created.	Small scale only.	Need to be properly managed / policed.
Buy ex-RTB homes	Yes, if clearly directed to areas of shortage.	Reasonable value if RSL./ ALMO	Early creation of a vacancy	Small to medium scale only due to availability of property	Depends on whether WALH or an RSL chosen and the location of property
Exercise first right of refusal on RTB homes	Yes, if clearly directed to areas of shortage. No if general decision to buy back in all cases.	Reasonable value if RSL./ ALMO	Early creation of a vacancy.	Small scale (will partly depend on numbers moving)	Depends on whether WALH or an RSL chosen and the location of property.
Acquiring empty homes	Yes, could be used in areas of shortage or in areas in need of regeneration	Reasonable value if RSL. /ALMO	Reasonable timescale in creating a vacancy	Small to medium scale only due to availability of property	Depends on whether WALH or an RSL chosen and the location of property.
Revised Empty Home Challenge Fund	Yes, could be used in areas of shortage or in areas in need of regeneration	Good value for money	Reasonable timescale in creating a vacancy	Small scale only. (Availability of property)	Depends on selection of private landlord partner.
Improvement of empty / poor standard properties via training agencies.	Yes, could be used in areas of shortage or in areas in need of regeneration	Potentially good value for money.	Reasonable timescale in creating a vacancy.	Small scale only.	Depends on selection of managing partner.
Develop new homes for rent.	Yes	Good value for money if via RSL Currently poor value if Council / WALH	Considerable time before housing created	Large scale	Depends on selection of managing partner and the location of the property.
Open Market Homebuy	No, would produce more shared equity schemes. Review periodically	Reasonable value	Quicker timescale than new build	Small scale	Could be linked to the currently developing shared equity scheme

Analysis of Potential Affordable Housing Schemes

Table 1 provides a summary of the benefits of the various scheme options. It does this by looking at the potential fit with our policy objectives, at value for money and how quickly it creates affordable housing etc. Based on this analysis it is felt that the following options should be developed for possible implementation.

Small Scale Schemes	Responsibility for Development
Relocation Assistance to existing Council tenants	WALH
Expansion of the Bond Scheme	Housing Strategy
Revised Empty Home Challenge Fund	Private Sector Housing
Improvement of empty / poor properties via training agencies	Housing Strategy
Large Scale Schemes	Responsibility for Development
Develop new homes for rent / acquire empty homes *	Housing Strategy /WALH
Consider purchase of ex RTB homes. *	

The options chosen deliberately include a combination of small scale programmes and schemes capable of delivering significant numbers of additional properties. If successful they would create a varied pattern of response in-keeping with our affordability and regeneration objectives.

However the larger development schemes do require further consideration of the various delivery vehicles and partnership frameworks, as these are vital in making them become a reality, in achieving value for money and our objectives.

Possible Partnership Frameworks

The following Partnership framework options could be used to deliver the above large scale development schemes. Each brings different advantages / problems which need to be evaluated.

Non-HRA PFI

This would involve using affordable housing resources to contribute to a non HRA PFI scheme. It has been used in a small number of boroughs to produce new affordable housing eg Kent, Guildford, Warrington.

It generally involves a Council, RSL and Developer forming a partnership to develop a significant number of homes for sale or rent. Monies are provided by a combination of the LA, the RSL and by PFI credits. An RSL is generally involved due to their ability to borrow on the private market against projected income.

Pros

- Can potentially provide affordable housing on a major scale
- Brings major additional resources from the PFI and Private Sector (see Guildford example)
- Some control over location / types and standards of management
- Affordable housing developed by RSLs.

Cons

- Due to complexity / set up costs needs to be on a major scale (300+ houses)
- Typically takes 36 months to get to from project initiation to development stage.
- Given Wigan's relative affordability compared with many other boroughs it would probably have a low priority in any competition for PFI credits.
- Besides the capital contribution, schemes generally need a council contribution to the project support and in ongoing revenue costs

Guildford Example

350 new homes (230 for rent and 120 for sale)

Council - £10m (in land)

RSL - £38m

PF - £41m

Council contribution to project support:- valued at £1m

Additional revenue costs to the Council will arise (projected 0.5% on Council tax)

Whilst this option maximises leverage of funding and would create large numbers of homes for a relatively small Council/affordable housing monies contribution, it would take a considerable time to set up, be administratively complex and expensive and would probably have revenue consequences on the Council.

Community Land Trust Model

This option involves the formation of a locally based not-for-profit organisation which would become the owners of land and property for the benefit of the community. It would basically be given the assets of the affordable housing policy to own and manage. This could involve both the onsite and offsite assets. The trusts are mechanisms for creating community ownership of land and locking in any appreciation in land value for the benefit of the community.

Pros

- Local community control and ownership
- Collectively preserve and increase the value of affordable housing assets
- Currently being encouraged as an answer to affordable housing issues

Cons

- No major CLT exists in England (model pioneered in USA)
- Significant legal / admin barriers would need to be overcome
- Extent of borrowing potential unclear
- How do you structure the CLT?
- Possible cost of rented units - N/K

This option has a number of attractions especially in its emphasis on local control and community involvement. However it is totally untried and would need considerable development as an idea.

Arms Length Management Organisation Owned (ALMO) Development

This is the nearest option to the development of Council housing and is the so called "Hounslow Approach". The proposal involves the Council providing land and / or affordable housing monies to the local Arms Length Management Organisation (ALMO). The ALMO then uses these assets for development typically creating a mixture of affordable and non-affordable housing. The resultant housing would be owned by the ALMO (not the Council) and as such would not be subject to the right to buy. It should be noted that DCLG approval would need to be obtained to provide monies to an ALMO and it would necessitate some prudential borrowing by the Council funded by projected rental income. It is a new largely untried approach and would almost certainly need an ALMO to link up with an RSL to gain access to new build development expertise. However this area could grow given the Housing Corporation is encouraging bids from RSLs although its impact will ultimately be limited given its impact on the PSBR.

Pros

- Local control of affordable housing
- It would provide WALH with an asset
- Local management by existing partners in neighbourhood regeneration.

Cons

- Would need major changes in government practices for it to be successful
- WALH currently have not got new development expertise
- May not be cost effective procurement as ALMOs ability to borrow monies will be limited.

This option is worth consideration, but it requires further national policy work to identify clear answers on a range of technical issues. Will therefore need more time before it becomes a clear option

Joint Venture (Non- PFI)

This approach typically involves a Council, a Housing Association (RSL) and a Developer working in partnership in a Joint Venture Company. The company makes a return on capital but no excessive profit. The council invests assets (land or affordable housing monies) and has an appropriate interest in the company (must be minority share and be shown not to have a controlling interest). This structure allows the development of rented, affordable housing for sale and open market housing and is flexible enough to carry out conversion work, repairs etc on existing property.

Examples of successful partnerships are now in operation eg South Shropshire. The model generally involves an RSL to maximise access to private sector borrowing and to secure the long term management of the properties within the not for profit sector. Such a partnership would tend to be long-term and generally the ownership of the housing created would lie with the Joint Venture Company. There are a number of further possible joint venture options which could be combined with options involving an RSL or ALMO. There are also tax effective alternatives to formal Joint Venture Companies termed Limited Liability Partnerships.

Pros

- Creates affordable housing
- Enables major additional private sector assets to be utilised
- Some control over location and types
- Best suited to long-term development relationships
- Ownership of assets retained by the Company (incl minority council interest)

Cons

- Some complexity / set up costs unless an existing arrangement can be modified or used.
- Lack of flexibility due to the longer-term nature of the partnership
- Currently needs a RSL rather than ALMO involvement to maximise private borrowing.
- May restrict ability to attract Housing Corporation monies (under current rules).
- Ownership of the affordable housing would be partly in the hands of a private development partnership and this would require careful thought on the nature of the long-term interests. Eg what happens if the private partner withdraws etc

Partnership with an RSL

A Partnership with an RSL would work on a similar basis to the Joint Venture (Non-PFI) but would be much simpler without the formal company. It would involve resources being passed to an RSL partner to develop or convert properties (envisaged for rent). This is a well used method and would allow the RSL to access private sector borrowing. It could also attract Housing Corporation monies to further improve leverage. Whilst the ownership of property would lie with the RSL the long-term sustainability of the affordable housing could be guaranteed. The Council could select its preferred partner and service level / nomination agreements between the RSL and the Council could be agreed. Given the pattern of existing rented provision a case for WALH management could be made for some of the development. Indeed it may be possible for this option to be developed so that an ALMO/Council minority interest in the partnership could be engineered reflecting contributions made.

This model is also flexible and could be used on a scheme by scheme basis. Potentially it could offer good value for money due to its access to borrowing and Housing Corporation allocations.

Pros

- Creates sustainable affordable housing
- Could maximise private sector / other funding leverage, thus maximising impact
- Some control over location and type
- Nomination Rights, Service Level Agreement and Management Agreements could be built into the scheme.
- Allows longer term planning
- Offers flexibility

Cons

- Needs RSL involvement to maximise private borrowing

This option is attractive in terms of the cost per unit and in its relative simplicity. It would also provide an opportunity of WALH management involvement and joining a development consortium with an RSL. It is also capable of development so that potential ALMO/Council interests could be reflected in equity stakes/ options and it could be used in potentially wider partnership schemes involving the private sector.

Table 2 Analysis of Partnership Structures

Partnership Framework	Tried / Tested Model	Complexity / cost of set up	Additionality	Value for Money	Local Connections / Strategic Issues
Non-HRA PFI	Yes	High	Yes attracts PFI credits & private finance.	Good value initially but with longer term revenue costs.	Little control over selection of partners. Some influence over management standards.
Community Land Trust	No	High	N/K	N/K	Potentially good local connections, sustainability and strategic links.
Arms Length Management Organisation Development	No	Moderate	Limited additionally (poor borrowing leverage)	Likely to represent moderate value due to its limited access to borrowing.	Potentially good local / strategic links. WALH integral to NRF programme and LSP arrangements.
Joint Venture non-PFI	Yes	High Would need to set up a formal company	Would attract private monies	Good value	Dependent on how organised and on the nature of partners. Clear consideration of the long-term nature of partnership / ownership of assets needed.
Partnership with an RSL	Yes	Low	Would attract private monies and possibly HC monies	Potentially excellent value (if HC top up)	Dependent on how organised and on the nature of partners. However it would be possible to develop service level agreements / nomination rights with the RSL and involve WALH . It is also a flexible arrangement.

Analysis of Partnership Structures

Table 2 provides a summary of the benefits of the various partnership structures. It does this by looking at value for money, complexity, whether the model is tried / tested and its fit with strategic issues. Based on this analysis it is felt that the following options be developed for possible implementation

Actions	Responsibility
Development of a formal Partnership with an RSL	Housing Strategy
Given WALH boroughwide role in managing property and in delivering strategic objectives, to explore opportunities for their involvement in a formal RSL partnership	Housing Strategy / WALH
To keep the further options of Joint Venture Arrangements and ALMO led development under review	

The partnership with an RSL option is recommended, due to its potential flexibility (can be scheme by scheme) and its ability to attract both private borrowing and Housing Corporation funding. This enables it to provide more housing per Council contribution than other options. It is also recommended that opportunities to combine this arrangement with WALH involvement are also pursued. The logic being to develop a flexible arrangement which maximises not only value for money but also the “fit” with the Council’s wider strategic concerns and practical management issues within predominantly Council-owned housing neighbourhoods.

Despite this it is also proposed that other options be kept under review, as possible Joint Venture arrangements could arise within wider development and regeneration programmes and developments led by ALMOs may be possible in the future.

Conclusions

Given emerging policy in this area and the uncertainties in the size of likely future funding, its timing and, the form it will take, it is difficult to plan a response. Despite this a way forward needs to be found and this report makes clear recommendations. Basically it seeks to develop a range of schemes that best fits our needs. The key part of the policy will be to form a partnership with an RSL which is designed to develop in areas we require housing, but will attract further monies thus maximising our response.

Appendix 2

Report to:

Supporting People Commissioning Body

Date:

1 May 2007

Subject

Housing Corporation Funding Round 2008/11

Purpose:

To outline possible capital funding opportunities that will be presented in the Autumn and to agree a process to identify possible bids

Report by

Peter Layland Assistant Director (Housing Regeneration)

To recommend that preparations to develop specialist housing bids be undertaken and that a report be brought back to the next Commissioning Body to agree on a prioritised list of schemes.

1. Background Information

Meetings have taken place with the Housing Corporation with regard to the next bidding round and the Pre Prospectus for the programme has just been published. The bidding will run from September - November 2007 and will cover the period 2008-2011. Whilst a significant proportion of the resources will be committed in 2008 subsequent in year bidding will also take place. From conversations, the emphasis in the North West will be on value for money and on developments being delivered over the medium term within partnership arrangements.

This position shows a significant change in direction from previous Housing Corporation policies in the North West and it potentially opens up opportunities for the Wigan Borough. Previously due to our regional status as having a largely balanced market, we have received a very low priority for funding. Indeed the only resources we have been able to access in recent years have been small allocations within specialist housing. Whilst this position remains the case, the Corporation have made it plain that if good value for money can be achieved via free land or via affordable housing planning monies, councils such as ours are likely to be more successful in bidding than in the past.

Corporate work is now underway to explore the opportunities this change in policy could bring. It will assess the likely receipts we will receive from next year via the Affordable Housing Policy, the possibility of levering in monies from partners eg health and will address the capacity of the Council to bring forward resources. It will also look at the opportunity to formally combine the Council's Affordable Housing Policy with potential Housing Corporation funding within a Partnership Approach which would increase our much needed affordable housing supply. Finally it will also look to identify our priorities in terms of what is needed eg general needs /

specialist housing. A report to Cabinet will follow, setting out the issues involved, seeking approval and developing an action plan.

A further opportunity for bidding via the Extra Care Housing Fund may also present itself over a similar timescale. This has been available over the past couple of years via the Department of Health for specific extra care sheltered housing proposals.

2. Proposed Action

Clearly the bidding for possible additional specialist housing is closely linked to the SP programme hence the purpose of this report. Given the timescales involved, it is vital progress is made even in advance of the proposed Cabinet Report. The following arrangements are therefore proposed

- That SP and Housing Strategy should build on discussions within the Core Strategy Group and undertake a joint exercise to develop a list of all possible schemes (in liaison with all stakeholders) over the coming weeks.
- To then undertake an evaluation of the need for each scheme, its possible outputs and its approximate cost (capital and revenue including SP).
- Finally to make recommendations via a prioritised list to the next Core Strategy Group and Commissioning Body on the development of prospective specialist housing bids

Whilst this appears an onerous task, given past work on the needs profiles, the dialogue within each specialist area and on potential schemes it is felt this process can be brought forward quickly. However as an aid to the process, the Commissioning Bodies thoughts on a proposed way of prioritizing potential schemes is sought.

3. Prioritisation of Specialist Accommodation Schemes

It is proposed that the criteria for selection should be based on the following:

- High priority for development within the SP Strategy.
- A scheme which would either reduce SP costs or increase the outputs.
- A scheme which would reduce costs or increase outputs outside of the SP programme.

Views are sought on this prioritisation methodology so that clear recommendations can be developed from a range of possible schemes.

4. Conclusion

If this report is approved and actions undertaken it would allow the next meeting of the Commissioning Body to make informed decisions about which potential schemes should be prioritised within the forthcoming bidding round.

