



## **North Devon Council**

Report Date: 6<sup>th</sup> June 2022 Strategy and Resource Committee

Topic: Gap funding 21 Social Rents at Woolacombe (M&W CLT)

Report by: Service Lead – Affordable Housing, Jaimie Jeyes

### **1. INTRODUCTION**

- 1.1. The Community Housing Fund and commuted sums from Section 106s are not sufficient alone to enable all existing nor future community-led housing projects. How to resource the delivery of affordable housing via community-led housing models both financially and in terms of staff is within the scope of Project 4 of the Housing and Community Safety Programme.
- 1.2. However, there is an immediate issue that Members are asked to consider to enable the completion of 21 social rents in Woolacombe; the first Community Land Trust scheme in North Devon. Due to a forecasted start on site date of September 2023 (subject to planning) this cannot wait for the outcome of the corporate project.
- 1.3. External funding has now reached £141,000 per unit and £30,000 per unit is needed to deliver the scheme. NDC needs to consider how this can be gap-funded or the scheme will not go ahead.

### **2. RECOMMENDATIONS**

- 2.1. That for the delivery of 21 social rents in Woolacombe, Strategy and Resource Committee allocates:
  - 2.1.1. £372,194.60 from identified Section 106 affordable housing commuted sums as outlined in section 5.1.
  - 2.1.2. £162,805.40 from the Community Housing Fund – Housing Enabling Earmarked Reserve as outlined in section 5.2.
  - 2.1.3. £95,000 of current approved capital programme budget from the remaining balances of a previous affordable housing delivery grant and a former affordable housing fund as outlined in section 5.3
- 2.2. That subject to 2.1 above, Members recommend that Council vary the Capital Programme by £535,000 as detailed above and that funds be released, subject to a Grant Agreement with the Registered Provider (Aster) upon such terms and conditions as may be agreed by the Service Lead for Affordable Housing and Senior Solicitor and Monitoring Officer.

### **3. REASONS FOR RECOMMENDATIONS**

- 3.1. The grant will enable 21 affordable homes for social rent, the social value and jobs these will create, as well as bringing nearly £3m of external funding into North Devon. 21 households currently in housing need as well as future generations of the community in housing need will have the opportunity to rent

their house at a genuinely affordable social rent, which may be more likely to be paid without recourse to benefits.

- 3.2. To increase the supply of social rented housing to contribute to the alleviation of the huge pressures on our housing market, currently worsened by the housing crisis.
- 3.3. A low financial gearing of £30,000 per unit against £141,000 per unit of external funding minimises any risk to North Devon Council.
- 3.4. To provide absolute certainty of delivering the community-led housing scheme, a National Trust national flagship scheme and contribute to the 58 affordable homes in the community-led housing pipeline across 4 Community Land Trusts.

#### 4. REPORT

- 4.1. Morteohoe was one of the first Community Land Trusts set up through the original Community Housing Fund allocation in 2016/17 and they have come on leaps and bounds since. With the passion and energy of the community, the Community Land Trust, parish councillors, the parish clerk, the ward member, the National Trust, Middlemarch and NDC officers the scheme is soon to become a reality.
- 4.2. The site was presented to the community and has huge community support. Morteohoe and Woolacombe Community Land Trust (M&W CLT) applied for funding from the NDC Community Housing Fund for pre-application and feasibility work. Pre-app feedback from Planning has been acted upon and a compromise reached with AONB, planning, the Community Land Trust and the landowner, the National Trust as a possible way forward for the planning application package.
- 4.3. The Community Land Trust has now selected a Registered Provider (Aster) who is putting together a funding package to deliver the proposed 21 affordable homes in Woolacombe (subject to planning). Homes England and Aster have put in significant amounts of funding at £141,000 per unit resulting in almost £3 million of government/Registered Provider funding into North Devon. To gap-fund the remainder of the scheme North Devon Council will need to provide £630k (£30,000 per unit).
- 4.4. It is imperative that NDC push forward the build of these 21 social rented homes:
  - 4.4.1. Woolacombe is an area that is particularly suffering from the reduction of private rented sector housing and affordability issues
  - 4.4.2. The scheme has confirmed high levels of external funding, community backing and willing delivery partners/landowner on board subject to planning.
  - 4.4.3. This site is an important test case for the National Trust's flagship Exception Site Policy (i.e. releasing their land for social value in certain exception site areas rather than best "financial" value alone).

- 4.4.4. In addition, increasing the supply of affordable housing now sits as a corporate priority and increasing this supply specifically via community-led housing sits within the Housing and Community Safety Programme aimed at addressing the housing crisis in North Devon
- 4.5. Furthermore, the Council, via its former Executive has previously minuted its clear support for this scheme (even if via borrowing) in the future: In 2018 due to the increasing demand and costs of temporary accommodation, Housing used £439,591 of commuted sums to fund the provision of 5 temporary accommodation units. £200k of this money had been secured from the Sandy Lane Court development in Woolacombe. Executive (January 2018) agreed that *“the Capital Programme be varied by £439,591 funded as detailed in paragraphs 5.4 and 5.5 of the report, or following consultation with affected Ward Members, through borrowing, with the decision as to whether to borrow and how much being delegated to the Head of Resources in consultation with the Leader”* with a reason for recommendation as *“To give the Council the opportunity to support the proposed affordable housing scheme in Mortehoe in the future”*.
- 4.6. The grant will be paid by NDC directly to the Registered Provider who is building the houses and delivering this scheme using their own internal monies and Homes England funding.
- 4.7. When a Community Land Trust partners with a Registered Provider, this is how it works:
- 4.7.1. The Community Land Trust selects the Registered Provider they want to work with.
- 4.7.2. Once planning consent has been obtained, tendering completed, capital grant allocated and financial viability confirmed, an Option Agreement between the Community Land Trust, the Registered Provider and the landowner is exercised.
- 4.7.3. Under the Option and as back-to back transactions, the landowner grants a long-term lease to the Registered Provider at the agreed land price then transfers the freehold to the Community Land Trust for £1.
- 4.7.4. A freehold/leasehold relationship between the Community Land Trust/Registered Provider is thereby established which means that the land is held in perpetuity by the community and exemption is conferred from various rights to buy (the Right to Shared Ownership, Right to Acquire and Voluntary Right to Buy).
- 4.7.5. Under the terms of its lease with the Community Land Trust, the Registered Provider then funds, develops and operates the homes as landlord to the residents, receiving the rental income and paying a ground rent to the Community Land Trust.
- 4.8. Options for funding the £630,000 are set out below in section 5 (resource implications). To choose not to gap fund the scheme would mean that the first

community-led housing scheme in North Devon would not be able to go any further.

## 5. RESOURCE IMPLICATIONS

### 5.1. Use commuted sums available (£372,194.60):

5.1.1. This is outlined below and broken down into parish alongside the deadline for spend:

<b>Parish</b>	<b>Amount</b>	<b>Spend deadline</b>
Kings Nympton	£94,795.31	April 2031
Lee/Ilfracombe	£45,000.00	April 2030
Ashford	£143,109.29	Jan 2029 & 2030
South Molton	£14,290.00	Jan 2028
Mortehoe	£55,000.00	Feb 2025 & 2028
Tawstock	£20,000.00	Sept 2025
<b>Total commuted sums</b>	<b>£372,194.60</b>	

5.1.2. These commuted sums are not restricted to parish and can ultimately be spent anywhere within the district. Officers endeavour to spend in the parish in which they were received but the amounts above in isolation would not provide one unit of affordable housing, even when alongside any matching Registered Provider income. Therefore, combining the sums in this way ensures spend before the 10 year deadline. Some seem a long way off but not in terms of housing developments. As the table above shows, £55,000 was secured in the parish of Mortehoe.

### 5.2. Use £162,805.40 of the Community Housing Fund

5.2.1. The balance sits at £348,204, leaving a balance of £185,398.60 in this Housing Enabling Earmarked Reserve.

5.2.2. Officers and the Community Housing Fund Board had aspired to preserve the balance of the Community Housing Fund as this will allow all current parishes/Community-Land Trusts within our programme the opportunity to move forward their community-led housing projects to be ready to start on site; not just M&W CLT alone.

5.2.3. However, this would have involved borrowing £162,805.40 and the associated external borrowing costs. Committee can decide to adopt that approach but would also need to identify how the revenue impact of servicing the borrowing would be covered. Officers are therefore recommending that the Community Housing Fund be used to fund this remaining amount to avoid borrowing and provide certainty of the delivery of the M&W CLT scheme. In addition though, the aim will be to build this fund back up again and potentially continue to top it up, by contributing an amount from within the Planning, Housing and Health revenue budget or

other funding streams annually into the Community Housing Fund. Members should note that this decision will be part of the annual budget process and will be determined based on spend priorities each year.

**5.3. Use £95,000 of current approved capital programme budget** from the remaining balances of:

5.3.1. A previous affordable housing delivery grant (£5,000 under 5168/40210). This is an underspend from a 100% affordable housing scheme.

5.3.2. A former affordable housing fund (£90,000 under 4133/40210) for rural affordable housing.

5.3.3. The monies have been carried forward to a 2022/23 spend for the M&W CLT forecasted start on site date of September 2023 to gap fund the 21 social rents alongside Homes England and Aster internal funding (subject to Committee approval).

5.3.4. The £95,000 is ring-fenced for affordable housing supply. Affordable housing (especially via community-led housing) is a corporate priority and no national Community Housing Fund that can be spent on “capital” has been received since NDC’s 2016/17 first allocation.

5.4. The payment of grant funding is controlled by the new Subsidy Control Act 2022 which replaces EU State Aid law in the UK and prevents the public sector subsidising economic operators unfavourably such that it impacts on international trade. The de minimis financial limit for when this becomes applicable is approx. £360k, which this funding is over, although this increases to approx. £840k for Services of Public Economic Interest (SPEI), this is over a rolling three year period from any public sector funding source. Therefore it is important that the funding recipient is clear in terms of the funding they may have received or will receive from the public sector elsewhere to ensure that this is not inadvertently breached. Given the intentions for this funding as set out in the report, i.e. to provide social rented housing, then it is highly likely that this would constitute a SPEI. As it would with any grant provision such funding must be limited to what is necessary to cover the net cost of discharging the task and a reasonable profit (if applicable) and not used to subsidise other elements of the organisation. This will be covered by the grant agreement the Council puts in place.

## 6. EQUALITIES ASSESSMENT

6.1. This does not adversely affect any of the protected characteristics and on the ground this intervention will have a positive or neutral impact on all such groups of society. Devon Home Choice and Aster have Equality and Diversity policies to ensure fair access to the advertising of the homes and Aster will then work with customers to ensure the property is right for them in terms of affordability,

size and accessibility. More information will be known following the preparation of the planning application to ensure the Community Land Trust has considered the protected groups when looking at the design and house types. This will then be added to the separate Equality Impact Assessment.

## 7. ENVIRONMENTAL ASSESSMENT

7.1. The construction of the 21 social rents will have a positive impact on the environment as they would need to be built (subject to planning approval) according to the new building regulations (2022 Part L due Summer 2022) with higher energy efficiency and electric charging points. So there will be some use of renewables and a biodiversity net gain.

7.2. More information will be known following the preparation of the planning application. This will then be provided in a separate Environmental Assessment/EAC checklist.

7.3. In general, Aster aim for a fabric first approach to ensure that properties are sustainable. Aster's employer's requirements, require each new home to have an Energy Performance Certificate rating of B or higher. They also monitor and require that the Environmental Impact Rating is also at a B or higher. Architects working on this will have a sustainability brief by the Community Land Trust including aspirations for open space, for wildlife habitats, rainwater catchment, drainage and renewable energy sources, such as PV panels and air source heat pumps. Ecological surveys have been undertaken with recommendations for habitat retention and enhancements for protected species which will be included in the design of the development, such as bat flight corridors. Clearly, any aspirations for the Woolacombe project will need to be balanced against the cost drivers that are a combination of steep terrain and designations as AoNB/Heritage Coast/Undeveloped Coast.

## 8. CORPORATE PRIORITIES

8.1. What impact, positive or negative, does the subject of this report have on:

8.1.1. Improving customer focus:

8.1.1.1. This will be meeting a significant local housing need and is led from start to finish by the community themselves.

8.1.2. Regeneration or economic development

8.1.2.1. Attracting almost £3m of external funding into the District as well as the social value of creating affordable housing and the creation of jobs.

8.1.2.2. Analysis shows that there has been a 67% reduction in available private rented housing when comparing August 2021 with August 2019 and that North Devon was the worst affected area in the South West, and the 4th worst affected area nationally. This limits housing supply in our general housing market and pushes up open market rents. This can have the effect that people who may have been able

to access the private rented sector are being displaced and are now requiring affordable housing for rent.

8.1.2.3. In addition even when adjusting for population there were still the greatest number of households assessed as homeless at 2.38 households per 1,000 of the population. Despite improving our renewals process and removing applicants no longer wanting to be on the register, there has still been a 32% increase in applications when comparing 2020 to 2021 (Jan-Nov periods). This continues to put further pressure on our limited affordable housing stock.

8.1.2.4. The parish of Morteheo is particularly suffering from the reduction of private rented sector housing and affordability issues. Most open market housing is out of the reach of the local community and is lost to second homes, Airbnb and other forms of holiday lets.

## 9. CONSTITUTIONAL CONTEXT

9.1. Part 3 Annexe 1(d) (Delegated).

9.2. Article 4.5.19 (Referred)

## 10. STATEMENT OF CONFIDENTIALITY

This report contains no confidential information or exempt information under the provisions of Schedule 12A of 1972 Act.

## 11. BACKGROUND PAPERS

The following background papers were used in the preparation of this report: (The background papers are available for inspection and kept by the author of the report).

- Community Housing Fund Board minutes March 2022
- SMT report 3<sup>rd</sup> May 2022

## 12. STATEMENT OF INTERNAL ADVICE

The author (below) confirms that advice has been taken from all appropriate Councillors and Officers: Jaimie Jeyes, Service Lead – Affordable Housing