

# Housing and City Development Scrutiny Committee

## 10 June 2024

### Social Housing Delivery Progress

#### Report of the Statutory Scrutiny Officer

#### 1 Purpose

1.1 To scrutinise the progress in the delivery of social housing in Nottingham.

#### 2 Action required

2.1 The Committee is asked:

- 1) to make any comments or recommendations in response to the report from the Executive Member for Housing and Planning on the delivery of social housing in Nottingham; and
- 2) to consider whether any further scrutiny of the issue is required (and, if so, to identify the focus and timescales).

#### 3 Background information

- 3.1 The term 'social housing' is defined in the Housing and Regeneration Act 2008 as meaning low-cost rental accommodation or low-cost home ownership accommodation. Types of social housing include properties let at either social or affordable rent, or low-cost home ownership options such as shared ownership, shared equity and rent-to-buy.
- 3.2 The Council is the largest owner of social housing in Nottingham and currently has 24,631 homes that are rented to people in housing need. The Council does not own or develop any low-cost home ownership homes directly. However, since 2012, changes to the Housing Revenue Account (HRA) have allowed the Council to borrow in order to invest in the delivery of Council housing, either through new build or through acquisitions. Since these HRA reforms, the Council has built 570 new homes for rent on completed schemes, and 351 more new homes are currently in progress on site. A further 150 social homes have been completed in the ownership of either Nottingham City Homes (NCH) or the Nottingham City Homes Registered Provider. The Council also has approval to build a further 24 homes on the Oakdene site.
- 3.3 In addition to new build, the Council has acquired 151 second-hand properties purchased from the market to add to its housing stock between 2019 and 2021 and, in February 2024, the Council agreed to a further purchase programme to secure 60 additional homes over a two-year period. The Council has also purchased 37 homes from private developers provided at a discount via Section

106 obligations, across four sites. Overall, over the last 20 years, 2,663 new social homes have been built in Nottingham.

- 3.4 As social housing is either rented at sub-market rents or sold at a lower than market cost, its development generally requires financial subsidy in order to be viable. Most social housing development is funded via the Homes England Affordable Homes Programme and the Council also has access to Right-to-Buy Replacement Funds, which are proceeds from the sale of Council properties that are ring-fenced for the provision of replacement Council housing within five years of receipt. These funds can now be used to meet up to 50% of the cost of building or acquiring new homes, with the rest of the funding expect to come from borrowing or HRA resource. A third source of funding are developers' contributions from Section 106 agreements, which are ring-fenced for the delivery of new affordable housing (either directly by the Council or through grants to other providers).
- 3.5 There are currently a number of barriers that are limiting the delivery of new social housing in the city. Nationally, there has been a sharp increase in the cost of a developing new homes, with build cost inflation being significantly higher than general inflation costs. At the same time, social housing providers have had a number of additional costs that they have been required to meet in relation to fire safety, new decency standards and energy efficiency standards. This has left providers with a greatly reduced budget for development.
- 3.6 As part of its debt reduction policy, the Council has agreed to a voluntary moratorium on further borrowing. This affects both the HRA and the wider General Fund, despite the HRA being a ring-fenced account. This has significantly reduced the Council's ability to commit to additional Council house development or acquisitions, going forward. The Council has tight administrative boundaries and land supply is very limited. This is affecting the ability for both the Council and other providers to develop new social housing in the city. The Council has already developed or sold most of its larger sites that are suitable for residential development and its Disposals Policy priorities open market sale to maximise capital receipt for the remaining assets, to support the Council's overall financial situation.

#### **4 List of attached information**

- 4.1 Report: Social Housing Delivery Progress

#### **5 Background papers, other than published works or those disclosing exempt or confidential information**

- 5.1 None

#### **6 Published documents referred to in compiling this report**

- 6.1 None

## **7 Wards affected**

7.1 All

## **8 Contact information**

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