

Report - OPEN

Appendix - NOT FOR PUBLICATION

By virtue of paragraph(s) 1, 2 and 3 of Part 1 Schedule 1 of the Local Government Act 1972.

Economy and Growth Committee

10 September 2024

Affordable Housing Development – Update

Report of: Peter Skates – Acting Executive Director – Place and Director of Growth and Enterprise

Report Reference: EG/16/24-25

Ward(s) Affected: All Wards

Purpose of Report

- 1 Ensuring the delivery of affordable homes is a priority within the Corporate Plan 2021-2025 which states “enable access to well designed, affordable and safe homes for all our residents”.
- 2 The Local Plan creates a vision to deliver jobs-led growth and sustainable vibrant communities. Affordable housing in Cheshire East plays a fundamental role in realising this ambition. Affordable housing creates balanced, sustainable communities whilst helping to reduce health inequalities for some of our modest-income households.
- 3 Since the inception of Cheshire East there have been a number of initiatives to incentivise and influence the growth of affordable homes across Cheshire East. This report updates Members on the options for the delivery of affordable homes, providing an update on the Housing Development Framework including the former Vernon Infant school site and seeks approval for a further affordable housing scheme.

Executive Summary

- 4 This report:
 - (a) Outlines the need for affordable homes across Cheshire East and the mechanisms currently utilised to bring forward new homes. It outlines a proposal to utilise Financial Contributions in lieu of affordable housing funding to create a housing fund to enable

Registered Housing Providers to purchase homes on the open market housing for conversion to socially rented homes.

- (b) The report provides an update on progress of the Housing Development Framework, part of which is contained within appendix one, which is a Part Two element due to commercial sensitivity.
- (c) Following approval by the Economy and Growth Committee in July 2021 to include the former Vernon Infant School, Poynton site into the Housing Development Framework to bring forward affordable homes, progress started on the Section 77 process to seek approval to dispose of the land. During this period a review of Special Educational Needs (SEN) provision has been undertaken and the former school has now been identified as a suitable site for a SEN school. This report therefore seeks approval to remove the site from the Housing Development Framework and subject to an approved business case, approve the allocation of the site for SEN provision.

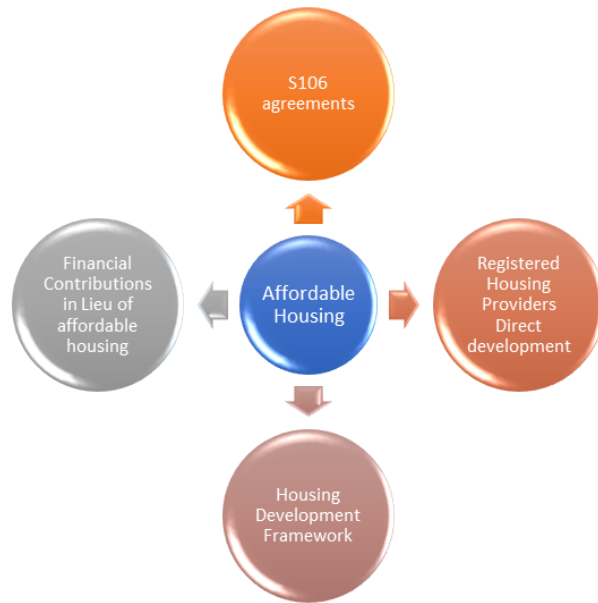
RECOMMENDATIONS

The Economy and Growth Committee is recommended to:

1. Note the contents of this report.
2. Approve the establishment of a Housing fund to enable open market properties to be purchased and converted to socially rented accommodation by Registered Housing Providers and delegate authority to the Director of Enterprise and Growth to approve the final scheme and the process for the allocation of the funds.
3. Approve the removal of the former Vernon Infant school site in Poynton from the Housing Development Framework and delegate authority to the Director of Growth and Enterprise to reassign the site for the provision of a SEN school, subject to an approved business case.
4. Note the update report on the Housing Development Framework sites.

Background

- 5 **Affordable Housing** - The ability to secure a safe, affordable home in which to reside is a fundamental human need, without which can have a detrimental impact on our resident's lives. Cheshire East is an expensive place in which to reside. According to the Office for National Statistics (ONS), the median house price in Cheshire East is £255,500 which is over 8 times the median gross earnings of £31,397. The average price of a home in the lower quartile is £175,000 which is over 7 times the median gross lower quartile earnings of £23,798.
- 6 Affordability for households to access the housing market can be significantly impacted by this. First time buyers are often priced out of the market, private rented properties are in short supply and rental figures can be significantly high. Therefore, the demand for affordable and social rented properties is increasing.
- 7 There are currently over 12,000 applicants registered for social housing on Cheshire Homechoice of which just under 3,000 are in high priority banding A to C+. The level of voids and new schemes are not keeping up with increasing demand.
- 8 Over the years Cheshire East have undertaken a number of projects to increase the level of affordable homes including the Assisted Purchase Scheme, land procurement and the establishment of the Housing Development Framework as it has been recognised that we cannot rely solely on our Registered Housing Providers to finance and develop affordable homes.
- 9 We currently utilise the following mechanisms to bring forward affordable homes for both rent and purchase:



- 10 Financial contributions in lieu of affordable homes are received when a Developer cannot accommodate affordable homes on the site and therefore pays a contribution towards the provision of additional affordable homes to be provided off site.
- 11 The Economy and Growth Committee approved the latest process for the allocation of this funding in November 2022 which included the following priorities for allocation:
- (a) Priority 1 - Funding to be allocated to Council-led developments, including those identified and progressing through the Housing Development Framework. This can include purchase of land, the provision of viability gap funding and completing relevant surveys/assessments to bring forward affordable housing.
 - (b) Priority 2 – review of current planning consents and allocating funding to provide additional affordable housing on-site, and/or increase discount on properties to make them more affordable for residents, especially in areas of the borough with significant affordability issues.
 - (c) Priority 3 – engagement with all town/parish councils and registered housing providers to advise of the funding and what it could be allocated to, encouraging applications for suitable projects for affordable housing across the borough.
 - (d) Priority 4 - permits the Council to combine funds from multiple financial contributions on a single project. This will allow more significant funds to be allocated if required and allows smaller financial contributions to be combined with others, increasing their impact and their ability to bring forward affordable housing.

- 12 Over the last 2 years the Strategy and Development team has continued to monitor and promote the use of financial contributions including an annual notification to Registered Housing Providers and Town Council's and direct communication with Developers, but very few applications or opportunities have been received or approved from outside of Cheshire East Council. Funding has been used internally to increase temporary accommodation provision to house the homeless in an emergency situation.
- 13 We are now seeking approval to establish a Housing Fund under priority 4 of the policy. The intention is to pool a number of contributions to create a fund in the region of £1.5million, subject to the terms of the S106 agreements allowing this and available contributions. The fund will be utilised to enable Registered Housing Provider to purchase properties on the open market and let them at social rent levels.
- 14 Priority would be given to bids which meet a recognised housing need highlighted within priority band A to C on the social housing waiting list and could include:
 - (a) Larger 3 and 4 bedroomed properties
 - (b) Bungalows which can be converted to meet specialist housing needs.
 - (c) 1 bedroomed flats for single applicants.

The properties will then be let at social housing rents to applications on the Cheshire Homechoice waiting list.
- 15 Registered Housing Providers will be able to apply for funding of up to 50% of the market value of the property up to a maximum grant of £150,000 and for larger 4 bedroomed properties up to £200,000. We are hoping to bring forward between 10 to 15 social rented properties through this fund.
- 16 If Members approve the proposal, then the full scheme details will be developed further and submitted for approval to the Director of Growth and Enterprise.
- 17 **Former Vernon Infant School, Poynton** - On 15th July 2021, Members of the Economy and Growth Committee received a report, advising them of the progress which had been made in the establishment of a Housing Development Framework. Members also resolved that the disposal route of the former Vernon Infant School, Poynton be approved through the Housing Development Framework.

- 18 Since approval, work has commenced on the S77 process, which is the process to seek approval from the Secretary of State to dispose of the land, however this has not yet been concluded.
- 19 In 2017 the Council published its first Sufficiency Statement for Children and Young People with Special Educational Needs and or Disabilities Joint Strategy and Sufficiency Statement for Children and Young people with Special Educational Needs (SEN). This document and its subsequent updates, the most recent of which was issued in 2023 highlighted a need to provide more specialist school placements within Cheshire East as the amount of provision does not match the need.
- 20 A review of potential sites was also undertaken, and the former Vernon Infant school was identified as a suitable site for a SEN school.
- 21 As the Strategic Commissioner of school places, Cheshire East Council has a statutory duty to ensure that there are sufficient places in our schools to meet demands of the residents which includes SEN provision.
- 22 By increasing its capacity in Borough, the Council can reduce placement and travel costs, make better use of its resources and provide more choice for families, reduce journey times and supporting pupils to be part of their local community.
- 23 Approval to remove the site from the Housing Development Framework is being sought and will be allocated for SEN provision only on the approval of a detailed business case. If the SEN proposal is not approved then the site will revert back to the Housing Development Framework.
- 24 **Housing Development Framework** - In July 2023 the Economy and Growth Committee received a further update report, advising them on progress of the sites which they had previously supported for disposal through the Housing Development Framework.
- 25 Committee resolved to delegate authority to the Director of Growth and Enterprise to:
 - (a) determine and pursue the most appropriate delivery route for each Council owned site identified and appropriated for Council-influenced housing development (including but not limited to use of the Housing Development Framework, open market procurement, land deal or joint venture) and, subject to obtaining disposal approval in accordance with the decision making processes for land and property disposals as set out in the Constitution, enter into all necessary legal agreements to enable the site to be developed accordingly;

- (b) remove individual sites from the Housing Development Framework process should they no longer be identified and appropriated as Council owned sites for Council-influenced housing development.
- (c) manage the Housing Development Framework and, if necessary, remove any admitted organisations found not to be meeting the terms of admission onto the framework.

26 The appendix (in Part 2 under commercial sensitivity) provides further detail on individual sites and provides members with the background required.

Consultation and Engagement

- 27 No consultation or public engagement is required for the disposal of Council owned land assets unless there is public open space and then consultation is required. Land assets are disposed of in line with the approved Cheshire East Constitution.
- 28 Consultation is required through the planning process and residents will have the opportunity to express their views on schemes which progress to this stage through the Framework and Open tender.

Reasons for Recommendations

- 29 **Financial Contributions in lieu of affordable homes** – The demand for affordable housing for rent and sale is increasing due to affordability issues. We are also seeing an increase in the need for larger properties as well as homes for single residents. We cannot solely rely on our Registered Housing Providers to deliver this much needed provision, without supporting them to bring forward additional homes to address housing need.
- 30 Financial contributions are often time bound (5 years) and have to be returned to Developers if they are not allocated or used. If there are no applications for funding coming forward, then we need to explore potential schemes to bring forward additional homes or risk losing the funding. Whilst the Housing Fund will not deliver significant numbers, it will be targeted at homes to address current housing need pressures.
- 31 **Former Vernon Infant School** – This would provide an opportunity to deliver a 60 place SEND school and allows the opportunity to utilise an existing Council asset. Whilst not achieving a capital receipt it will provide savings against the Dedicated Schools Grant allocation by reducing the reliance on expensive out of Borough SEND placements.
- 32 **Housing Development Framework** - These are outlined within the appendix of this report, which is a part two element due to commercial sensitivity.

Other Options Considered

- 33 **Financial contributions in lieu of affordable housing** – The alternative is to continue to work with Registered Housing Providers on potential schemes which they are planning to bring forward and establish if there are any opportunities to utilise the contributions.
- 34 **Former Vernon Infant School** – The alternative would be to refuse the removal of the sites from the Housing Development Framework; however this would place the Council in a position of having to try and identify an

alternative site, which may be less viable. The Council would have to continue to send children to out of area placements.

- 35 **Housing Development Fund** - Several alternative options have been considered which are outlined in the appendix, which is a part two element due to commercial sensitivity:

Implications and Comments

Monitoring Officer/Legal

- 36 Financial Contributions in Lieu of Affordable Housing - Any funds to be allocated and used should be in compliance with this policy. Where appropriate S106 monies should be used in line with any specific requirements of the original S106 agreement, in relation to geographical area and time frame in which it is to be spent.
- 37 The UK subsidy control regime is encapsulated in the Subsidy Control Act 2022 (“the Act”) and associated Statutory Guidance. When allocating financial contributions, the Council is required to comply with subsidy control provisions contained within the Act. This obligation kicks in whenever a “subsidy” (allocation) is being awarded by the Council to any organisation. Therefore, it will be important to review the policy to ensure that any funding to Registered Housing Providers complies with the rules as outlined in the Act.
- 38 **Former Vernon Infant School** - The school has been declared surplus to operational requirements and was closed in 2007, having been empty for a number of years it is now in a poor state of repair.
- 39 The site has been recommended as a parcel to be included in the Draft Site Allocations and Development Policies Document (SADPD) to deliver circa 50 dwellings and has previously had planning consent for an extra care scheme in 2010 (now expired). The site consists of the former school and a proportion of the playing field. The disposal of part of the school playing fields would not result in the adjacent Primary School having insufficient provision as they will still have in excess of the DfE guidance for playing pitch provision.
- 40 As the council owns the land it can use the land for any purpose that chooses to, however, if the land is needed for another purpose than it was originally purchased for the Council would need to appropriate the land for the new purpose. The title land at the former Vernon Infant school has not been checked, legal advice will be required.
- 41 **Housing Development Framework** – The development of Council-influenced housing is a complex area with a number of legally permissible delivery routes such as the Council’s Housing Development Framework,

open market procurements or land deals. The Service will require ongoing support from Legal throughout the various projects and will need to consider advice on a wide range of legal issues (e.g., procurement rules, subsidy control, best consideration, open space advertisement).

- 42 The starting position in relation to a disposal of Council owned land under section 123 of the Local Government Act 1972, is that a local authority can dispose of land but must achieve best consideration i.e., achieve the best price for the disposal however, the council is able to dispose of land at less than best consideration if the environmental, economic and social well-being of the residents in the local area is improved as a consequence subject to the undervalue being no more than £2million.
- 43 The Councils social and wellbeing aims of achieving the development of Affordable Housing for some of these sites and for the provision of assisted care on others will be pursued and required in the specifications and conditions in the tender documentation. The build out will be in accordance with an acceptable planning permission and the council's design and completion requirements will be sought through a Development Agreement. At this stage it is envisaged the sale will be by way of a transfer of the freehold subject to any planning restrictions and covenants that may be placed upon the title to the land.

Section 151 Officer/Finance

- 44 **Financial Contributions in lieu of affordable housing** – The Council currently holds £1,219,554 in contributions which have no restrictions on the area in which it can be spent and therefore could be pooled to establish a Housing Fund to enable the purchase of additional affordable homes. In addition, the Council have agreed Financial Contributions in Lieu of affordable to the value of £6,307,726 but these have not yet been received. Officers will only be able to allocate up to the value of contributions which are currently held by the Council and no forward funding of schemes will be allowed in lieu of those contributions.
- 45 **Former Vernon Infant School** - If Members approve the removal of the Former Vernon School from the Housing Development Framework, it would be subject to the submission of a detailed business case which would outline the financial requirements for both capital and revenue costs.
- 46 **The Housing Development Framework** - This has potential to impact on the Medium-Term Financial Strategy (MTFS). This could include a reduction in holding costs for sites currently owned by the council, a streamlining of costs for care services, as well as providing income from the council's land assets. If adjustments are required or anticipated to the MTFS, these will be implemented at the appropriate time.

Policy

- 47 Affordable housing in Cheshire East plays a fundamental role in realising the ambition to deliver jobs-led growth and sustainable vibrant communities. Through the Housing Development Framework, we are aiming to deliver more affordable housing.
- 48 The Housing Development Framework contributes towards the Corporate Plan ambitions:
- 49

An open and enabling organisation	A council which empowers and cares about people	A thriving and sustainable place
Look at opportunities to bring more income into the borough.	Vulnerable and older people live safely and maintain independence within the community – work with partners to develop appropriate accommodation and extra care housing models.	<p>Enable access to well designed, affordable, and safe homes for all residents – deliver housing to meet the needs of all residents</p> <p>Making best use of our surplus building and assets to support the borough and our partners</p> <p>Delivery of a strategic regeneration plan for Crewe – Town Centre Housing</p>

Equality, Diversity and Inclusion

- 50 An Equality Impact Assessment is not required for this stage of the process.

Human Resources

- 51 The Housing Development Framework mini competition process requires the collaboration of Procurement, Legal, Finance, Estates and Housing. A Project Team has been established to work on the procurement of these sites.

Risk Management

- 52 Failure to procure works in accordance with the Public Contracts Regulations 2015 and the Council's Finance and Contract Procedure Rules would leave the Council open to challenge and in breach of regulations, with a subsequent reputational impact.

Rural Communities

- 53 One of the sites identified for disposal through the Housing Development Framework is within a rural location and will provide much needed affordable housing in a high value area, providing an opportunity for those with a local connection to continue to reside in the area.

Children and Young People including Cared for Children, care leavers and Children with special educational needs and disabilities (SEND)

- 54 Poor housing can have a negative impact on our children's wellbeing. Increasing affordable housing provision will ensure that families have access to appropriate housing options and reduces the risk of having to reside in temporary accommodation.
- 55 Having the right educational placement for all children and young people is key to supporting children and young people achieve their potential and to develop the range of skills and experiences they need to equip them for adulthood. Having the right education provision for SEN pupils is critical.

Public Health

- 56 Providing decent living accommodation will benefit some of our vulnerable residents' mental and physical wellbeing and reduce demand on health and social care services, therefore there would be a positive impact on health and wellbeing of Cheshire East residents.

Climate Change

- 57 The Council has committed to becoming carbon neutral by 2045 and to encourage all businesses, residents and organisations in Cheshire East to reduce their carbon footprint. Building sustainability is a consideration in the specification and design of the homes, ensuring that every opportunity to reduce building operating costs are evaluated in order to tackle fuel poverty and tackle climate change.

Access to Information

Contact Officer:	Karen Carsberg Karen.carsberg@cheshireeast.gov.uk
Appendices:	Appendix – Part 2
Background Papers:	N/A