

COUNCIL  
27 JANUARY 2022

Report of the Director of Housing Services

## **COUNCIL HOUSING UPDATE REPORT**

### **PURPOSE OF REPORT**

The purpose of this report is to advise Members of the progress concerning the Council's housing programme. Having selected Nottingham Community Housing Association as the Council's Development and Management Agent in December 2020, work has been progressing to bring forward the first homes delivered in 2021/22.

### **RECOMMENDATION**

That Members note the progress of the Council Housing programme.

### **WARDS AFFECTED**

All

### **STRATEGIC LINK**

The development of new council housing supports the Council's objective to enable and provide affordable homes. The rental income will also support the Council's wider objectives and deliver services to residents. 'Prosperity' is highlighted in the Corporate Plan 2020-24 as a District Council priority due to low local wages and high local house prices. With regard to the recommendations in this report, the District Council specifically aims to: Promote housing development that meets the needs of the present and future population of the District. Within this aim, there is an action to: Build new Council homes to rent and continue to build social rented homes in partnership with Housing Associations. There is also an action to: Review opportunities as we strive to be a more commercially-minded District Council. Delivering council homes to local people will help to meet housing need in the district and generate rental income to support the Council's wider strategic objectives.

### **1 BACKGROUND**

- 1.1 At full Council on the 14<sup>th</sup> December 2020 Members approved the selection of Nottingham Community Housing Association (NCHA) to act as the Council's Development and Management Agent. Members also approved the recommendation that regular update reports should be brought to the Community and Environment Committee and an annual report to full Council. This report represents the first annual update to Council.
- 1.2 NCHA has significant experience in the delivery of affordable housing and their expertise together with their existing presence in the district is proving particularly beneficial.

- 1.3 The District Council is registered with the Regulator of Social Housing and subject to the requirements of the Regulator and the Housing Ombudsman. There are various statutory returns that are required to be completed each year. The District Council is not an Investment Partner with Homes England, instead the Council's contract with NCHA provides the Council with access to the Blue Skies Consortium and this in turn allows the Council to access Homes England grant. This is deemed to be a good way of accessing grant because it avoids the complexity of further regulation that comes with being an Investment Partner.
- 1.4 The Council's programme should also be viewed in the context of the wider affordable housing programme, reported to Committee on 5<sup>th</sup> July 2021. The Council's housing ambitions are in their infancy and will only deliver around 10% of the total programme.

## **2 UPDATED BUSINESS PLAN**

- 2.1 As set out in the previous update reports to the Community and Environment Committee, development of affordable housing can be challenging as some existing opportunities change, whilst new opportunities come to the fore. The first year of the programme has reinforced our knowledge of the development process and highlighted several areas of learning;
- The development process takes time and there is a heavy reliance on suppliers to undertake surveys and assessments necessary to inform the development process
  - Bidding to Homes England is an option for the Council but our initial programme of empty homes work is not currently supported by Homes England following a change to their policy
  - Build costs and supply of materials are a real issue. The Council's small programme will struggle to benefit from the economies of scale that larger schemes can generate. Despite this, there are several local contractors able to tender for some of the opportunities the programme will generate
  - The consultation process with the Chair and Vice Chair of the Community and Environment Committee and relevant Ward Members concerning potential opportunities has worked well.
  - Regular monitoring of RightMove and private developments with S106 units to sell is necessary to keep up to date with opportunities. Some elements of the property market move very quickly and it is not always possible to meet the deadlines of vendors. Equally some opportunities progress very slowly and stay dormant for considerable periods.
  - The Council's position in the market is relatively unique given the limited interest that other housing providers currently have for small s106 sites. Without the Council's interest these properties could be left unsold and potentially become open market homes.

2.2 Several opportunities are set out in the report below. Some of the details at this stage remain in outline form because there is still work to do in relation to consulting Town and Parish Councils and some sites are commercially sensitive. Feedback from NCHA and other housing associations indicates that build costs for small schemes are increasing significantly. This build cost inflation is being driven by factors beyond the Council's control namely the availability of materials and trades, Brexit, COVID, the availability of SME building firms and changing standards concerning ecology and environmental performance. The Council's own small sites may prove more challenging to deliver in the current climate.

2.3 Officers had previously identified the sites below which could deliver up to 25 homes;

- Station House, Matlock. Consultation with ward members has taken place and pre application advice has been sought from the Council's Development Control Team. The initial proposal would see the conversion of the building into 2x1 bedroom flats. Pre application advice suggested a different approach to the property given the impact conversion would have on the internal characteristics of the building. A review of the possible options for the property are being considered. This is a sensitive site and officers are keen to ensure the renovation of the property.
- District Council owned site at Edgefold Road. Pre application advice was sought for 4x1 bedroom flats. The advice suggests that a smaller scheme would be more appropriate and so a revised appraisal is under way for 2x1 bedroom flats.
- District Council owned site Kirk Ireton. Pre application advice was sought for 2 bungalows and has indicated only one property is suitable for this site. A viability appraisal for the reduced scheme is underway.
- District Council owned site in Wirksworth. A viability appraisal concerning up to 8 homes was prepared but the site has several constraints and has therefore been reduced in size to 3 homes. A revised design and appraisal has been produced and further site investigations are in progress.
- A property and capital funding bequeathed to the Council has now transferred to the Council. An additional capital sum of £110,000 will also be received by the Council in 2022/23. The Council and NCHA are working with the existing tenant to bring forward improvements.
- Ashbourne S106 opportunities. NCHA are taking forward the purchase of 10 houses for the Council at £1 per property as part of two planning gain sites. These units are due to complete in 2022. Some costs will be incurred to finish the homes to the social housing standard. A capital programme bid to Council will be sought for the estimated costs of £42,000 for the first 7 homes, with a second bid to follow for the remaining three homes.
- Two empty homes, one in Darley Dale and one in Matlock have been purchased and improvement/renovation works are being planned. These include energy efficiency upgrades that will see both properties reach EPC B.
- An existing social landlord is seeking to dispose of a lease concerning 5 rented homes at nil cost to the new landlord. Legal agreements are well advanced and the Council will take on a new 125 year lease from the Palfreyman Trust for 5 properties in Monyash. The properties are off gas and require specialist advice to substantially improve the energy performance of the homes. A capital programme bid will be seeking funding to cover the refurbishment and retrofit costs of the 5 homes. The ward member has been regularly updated on this opportunity.

2.4 Further additional opportunities are also being appraised including;

- S106 schemes in Wirksworth, Matlock/Tansley and Hartington. Consultation with the Chairman, Vice Chairman and the relevant Ward Members has been undertaken in relation to these opportunities.
- Additional S106 opportunities are also likely to come forward over the next 18 months. These opportunities are a good fit with the business plan because of the low numbers involved. They are also of limited interest to much larger housing providers and so support the Council's wider strategic objectives.

2.5 Several sites will require capital funding through financing by the District Council and grant from Homes England. The housing element of the capital programme has £2.5m available. The financial appraisals of several sites are yet to be completed but the current programme would only use a fraction of the available resources. Homes England grant is not available to purchase s106 homes.

2.6 One of the key considerations in the programme is the ability to deliver homes with high energy efficiency performance. On new build the aim is to achieve EPC rating A, and on retrofit of existing properties to achieve EPC B. However each scheme will be reviewed on its own merits. The Climate Change Impact Assessment reflects the fact that new and retrofit homes will have better insulation and renewable technology installed to meet the higher EPC ratings. NCHA have in house expertise that is also helping them to deliver high energy efficiency standards in their own development programme. NCHA also have a tried and tested approach to their Employers Requirements which set out contractor's obligations and include the detailed requirements for delivering the homes and other quality issues ranging from space standards to provision of toilet roll holders.

2.7 As set out in the November 2020 report to Council, the programme focuses on low risk opportunities and standard tenure types for which grant funding is available through Homes England, namely social rent, affordable rent and shared ownership. The property types will also reflect local housing need with 50% of the Housing Register comprising single people, development of 1 and 2 bedroom properties is key.

2.8 Rental income from the homes will be a new revenue stream for the Council. When the current programme reaches 52 homes, projected income will reach £200,000 per year, after management costs.

### **3 RISK ASSESSMENT**

#### **3.1 Legal**

As this report is to note the current progress there are no decisions to be taken thus the legal risk is low.

#### **3.2 Financial**

Current capital resources that are available exceed the requirement for the schemes identified in this report.

As stated above, rental income from the homes will be a new revenue stream for the Council. A proportion of the rental income will need to be set aside each year, in a new Housing Major Repairs Allowance Reserve, to finance future works such as replacement of kitchens, bathrooms and windows.

The financial risk of this report is assessed as low.

#### 4 OTHER CONSIDERATIONS

4.1 In preparing this report, the relevance of the following factors has also been considered: prevention of crime and disorder, equalities, environmental, climate change, health, human rights, personnel and property.

#### 5 CONTACT INFORMATION

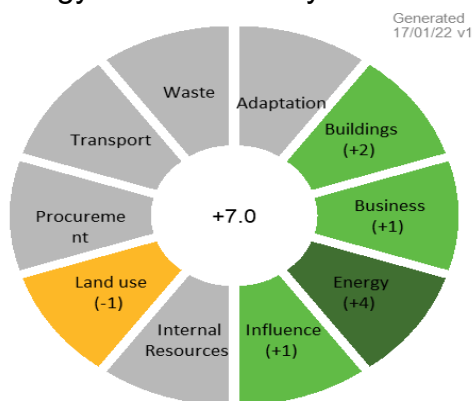
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#### 6. BACKGROUND PAPERS

Report to Full Council 14<sup>th</sup> December 2020  
Community and Environment Committee 8<sup>th</sup> April 2021  
Community and Environment Committee 22<sup>nd</sup> September 2021

#### 7. Climate Change Impact Assessment

The majority of the current programme is focused on existing brand new homes purchased from private developers, or older homes that are in need of modernisation. The majority of new build homes will achieve EPC A or B based on a fabric first approach. The area where the Council’s investment will have greatest impact from a climate change perspective, concerns existing homes that require both substantial improvement in the building’s fabric to prevent heat loss and renewal energy solutions to reduce demand for gas/oil and electricity. Bringing empty homes back in to use and leading by example are effective methods to influence and encourage other property owners to improve their homes. The Council’s own new build proposals are still in development but ultimately exception sites and small rural developments will have an environmental impact despite the efforts to support ecology and biodiversity.



DDDC has committed to being a carbon neutral organisation by 2030 (7 years and 11 months away).