

Housing and City Development Scrutiny Committee

10 June 2024

Social Housing Delivery Progress

1. Introduction

- 1.1 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. It is sometimes also referred to as 'affordable housing'. Types of social housing, therefore, include properties let at either social or affordable rent (usually owned by Local Authorities or Housing Associations), or low-cost home ownership products such as shared ownership, shared equity and rent-to-buy.
- 1.2 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, it benefits from the equity charge for a number of shared equity properties that have been provided on private development sites via Section 106 obligations on developers. Overall, in the last 20 years, 2,663 new social homes have been built in Nottingham.

2. Council House Development and Acquisition

- 2.1 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 Council-owned homes for rent on completed schemes, and 351 more new homes are currently in progress on site. In addition, a further 150 social homes (not including the 21-unit Midland House scheme, as this is utilised as temporary accommodation for homeless households and does not technically count as social housing) have been completed in the ownership of either Nottingham City Homes (NCH) or the Nottingham City Homes Registered Provider. A map showing the location of completed NCC and NCH developments is included in Figure 1.
- 2.2 The Council has approval to build a further 24 Council homes on the Oakdene site. A contractor has been procured to deliver this site and work is underway to agree contracts. In addition to new build, the Council has acquired 151 second-hand properties purchased from the market to add to the Council's housing stock between 2019 and 2021. In February 2024, the Council agreed to a further purchase programme to secure 60 additional Council 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. These have all been added to the Council's stock of social homes to rent.

3. Third-Party Delivery of Social Housing by Registered Providers of Social Housing (RPs)

3.1 Since the last General Election in 2019, RPs have built 236 new affordable homes in Nottingham. Additionally, there are currently 261 social homes being developed by RPs on sites in Nottingham. There are a further 69 RP social homes with planning permission, but which are yet to start development. There are a number of other sites expected to be brought forward by RPs to deliver affordable housing, but which do not yet have planning permission. Out of all the third-party RPs operating in Nottingham, Nottingham Community Housing Association has delivered the largest number of new social homes over recent years.

4. On-Site Delivery of Social Housing via Section 106 Agreements

4.1 Since 2019, 46 social homes have been delivered by private developers through on-site Section 106 contributions. On major residential developments, private developers are required to provide a contribution to the delivery of affordable housing. The Council's policy is that 10% of homes should be provided as affordable housing on sites of 10-14 properties and 20% on sites of 15+ homes or more than 0.5 hectares in size. Alternatively, the developer can negotiate providing the contribution as a financial payment towards the provision of affordable housing off site. Financial contributions are more likely on apartment-based developments. Since May 2021, the Council has also required a financial contribution for affordable housing from providers of student housing.

4.2 The Council's policy position on affordable housing delivered via Section 106 agreements is required by law to consider the financial viability for the project. Subject to an external review of scheme finances, if the development does not generate a sufficient return, then the Section 106 contributions do not have to be provided. As Nottingham houses prices are generally below national averages and given recent cost inflation around housing delivery, viability is often raised as an issue by developers working in Nottingham. If a development is not viably able to deliver its Section 106 contribution in full, then the application needs to be determined by the Council's Planning Committee rather than by officers via delegate powers.

5. Funding the Delivery of Social Housing

5.1 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 developed by RPs is funded via the Homes England Affordable Homes Programme. 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 expected to come from borrowing or HRA resource.

5.2 The third source of funding are the developers' contributions from Section 106 agreements, as described above. These funds are ring-fenced for the delivery of new affordable housing (either directly by the Council or through grants to RPs).

6. Barriers to the Future Development of Social Housing in Nottingham

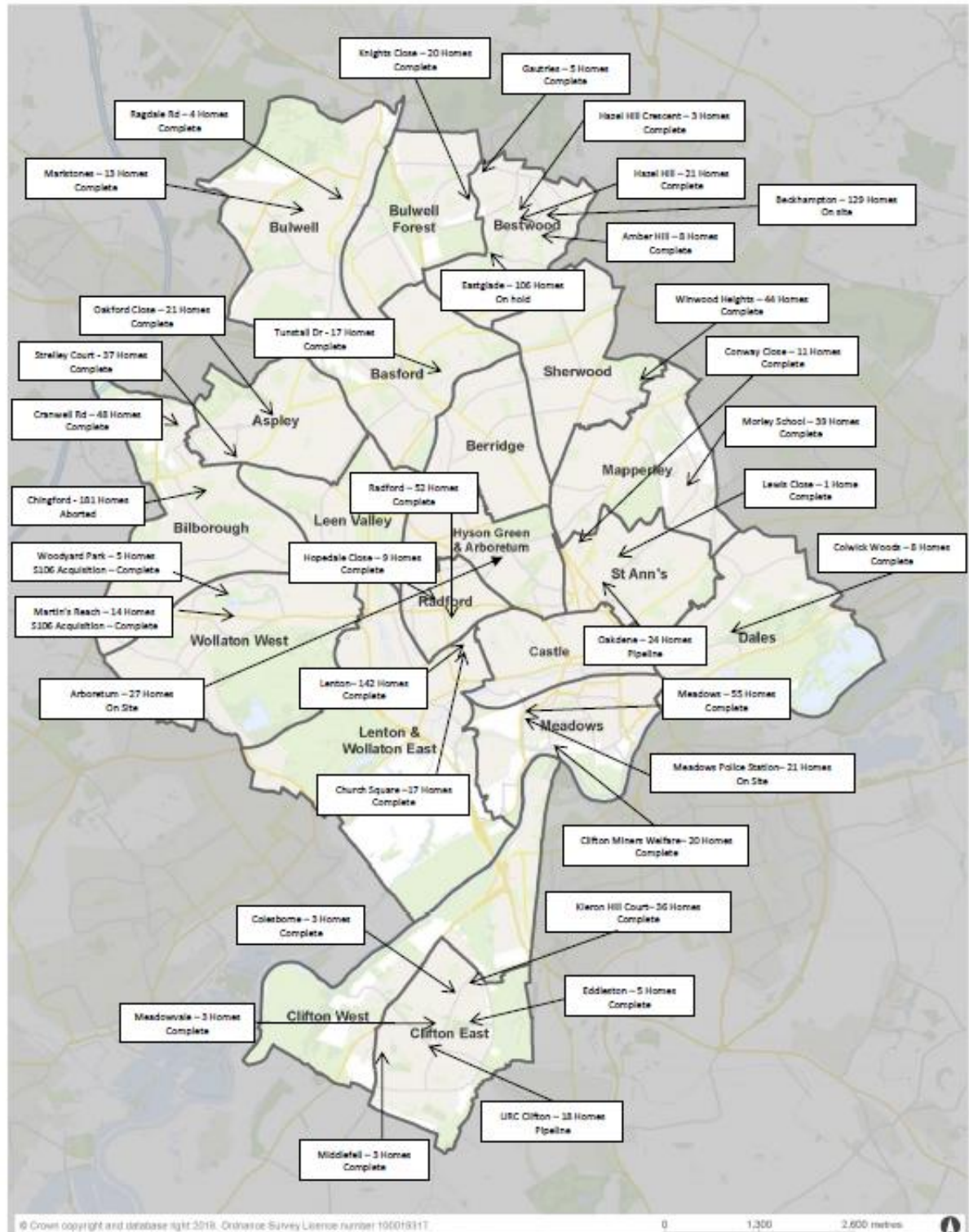
6.1 There are currently a number of barriers that are limiting the delivery of new social housing in the city. Nationally, there has been a sharp increase in the cost of a developing new homes, with build cost inflation being significantly higher than general inflation costs. At the same time, social 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.

6.2 As part of its debt reduction policy, the Council has agreed to a voluntary moratorium on further borrowing. This affects the HRA as well as 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. Although there are a large number of homes currently being built, these were committed to prior to the moratorium on borrowing. The Oakdene scheme and the recent commitment to further acquisitions have both relied on a revenue contribution to capital to fund the non-subsidy element of the cost, utilising resources within the HRA. However, these resources are limited.

6.3 The Council has very tight administrative boundaries and land supply is very limited. This is affecting the ability for both RPs and the Council to develop new social housing. 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.

Figure 1: Map of housing developments completed by the Council and NCH

Nottingham City | New Wards (2019)



Ward Boundaries