



# **'HRA' Housing Development Plan**

**July 2022**

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## 1.0 Foreword

- 1.1 In December 2018 the Council adopted a new housing strategy which set out a renewed vision to create balanced communities for the residents of the New Forest District by providing a range of housing options that are affordable and sustainable
- 1.2 To help meet this vision an ambitious building and acquisitions programme was defined as a strategic priority in which the Council “*will seek to provide 600 new Council homes for the period to 2026 with social rent, affordable rented and shared ownership tenures*”.
- 1.3 Under the same strategic priority, the Council confirmed it would advance and implement a Housing Development Plan to provide a framework for future investment and defined principles.
- 1.4 Despite an unprecedented period of uncertainty that has been experienced since the Housing Strategy was adopted, progress has steadily continued towards the delivery target. This document provides the framework to inform the remaining four-year period, and it will provide the baseline for what happens beyond 2026.
- 1.5 In a little over four years, an additional 254 Council homes have either completed or are under construction. In accordance with the Housing Strategy and the subsequent Homelessness Strategy, a priority during this period centered around the provision of much needed Temporary Accommodation. By the end of July 2022 nine high quality accommodations schemes will have completed in strategic locations across the District providing 47 extra homes for TA. But this is not all. Land with and without Planning consent has been acquired from a variety of sources for future development. 64 ‘S106’ Planning-led homes have been delivered, and the Council has just been chosen to provide some of the first affordable homes resulting from the newly allocated strategic sites.
- 1.6 However, four years in, the level of challenge has also escalated. Whilst current plans and a firm pipeline give confidence that a further 156 homes could be achieved, the scarcity of land for development, the pace that Local Plan strategic sites are progressing, building cost inflation, and meeting enhanced standards (to respond to the demands of climate change and to protect nature) are all limiting opportunities and impacting upon the programme.
- 1.7 Over the remaining four years creative solutions will be needed to overcome these constraints. Strong leadership, flexibility, adaptability, and responsiveness will be required if the 600 target is going to be met but at the same time the Council must work within a framework in which the standards, principles and processes that underpin its development activities are clearly defined.
- 1.8 The Housing Development Plan provides that framework.
- 1.9 With firm plans in place to deliver over 400 homes the Council has made significant progress towards its 600 targets but with an ever-increasing list of pressures and constraints, achieving this objective is not yet certain.
- 1.10 The principles, processes, and standards in this document will ensure that where the Council is competing for opportunities, the required outputs and outcomes that accompany its target-led imperative are equally clear. These will help to ensure that proposed investments are viable, reflect good value for money, and deliver the highest quality sustainable affordable housing that is expected of New Forest District Council.

## 2.0 Introduction

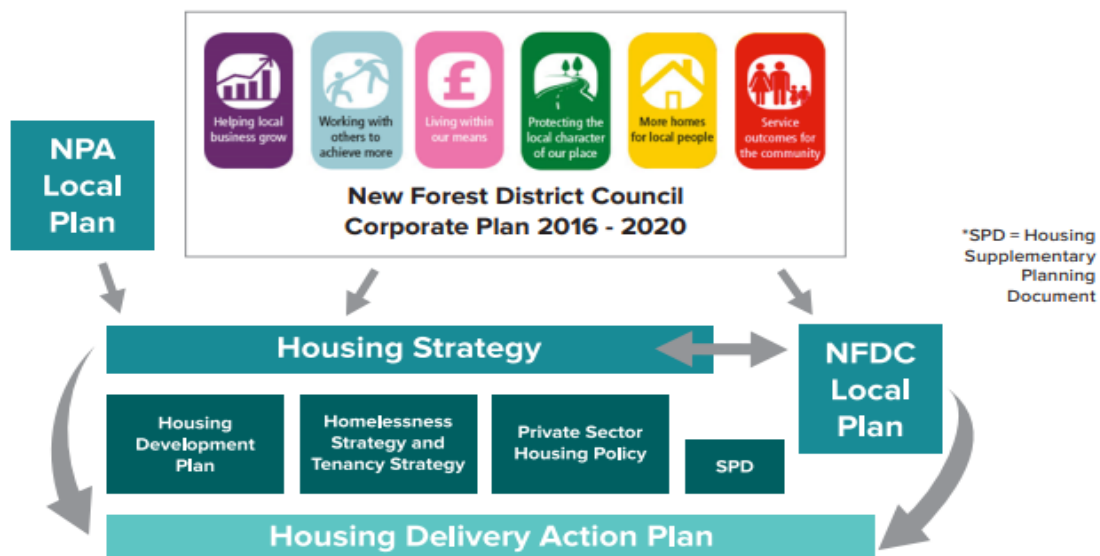
- 2.1 The HRA Housing Development Plan (the 'Plan') sets out the aims, objectives, policies and processes that frame the Council's approach to developing new affordable housing and supports the Council's Housing Strategy 2018 and the Homelessness and Rough Sleeping Strategy (2019).
- 2.2 The Plan will capture the remaining four-year period ending in March 2026 however many of the principles and processes it contains have applied to development activities going back to 2012 when the Council started purchasing "Buy-Backs". Since that time the Council's development programme has progressively grown, leading to a new target in 2018/19 that sought to deliver 600 additional Council homes over an eight-year period. This ambitious aim provided a renewed focus on Council housing delivery and a clear vision:
- 2.3 *"To create balanced communities for the residents of the New Forest District; providing a range of housing options that are affordable and sustainable."*
- "We will seek to provide 600 new Council homes for the period to 2026 with social rent, affordable rent and shared ownership."*
- 2.4 Today's range of development activities have broadened and now incorporate the purchase of open market properties (Buy-Backs), new-build development on Council-owned land, refurbishment and conversion of buildings for temporary accommodation, and partnerships with private developers to deliver 'Section 106' affordable homes to meeting Planning requirements. Newly built homes have also been purchased from private house builders, resulting in the first Council homes for Affordable Rent and Shared Ownership.
- 2.5 To meet a diversity of housing needs, different schemes and models are being taken forward in both urban and rural settings. Over the last four years particular priority has been given to providing new emergency accommodation schemes for those in greatest need, whilst the Council's first homes for shared-ownership have created options for those who cannot afford to buy a home in the New Forest, and who would not be prioritised for social housing.
- 2.6 However, the processes, choices and decisions behind the procurement and building of affordable housing are complex and costly. Behind simple targets and tenures, many factors come into play. Design and construction standards; Greener Housing and carbon reduction; affordability, financial viability and securing subsidy are just a few of the considerations that impact on the acquisition of every additional affordable home.
- 2.7 The Housing Development Plan documents all of the principles and processes behind these considerations as well as the approach to risk and governance.

## 3.0 Local and National Policy context

### 3.1 Local Policy

3.1.1 Reflecting one of the Council's six primary objectives ("More homes for local people"), the Housing Strategy (2018) established the current strategic context and commitment to increase the number of affordable homes delivered directly by the Council. The following diagram sets out the relationship between the Corporate Plan (2016 – 2020) and the key plans and policy documents which can influence or require the delivery of affordable housing to meet local needs. The proposed Housing Development Plan forms part of this suite of documents, supporting the Housing Strategy and providing a framework for future affordable housing delivery.

3.1.2



3.1.3 The housing priorities associated with the corporate plan (2016 – 2020) and Housing Strategy (2018) have been continued into the current corporate plan (2020 – 2024):

- 3.1.4
- Meeting local housing needs and promoting sustainable growth
  - Increasing the supply of high-quality affordable homes
  - Improving the housing circumstances of those most in need
  - Enabling the best housing to meet the needs of people, including support for a high quality private rented sector

3.1.5 The need and demand for the increased provision of affordable housing across the New Forest has been documented in recently adopted Local Plans for both the New Forest District and the New Forest National Park Authority. During their development both Plans were informed by an independent Housing Need Assessment (2017)<sup>1</sup> which confirmed:

- 3.1.6
- The Objectively Assessed Need for affordable housing in the New Forest District between 2016 and 2036 is 7,220 or 361 per annum
  - The Objectively Assessed Need for affordable housing in the New Forest National Park between 2016 and 2036 is 1,340 or 67 per annum

3.1.7 To address the current and future need for affordable housing Policy HOU2 of the New Forest District Local Plan (Part 1) has defined proportion and tenure targets. In Totton

<sup>1</sup> New forest District Council and the New Forest National Park Authority Objectively Assessed Need Final Report 2017

and Waterside area, a target of 35% of all new homes to be affordable housing has been set, with 50% of new homes to be affordable housing in the rest of the Plan Area. The tenure mix target is to provide 70% of affordable homes for rent, split equally between social and affordable rent, and 30% intermediate or affordable home ownership tenures including shared ownership

3.1.8 Policy SP27 of the New Forest National Park Local Plan confirms that within the defined Villages and on allocated sites, proposals of 3 or more dwellings will incorporate 50% of new dwellings as affordable housing to meet local needs. The anticipated tenure mix is 75% social/affordable rented tenures and 25% shared ownership.

3.1.9 It should be noted that the affordable housing policies of both Local Plans are subject to negotiation, viability, and changes in National Planning Guidance. The latter has recently changed and now requires the first 25% of any Planning-led affordable housing to be in the form of “First Homes”<sup>2</sup> with the second priority being the full percentage of Social Rented housing required under Council policy.

### 3.2 **National Policy**

3.2.1 The ability to effectively finance the delivery of new Council homes and set ambitious targets has only been made possible due to changes in central government fiscal and housing policy over the last decade which have removed the previous barriers to Local Authority development.

3.2.2 The position has changed dramatically since 2012. Today stock-holding Local Housing Authorities are being seen as the new generation of social housing providers, with incentives from central government to optimize their delivery potential. As a Registered Provider of Social Housing the Council is able to bid-for and secure Homes England Grant on a level playing field with Private Registered Providers (e.g. Housing Associations), subject to according with the Regulators rules and capital funding requirements<sup>3</sup>. Furthermore, since centrally controlled borrowing caps were removed in Autumn 2018, the Council has enjoyed an advantageous position with greater access to low interest rate borrowing through the PWLB. Coupled with the repayment of historic debt and access to HRA capital reserves, these steps have enabled the Council to adopt a competitive position for new development opportunities and to position itself within the local housing market as a true contender and alternative to Housing Associations.

3.2.3 With the adoption of the new Housing Strategy the Council has also broadened the tenure types of affordable homes it can provide, bringing its options (Social Rent, Affordable Rent and Shared Ownership) in line with Private Registered Providers. To ensure a consistent approach and that the most appropriate types of affordable homes are provided in the right places, the Council adopted a Shared Ownership Policy in May 2019 (Appendix 1) and an Affordable Rent Policy in December 2020 (Appendix 2).

### 3.3 **Social Housing White Paper**

3.3.1 In March 2021 the Government published its most recent White Paper setting out its commitments and proposals for emerging and future Housing Policy.

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<sup>2</sup> “First Homes” in the New Forest will provide a route for First Time Buyers to purchase a new home at a preserved 30% discount to open market value. Initial sale values are to be capped at no more than £250,000. ([www.gov.uk/guidance/first-homes](http://www.gov.uk/guidance/first-homes))

<sup>3</sup> [www.gov.uk/government/organisations/regulator-of-social-housing](http://www.gov.uk/government/organisations/regulator-of-social-housing) and [www.gov.uk/guidance/capital-funding-guide](http://www.gov.uk/guidance/capital-funding-guide)

3.3.2 Explicitly promoting the importance of high quality, sustainable and safe affordable housing development, the White Paper recognized the key role that Local Authorities now play in building new homes, and their wish to see Council's optimise their extended ability to borrow and secure Homes England grant, to help achieve that aim. Whilst setting out the priority for providing more homes for Social Rent, the Paper also highlighted the importance of affordable home ownership and the Government's wish to see more social housing tenants transition from renting to home ownership through the Right to Buy and new initiatives which will increase access to shared-ownership.

#### 3.4 **Homes England Grant and compliance with the Regulator of Social Housing**

3.4.1 As a Local Authority Registered Provider with the Regulator of Social Housing, New Forest District Council is eligible for capital and revenue grant funding through Homes England, and the programmes it delivers and oversees for the Government and the Department of Levelling Up, Homes and Communities (DLUHC).

3.4.2 As a member of the Wayfarer Partnership<sup>4</sup>, the Council has successfully submitted bids to, and secured grants from Homes England since 2018.

3.4.3 As a recipient of Grants made to local authorities under section 19 of the Housing and Regeneration Act 2008, the Council is required to comply with the requirements of the Regulator of Social Housing, respective Grant Agreements associated with each funding Programme, and conditions specified in the Homes England Capital Funding Guide.

3.4.4 The Council and all Registered Providers receiving Grants must meet the audit requirements of Homes England and are subject to periodic random inspections.

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<sup>4</sup> Led by Abri (Housing Association), the Wayfarer Partnership gives its 19 members (Local Authorities, Housing Associations and Charitable Providers) access to Homes England grant

## 4.0 The Need and Demand for Affordable Housing

4.1 The housing pressures experienced across the New Forest and the case for providing more affordable homes are fully documented in the Housing Strategy (2018) and the Homelessness and Rough Sleepers Strategy (2019).

4.1.1 Taken from those documents, the following headlines summarise the financial, social, and housing market evidence that tells the New Forest story, the level of dependency upon subsidised housing, and the present and future demand for all types of affordable housing:

- 4.1.2
- *Market homes in the NFDC area are between 11 and 15 times of average earnings (ONS and ASHE data).*
  - *60% of NFDC households have incomes below £40,000 and 27% have incomes below £20,000.*
  - *24% of households cannot afford to buy but can afford private rent*
  - *Estimates indicate that over 10,000 New Forest households live in the private rented sector – the sector has become the only housing option for many on lower incomes.*
  - *18% of households can only afford to rent with support (i.e., Housing Benefit/Universal credit)*
  - *Only 7% can afford ‘Affordable Rent’ (Up to 80% of Market values)*
  - *12% of households can afford ‘Social Rent’ without support (Around 50% of Market values without Housing Benefit)*
  - *9,000 households are supported with Housing Benefit and/or Council tax reductions*
  - *28% of the population over 65 years old*

4.1.3 The need and demand for more affordable housing across the rural and urban parts of the New Forest is evident from both policy and operational sources, being reported in research that informed the newly adopted Local Plans for the District and the National Park; from the day-to-day statutory housing services that the Council provides to those in greatest need, and from Housing Registers maintained by the District Council and external agencies.

4.1.4 These sources highlight the nature and scale of housing need and demand across the New Forest District and the New Forest National Park, the affordability of different types and tenures of affordable housing, and the size of accommodation that would be most appropriate to meet the short and longer-term needs of the district.

### 4.2 The objectively assessed need for affordable housing by tenure

4.2.1 As stated, research in 2017 concluded that the additional need for affordable housing within the New Forest between 2016 and 2036 amounted to 8,560 homes (361 additional homes per annum within the district and 67 affordable homes per annum within the National Park).

4.2.2 Further analysis provided an indicative picture of the unmet need over the plan period presented by tenure and the size of accommodation.

4.2.3

<b>NFDC Local Plan “Indicative need for different sizes and tenures of home”</b>			
Type of home	1-2 Bed	3 Bed	4+Bed
Affordable rental homes (SR & AR)	60-70%	25-30%	5-10%
Affordable Home Ownership (Shared Ownership and Discounted Market Sale)	55-65%	30-35%	5-10%
Market Homes (Outright Sale)	30-40%	40-45%	20-25%



#### 4.3 New Forest District Council Housing Register for forms of social housing

4.3.1 In accordance with the requirements of the New Forest District Council Housing Allocation Policy, the New Forest District Council Housing Register records households who wish to secure social housing across the New Forest, who are in housing need (as defined), and who meet the necessary criteria to go onto the Housing Register.

4.3.2 Following a comprehensive review of the Housing Allocation Policy in 2019, the District Council's Housing Register was 'reset' in 2020. The Housing Register is still re-building and numbers continue to increase on a month-to-month basis. The following table reflects a snapshot of Housing Register Applicants (by household) as held in January 2022, viewed showing their area preferences (where expressed) and the size of accommodation required

4.3.3

Area of First choice	Count of Applicants	%
Totton	228	16.2
Lymington	212	15.1
New Milton	183	13.0
Ringwood	157	11.2
Hythe	140	9.9
Calmore	74	5.3
Dibden and Dibden Purlieu	64	4.5
Holbury and Hardley	61	4.3
Fordingbridge	58	4.1
Ashley	44	3.1
None of these	39	2.8
Pennington	39	2.8
Blackfield and Langley	34	2.4
Marchwood	33	2.3
Eling	18	1.3
Walkford	16	1.1
Fawley	6	0.4
Calshot	2	0.1
<b>Grand Total</b>	<b>1408</b>	<b>100</b>

Bedroom need	Count of Applicants	%
1 bedroom	596	42.8
2 bedroom	472	33.5
3 bedroom	255	18.8
4 or more bedrooms	66	5.0
<b>Grand Total</b>	<b>1408</b>	

#### 4.4 Shared ownership and intermediate affordable housing

4.4.1 Under a contract with Homes England the 'Help To Buy' Agent for the South operates a Housing Register for applicants who are interested in forms of intermediate affordable housing, predominantly – but not exclusively – for shared ownership.

4.4.2 In May 2022 a total of 732 Households were listed on the agencies register from those with an interest in intermediate forms of affordable housing within the New Forest.

4.4.3

	No	%
Total applicant households	732	
Applicants looking for houses	690	94
Applicants looking for flat	180	25
Applicants who didn't specify a preference for dwelling type	165	23
Applicants looking for 1 bed	110	15
Applicants looking for 2 bed	387	53
Applicants looking for 3 bed	213	29
Applicants looking for 4 bed +	22	3
Households in income of £35,000 or above	331	45
Applicants with savings of £15,000 or more	226	31
Applicants living in private rented housing	216	30
Applicants living with family/friends	82	11
Applicants identifying as First Time buyers	152	21

## 5.0 Development objectives and delivery to date

- 5.1 The 2018 Housing Strategy set out a renewed vision for the Council aiming to create balanced communities for the residents of the New Forest District by providing a range of housing options that are affordable and sustainable. To help achieve this aim the Council introduced four strategic priorities including a commitment to *“Increase the supply of high-quality affordable homes through an ambitious Council house building and acquisitions programme”*.
- 5.2 This priority was further developed through a series of actions and a target seeking to provide 600 new Council homes for the period to 2026 with social rent, affordable rent, and shared ownership tenures.
- 5.3 *“By using reserves, receipts from the sale of Council homes and new borrowing capacity, the Council intends to maximise the delivery of affordable housing during the first ten years of the Local Plan period (to 2026). It will do so through the optimisation of planning policies, developing its own land, acquisitions from developers working in the district and working with other partners and stakeholders including the National Park Authority, town and parish council, Registered Providers, developers and communities.”*  
(NFDC Housing Strategy Dec 2018)
- 5.4 To optimise the delivery of Council-led affordable housing by 2026 the following operational actions and objectives have been implemented and are to be regularly reviewed for effectiveness:
- 5.5
- Making the best use of NFDC housing and non-housing property and assets, and maximising opportunities on NFDC owned land.
  - Positioning the Council so that all arising housing development opportunities, from all internal and external sources, are known about and optimized to increase provision.
  - To establish and monitor a resilient pipeline programme of NFDC development opportunities for 3-5+ years
  - Undertake scrutiny and viability appraisals on projects to achieve best value, including cost benefit evaluation of alternative approaches
  - To achieve close collaborative working across NFDC Finance, Planning, Housing Need, Housing Management Asset Teams
  - To identify and drive efficiencies in development and related procurement
  - To maintain a strong housing needs intelligence and enabling base, capable of leading and informing development opportunities for all affordable housing types and tenures across the New Forest.
- 5.6 To date 254 additional affordable homes have either completed or are under construction, including 47 extra units for temporary accommodation in strategic locations across the District in New Milton, Lymington, Blackfield, Totton and Ringwood.
- 5.7 During the first four years the Council has delivered its first homes for shared-ownership and affordable rent, adopting policies to support both of these new tenures during 2020 and 2021 (see Appendices 1 and 2).
- 5.8 In terms of development on Council owned land 35 flats have been built on surplus land at Calmore and 20 homes have been built on land that was acquired through a land swap with Hampshire County Council. Construction is currently underway to replace a court of 37 underused garages with 6 new houses, and to redevelop a site of 3 unsound houses with 6 flats.

- 5.9 Long standing empty schemes and accommodation has been purchased from Housing Associations and fully refurbished.
- 5.10 The Council has competitively bid-for and acquired land for development without planning in New Milton and Totton, whilst plans are moving forward to provide 20 flats through land assembly at another site in Totton. Most recently the Council has acquired land in Hythe for homes which are to be built next to the site of the new Hospital, whilst dialogues are in place with other public bodies to bring forward other opportunities in the district.

5.11

<b>Completed or under construction</b>	
	<b>Units</b>
Buy Backs (years 1 to 4)	60
Market acquisitions for Affordable Rent	13
Market acquisitions for Shared Ownership	2
Social rented homes on NFDC land	61
Affordable rented homes on NFDC land	6
Social rented homes from Planning (S106)	64
Temporary Accommodation	40
Other types and routes	8
<b>Totals</b>	<b>254</b>

5.12 To help facilitate and finance the efficient delivery of these homes the Council has:

5.13

- Expanded the development team
- Established a building contractors' framework (for projects up to £1.5m)
- Secured a total of £2.8m in capital subsidy from Homes England and the DLUHC
- Delivered 64 'S106' homes without grant or capital subsidy
- Introduced an internal Housing Client approval process
- Introduced new policies to support the delivery of homes for Affordable Rent and Shared Ownership tenures

5.14 In addition, the Council has a firm pipeline<sup>5</sup> for a further 156 homes:

<b>Acquired land and sites and firms plans</b>	
	<b>Units</b>
Future Buy Backs (years 5 to 8)	60
Market acquisitions for Shared Ownership	3
Affordable rent on acquired land	57
Shared ownership on acquired land	5
Affordable rent homes from Planning (S106)	11
Shared ownership homes from Planning (S106)	3
Temporary Accommodation	17
<b>Totals</b>	<b>156</b>

<sup>5</sup> Not yet in contract so not yet certain, but confident of delivery

## 6.0 Tenures

### 6.1 Tenures for development

6.1.1 Prior to December 2018 newly built affordable housing and ‘buy-backs’ purchased by the Council had been for Social Rent however other tenures were agreed as part of the Housing Strategy (2018), when Shared-Ownership and Affordable Rent models were introduced as part of plans to deliver 600 affordable Council homes by 2026.

### 6.2 Social Rent

6.2.1 Social Rents are calculated according to a prescribed formula known as ‘Target Rent’ – a complex calculation which takes a variety of past and present value and household income factors into account.

6.2.2 Social Rent is the main form of affordable housing tenure for existing Council homes. Social Rent is typically circa 50% of Market Rent Levels with Service Charges (where applicable) levied in addition to rent.

#### 6.2.3 NFDC Housing Stock – Rental income data March 2021

Average Rents (weekly amounts)	Average	Number
Bedsits	£67.00	209
Other 1bed	£86.20	1,198
<b>1bed including Bedsits</b>	<b>£83.35</b>	<b>1,407</b>
2bed	£101.18	1,662
3bed	£113.69	1,948
4bed	£122.78	134
5bed	£127.84	11
6bed	£149.71	3
<b>4bed+</b>	<b>£123.70</b>	<b>148</b>
<b>Total Average Rental Income</b>	<b>£101.69</b>	<b>5,165</b>

### 6.3 Affordable Rent

6.3.1 The introduction of “Affordable Rent” in 2011 did not require legislation however the model is required to accord with criteria set down within the Regulator of Social Housing’s Rent Standard, as echoed in the Homes England Capital Funding Guide and referenced in National Planning Policy Guidance. Where Affordable Rent is charged, the maximum rent (inclusive of service charge) for a new tenant under a new tenancy is 80% of Market Rent, according to a valuation method agreed with the RICS. Under some circumstances initial Affordable Rents may be capped to not exceed Local Housing Allowance.

6.3.2 With or without grant funding all proposals to provide homes for Affordable Rent must be approved and recorded by Homes England.

6.3.3 Affordable Rent may be seen as meeting a housing need for households with income above Social Rent levels. The ability to provide homes for Affordable Rent creates opportunities for the Council to achieve a mixed economy of rental incomes (where higher rents can be afforded), and to competitively bid for openings where Affordable Rents, or elements of the tenure, have been prescribed.

6.3.4 During 2020 the Council adopted an Affordable Rent Policy (Appendix 2) which sets out the circumstances under which this model would be considered and applied, taking housing need, affordability, and financial factors into account.

#### 6.4 **Shared Ownership**

6.4.1 Shared ownership provides a form of partial homeownership where purchased shares have historically been available from a minimum of 25%, with rent charged typically at 2.75% on unsold equity plus associated service charges. The ability to purchase additional shares ('Staircasing') is usually permitted overtime but may be subject to an upper limit to ensure the property is retained within the affordable sector. Often the terms of the lease stipulate the freeholder (Local Authority) is offered 'first right of refusal' to repurchase the property should the household wish to sell.

6.4.2 A comprehensive shared ownership policy was adopted by the Council in 2019 (see Appendix1) in which all aspects of the proposed approach to the tenure were set out.

6.4.3 However, with the introduction of changes to the national shared-ownership model in 2021, all future shared-ownership homes delivered through the Homes England Affordable Housing Programme (or specified within Planning S106 agreements) will be required to meet the following criteria:

- the minimum initial share that can be purchased reducing from 25% to 10%
- the introduction of the option of staircasing in 1% increments for the first 15 years; larger shares can still be purchased with the minimum reducing from 10% to 5%
- the introduction of a 10-year period during which the costs of any maintenance or repairs will be met by the landlord rather than the shared owner
- the option for the shared owner to end the nomination period at the four week point if they wish to pursue a sale on the open market rather than the previous eight-week period

#### 6.5 **Temporary accommodation schemes**

6.5.1 Occupiers of Council temporary accommodate schemes are required to comply with the terms of a License Agreement which sets out the duties of the landlord, but also the responsibilities and rights of the licensee.

6.5.2 Occupiers are required to comply with the terms of their legal contract which grants them peaceful occupation of the accommodation, subject to meeting a prescribed list of conditions and behavior. If the terms of Agreements are broken in any serious way, the Council can seek a possession order and licensees will have to leave the accommodation.

6.5.3 Licensees have daily access to the Council's tenancy management team who assist with a diversity of arising estate management issues, and they also have access to Council's 24-hour emergency repairs service

## **7.0 Targeted development and local connection**

### **7.1 NFDC housing responsibilities**

7.1.1 NFDC is the statutory housing authority for all the New Forest area, including the NFDC area and the New Forest National Park (NFNP). The NFDC 'Housing Options Team' therefore respond to housing enquires including homelessness prevention, Emergency Accommodation, housing allocations, housing advice and maintain the Homesearch housing register.

### **7.2 Targeted development**

7.2.1 Addressing the short- and long-term housing needs of those on the Homesearch register leads to targeted housing development activity and solutions from a wide range of sources and tenures.

7.2.2 In addition to seeking new opportunities from the open market and through Planning (S106) NFDC continues to review all land and property interests including:

- Existing stock suitable for conversion (e.g., surplus space in ex-sheltered schemes).
- Underused garage courts which could lend themselves to redevelopment.
- The improvement, return to use, and re-designation of long-term void properties
- The provision of TA schemes to provide alternatives to 'Bed and Breakfast'.
- Development projects in locations that could 'unlock' under-occupied larger homes.
- Land opportunities with other public bodies

7.2.3 New-build schemes in rural as well as urban settlements help to sustain New Forest communities and meet the needs and aspirations of those with specific local connections.

7.2.4 Such schemes can be challenging to bring forward however the Council continues to encourage and promote interest in rural and community-led housing from Parish Councils and community groups, and the work of local agencies that support them.

### **7.3 Local Connection**

7.3.1 It is a primary objective for affordable homes that are developed by New Forest District Council for Social Rent, Affordable Rent and Shared Ownership to be prioritized for households with a local connection to the New Forest District in accordance with the Council's Housing Allocation Policy and the Shared Ownership Policy.

7.3.2 All new Council homes for rent will be subject to prioritisation at either District or Parish level as set out within the relevant allocation policy or as stipulated through Planning conditions. Where scope exists to do so, or when required as a Planning condition, the initial and subsequent sale of shared ownership homes will be prioritized for those with local connections, unless doing so would conflict with Homes England grant conditions or mortgage lender requirements.

7.3.3 Affordable homes that are developed under rural exception site (Planning) policy within the New Forest District or the National Park, may be subject to additionally prescribed nomination processes.

## 8.0 Development standards

- 8.1 New Forest District Council is committed to the delivery of high quality and sustainable affordable housing. Homes that are designed and built to last; that are suitable to meet current and future housing needs, and that contribute to safe communities and environments where people want to live.
- 8.2 Every newly built or acquired home must always address an identified need but with a diversity of procurement routes the overall development programme creates different opportunities to influence or meet standards and objectives. e.g., buy-backs involve the purchase of individual privately owned ex-Council homes which are pepper potted within existing estates; new-build schemes commissioned by the Council can meet higher space and environmental standards, whilst limited scope exists to influence S106 homes that are purchased from private developers.
- 8.3 The Council therefore requires a flexible approach to development standards. It will seek to apply its highest standards where it can viably commission and build highly efficient and innovative homes, but it must have the scope to consider the acquisition of homes that meet the requirements of other local and national regulatory bodies (Planning, Building Regulations and Homes England).
- 8.4 In an area where development opportunities are very limited and market values are very high, there is a need to be able to consider new opportunities on their merits, nonetheless the following aims will be applied to the main procurement routes:
- 8.5 **New Build: designed, commissioned, and built for New Forest District Council**
- **Design brief and specification:** New developments will accord with an internally agreed design brief and specification and Employers Requirements
  - **Meet local design standards:** The NFDC and NFNPA Development Frameworks contain Local Plans with defined standards and Supplementary Planning Documents to ensure that new developments sympathetically enhance local environments. NFDC developments will follow local planning guidance and deliver homes that enhance local communities and amenities.
  - **Building Regulations and Building Safety Standards:** Will meet current Building Regulation requirements as a minimum
  - **Space Standards:** Aim to meet Nationally Described Space Standards or be within margins that are acceptable to Homes England
  - **Homes England Standards:** Where possible the Design Brief and Specification will align with the latest Homes England 'Design and Quality Standards', thereby enabling eligible homes to qualify for potential external grant funding.
  - **Greener Housing & environmental sustainability:** NFDC is committed to minimising carbon emissions and will undertake developments having regard for reduced environmental impacts. Unless exceptionally agreed all future commissioned affordable housing schemes will be designed and built to meet the 2025 Future Homes Standard.
  - **Innovation and Modern Methods of Construction:** Where there is opportunity to further enhance environmental standards or employ modern methods of construction, within the constraints of site configuration, orientation, and financial viability, NFDC will actively pursue opportunities that are supported, by prior agreement, with managers, commissioners, and decision-makers.

#### 8.6 **New Build: Acquired by New Forest District Council (S106)**

- **Employers Requirements:** The NFDC affordable housing design brief and specification will be added to 'Employers Requirements' in contracts where appropriate and used in negotiations with developers. The document will be updated to comply with all changing regulations and guidance (e.g., fire, health and safety and Building Regulations), and will be regularly reviewed.

#### 8.7 **New Build: "Off the Shelf"**

Where opportunities arise to purchase new-build homes or conversions from the market 'off-the-shelf', the Development Team will work in close liaison with the Housing Client to ensure that homes are finished to an acceptable standard, are built to the necessary Building Regulation and safety standards, and where possible are provided with a defect retention period and a 10-year warranty.

#### 8.8 **Buy Backs: Individual property acquisitions**

The Buy Back Team (Estates and Valuation) work in close liaison with the Housing client to ensure that all proposed acquisitions meet acceptable standards or can cost-effectively be brought up to the required standard, taking into account the age, condition, and price agreed for each property.



## 9.0 Procurement and routes to development

9.1 NFDC has established procurement guidance under the Public Contract Regulations that development projects must comply with, covering both capital works and services expenditure. In addition, Financial Regulations and Standing Orders must be adhered to, with external contractors and consultants required to comply with NFDC Equality and Diversity policies.

9.2 A range of procurement and contractual routes exist to development, which NFDC evaluates with internal scrutiny, including financial viability and approval, before proceeding on each project. The specific procurement and delivery method of a development project influence timescales, costs, specifications, risk responsibilities and control.

### 9.3 Standard Procurement contracts and delivery methods

9.3.1 NFDC is required to follow public sector procurement guidance and must adhere to financial regulations and standing orders, however, when evaluating project opportunities, a range of recognised industry standard development procurement contracts and delivery methods will be adopted, including:

- 9.3.2
- 'Works only' on NFDC assets
  - 'Acquisition and Works' (including Land Inclusive Packages or 'Package Deals'): Projects requiring surveys, specification, and contract management; for either individual property or land and development
  - 'Design and Build': After planning design and consent, development design is by the contractor matching client specification/employers' requirements, usually using a 'JCT Design Build contract'
  - 'Section 106': S106 Planning Agreements require house builders to deliver affordable housing onsite, they often use a 'Development Agreement' contract to sell the homes to a partner such as NFDC or housing association, taking stage payments whilst homes are built)
  - 'Off-the-Shelf': Where newly completed homes are sold by developers, sometime called 'Turnkey'
  - 'Joint Venture': Where NFDC may joint develop a site with a development partner

9.3.3 Recognised by Homes England, these conventional delivery methods also give the greatest possible access to Social Housing Grant and national public subsidy through the Shared Ownership and Affordable Housing Programme (SOAHP).

### 9.4 Current delivery methods

- Own assets – land, property & conversions
- Purchasing and assembling urban and rural development opportunities (with/without planning)
- Opportunities through Planning and Local Plans (including S106)
- 'Buy Backs' and 'Off-The Shelf' acquisitions

### 9.5 Possible Future Development Routes

- Joint Ventures
- Creating an arms-length body enabling market housing development
- Land banking
- Forward funding and option agreements

## 9.6 Frameworks and Consortiums

9.6.1 Due to the scale of development being undertaken, the Council actively participates in local forums, consortiums, and frameworks to achieve efficiencies in procurement; to optimise sources of external subsidy, and to learn from Local Authority counterparts developing homes elsewhere in Hampshire and Dorset.

### 9.6.2 Wayfarer Consortium

9.6.3 The Council has been an active member of the Wayfarer Consortium of Registered Providers since 2017. Run by Hampshire based “Abri” the Consortium provides a paid-for service giving access and support to Homes England Grant funding and bespoke Frameworks for Architects and Professional Services. Over the last 5 years the Council has secured £2.8m in capital plus revenue grant funding via the Consortium.

### 9.6.4 New Forest District Council Building Contractors Framework

9.6.5 Anticipating the many smaller scale Temporary Accommodation building contracts that would come forward as part of the development programme the Council introduced its own Building Contractors Framework in 2021 to undertake new-build, conversion, and refurbishment projects with contract values up to £1.5m.

9.6.6 To date a total of eight new-build, conversion and refurbishment building contracts have been awarded under the Framework.

## 10.0 Financing development

### 10.1 Housing Revenue Account (HRA) & Business Plan

10.1.1 The ability to meet the Housing Strategy target of delivering at least 600 new Council homes by 2026 requires the management and coordination of several critical elements and activities over the time span including expenditure and income within the ongoing HRA Business Plan, and the impact on held and forecast reserves. The HRA balance sheet is subject to public audit and shows annual Income and Expenditure, with potential for depreciation and contribution to reserves from any surpluses.

10.1.2 The Housing Revenue Account is closely monitored to take account of planned and unforeseen income and expenditure. The Council's previous approach to long-term business planning is currently under review and a new 30-year business plan is being prepared. Looking holistically and realistically at all aspects of revenue generation and the need for planned capital spending on the existing stock in the short, medium, and long-term, the Business Plan will review the scope for investment in new provision through the use of reserves and borrowing.

### 10.2 HRA 'Development Plan' assumptions 2018-2026 and update from April 2022

10.2.1 When the Council originally set its target to deliver 600 additional Council homes by April 2026, it was considered that the cost (net of Homes England Grant) would be around £105m (£175,000 per dwelling). At the end of March 2018 HRA reserves stood at £28m; further HRA surpluses amounting to £37m were estimated over the eight-year period, plus a further £24m through RTB receipts. Totalling £89m, these sources of capital funding would be extended through borrowing from the PWLB at advantageous rates.

10.2.2 Having completed the first four years of the eight-year programme, the original cost estimate has been reviewed and updated to take account of the expenditure for delivering the first 254 affordable homes.

<b>Completed or in Contract (years 1 to 5)</b>				
	<b>Units</b>	<b>Cost (Net)</b>	<b>HE Grant</b>	<b>Net per unit</b>
Buy Backs	60	£14m		£233k
Market Aff Rent	13	£2.88m	£520k	£221k
Market Shared	2	£615k		£307.5k
NFDC Social Rent	61	£7.72m	£1.28m	£126k
NFDC Aff Rent	6	£1.54m	£300k	£256k
S106 Social Rent	64	£7.7m		£120k
Temporary Accommod	40	£3.78m	£242k	£94k
Other types and routes	8	£506k		
<b>Totals</b>	<b>254</b>	<b>£38.7m</b>	<b>£2.34m</b>	<b>£152.3k</b>

10.2.3 At £152,000 per unit, it can be seen that the average unit cost for the first 254 homes has been materially lower than anticipated, reflecting a high volume of smaller Temporary Accommodation units, a material number of S106 units (with free-land), some lower building costs over the last five years, and the delivery of some units from lease reversions properties which have boosted our stock at very little cost. However, the estimated cost for delivering the remaining 346 affordable homes will increase significantly, impacting upon the average achieved over the first four years of the programme and the overall anticipated expenditure if 600 additional homes are delivered by April 2026.

### 10.3 **Methodology - Investment in Affordable Housing:**

- 10.3.1 The longstanding principle that underpins the viable development of Affordable Housing is that long-term net rent, or net rent and capital receipts in the case the shared ownership, pays off a long-term loan.
- 10.3.2 However relative to the financial principles behind private housing development for rent or purchase, sub-market affordable housing always requires capital or revenue subsidy to enable actual housing costs to be below market rates or to pay for any necessary support services. Sources of subsidy are most frequently achieved through contributions from HRA reserves, discounted land values, Homes England, or through a combination of these.
- 10.3.3 Unlike private developers and private Registered Providers, the Council does not have the same borrowing or loan to value constraints, nonetheless as all forms of housing development operate within a competitive marketplace, it is necessary to carefully balance cost with the achievement of value for money objectives.
- 10.3.4 To reflect this, all individual development proposals are tested for viability against private sector benchmarks and 40 year borrowing assumptions, to ensure that costs, offers, and negotiations are justified, and confidence exists that the Council is paying enough to be highly competitive without paying too much. At operational level this activity is achieved through the use of "Proval" - an industry standard financial appraisal tool used by Councils and Registered Providers up and down the county.
- 10.3.5 N.B. The playing field is not level given that private developers trade for profit and speculate on future changes in the market, whilst the Council and other Registered Providers exist to provide affordable homes for the long-term, using the rent over time, to pay off loans and/or development costs.
- 10.3.6 By applying a consistent financial appraisal approach the Council is able to comparatively compare and assess both internal and external competitive financial viability taking acquisition, works and on costs into account, on the basis of a forty-year borrowing period. Subject to meeting approved value-for-money requirements and having taken all other available sources of public subsidy into account, HRA capital subsidy will be available to enable development opportunities achieve a positive Net Present Value at handover.

### 10.4 **Key development appraisal assumptions and considerations**

- 10.4.1 Clear and robust cost assumptions are key to viability appraisals and benefit from regular review, alignment with longer term NFDC business plans and approval. Assumptions include (but are not limited to) the following:

<b>Item</b>
Short term & long term loan rates
Long term loan period
Net Present Value period and rate
Shared Ownership first sales (%)
Cost of Management (Rent and shared ownership)
Responsive and planned maintenance
Contingency works (subject to delivery method)

## 10.5 Subsidy requirements – internal and external

10.5.1 Where proposals return a negative net present value on a viability assessment, this indicates the required level of capital subsidy either from internal or external sources (most commonly Homes England) to 'balance' the income against expenditure over 40 years, and the repayment of borrowing.

10.5.2 Due to the subsidised nature of affordable housing schemes, it is to be expected that most development proposals will require capital subsidy from Homes England, or the Council, or a combination of both. A financial assessment in 2018 indicated that current and future HRA reserves, borrowing capacity and assumed Homes England grant funding would be sufficient to deliver at least 600 affordable homes by 2026 however that achievement relies upon actual capital subsidy requirements per unit, per scheme, and across the overall development programme over 8 years. Close monitoring of performance and regular view of the forecast is therefore essential.

## 10.6 Overall viability considerations in development:

10.6.1 Comparative financial development appraisals provide a holistic overview of a proposal and typically assists in determining its long-term financial viability. However, other non-financial considerations must be assessed and reviewed as part of the initial feasibility and appraisal process before financial decision-making is given for an individual project (see risk management under section 11 & Stage Approval under Section 12).

10.6.2 Consideration must also be given to the wider financial impact that an individual project would make on the overall programme at the point of giving final project approval, as proposals delivered with less subsidy may make it possible and justified to support other priority schemes that may require more.

## 10.7 'At risk' and abortive costs

All development proposals incur significant consultant costs and activities which must be allowed for and factored into all scheme costs. Whilst such costs will be closely monitored for value-for-money purposes and be subject to procurement procedures in their own right, abortive costs can arise for research or projects that fail to progress.

10.7.1 Abortive and 'at risk' costs could include but not be limited to:

- **Valuations** – A desktop valuation should be prepared before concept approval. If approved, the Project Manager should obtain a full RICS 'red book' valuation before the scheme progress to formal decision-making stages.
- **Architects** – Some architects may require a fee for a formal service, instead of working for free 'at risk'.
- **Solicitors** – There may be reasons to consult with solicitors and incur costs regarding a scheme before approval has been given to purchase.
- **Other experts/specialists** – e.g., Surveyors, Employers Agents, Cost consultants, Energy consultants, Structural Engineers, specialist Ground or Topographical Surveyors

## 11.0 Development risk management

### 11.1 Development risk

11.1.1 All development comes with risks which must be identified, assessed, managed, and monitored. Where a proposed NFDC development project shows an unacceptably high level of risk that cannot be mitigated, it may not proceed.

### 11.2 Risk management

11.2.1 To ensure that risks are minimised officers will ensure that every project is appraised to meet NFDC's development parameters and will create and maintain a risk register - a live document which will be updated as the project progresses. (All project risks that have been identified must be included on the risk register. If an emerging risk is not recorded on the risk register, it will be added).

11.2.2 Development Officers must ensure they are satisfied that the project is on track and forecast completion date/s are still achievable at each site meeting. Any slippage or changes to the project programme timeline must be reported to the senior management, throughout the project.

### 11.3 Risk management escalation

11.3.1 All members of the development team are responsible for protecting and mitigating NFDC from risk, and minimising risk when it is identified. All members of the development team have responsibility, both individually and jointly, for complying with NFDC Financial Regulations, Standing Orders and Delegated Authority, identifying the range of contract costs variations and the need for further approvals, where any variations arise.

11.3.2 When a significant risk is identified or a previously assessed risk worsens, Development Officers must notify the Service Manager for Strategy and Development immediately by email in writing. This type of risk might include (although this is not an exhaustive list):

- 11.3.3
- Potential cost over-run
  - Failure to achieve completion date
  - Falling sales values or land values
  - Legal issues
  - Contractor or consultant performance issues
  - Disputes
  - Planning Issues
  - General site issues – wayleaves, Section agreements
  - Health and Safety
  - Contractor insolvency issues

11.3.4 For the most serious levels of risk the Service Manager for Housing Strategy and Development and the Executive Head of Housing and Governance will highlight the risk - along with steps to see it avoided, reduced, or transferred - to HRA Development Panel, and to Members of the Executive Management Team.

## **12.0 Internal procedures: Housing Client Approvals, Gateways, and Consultation**

### **12.1 Timely and transparent decisions on development**

12.1.1 Development decisions will be made in an open, transparent, accountable, and timely manner, accepting that commercial confidentiality may give rise to certain information not being fully divulged in the public domain until required to do so.

12.1.2 Given the Council's wider responsibilities and accountability, and the long-term nature of financing and delivering affordable housing, development decisions require informed discussions with numerous stakeholders, so an agreed framework for consultation and decision making is essential. Although occasions may arise when delegated authority has to be used to meet time-pressured targets, these should only take place within previously approved parameters with formal recording and reporting after the event.

### **12.2 Value For Money and Project Management Controls**

12.2.1 A project management and VFM framework has been established in which Housing Client Approval Stages and Approval Gateways exist to ensure that project delivery and key decision-making stages are confirmed independently of those managing it.

12.2.1 Specific Development Team/Housing Client 'Approval Stages' will occur during the development process reflecting the respective procurement routes including concept; pre-bid; pre-planning; detailed plans; mid-build; pre-completion; handover; post completion and end of defect.

12.2.2 The staged approval process will ensure that risks are being managed, appropriate consultation has taken place, value for money is achieved, that the project is affordable at each stage and that the overall project provides accepted value for money at completion.

12.2.3 Prior to each Gateway Approval stage there will be:

1. A Value for Money review.
2. A financial appraisal viability review.
3. A review of the on-going project delivery methods.

### **12.3 Approval Gateway 1: Feasibility consultation with Housing client (Needs, Maintenance and Management) and Finance**

12.3.1 Where a potentially suitable and available site or opportunity is identified, a dialogue shall be undertaken with NFDC Housing and Finance teams to discuss initial scheme type, tenure mix, design, indicative financial implications, and procurement preferences. The primary objectives will be clarity around the preferred options to ensure that short and long-term optimised housing needs will be addressed (including affordability, tenure models and service charges); that all long-term management and maintenance and sinking fund implications have been assessed, plus indicative delivery timescales, should the project proceed. The ability to comply with NFDC standards and specifications should be assessed, along with exceptions; and indicative funding and financial considerations should be evaluated (including Homes England subsidy).

12.3.2 The findings and conclusions from the feasibility consultation stage will be reported to the HRA Development Panel prior to taking conditional proposals and negotiations forward.

## 12.4 **Approval Gateway 2: Prior to financial commitment/contract (Acquisition or Start)**

12.4.1 Prior to any form of binding decision-making (under delegated authority or through the Executive) a second formal gateway reporting and consultation stage must be fulfilled.

12.4.2 In comprehensive format, the decision-taker/s will be provided with a detailed report capturing all aspects of a proposed development scheme (in which individual elements have had prior approval from individual Housing and Finance stakeholders).

12.4.3 Information for review can include:

- Scheme level issues: accommodation, tenures and prospective rents and charges
- Site issues: Site location and neighbourhood considerations; drainage and Highways
- Legal and valuation issues: confirmed valuation and due diligence.
- Planning issues: Planning status and risks; Design and access statement (if available)
- Site layout & property issues; Landscaping, Parking Floor plans, space standards, spec
- Financial details, long-term financing, borrowing, sources of subsidy
- Risks (including sales and marketing risks)

## 12.5 **Pre-Development Consultation (Community, NFDC Housing, Key Stakeholders)**

12.5.1 The focus on maximising best use from owned assets often places NFDC development projects in the neighbourhoods of existing NFDC stock. Where any proposed scheme is adjacent to NFDC residents, NFDC Management and Asset and stakeholders must be consulted at key stages, especially before finalising any design and planning application.

12.5.2 In exceptional cases where NFDC may consider undertaking redevelopment work to existing properties, timely and sensitive consultation is required, and independent advice may be needed to support residents. Affected NFDC residents may be prioritised for alternative accommodation, and scheme specific environmental enhancements and alternative parking arrangements may be required. Any statutory requirements for home loss and disturbance allowances will be met.

12.5.3 The agreed process for consultation will be discussed and confirmed at the earliest possible stage of project evaluation.

## 12.6 **Post completion with occupiers:**

12.6.1 Post completion the organisation's Project Team shall contribute to a residents' satisfaction survey, usually within 10-12 months allowing residents to experience heating during the winter season and also allow contractor defect performance to be adequately assessed.

12.6.2 The development staff shall gain feedback from the organisation's staff on the contractor performance, including sub-contractors, defect performance and any factors for improvement of future schemes.

12.6.3 Finally, the development team will regularly review the design brief and specification and incorporate any issues which have been raised as a result of tenant satisfaction surveys and which will improve performance on future schemes.



## **13.0 Governance, monitoring, audit, and review**

### **13.1 HRA Development Panel – endorsement and programme monitoring**

- 13.1.1 The HRA Development Panel provides the central forum for progressing new proposals and monitoring the HRA Housing Development Programme. Authority has been delegated to Officers for the day-to day delivery of individual projects but support for key gateway stages and significant project variations will need to be given by the Panel and minuted accordingly.
- 13.1.2 The HRA Development Panel will endorse the acquisition of land and approve affordable housing projects (excluding the purchase of individual ‘buy-back’ properties, which shall be made by officers).
- 13.1.3 Members: Executive Head of Housing and Governance, Head of Finance, Portfolio Holder for Housing, Portfolio Holder for Finance and Efficiency and the Chairman of the Housing Overview and Scrutiny Panel.
- 13.1.4 The Executive shall have authority to approve land and affordable housing projects within the overall annual budget agreed by Council.
- 13.1.5 Meet quarterly or for exceptionally arising matters
- 13.1.6 **HRA Development Panel delegated authority for project variation**
- 13.1.7 The level and focus of agreed delegated project variation (Cost, time, mix and tenures etc.) reported to the Panel, and the levels of delegated authority to NFDC Officers, needs to align with NFDC Financial Regulations and Standing Orders, and should be annually approved by the HRA Development Panel and minuted accordingly.
- 13.1.8 **Project progress and sign-off plan**
- 13.1.9 A project progress and sign-off plan (‘Project Plan’)” will travel with each project across its’ approval and development life. It will collate the projects key data and evidence approvals at key stages and consultation with relevant NFDC decision makers, i.e., the Housing Client (Need, Management and Maintenance), Finance and Planning and stakeholders. In combination, the Project Plan provides the basis of audit for the Service Manager, internal auditors, and where appropriate, external auditors.

### **13.2 Finance Manager (Housing Development)**

- 13.2.1 The Finance Manager will support and monitor the NFDC Housing Development programme, its’ integration into the HRA Business Plan and wider NFDC Finances. In addition, the Manager will ensure audit data is collated in a suitable format for reporting to the NFDC HRA Development Panel and HHOSP and monitor the Programme ‘Risk Register’ ensuring urgent risk and spend profiles are reported to the HRA Development Panel.

### **13.3 Audit and Homes England**

- 13.3.1 The Homes England ‘Audit Checklist’ will be used as the guiding method for collating development project audit data - an approach that provides a proven, central government methodology, but that also enables NFDC to be prepared and deliver on any future Homes England audit.

## **Appendix 1**

### **NEW FOREST DISTRICT COUNCIL SHARED OWNERSHIP POLICY**

#### **1. INTRODUCTION**

##### **1.1 Purpose**

This Policy sets out New Forest District Council's ("the Council's) approach to the marketing, selling (including re-sales) and the management of its shared ownership properties.

In developing this Policy, the Council has had regard to:

- Local issues of affordability.
- Council housing policy as set out in its Housing Strategy and Allocations Policy.
- Statutory provisions and guidance, and in particular, the following:
  - Leasehold Reform Act 1967
  - Housing and Regeneration Act 2008
  - The Housing (Shared Ownership Leases) (Exclusion from Leasehold Reform Act 1967) (England) Regulations 2009
  - The Housing (Right to Enfranchise) (Designated Protected Areas) England Order 2009
  - Homes England – Capital Funding Guide for Shared Ownership

##### **1.2 Policy Statement**

The Council is committed to providing a variety of affordable housing options to residents within the district. The Council's Shared Ownership Scheme will assist those households who wish to get on the property ladder but are unable to afford to buy a property on the open market due to high prices. The Council will align its shared ownership scheme to the Homes England model to ensure that all first and subsequent re-sales, are recognisable and acceptable to the market and mortgage lenders.

##### **1.3 Aims and Objectives of the Council's Shared Ownership Scheme**

- To provide locally connected households in affordable housing need greater housing choice through the development of shared ownership properties.
- To ensure that shared ownership properties are marketable and that prospective buyers can access mortgage finance.
- That the sale of shared ownership properties will be responsive to local demand and affordability levels, whilst contributing to the creation of viable development schemes and sustainable local communities.
- That the process of purchasing, staircasing and re-selling a shared ownership home is clear, transparent and complies with legislative and regulatory requirements.

## 2. PROCESSES AND PROCEDURES

### 2.1 ELIGIBILITY

To qualify for the Council's Shared Ownership Scheme, applicants must meet the eligibility criteria set out in this Policy

<b>Criteria</b>	
<b>Age</b>	18 years or over and resident in the UK
<b>Income</b>	Have a household income of less than £80,000 (national criteria requirement)
<b>Local Connection</b>	<b>DISTRICT</b> The applicant has been resident in the district for a continuous period of 2 years at the time of application, or the applicant has been resident in the district for 10 years or more in the past, or the applicant has been employed for a least 2 years within the district.
	<b>RURAL PARISHES</b> Applicants will be required to meet the eligibility criteria for rural parishes as set out in the Council's Housing Allocation Policy. Please see section 2.4 below.
	<b>RURAL EXCEPTION SITES</b> There may be additional requirements for local connection and cascades defined in a legal planning agreement accompanying planning consent.
<b>General</b>	Applicants who do not already own a home nor are named on an existing mortgage, unless they are an existing owner of: (a) A shared ownership property, or (b) In exceptional circumstances to be approved by the Executive Head of Governance and Housing in consultation with the Housing Services Portfolio Holder, if they meet the criteria in this Policy and they will have sold or will sell their property at the time as buying a shared ownership property.
	Applicant is unable to buy a home on the open market
	Applicant is able to demonstrate that they have a sufficient deposit, can afford to purchase a share in the property and can sustain home ownership in the longer term.

	If applicable, they must not be in rent arrears or in breach of their current tenancy agreement at the time of application.

## 2.2 THE LEASE

The Council will adopt the Homes England standard model leases for Shared Ownership with any appropriate adaptations considered necessary by the Executive Head of Governance and Housing.

### Length

The Council will normally grant an initial lease term of 125 years at first sale. If a lease length for a shorter period is proposed, an assessment of the impact on the value of the property and its acceptability to mortgage lenders will be completed and included within the initial scheme appraisal.

### Staircasing

Shared owners will be able to increase the share that they own at any time during the term of the shared ownership lease. This process is known as staircasing. The price paid, procedure for and the associated costs will be set out in the shared ownership lease.

### Re-sales

The shared owner is required to notify the Council of their intention to re-sale the property. The process and procedure for re-selling, including any nomination and pre-emption rights will be contained in the lease (Note on a resale, there will be a right for the Council to re-acquire the property).

### Additional Borrowing

The shared ownership lease will specify the circumstances in which additional borrowing can be secured against the share of the property. In each case the Council's written approval will be required.

### Subletting

A shared owner will not be permitted to sublet part or all of the property; however, they will be entitled to have a lodger/paying guest.

### Supplemental Lease Clauses

Additional nuisance clauses will be included within a shared ownership lease where appropriate or necessary for neighborhood management reasons or to comply with property title or planning requirements.

## **2.3 REGISTERING AND APPLYING FOR SHARED OWNERSHIP HOMES**

### **2.3.1 Registration**

The existing Help to Buy Agent (Help to Buy South) already manages and administers the principal register of eligible households interested in shared ownership for the New Forest District. Households interested in purchasing a shared ownership home will be required to register with the Help to Buy agent to assess and confirm they are eligible (see section 2.4) and can afford a shared ownership home. The Council will advertise its shared ownership homes and accept applications through the local Help to Buy agent

In addition to the Help to Buy shared ownership register, the Council will hold and administer a list of households who have contacted the Council with an interest in shared ownership (Register of Interest). The list will be managed by the Housing Strategy and Development Team and will be for the purposes of shared ownership marketing.

### **2.3.2 Application Process for Purchasing a Property**

Applicants wishing to purchase a shared-ownership home with the Council will be required to complete an online shared ownership application form, providing details of the property they wish to purchase, confirmation of their registration with the Help to Buy Agent, and all supporting information e.g., local connection status.

The District Council will review the application and confirm in writing.

- If the application meets the New Forest District Council eligibility requirements.
- If further information or supporting evidence is required.
- If the application does not meet the eligibility requirements for the scheme.

Prior to agreeing a shared-ownership sale, all applicants will be required to undertake and meet the requirements of an independent financial assessment by an appropriate body nominated by the Council. A detailed assessment of affordability and sustainability will be completed by the independent financial organisation. The applicant will need to consent for a copy of the assessment to be sent to the Council to review.

Applicants will be expected to proceed to exchange of contract within 10 weeks from the date of agreement to purchase.

### **2.3.3 Assessing affordability**

Applicants must be able to afford not just the initial cost of purchase but the ongoing costs of their home. After the financial check has been completed in accordance with section 2.3.2 above, the Council will review and confirm that an applicant can afford to purchase the property and the ongoing rent and mortgage payments.

### 2.3.4 Reservation fees

To secure their interest in a shared ownership home an applicant will be required to pay a reservation fee of £500 for new build properties. The reservation fee will be payable once their application for the property has been received and the Council has formally confirmed the application has been accepted.

The fee will be held by the Council and will be deducted from the final balance of payment on the completion of the sale, including any interest (based on the standard rate at the time) accrued in that time.

Where an applicant withdraws their application, or the Council withdraws from the sale of a shared ownership the reservation fee will be refunded in full.

### 2.3.5 Withdrawing a shared ownership application

#### *Applicant Withdrawal*

If an applicant wishes to withdraw their application for a shared ownership property this must be confirmed to the Council in writing, setting out the reasons for their withdrawal.

#### *Council Withdrawal*

Where an applicant fails to progress the purchase of their shared ownership home within the agreed timescale, the Council reserves the right to withdraw from the sale. Before doing so, the Council will send a notice of its intention to withdraw from the sale and give the applicant a final opportunity to complete the sale within the agreed timescale.

## **2.4 ALLOCATION AND PRIORITISATION**

2.4.1 The first sale of all new build shared ownership homes developed by the Council will be prioritised for households with a local connection to the New Forest District.

- Shared ownership homes within larger settlement areas will be prioritised for those with a District connection.
- Shared ownership homes developed in rural parishes will be prioritised in line with the Rural Parish Connection criteria and a time-based cascade giving priority to the Rural Parish, adjoining Parishes, and thereafter the rest of the District.
- Shared Ownership homes forming part of Rural Exception Sites will be prioritised according to the requirements set out in site specific legal planning agreements.
- The Council reserves the right to exercise its discretion to allow an allocation outside these rules. The exercise of such a discretion is reserved to the Executive Head of Governance and Housing in consultation with the Portfolio Holder for housing.

### **Areas with a District Connection**

<b>AREA</b>
Ashley
Blackfield & Langley
Calmore
Calshot
Dibden & Dibden Purlieu
Eling
Fawley
Fordingbridge
Holbury & Hardley
Hythe
Lymington
Marchwood
New Milton
Pennington
Ringwood
Totton
Walkford

### **Areas with a Rural Parish Connection**

<b>RURAL PARISH</b>
Ashurst/Colbury
Beaulieu
Boldre/Pilley/Norley Wood
Bransgore/Sopley
Breamore
Brockenhurst
Brook/Bramshaw
Burley
Copythorne/Bartley
Damerham
Denny Lodge
East Boldre/East End
Ellingham/Harbridge/Ibsley
Exbury/Lepe
Godshill
Hale
Hordle
Hyde
Lyndhurst
Martin
Milford
Minstead
Netley Marsh/Woodlands
Rockbourne
Sandleheath
Sway
Whitsbury
Woodgreen

## 2.4.2 Prioritisation of Applications:

### (a) District

Properties will be sold on a first come, first serve basis to the first applicant who is able to proceed with the purchase.

### (b) Rural Parishes

In the first instance applications for properties situated in a rural parish will be available for a time limited basis (such time limit to be determined by the Executive Head of Governance and Housing in consultation with the Portfolio Holder for Housing Services) to applicants who satisfy a rural connection band as defined in the Council's Housing Allocation Policy and as set out in the table below. Properties will be sold to the first applicant who satisfies any of the rural connection bands for that rural parish and who is able to proceed with the purchase.

If there are two or more such applicants who are both ready to proceed with the purchase, the Property will be sold to the applicant with the highest rural connection band to that rural parish as defined in the Council's Allocation Policy.

<b>RURAL BAND</b>	<b>CONNECTION</b>	<b>CRITERIA</b>
Band A		Applicants who live or are in Employment in the Rural Parish and have been so for longer than 10 years or who have lived in the Rural Parish for longer than 10 years previously or a designated key-worker performing an essential service for the Rural Parish community where there is an established need for the Applicant to be rehoused to maintain the service.
Band B		Applicants who live or are in Employment in the Rural Parish and have done so for longer than 5 years, or who have lived in the Rural Parish for more than 5 years within the last 15 years, or whose parents, siblings or adult children live in the Rural Parish and have done so for 10 years or longer.
Band C		Applicants who live or are in Employment in the Rural Parish and have done so for longer than 2 years, or who have lived in the Rural Parish for more than 2 years within the last 15 years or whose parents, siblings or adult children live in the Rural Parish and have done so for 5 years or more.

If no applications are received from an applicant with a rural connection band within the time specified, the Council will allow applications from neighbouring Parishes for a further time limited basis (such time limit to be determined by the Executive Head of Governance and Housing in conjunction with the Portfolio Holder or Housing Services). Applications may then be extended to the district if no eligible applications are received at the end of this period.



### (c) Rural Exception Sites

Prioritisation will be in accordance with any conditional requirements which may apply as defined in a legal planning agreement accompanying planning consent.

### (d) Prioritisation following Withdrawal

If a sale does not proceed because either the Council or the applicant has withdrawn in accordance with section 2.3.5 above, save for rural parish and rural exception sites, the Council will re-open the sale of the property to the next person who is ready to proceed with the sale from the list of initial applicants. For rural exception and rural parishes, the sale of the property will be re-opened in accordance with the provisions set out at sections 2.4.2(b) and (c) above.

## **2.4 MARKETING AND SELLING**

### 2.4.1 Local Sales Plans

Local Sales Plans will be prepared for each development, in which the scheme specific marketing strategy and sales objectives will be set out. The Local Sales Plan will be reviewed throughout the development and sales period, being amended as necessary to respond to changing local circumstances and changes in the market or national policy.

### 2.4.2 Marketing and Show Homes

The Council will market shared ownership homes through the Help to Buy Agent's shared ownership register, the Council's own Home Ownership Interest List and local communities where the shared ownership homes are being developed. Applicants on the Council's Social Housing Register who have expressed interest in shared-ownership will also be provided with marketing information.

Shared ownership homes will be advertised on the Help to Buy Agents website and the Council's website. Adverts will be accompanied with high quality images, property details, the value of the property and the cost of the minimum share, expected rents and services charges. Shared ownership homes will be advertised on additional platforms, including local papers, through open days, site signboards and through the direct and digital marketing to potential buyers.

For schemes including five or more shared ownership homes a shared ownership show home may be provided, subject to local sales conditions (costs to be set out and agreed as part of the Local Sales Plan).

### 2.4.3 Viewings

All property viewings will be attended by a representative of the Council. Viewings will be carried out at reasonable times and at times convenient to the applicant

### **3. SCHEME MANAGEMENT**

#### **3.1 VALUATION AND SALES**

##### **3.1.1 Purchase Price**

Shared ownership sales valuations will be prepared by independent RIC's valuation surveyors in line with industry best practice and Homes England shared ownership regulations. Valuations will be valid for a period of 3 months. Where the sale of a property does not complete within 3 months from the date of the valuation the Council will arrange for the valuation to be updated.

##### **3.1.2 Initial Percentage Sells**

In line with the national shared ownership model prospective buyers will be permitted to purchase a share of not less than 25% and no more than 75% of their shared ownership home at initial sale.

The percentage share sold will be the maximum the prospective purchasers can afford and sustain.

##### **3.1.3 Shared Ownership Specifications**

Shared ownership homes will be fitted with

- Carpets.
- Suitable flooring in wet areas (kitchens and bathrooms); and
- Integrated cookers and extractor hobs will also be fitted in all homes.

#### **3.2 RENTS AND SERVICE CHARGES**

##### **3.2.1 Rents at First Sale**

In setting shared ownership rents, the Council will have regard to the total affordability of the shared ownership home, including mortgage and service charge costs. However, the rent at first sale will be charged at no more than 2.75% of the value of the unsold equity, in line with typical rental charges for this tenure and recommendations by Homes England.

Once the initial rent has been confirmed it will be clearly identified in the marketing of the shared ownership home. The initial sale will be clearly incorporated within the shared ownership lease.

##### **3.2.2 Rent Reviews**

Shared ownership rents will be reviewed on the same date each year. The date will be clearly specified in the shared ownership lease. The leaseholder will be notified in writing of the new rent.

Annual rent increases will not exceed requirements specified within the Homes England Standard Lease.

### 3.2.3 Service Charge and Sinking Fund

Within apartment blocks the Council will manage, repair, and maintain all common areas of the building and property and will retain overall responsibility for the building.

Where applicable service charges and sinking funds will be clearly identified and scheduled in the shared ownership lease.

Services charges and sinking funds will be reviewed and completed on an annual basis in accordance with the shared ownership lease.

## 3.3 RESPONSIBILITIES

3.3.1 The respective responsibilities of the Council and the shared owner will be set out in the shared ownership lease.

3.3.2 Within the Council the following services will be responsible for the management of the shared ownership scheme as follows:

<b>SERVICE</b>	<b>RESPONSIBILITY</b>
Housing Strategy and Development Team	<ul style="list-style-type: none"><li>• Marketing and initial sales; including management of the Register of Interest.</li><li>• Staircasing and re-sales</li></ul>
Housing Estates Management Team	<ul style="list-style-type: none"><li>• Management of the leasehold, including rent, service charge and sinking fund collection</li></ul>
Housing Maintenance Team	<ul style="list-style-type: none"><li>• Maintenance and repairs of communal areas and elements of the buildings for which the Council has responsibility</li></ul>

## 3.4 DISCRETION

The Council reserves the right to exercise its discretion in relation to any aspect of this Policy where it is deemed necessary and appropriate and in particular to ensure compliance with its statutory duties, including under the Equality Act 2010. The exercise of discretion is reserved to the Executive Head of Governance and Housing in consultation with the Portfolio Holder for Housing.

## 3.5 DATA PROTECTION

In accordance with the Council's statutory obligations under the Data Protection Act 2018 and the General Data Protection Regulations, all applicants will be made aware of how their personal information will be processed. Information recorded on the Council's system and on the Applicant's, file will be shared with partner landlords and other agencies as necessary. Consent from the Applicant for information sharing will be sought in all cases. For a copy of the Council's

### **3.6 EQUALITIES AND DIVERSITY**

The Council is subject to the general public sector equality duty as set out at s.149 of the Equality Act 2010. The Council and its partner landlords are committed to providing equality of opportunity to all individuals who apply for housing. Monitoring of applications and allocations may take place to ensure that everyone is being treated fairly.

All applicants may be asked to provide details of age, gender, ethnic origin, religion, and sexual orientation. This is to allow the Council to monitor who is applying and being allocated housing and to ensure that properties are being offered and allocated fairly.

### **3.7 POLICY REVIEW AND AMENDMENTS**

This Policy will be reviewed every 2 years, or if required sooner due to regulatory or market changes. The Executive Head of Governance and Housing in consultation with the Portfolio Holder for Housing can amend any aspect of this scheme at any time as may be considered necessary or appropriate for the effective delivery of the Council's Shared Ownership Scheme.

## Appendix 2

### AFFORDABLE RENT POLICY

#### 1. INTRODUCTION

- 1.1 This report considers and recommends an Affordable Rent Policy.

#### 2. BACKGROUND

- 2.1 The Affordable Rent model of social rented housing was introduced in 2011 to increase the capacity to finance and deliver more affordable housing. The model was seen as providing two major benefits, firstly making the best possible use of constrained public subsidy and the existing social housing stock, and secondly by creating an offer which would be more diverse for people accessing social housing, providing alternatives to traditional social rent<sup>6</sup>. The increased rental income associated with the model would extend the scope of available public capital subsidy for new development, whilst more capacity for borrowing would also be generated by permitting a controlled number of existing social rented homes to “convert” to Affordable Rent.
- 2.2 During the intervening years the national policy approach to Affordable Rent has been supported through the Affordable Homes Programme 2011/15, 2015/18 and 2018/21. Notably in the latest available annual dataset (2018/19) 76.8% of all new affordable homes for rent across England were delivered as Affordable Rent<sup>7</sup>. The model is set to continue as part of the next national Shared Ownership Affordable Homes Programme (2021/26) with plans for approximately 50% of funded homes being delivered for Affordable Rent or Social Rent, and 50% of funded homes providing routes into homes ownership.
- 2.3 However, as a tenure that is strictly controlled and monitored by Homes England, many aspects of the model are predetermined, and only those homes that are specifically approved by the Regulator can be let at Affordable Rents.
- 2.4 Commitments to deliver homes for Affordable Rent were adopted by New Forest District Council in its Housing Strategy (2018). With exceptionally high housing costs and land values, introducing the tenure in a managed way would place the council in a stronger position to deliver more affordable homes, and secure opportunities on the same basis as Housing Associations.

#### 3. DEFINITION OF AFFORDABLE RENT

- 3.1 Where Affordable Rent is being charged, the maximum rent inclusive of service for a new tenant under a new tenancy is 80% of the market rent for

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<sup>6</sup> Ministerial Statement by Housing Minister 9<sup>th</sup> December 2010

<sup>7</sup> Social Rent 16.8%; London Affordable Rent 2.6%; Intermediate rent 3.7%

the tenant's accommodation (Ministry of Housing, Communities and Local Government Rent Standard – April 2020).

- 3.2 Affordable Rents must be based upon a valuation of market rent including service charges, in accordance with a Royal Institution of Chartered Surveyors (RICS) recognised method
- 3.3 On each occasion that an Affordable Rent tenancy is granted, including the granting of a further flexible tenancy term to the same tenant, the rent is re-set based on a new market rental valuation.
- 3.4 The rent of an existing Affordable Rent tenant (including where they have a new tenancy) may not be increased by more than CPI+1% in any year, subject to specified limits<sup>8</sup>.
- 3.5 Social Rent properties may not be converted to Affordable Rent without the prior approval of Homes England<sup>9</sup>

#### **4. NEW FOREST DISTRICT COUNCIL AFFORDABLE RENT POLICY**

##### **When and where homes for Affordable Rent will be provided**

- 4.1 Proposals to provide homes for Affordable Rent will only be advanced when Homes England support is likely to be considered and where the following conditions are met:
  - 4.1.1 When the delivery of homes for Affordable Rent have been specified as a planning obligation/condition,  
or,
  - 4.1.2 Where the provision of homes for Social Rent would require high levels of capital subsidy from New Forest District Council  
and
  - 4.1.3 Where the provision of homes for Affordable Rent would not conflict with the achievement of sustainable mixed communities.  
and
  - 4.1.4 Where housing need evidence supports the current and future demand for homes at Affordable Rent levels.
- 4.2 New Forest District Council has no plans or approvals to convert existing Social Rented homes to Affordable Rent

##### **Rent levels**

- 4.3 Affordable Rents will be set in accordance with the relevant legislation and/or Homes England Rent Standard Guidance in force at the time

##### **Rent valuations**

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<sup>8</sup> Ministry of Housing, Communities and Local Government & Regulator of Social Housing Rent Standard 2020

<sup>9</sup> NFDC has no plans or approvals to convert existing Social Rented homes to Affordable Rent

- 4.4 An external RICS Valuer or an internal RICS Valuer within the Council's Valuation and Estates Team will undertake the valuations and stipulate the market rental value inclusive of any service charge in line with Homes England guidance. Initial Affordable Rents will continue to be set at up to 80 percent of the market rental value including any service charges subject to an affordability rent cap (see 4.6 below). The initial rent will be re-set, based on a new market rental value, on issuing a new tenancy.

#### **Nil grant funded affordable housing**

- 4.5 Nil grant funded affordable housing delivered as a Planning condition or obligation will be let at an Affordable Rent provided that the Section 106 Agreement permits it and the homes have been approved through the Homes England Information Management System (IMS).
- 4.6 Ex local authority homes that are acquired under the council's buy-back scheme will be let at Social Rent levels, in accordance with the target rent setting formula.

#### **Affordable Rent Caps**

- 4.7 Subject to Homes England approval initial rents and reset Affordable Rents will be 'capped' to not exceed Local Housing Allowance levels relevant to the size of accommodation and the Broad Rental Market Area in which they are located.

### **5. FINANCIAL IMPLICATIONS**

- 5.1 Homes for Affordable Rent generate a higher rental income than equivalent homes for Social Rent however all service charges must be included.

### **6. CRIME AND DISORDER IMPLICATIONS**

- 6.1 There are none arising from this report.

### **7. ENVIRONMENTAL IMPLICATIONS**

- 7.1 None arising from this report

### **8. EQUALITY AND DIVERSITY IMPLICATIONS**

- 8.1 The Council is subject to the public sector equality duty, as set out in section 149 of the Equality Act 2010. The duty covers defined protected characteristics comprising age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, and sexual orientation. The Council must have due regard to the requirements of the public sector equality duty in the exercise of its functions, particularly in the introduction of new policies.
- 8.2 This policy to introduce Affordable Rent has no impact on the protected characteristics under the Equality Act. This policy is based on national policy set out for Affordable Rent. Current and future housing legislation governs the way that social housing is allocated in addition to the Council's own housing

allocation policy and this protects those in housing need and prioritises families, older people, and disabled people. An Equality Impact Assessment was carried out on the current Housing Allocation Policy which was adopted by the Council in April 2019 and through which homes for Affordable Rent will be allocated.