

North Somerset Council

REPORT TO: THE FULL COUNCIL

DATE OF MEETING: 24 SEPTEMBER 2019

SUBJECT OF REPORT: AFFORDABLE HOUSING DELIVERY PARTNERSHIP AGREEMENT WITH ALLIANCE HOMES

TOWN OR PARISH: WHOLE OF NORTH SOMERSET

OFFICER/MEMBER PRESENTING: COUNCILLOR DON DAVIES, LEADER OF THE COUNCIL

KEY DECISION: N/A

REASON: THIS IS A DECISION OF FULL COUNCIL RATHER THAN THE EXECUTIVE

RECOMMENDATIONS

1. To agree the Heads of Terms for an Affordable Housing Delivery Partnership Agreement between the Council and Alliance Homes, as set out in Appendix 1
2. To delegate authority to the Leader of the Council in consultation with the S151 Officer and Director of People and Communities to agree the Affordable Housing Delivery Partnership Agreement between the Council and Alliance Homes
3. That officers be authorised to amend the LSVT Contract in accordance with this report to:
 - a) allow Alliance Homes to retain all the receipts from the sale of land and/or buildings transferred to Alliance Homes by the Council under the terms of the LSVT Contract, subject to the receipts, after the deduction of any direct sale costs incurred by Alliance, being spent on providing new or replacement Affordable Housing in North Somerset.
 - b) remove from the definition of an Exempt Disposal reference to the circumstances where the land disposed of will be developed as affordable housing.
4. That authority be delegated to the Leader of the Council in consultation with the S151 Officer and Director of People and Communities to agree changes to the definitions of 'Exempt Disposal' and associated clauses in the LSVT Contract.

1. SUMMARY OF REPORT

This report sets out proposals to strengthen partnership working between the Council and Alliance Homes, through the delivery of affordable housing. This strengthened partnership will support the achievement of both organisations' aspirations for North Somerset by supporting:

- the delivery of affordable housing
- the development of sustainable and mixed neighbourhoods
- a placemaking approach to the Bournville neighbourhood
- the achievement of carbon neutrality in North Somerset by 2030
- the delivery of Alliance Homes Asset Management Strategy

2. POLICY

The synergy from the closer joint working will enable the achievement of improved outcomes for people in North Somerset and supports the delivery of the Council's Corporate Plan, Housing Strategy, draft WoE Joint Spatial Plan and Alliance Homes' Corporate Strategy.

3. DETAILS

As part of their new Corporate Strategy, Alliance Homes (Alliance) have set out 3 'audacious goals', including an ambition to build 2000 new homes over the next 10 years across their operating area. They aim to maximise the number of these homes that are affordable, supporting the delivery of the West of England draft Core Strategy. Alliance's New Homes Strategy 2019 sets out their operating geography with North Somerset being identified as a priority area for investment, in which they will be a 'placeshaper'

Alliance have an A1 credit rating from Moody's, which is the highest rating possible for a Registered Provider and are 1 of only 4 housing associations in the UK to hold this rating. Alliance have recently finalised securing additional borrowing amounting to £135M and in addition, have the capacity within their financial plan to borrow a further £154m. This funding will fund the delivery of their new homes targets and the commitments they have made as part of the Draft WoE Joint Spatial Plan.

There is a significant need for Affordable Housing in North Somerset and the Draft Joint Spatial Plan identifies a target of delivering 5360 affordable homes in the area over the 20 years to 2036. This is a challenging target which relies on working with Registered Provider partners who are willing and able to develop and purchase new affordable homes in North Somerset.

Alliance have a substantial affordable housing stock throughout North Somerset. In some neighbourhoods (eg: Bournville) Alliance manages a significant proportion of the total housing stock and can have a major impact on the sustainability and regeneration of those neighbourhoods.

This is a strategically important opportunity to work in partnership with Alliance, the largest stock holding Registered Provider in North Somerset, to make a significant contribution to

delivering the affordable housing needed in North Somerset and both organisations wider ambitions for North Somerset.

It is proposed that this is achieved through a new Affordable Housing Delivery Partnership Agreement and by making some changes to the existing Large Scale Voluntary Transfer (LSVT) Contract with Alliance.

Affordable Housing Delivery Partnership Agreement

The arrangements for partnership working between the 4 West of England Local Authorities and Registered Housing Providers in the delivery of new affordable housing are set out in the HomesWest Joint Working Agreement. A new Affordable Housing Delivery Partnership Agreement between the council and Alliance would build on this Agreement and reflect the commitments both partners have to developing new affordable homes in North Somerset, as well as contributing to the regeneration priorities of the council. It would also support Alliance's asset management priorities, which are to ensure that their homes are fit for purpose for the future, through the remodelling, refurbishment and improvements. In addition, there is also an opportunity to develop our joint aspirations for Place Making in North Somerset and the achievement of carbon neutrality in the area by 2030 and provide affordable warmth for residents.

It is proposed that the 2 organisations enter into an Affordable Housing Delivery Partnership Agreement. The proposed draft Heads of Terms for an agreement are set out at Appendix 1. In summary it is proposed the agreement would set out joint commitments to work together to:

- identify local affordable housing needs
- maximise the delivery of and resources available for new Affordable Housing
- develop and deliver programmes for the development of new affordable housing in North Somerset that meets local needs
- support asset management strategies that ensure all Alliance Homes local affordable housing is fit for purpose and located in areas of need
- support the development of mixed and sustainable neighbourhoods
- achieve carbon neutrality in North Somerset by 2030 and to support residents in avoiding fuel poverty
- develop joint housing delivery models that provide value for money and accelerate the delivery of quality new homes in mixed and sustainable neighbourhoods that meet local needs
- take a placemaking approach to the Bournville neighbourhood to raise aspirations, provide opportunities and deliver new homes as part of the wider regeneration and growth of Weston-super-Mare

If the draft Heads of Terms are approved, it is proposed that a full Partnership Agreement is developed and that authority to agree this is delegated to the Leader of the Council in consultation with the S151 Officer and Director of People and Communities.

Amendments to the LSVT Contract

Consideration has been given as to how the original Transfer Agreement facilitates our joint plans. This has identified that whilst the Transfer Agreement was suitable at the time of transfer in 2006, there is a need 13 years on to develop more flexibility in our working arrangements to enable the achievement of our joint ambitions. In particular, LSVT Contract provides that the Council has the right to a 50% share in any receipts from the disposal of transferred land and buildings (homes and other buildings eg: garages, shops) other than where the disposal is exempt or where the Council agrees to waive its right. Disposals of land are exempt where the land disposed of will be developed as Affordable Housing or where the whole of the proceeds (without any deductions) are used to fund the development of new affordable housing in North Somerset. The disposal of buildings by Alliance eg: homes which are no longer suitable to be used as Affordable Housing, are not an exempt disposal and therefore Alliance under the Contract must share 50% of the net receipts with the council. This clause restricts the ability of Alliance to replace sold homes, proactively manage their stock and deliver value for money from their homes and ultimately, it creates a disincentive to dispose of homes which are not fit for purpose.

Historically this issue has been managed by entering into side agreements which allow Alliance to sell specified numbers of homes and retain 100% of the receipt providing the whole receipt (without any deductions) is reinvested in new affordable housing to rent in North Somerset. Currently there is an agreement in place, authorised by Executive in November 2018 (minute EXE 35 refers), which allows the sale of up to 15 homes. Executive also agreed in principle this agreement could be extended to more homes subject to consultation with Scrutiny and an Executive decision.

The side agreement conditions however are more extensive than those included in the LSVT Contract for exempt sales of land where Alliance may simply retain the whole receipt subject to it being spent on Affordable Housing in North Somerset. Alliance feel these conditions lack the flexibility they need to deliver their ambitions eg: the requirement to spend the funds within a certain time period and track any future receipts from the sale of new homes built under the agreement. There is a concern that these constraints could become more problematic if Alliance were to wish to take forward the remodelling of more homes to secure quality affordable homes for the future.

It is proposed that the LSVT Contract is amended such that Alliance can retain all the income from sales of any of the transferred land and/or buildings. This would be subject to the receipts, after the deduction of any direct sale costs incurred by Alliance, being spent on providing new or replacement Affordable Housing in North Somerset.

In exceptional circumstances the Council would continue to have the discretion to agree that the whole receipt from the sale of land and/or buildings could be retained by Alliance Homes where it was not exempt from sharing with the council under the terms of the Contract.

This would provide Alliance with the flexibility needed to deliver their ambitions and provide a consistent approach to dealing with sales of transferred land and buildings as where the

proceeds from the sale of land are used to fund new Affordable Housing currently Alliance may not make any deductions for the costs involved in the sale.

It is also proposed to remove from the LSVT Contract definition of an Exempt (land) Disposal reference to the circumstances where the land disposed of will be developed as affordable housing to simplify the wording of the Contract as this scenario is not envisaged to arise.

The draft Heads of Terms for the Partnership Agreement outlined above would also include wider commitments regarding lettings and recycling receipts from any assets that Alliance hold in North Somerset into new Affordable Homes in the area.

The LSVT Contract sets out the definitions of an 'Exempt Disposal' where the receipts from sales of land or buildings transferred to Alliance under the LSVT do not have to be shared with the council. A number of changes to these definitions and associated clauses are required to ensure that they are appropriate, unambiguous and to correct anomalies in the Contract which would otherwise allow Alliance to retain all the receipts from sales in some circumstances that were not intended by either party. It is proposed authority to agree these changes is delegated to the Leader of the Council in consultation with the S151 Officer and Leader of the Council

4. CONSULTATION

Consultation has taken place with Alliance Homes, the Council's Investment and Infrastructure Board, the Leader of the Council and the Council's Asset Management, Financial and Legal Services.

5. FINANCIAL IMPLICATIONS

Costs

Partnership agreement - No direct cost of implementing the decisions other than officer time and costs relating to the production of a partnership agreement. Achievement of the aims of the agreement should have a positive financial impact through the delivery of value for money solutions to meeting local needs.

Amendments to the LSVT Contract –

i. Enabling Alliance to retain the receipts from the sale of homes and other buildings transferred under the LSVT - the current provisions in the Contract provide a disincentive to Alliance to dispose of homes and other buildings and effectively manage their stock as receipts from such sales have to be shared with the council, reducing the amount available for reinvestment. If the Contract remained unchanged it is unlikely that there would be significant sales or reinvestment by Alliance or receipts to the council.

It is not possible to put a precise value on the receipts Alliance could generate through the sales and hence the share of clawback that the Council could be foregoing as the number of properties that might be sold is unknown. Alliance have advised that the average open market value of one of their LSVT rented homes is £167,000. Approximately 6,100 homes transferred to Alliance under the LSVT and the vast majority remain in Alliance's ownership. In terms of other buildings that transferred to Alliance valuations were available for the majority: 1680 garages with an average valuation of approximately £5k each and 50 shops

at an average value of approximately £75,000 each. It should be noted that any receipts received from Alliance as a result of such sales are regarded 'windfall' as they are not included in the council's budget.

The proposals set out in this report would have no direct impact on the council's right to receive a share in Right to Buy and Shared Ownership staircasing receipts under the Contract. There is a low risk that there is a reduction in such receipts to the council if current Alliance tenants with the Preserved Right to Buy move into new or replacement affordable homes.

ii. Other changes to the definitions of 'Exempt Disposals' - the main financial impact would be to protect and clarify the circumstances when the council is due to receive a share in a receipt from a non-exempt disposal of LSVT land or buildings and to correct anomalies in the Contract which would otherwise allow Alliance to retain all the receipts from sales in some circumstances that were not intended by either party

Funding

As above

6. LEGAL POWERS AND IMPLICATIONS

A deed of variation will be required to amend the LSVT Contract.

7. CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS

The partnership agreement will have a positive impact on achieving carbon neutrality in North Somerset as it will support:

- investment in Home Energy Efficiency measures,
- delivery of low carbon new homes,
- facilitating behavioural changes amongst service users including through the promotion of carbon reduction measures
- minimisation of the carbon impact of service delivery
- joint work with partners to achieve carbon reduction

8. RISK MANAGEMENT

There is a risk that the sale of Affordable Homes by Alliance could result in a reduction in their Affordable Housing in North Somerset either due to receipts being inadequate to fund sufficient replacement homes or due to a lack of sites in the area. This risk is considered low and is mitigated through the commitments to be made in the Partnership Agreement: by the Council to prioritise working with Alliance Homes to help identify sites for the development of new Affordable Housing and by Alliance to seek to maximise the delivery of Alliance Homes new affordable housing programme in North Somerset and provide regular performance reports. It is also mitigated through the requirement in the revised LSVT Contract for Alliance, other than in exceptional circumstances agreed by the Council, to spend the receipts from sales in North Somerset on Affordable Housing and the significant borrowing Alliance have access to.

There is a risk that the new homes provided by Alliance may not meet local needs and that there is a reduction in rented affordable homes – this is considered low and is mitigated through the Partnership Agreement commitments made by Alliance and the Council to work

together to develop and deliver programmes of new affordable housing that meet local needs and provide regular performance reports.

9. EQUALITY IMPLICATIONS

Have you undertaken an Equality Impact Assessment? Yes - the impacts are assessed as positive for a wide range of people with protected characteristics as the proposals support:

- the delivery of affordable housing for people in housing need
- the development of sustainable and mixed neighbourhoods
- a placemaking approach to the Bournville neighbourhood
- the achievement of carbon neutrality in North Somerset by 2030
- the improvement of homes through the delivery of Alliance Homes Asset Management Strategy

10. CORPORATE IMPLICATIONS

The approach set out supports the delivery of the councils Housing Strategy and Corporate Plan.

11. OPTIONS CONSIDERED

Not agreeing to the proposals:

Partnership agreement – not agreeing to establish an agreement – this would result in the opportunity to improve outcomes for people in North Somerset through the synergies of working closer with Alliance Homes to be lost

Stock sales - Alliance would be unable to deliver sufficient value from strategic and targeted asset disposals which would limit the potential opportunity to provide new and replacement affordable housing that better meet local needs funded through disposals.

Exempt disposal definitions' – ambiguities and anomalies in the wording would remain and there would be risk that the exemptions and related clauses were not appropriate and that the council would not receive income from non-exempt sales in the future.

AUTHOR

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APPENDICES

Appendix 1 – Heads of Terms for an Affordable Housing Delivery Partnership Agreement between North Somerset Council and Alliance Homes.

BACKGROUND PAPERS

Report to Executive on Alliance Homes - 16/10/18
Large Scale Voluntary Transfer Contract with Alliance Homes
CSD 96 and 138 – 2015/16
CSD 33 2018/19

Delivering Affordable Homes in North Somerset

Heads of Terms for an Affordable Housing Delivery Partnership
Agreement between North Somerset Council and Alliance Homes

Key Principles

The partners will work together in North Somerset to:

- identify local affordable housing needs
- maximise the delivery of and resources available for new Affordable Housing
- develop and deliver programmes for the development of new affordable housing in North Somerset that meets local needs
- support asset management strategies that ensure all Alliance Homes local affordable housing is fit for purpose and located in areas of need
- support the development of mixed and sustainable neighbourhoods
- achieve carbon neutrality in North Somerset by 2030 and to support residents in avoiding fuel poverty
- develop joint housing delivery models that provide value for money and accelerate the delivery of quality new homes in mixed and sustainable neighbourhoods that meet local needs
- take a placemaking approach to the Bournville neighbourhood to raise aspirations, provide opportunities and deliver new homes as part of the wider regeneration and growth of Weston-super-Mare

Alliance Homes will

- seek to maximise the delivery of Alliance Homes new affordable housing programme in North Somerset
- recycle capital receipts from the sale of Alliance Homes Affordable Housing, land and other assets located in North Somerset in perpetuity into new or replacement affordable housing in North Somerset to better meet local housing needs and increase the supply in the area (other than in exceptional circumstances agreed by the council).
- work with North Somerset Council to develop and implement long-term plans to enable Alliance Homes existing housing stock to be remodelled, improved or replaced where appropriate to better meet local housing need.
- continue to provide fair access to all new affordable homes developed in North Somerset through the Councils Lettings and Assessment Scheme.
- support the development of sustainable communities through place making, by investing in physical, environmental, social and economic activities to improve the vibrancy and health of neighbourhoods

- work with North Somerset Council to support the regeneration of Bournville Neighbourhood and Weston-super-Mare town centre
- support North Somerset to achieve carbon neutrality by 2030 by investing in Home Energy Efficiency measures, delivering low carbon new homes, promoting carbon reduction measures to service users and minimising the carbon impact of service delivery

North Somerset Council will:

- prioritise working with Alliance Homes to help identify sites for the development of new Affordable Housing
- proactively support Alliance Homes in developing plans where appropriate to remodel, improve or replace their existing housing stock to better meet local housing need
- lead a North Somerset-wide drive to achieve carbon neutrality by 2030 by working with Alliance Homes and other partners within and across organisations and to facilitate behavioural change of service users
- support and enable Alliance Homes through the council's Housing Development and Strategy Service to help bring forward development of new Affordable Housing including relationship management with other council services
- lead local affordable housing delivery partnerships with Registered Providers, Homes England and other partners
- work with Alliance Homes to support the effective management of Alliance Homes Affordable Housing through the development of the Council's Lettings and Assessment Scheme and appropriate local lettings policies
- engage with Alliance Homes through the development of regeneration and neighbourhood management initiatives that support mixed and sustainable communities

Service development and review

The partners will:

- work together to develop short, medium and long-term plans for the delivery of affordable housing and placemaking by Alliance Homes within North Somerset
- provide regular strategic performance reports to both parties
- attend regular strategic partnership meetings

Note: that this agreement sits alongside the HomesWest Partnership Agreement and the LSVT contract and does not replace these documents