

THE FUTURE OF AFFORDABLE HOUSING AND AYLESBURY VALE AS A HOUSING DEVELOPER

1 Purpose

- 1.1 This report has been written to provide members of the Environment and Living Scrutiny Committee with an update on the Council's delivery of affordable housing and the proposed delivery over the next few years. It will also explain the impact of the withdrawal of the Vale of Aylesbury Plan and the changes that have had to be made. The second part of the report will also explore the potential of the Council operating as a housing developer.

2 Recommendations/for decision

- 2.1 That the development options available to AVDC are continued to be examined in greater detail.
- 2.2 That further research efforts are given to establishing the feasibility and viability of setting up a trading arm for the purposes of purchasing suitable development land/managing the lettings on privately-owned properties.
- 2.3 That it is further investigated whether the purchasing of land for development by the Council, including Compulsory Purchase Orders, is a suitable approach to supplementing AVDC's land supply for housing development.

3 Executive summary

- 3.1 This report has been written in two parts. The first is to provide an update on the levels of affordable homes enabled within the district over the past few years and the current predictions for the next few. There have been several changes recently that have had a direct impact on the delivery of affordable housing within the district and these include the withdrawal of the Vale of Aylesbury Plan and the ability of developers to challenge the financial viability of their sites.
- 3.2 The second part of the report contains an update on how the Council is considering developing housing stock within the district itself. However, it should be noted that this is not the delivery of affordable homes, but those available to the private sector, with the ultimate aim of generating income for AVDC. A second point to note is that this is in the early stages and more work is required.

4 Supporting information

- 4.1 Aylesbury Vale District Council has been performing consistently well in the delivery of affordable homes over the past few years. The table below illustrates the numbers of affordable homes that have been delivered over the past 5 years.

	Target	Actual
2009/10	190	513
2010/11	150	255
2011/12	400	446
2012/13	200	368
2013/14	100	314
Totals	1040	1896

- 4.2 The delivery of these homes has been helped in part by the three major delivery areas (MDA) within the district, Buckingham Park, Berryfields and London Road, Buckingham.
- 4.3 The current in-year prediction shows that 488 new affordable homes within the district will be delivered against a target of 325. However, the next two years' figures reduce dramatically and we are currently predicting delivery of 183 and 162 respectively.
- 4.4 The fall in the predicted numbers of affordable homes being delivered is due to a number of factors. These include the near completion of the Buckingham Park MDA the withdrawal of the Vale of Aylesbury Plan and the ability of developers to challenge the Council on the financial viability of sites.
- 4.5 In December 2013, an independent planning inspector recommended that the Vale of Aylesbury Plan was withdrawn. Consequently, a new local plan is in the early stages of being brought forward. This will involve establishing the growth needs of the district, and an appropriate level of development across a range of aspects, including affordable housing. The 'Vale of Aylesbury Local Plan', as this document will be known, will form the basis for strategic development in the Vale. It is expected that the new local plan will be delivered in 2017.
- 4.6 As a result in the interim period, AVDC is using the 2004 'Aylesbury Vale District Local Plan' to guide affordable housing delivery and development in general. Under the policies set out in this document, AVDC will seek affordable housing of 30% on sites larger than 1 hectare or 25 dwellings. Previously, we were able to request affordable housing on developments over 15 units, at 35% of total housing provision. This will clearly impact affordable housing provision, as sites of 15-24 units are now no longer required to put forward any affordable units and we will have to accept a lower percentage of delivery.
- 4.7 Linked to the delivery of the new local plan the level of affordable housing need will also be taken into account when agreeing the level and type of affordable housing to be delivered. Our Forward Plans team is currently working to produce a new Housing and Economic Development Needs Assessment with GL Hearn. The housing model within this is largely based on housing market conditions (and particularly the relationship of housing costs and incomes) at a particular point in time (the time of the assessment) as well as the existing supply of affordable housing (through relets of current stock) which can be used to meet housing need. On this basis, estimates of housing need are provided in this section for the twenty year period between 2013 and 2033.
- 4.8 Developers are also now able to challenge the financial viability of a development. If they believe that the development is too expensive to build a detailed financial appraisal will be submitted to the Council seeking a reduction in the level of affordable housing and potentially the amounts of s106 contributions required by policy too. Should the Council disagree with this appraisal it will be referred to the District Valuer (DV), at the developers expense, to act as an intermediary. The DV will then make a recommendation on the maximum level of affordable housing that the development can incorporate.
- 4.9 Despite the current prediction of a fall in the number of new affordable homes to be delivered it is also possible that the levels could substantially increase. One new MDA has already received outline planning permission (Aylesbury

East) with a minimum of 20% affordable homes to be delivered on site. This outline planning permission is for 2450 homes which should see the delivery of at least 490 new affordable homes. There are also 3 further MDAs at the appeal stage which if delivered could also deliver a high number of affordable homes.

- 4.10 The fact that the Council does not have an up-to-date local plan is also encouraging more developers to submit speculative planning applications. With the potential increase in sites that this may bring forward, the future numbers of affordable homes delivered could increase.
- 4.11 The Council has recently been successful in a funding bid from the Department of Communities and Local Government (DCLG). It is planned that a share of this will be used to fund some viability training sessions for Members and staff and for two complex viability reviews if both Planning and Housing believe that they are required. This will allow us to challenge those developers seeking a reduction in the level of affordable housing provision further.

Aylesbury Vale District Council as a Housing Developer

- 4.12 Recently the option of the Council developing properties, for the private sector, in its own right has been put forward as a method of generating much needed income.
- 4.13 However, access to suitable land is the significant factor here and without a land supply it will be difficult to take this initiative forward.
- 4.14 For this to be introduced it would be necessary for a trading subsidiary to be created, to allow the profits associated with the development process to be accessed by the Council. This would also introduce implications regarding tax and legalities that need further exploration, and it is recommended in this report that these are investigated in more detail.
- 4.15 One option to consider is the Council purchasing land outright from landowners. This would then allow the authority to contract a builder to deliver a suitable mix of units, subject to planning permission. Using a newly established trading arm, the Council could then market these properties privately, generating the standard 15-20% profit that development companies tend to see. It should be considered that all developments taken forward that require an affordable provision in line with Council policy (currently 25 units and above, or 1 hectare) would need to provide the affordable element and separate negotiations with our preferred Registered Provider partners to purchase the affordable element of a site would be required.
- 4.16 There are significant risks associated with investing the capital required to complete a development. Various resources would need to be bought in to manage the development process, as AVDC does not have the expertise to do so currently. The volatility of the housing market is also a factor; market fluctuations could result in a reduced, zero or even negative level of profit. A managed approach to assessing the associated risks will be necessary should this be taken forward. An external consultant could be utilised to establish the risks and potential profit margins of this approach.
- 4.17 A second option under consideration by officers is to offer the small plots of land owned by AVDC to house builders in exchange for properties on the site once built in lieu of an upfront cash payment.

- 4.18 By way of an example, AVDC could own a plot of land valued at £500,000. This land is offered for sale, with the details in the tender inviting offers of built properties in lieu of a cash payment. A small-scale builder offers AVDC two properties of an agreed size, once built out. On the private market, these properties could fetch in excess of £250,000.
- 4.19 The advantage of the approach is that it is relatively low-risk, in comparison to in-house development. The house builder takes on the associated risks, and AVDC is left with capital value at least equal to the original land value. This is coupled with the option of renting the built properties on the private market (using the aforementioned trading arm) to generate an income. The house builder is also likely to find this approach amenable, as they are not having to have finances available upfront, which will have a positive effect on cash-flow.
- 4.20 The significant barrier associated with this approach is the limited supply of land owned currently by AVDC. An option is therefore for AVDC to use a trading arm to purchase small, suitable plots of land and subsequently use the trading arm to negotiate with house builders for built properties. The trading arm could then manage the private letting of these properties, to generate an income.
- 4.21 A further option for consideration is to examine the feasibility of using Compulsory Purchase Orders (CPOs) to break land banks owned by house builders and other land owners. This option would require complex legal work to secure the land for development, which could prove costly to the Council. However, it is recommended that further work be undertaken by officers to investigate this option, with a report being brought back to the committee at a later date.

5 Resource implications

- 5.1 Should the Council pursue the option of developing new homes itself there would be resource implications. However, until further research is undertaken the amounts are currently unknown.

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Background Documents None