

REPORT TO:	Housing and Community Services Committee	AGENDA ITEM: 10
DATE OF MEETING:	7th February 2008	CATEGORY: Recommended
REPORT FROM:	Director of Community Services	OPEN:
MEMBERS' CONTACT POINT:	Bob Ledger (ext 5775)	DOC:
SUBJECT:	Investment and resource strategy for affordable housing	REF:
WARD(S) AFFECTED:	All	TERMS OF REFERENCE: HCS01, FM01

1. Recommendations

- 1.1 Committee approve the strategy outlined in the report and as a result of the request made by the Finance and Management Committee at its 18th October 2007 refers it back to the next meeting of that Committee.
- 1.2 Committee reaffirms the sheltered housing vision and standards as an affordable housing and regeneration investment priority along with the facilitation and provision of new rural affordable housing and a leasing scheme designed to bring empty private sector properties back in to use for people in need at affordable rents.
- 1.3 Committee agrees that where individual specific projects are identified for funding under the investment priorities listed at 1.2 that they be approved by the Council's external auditor to ensure compliance with the government's criteria relating to affordable housing and regeneration re-investment.

2. Purpose of Report

- 2.1 To consider the approach to take to the sale of housing assets both land and property.

3. Background

- 3.1 A key aim of the Council is to "strive towards excellence". The regulatory body for Councils, the Audit Commission, states that an excellent strategic approach to

housing will display the following:

“The council will have well developed policies and procedures to enable the development of affordable housing. This includes effective arrangements for rural housing (where relevant), for example through exception sites and maximising affordable housing on windfall sites. It has maximised the amount of affordable housing provided through all means (**land, the use of its own resources**, Housing Corporation’s National Affordable Housing Programme and planning gain) and this meets a range of needs – rented, shared ownership, below market price, and key worker housing– in line with demand for homes”.

- 3.2 At the special meeting of the Housing and Community Services Committee held on the 4th September 2007 the Council developed its approach to affordable housing delivered through mainstream planning gain on the ‘Derby fringe’. This will be further enhanced when the full research into the market needs assessment is published in Spring 2008.
- 3.3 The recent Housing Green Paper, considered by this Committee at its 11th October 2007 meeting, stresses the importance of the local authority strategic role. It notes that there is potential for 60,000 new homes on surplus brownfield land owned by local authorities and promises that a new approach to the use of vacant land owned by local authorities will be launched to provide additional housing.
- 3.4 This Council does not own large tracts of ‘greenfield’ sites. Its land holdings are mainly in the main centres and predominantly in the urban core (2-3 mile radius of Swadlincote town centre). In this regard its direct use for Housing is as infill sites most of which will be ‘brownfield’ (where there has been a previous commercial/industrial use).
- 3.5 In reviewing the Council’s capital investment strategy at its 18th October 2007 meeting, the Finance and Management Committee requested that the Housing and Community Services Committee develop a policy on the investment in affordable housing including options for delivery.
- 3.6 Council land and property assets are either vested in the Housing Revenue Account (HRA) or the General Fund. If they are vested in the HRA they have normally been acquired utilising HRA monies (rent income from tenants) and/or relate to a predominantly housing issue e.g. clearance of poor quality housing in the 1960s and 70s. Other land assets vested in the general fund will have been acquired utilising council tax or ratepayer resources and will usually not have been related to a housing issue.
- 3.7 The distinction between HRA and General Fund assets is important when it comes to how the income from any disposal of the assets is utilised as the government have different rules applying to the different property portfolios.
- 3.8 If a Council sells or disposes of a general fund asset it can utilise a 100% of the receipt for any activities it may decide upon. Members will be aware that when

council homes are sold under the right to buy 75% of the income generated goes to Government. The government also take 50% of the sale of housing land or other housing assets and thereby only 50% is usable by the Council

- 3.9 However a 100% of the receipt from housing land/assets is usable if it used for the provision of affordable housing or regeneration. If somewhere between 50 and a 100% is used for housing or regeneration of the portion that is not, 50% of that will still go to the national pool.
- 3.10 In this way the Government is encouraging local authorities to particularly examine their HRA land holdings in relation to the provision of new or improvement of existing affordable housing.
- 3.11 Members may be aware that an Audit Commission inspection of the Council's strategic housing function is scheduled for the 2008/9 financial year. In their own guidance the Commission state: "an excellent Council has been innovative and thorough in its assessment of available resources to meet its aims". Recent published inspections strongly criticise Councils who fail to use their resources, in particular land, to meet housing needs.
- 3.12 Our own Housing Strategy has as a key objective to: "ensure there is an adequate supply of homes to meet needs". All the housing need assessment work undertaken in the last couple of years clearly evidences that there isn't an adequate supply and therefore the Council needs to reflect that in its policies in relation to the use of its own assets.
- 3.13 In order for the Council to "maximise" the income potential from the sale of its housing assets (other than assets lost through the Right to Buy) it would need to commit those resources to affordable housing.
- 3.14 Irrespective though of the final use of the income generated the Council does need to establish its affordable housing priorities through formal Committee process. The Council currently has one identified priority for affordable housing investment and that is the delivery of its sheltered housing vision. The rest of this paper recaps on the sheltered housing vision and proposes that there should be two additional investment priorities.

4.1 Affordable housing investment priority 1: Sheltered Housing Vision

- 4.1.1 As part of the improvement journey that the Housing Service has been on in 2003 it created, through the Committee process, a vision and set of standards which it wished to achieve in its sheltered housing stock. This followed on from other fundamental changes such as the move away from residential wardens to mobile wardens (and consequent reduction in staffing) and the decommissioning (and subsequent sale) of two large sheltered housing units. This sale of sheltered housing assets generated income enabling a commencement to be made on delivering the physical improvements required to achieve the sheltered housing

vision and standards.

4.1.2 The two sheltered housing units that were sold generated income after fees in the order of £888k. To date £539k has been spent on: a total and complete renewal of the emergency call equipment in approx 1,070 homes and the control centre; replacing Peartree Court communal heating system and; decommissioning /commissioning (bringing properties into and removing them from the sheltered portfolio). Works to the value of £349k have been tendered and are about to go on-site to deliver phase 1 of the physical improvements. To complete the project, and deliver on the commitments made to customers in full, will require a phase 2 programme of works to the value of £620k. The sheltered housing vision and standards has been the subject of several detailed committee reports over recent years. The detail included how the sheltered vision and standards arose, the extensive customer consultation process that was undertaken in its creation and what the programme of improvements has achieved to date.

4.1.3 As the programme of delivery is 60% complete it would make sense to commit resources that complete the project. It is therefore proposed to reaffirm previous Committee decisions and continue with this project as an investment priority utilising the proceeds of housing land and property asset sales to fund delivery.

4.2 Additional affordable housing investment priority 2: Rural affordable housing

4.2.1 As well as the District wide market needs assessment that is informing the Council's position on S106 planning gain developments we will, by the end of this month, have completed detailed surveys of all our rural communities. This has been a three-year project resulting in very specific affordable housing targets for these small settlements. There is currently very limited opportunity to progress these very specific and very local housing needs to the provision of new affordable housing.

4.2.2 The commitment recently made in Committee and approved by Council will not directly deliver any housing in many of our current communities. The S106 agreements made under planning procedures for developers only deliver a % of their developments at affordable levels (both for rent and shared ownership) where there are at least 15 new units of accommodation being delivered. Under this threshold the commitment on delivery of affordable housing does not apply.

4.2.3 Most rural housing developments are small in nature and are usually less than 15 units. The opportunity to deliver affordable housing in rural communities through the 'planning gain' or S106 process therefore does not usually exist.

4.2.4 In line with good practice and to gauge the real actual and specific need for new affordable housing in our rural communities we have through a specialist consultancy been undertaking the full housing needs research over the last three years. By the end of this month all of our communities with less than 3,000 inhabitants will have had the research done and a report on the actual physical

need for new affordable accommodation produced. To date 42 communities have had research projects and 29 reports have been produced identifying the need for 153 properties across 30 communities (see detail at appendix 1).

- 4.2.5 Although we carried out the surveys to better understand our communities and the real measurable demand in line with good practice, expectations have been raised that we will do work to deliver on the needs identified. The measured demand in these local surveys is actual South Derbyshire current resident demand and not about travel to work patterns or the growth point for the Derby sub region etc. To deliver affordable housing in these small communities will be in line with community needs and wishes. In most of the 42 separate research projects the relevant parish council has been supportive of the project. In some cases the parish council has actually been involved in the actual research. The parish councils will be anticipating that something is done to deliver on the identified housing need.
- 4.2.6 The problems in actual delivery of affordable housing in these small communities are primarily about land availability and subsidy to build and occupy at below market levels. Under the planning process new housing developments are usually only allowed within the village envelope (broadly within the extent of the current houses and buildings). Consequently most new developments are infill developments where the size of the land available is only capable of taking a small number of units (usually less than ten and often just one, two, three or four properties).
- 4.2.7 As part of the local housing needs research that is coming to completion the researchers have also been undertaking a search of potential land availability both infill sites and possible exception sites (land outside the village envelope, but usually immediately adjacent to it, where an exception to the presumption of no new development may be made). In prioritising the development of affordable rural housing, unlocking the shortage of land is key. Therefore investment in rural affordable housing is as likely to be about acquiring infill or possible exception site land or making contaminated land usable as it is about helping fund the properties subsequently developed on that land.
- 4.2.8 In establishing new affordable rural housing as an investment priority it would be preferable to establish a matrix putting together the 30 in need of affordable housing communities with all the possible land opportunities around those communities and establish that through this Committee report. The benefit of this would be to determine priorities and to be clear about the land being identified. However there are a number of issues with such an approach including;
- The scale of such a task would involve significant time and resources. Indeed it is the role of the new local development framework (LDF) and associated documentation to identify land usage issues and South Derbyshire's LDF will not be available until 2011 at the earliest.
 - Land purchase is often a sensitive matter and the subject of delicate negotiation not only between seller and purchaser but adjacent

- landowners, the wider parish and planners.
- Many initial land purchase possibilities often fail to materialise and therefore people's hopes, worries or concerns may be raised unnecessarily.

4.2.9 As stated above the survey work of the last three years though has involved initial assessments of land possibilities in the communities identified and where progress could be made now in the development of new affordable rural housing if resources were available.

4.2.10 Communities which include a serviced village (shop, bus, pub, etc) are more likely to receive some external funding from the Housing Corporation or investment from other partners such as Registered Social Landlords if the Council is also prepared to make a contribution. Another factor in determining which communities should be prioritised for progress now is the level of need identified in communities.

4.2.11 There are therefore three known factors available now to inform the decision about which communities should be progressed for new additional affordable housing in the short to medium term. Utilising the three factors a proposed short list has been arrived at as follows:

Priorities for progression:

- Aston on Trent
- Etwall
- Hatton and Hoon
- Linton
- Newton Solney
- Overseal
- Rosliston
- Ticknall
- Coton in the Elms
- Church Broughton and Barton Blount (north west parishes)

4.2.12 It is proposed though that the list at 4.2.11 should not be overly prescriptive and that as and when opportunities arise in other identified need communities they be progressed to ensure that they are not missed.

4.3 Additional affordable housing investment priority 3: Investment in private sector housing in order to generate properties to meet housing need at affordable levels

4.3.1 A scheme is proposed that would bring long-term void (empty) properties in the private sector back in to use for those identified in need through the Council's homelessness obligations or waiting list for social housing.

- 4.3.2 The proposal is that landlords / private owners be offered a package of management and maintenance input from the Council in return for leasing their property to the Council for a set period. It is envisaged that the length of the lease by the property owner would be linked to the amount of investment made by the Council prior to letting to bring it upto to a good standard of repair. The other advantage for the owner would be that the Council would take on the management of the property and its occupants utilising its estate management knowledge. Often, for smaller landlords or single property owners, the biggest worry about renting is their ability to control the behaviour of the tenant. In this arrangement the Council would manage that risk.
- 4.3.3 It is envisaged that the property owner would still receive a modest rental income for the duration of the lease term but that would also be a reflection of the amount of investment the Council has made up front.
- 4.3.4 The property would be returned in guarenteed good repair following the lease period. On-going repairs arising through the period of the lease would also be carried out by the Council.
- 4.3.5 In summary, this proposed scheme would secure the re-occupation of empty and derelict property on a fixed term lease which would be let to homeless and other vulnerable people at an affordable rent. Under the terms of the lease the Council would be responsible for meeting the cost of initial, essential repairs together with ongoing maintenance costs and full management of the property. The scheme would increase the availability of decent, affordable housing to let whilst reducing the number of long term empty homes in the district (currently in excess of 450 homes).
- 4.3.6 The funding would be required to pay for the initial capital improvements to make the property habitable and bring it into good order. The management and ongoing repairs would be funded out of the rental income stream.
- 4.3.7 The detail of the scheme with three likely packages of different support and investment from the Council in return for three different levels of commitment in terms of length of lease and rental level would be presented to Committee at a later. What is being sought at present from members is a commitment to the scheme in principle in order that it can be tested against the Government's criteria by the external auditor.
- 4.3.8 The private rented sector tends to have a higher concentration of flats i.e. higher number of smaller units generate higher overall income returns for landlords. These are often more suited to occupation by couples and single people rather than families. As the social housing stock of the District is predominantly family housing there is an even higher level of unmet need in the single and couple client groups. This initiative therefore will go some way towards addressing that current imbalance of supply and demand in the District.

5. Mechanism for deciding the use of receipts of housing land and assets sale

- 5.1 As and when resources are generated by the sale of Housing land or assets the Finance and Management Committee will decide how those receipts are used. The Director of Community Services will prepare the relevant report for consideration by that Committee

6. Financial Implications

- 6.1 The report in entirety is about the use of assets.

7. Corporate Implications

- 7.1 The Council's regulators, the Audit Commission, recommend that the Council have a process in place that identifies affordable housing and regeneration as a priority and how it will deliver on that priority. Therefore there is a risk in terms of regulation in not adopting the process (or a similar alternative) identified in the report.

8. Community Implications

- 8.1 Living in good quality, affordable housing can improve our social environment and economic well-being i.e. investment in this area will enhance the District as a whole. It can help to create better communities that can attract investment into local areas and can have benefits for the next generation.

Summary of Housing development need in rural communities

Community	Serviced community	Identified housing need in property numbers	Land opportunity?	Recommended for short-medium term progression
Aston on Trent	s	13		Yes
Barrow up on Trent		5		
Bretby		2		
Burnaston		0		
Coton in the Elms		9	Yes	Yes
Church Broughton and Barton Blount		8	Possible	Yes
Dalbury Lees, Radbourne, Bearwardcote		3		
Drakelow and Cauldwell		0		
Egginton		2		
Elvaston		0		
Etwall	s	18	Possible	Yes
Findern	s	13		
Foremark and Ingleby		0		
Foston and Scopton		0		
Hatton and Hoon	s	16		Yes
Linton	s	10	Possible	Yes
Lullington and Catton		4		
Netherseal	s	0		
Newton Solney	s	3		Yes
Overseal	s	9	Yes	Yes
Repton	s	Survey results due late February		
Rosliston	s	6	Possible	Yes
Shardlow	s	10		
Smisby		1		
Stanton by Bridge and Swarkestone		0		
Sutton on the Hill, Trusley, Ash, Osleston and Thurvaston		4		
Ticknall	s	7		Yes
Twyford & Stenson		0		
Walton on Trent		3		
Weston on Trent		7		
Willington	s	Survey on deferred pending appeal outcome		
Total		153		

s – a 'serviced village' in Housing Corporation terms