

REPORT TO:	HOUSING AND COMMUNITY SERVICES COMMITTEE	AGENDA ITEM: 8
DATE OF MEETING:	19th AUGUST 2021	CATEGORY: RECOMMENDED
REPORT FROM:	ALLISON THOMAS – STRATEGIC DIRECTOR (SERVICE DELIVERY)	OPEN
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SUBJECT:	FUTURE DELIVERY OF NEW COUNCIL HOUSING	
WARD(S) AFFECTED:	ALL WARDS	TERMS OF REFERENCE: (See Notes)

1.0 Recommendations

- 1.1 That the Committee approves an assessment methodology to inform the development or acquisition, redevelopment, or refurbishment of land and Council housing (see Appendix 1)
- 1.2 To consider the research findings relating to housing needs and current social housing stock across the District (see Appendix 2).

2.0 Purpose of the Report

- 2.1 To propose an assessment methodology to enable consistency in the development or acquisition of new Council housing and the redevelopment or regeneration of existing housing sites.
- 2.2 To ensure that each opportunity is assessed and proposed or dismissed based on sound reasons that align with the Council's corporate priority to meet identified housing needs within the District
- 2.3 To create a transparent process that achieves best value for the Council, for assessing land and purchase options as and when they arise
- 2.4 To prevent the Council missing out on future development opportunities.

3.0 Detail

- 3.1 Members may recall a report presented to Housing and Community Services Committee in November 2017 that outlined the preferred options for delivery of new Council Housing. The report concluded that the Council would pursue the acquisition of s106 units whereby a scheme offered value for money and where homes were situated in areas of identified housing need. The recommendations contained in the report also enabled land led opportunities on Housing Revenue Account (HRA) land to be pursued where design and build contracts could be procured, that Right to Buy (RTB) buy backs could proceed where the purchase would represent value for money and that acquisitions would be assessed on a site-by-site basis with all final decisions being approved at this Committee. This approval process was further endorsed by a subsequent report to this Committee regarding the redevelopment of Smallthorn Place.
- 3.2 Since that report was presented, 31 new Council homes have been added to the housing stock through acquisition, buyback of RTB and by utilising HRA land to build on.
- 3.3 A technical officer Council Housing Development Group, Chaired by the Strategic Director – Service Delivery, was established in August 2020 to drive forward the Council's strategic approach to the refurbishment, redevelopment and regeneration of the Council's housing stock and acquisition of new properties. It also holistically considers the opportunities presented to the Council from land deals, s106 bidding, utilisation of HRA and general fund land and other mechanisms for delivery of new Council housing across the District. A member is invited to join this group.
- 3.4 The Housing and Community Services Committee approved the updated Housing Asset Management Strategy Action Plan on 20 August 2020. The outstanding action within the Action Plan relating to the development and /or acquisition of new homes is included in the table below.

Priority	Action/Task	Responsible Officer	Timescale	Update 2020
AMS 06 – Managing investment opportunities and development potential of land and property to meet local needs	Produce development appraisal of all land in Housing Revenue Account and General Fund ownership for potential development opportunity or sale	Housing Strategy Manager	Complete	Initial review was completed newly formed Development group to consider financial appraisal model.

To begin to address this action the Committee approved the procurement of external consultancy to carry out a comprehensive options appraisal of an existing site (Smallthorn Place Woodville) and identify possible delivery options for refurbishment, redevelopment, or disposal of the site. This work is now complete and a report outlining the possible options for this site will be presented to the Committee in the autumn of 2021.

3.5 The Committee also agreed that a further report which outlines future delivery options for new homes in the District, including the possibility of providing further “in house” development would also be presented to the Committee at a later date arising from the work of the Development Group, Chaired by the Strategic Director, Service Delivery. The possible options for the delivery of redevelopment and new build were presented to the Housing and Community Services Committee on 23 November 2017 and included:

- Establishing a wholly owned company, which was previously considered and rejected by the Council
- Design and Build contracts to support local supply chains
- Working in partnership with other providers using Council land
- Working with other Districts to share risk and units on border sites
- As assessment methodology for the future acquisition of units utilising commuted sums
- The expansion of internal resource to deliver development.

The report to the Committee on 20 August 2020 also outlined the need for further in detailed options appraisal work to assess the opportunities for developing existing Council owned land to feed a “pipeline” of major refurbishment and possibly redevelopment of its housing stock. The software and training required to enable the Council to develop its own programme of options appraisal is estimated to cost around £38,000. A likely conclusion of the appraisal of Smallthorn Place is that a District-wide approach to appraising opportunities is likely to be more efficient than a totally piecemeal/ad hoc approach.

3.6 There are many considerations that need to be taken into account when assessing the value of any opportunity and a robust assessment process needs to underpin each opportunity.

3.7 The assessment process needs to be transparent, enabling careful consideration of a range of factors prior to taking forward a report and associated recommendations to Committee for approval

3.8 The assessment process should include:

- Housing Need in the locality
- How the scheme would be financed and the associated payback period / Net Present Value (NPV)
- The infrastructure and resource necessary to deliver new build schemes
- Options for utilising HRA and General Fund land depending on what types of homes need to be delivered
- Consideration of disposal of land and assets on regeneration sites or existing schemes
- Whether the scheme will be designated for older persons or supported living to avoid tenants purchasing their homes under preserved RTB
- The additional benefits that the development brings
- The ongoing costs / liabilities and expected rental income.

3.9 The Government has recently announced new measures to make it easier for councils to build new homes following the removal of the HRA borrowing cap back in 2018 – the new measures include:

- Extending the time councils have to spend RTB receipts from three years to five years.
- Increasing the cap on the percentage cost of new homes councils can fund from RTB receipts raised from 30% to 40% per home, making it easier to build replacement homes.
- Allowing receipts to be used for shared ownership, First Homes, as well as affordable and social housing, to help councils build the homes their communities need.
- Introducing a cap on the use of RTB receipts for acquisitions to help drive new supply.

3.10 The Committee will need to consider carefully the use of HRA funding for the development of new homes in the light of existing maintenance and improvement requirements, the additional regulatory requirements of the recent Social Housing White Paper, and the costs of “de carbonising “the existing housing stock

3.11 The Council’s Heads of Housing and Corporate Property are in the process of mapping all of the Council’s land assets to facilitate a more strategic overview of land with potential for either development or sale. Land within the HRA will need to be assessed in terms of the best value it provides either as generating additional revenue income through rents or as capital receipts through sale for the investment in existing stock.

4.0 Tests to apply

4.1 Value for Money Test

Economic benefits	Efficiency gains	Effectiveness	Equality
Potential additional revenue to be generated in the HRA to mitigate the losses from RTB	Will the Council require additional housing management resources / ongoing maintenance obligations outside regular compliance	Will the homes meet identified need from the Councils Housing Register	Will the homes be let at social rent levels and accessible to people on low incomes who cannot access market solutions
Calculation of payback period (NPV)		Consider future viability of the HRA.	
How will the homes be financed – are there commuted sums to be utilised	How long will the homes be under warranty / free from capital investment	Affordable housing delivery targets in future	Will the proposed homes offer housing to vulnerable groups that would otherwise find it hard to access appropriate housing for their needs
Will RTB receipts be returned if unspent	Is the Council entering into partnership arrangements to reduce cost / overall risk / officer time etc	Added value to the community	Is there the opportunity to deliver exactly the homes required to meet identified needs from the housing register
Are there unknown development risks associated with		Is the Council replacing lost RTB stock	

land If s106 units – what % of market value is the Council likely to secure them for Will they be let at social or affordable rent. Ongoing capital and revenue costs associated with MANCO's, fire safety and shared amenities			
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4.2 Housing Need Test

There would need to be an identified housing need to justify pursuing any type of new affordable housing provision within the District. This would be backed up by data from the Council's Strategic Housing Market Assessment (SHMA), the ward profiling information and the Council's housing register

4.3 Benefits / Constraints / External factors

This test incorporates all other factors specific to the site / acquisition / land. It considers how the scheme can be financed, if the scheme caters for specific needs groups, does it contribute to wider regeneration of the area etc.

5.0 Financial Implications

- 5.1 The Council receives sums under S106 agreements for affordable housing provision and due to the significant levels of growth, it is expected that approximately £10.3m will be received over the next five to seven years for use in this area. Recently acquired properties in Repton and Aston have utilised almost £800k in the last year.
- 5.2 Right to Buy receipts are currently set-aside in a capital reserve to fund acquisitions and new build as approved by the Committee under the implementation of self-financing back in 2012.
- 5.3 Under the self-financing agreement, the Council took on debt of £57.4m to obtain more freedom and flexibility with the housing stock and management of all capital and revenue liabilities funded through the rent roll.
- 5.4 The debt is due to be paid back at various stages set out as part of the HRA Business Plan and there are two tranches of £10m due to be paid to the Public Works Loan Board in March 2022 and March 2024.

- 5.5 Sums are being set-aside as revenue contributions each year into a specific capital reserve for repayment of the loans and the Council's policy is to pay back these loans as they fall due.
- 5.6 Major Repairs required to dwellings are scheduled in every year and any underspends are set-aside in capital reserves to ensure future works can be covered. Consideration of current dwellings and ensuring decent homes standards should be given as part of the proposed investment strategy. This includes aims within the Corporate Plan for carbon neutrality.
- 5.7 Carbon neutrality is estimated to cost approximately £15,000 per dwelling which has been reported as part of the Climate and Environment Action Plan. The target year for completion has been set to 2050 and will require over £44m to achieve. This is not currently set-aside within the financial plan.
- 5.8 In summary, the following table shows the current position of the HRA's capital reserves potentially available for investment.

	Opening Balance April 20 £	Movement £	Closing Balance March 21 £
New Build and Acquisition Reserve	2,212,826	-570,998	1,641,828
Debt Repayment Reserve	6,470,000	1,536,000	8,006,000
Major Repairs Reserve	4,190,187	351,761	4,541,949
	12,873,013	1,316,763	14,189,776

- 5.9 As noted earlier in the report, the Government has reinvigorated Right to Buy allowing more flexibility on the use of 1-4-1 receipts. Alongside the new flexibility, a cap is to be introduced in 2022/23 and phased in over three years which puts a limit of the number of properties a local authority can purchase utilising 1-4-1 receipts. The limit is to be set as 30% of all new properties in any one year can be acquired rather than built. The Council in the last three years has acquired rather than built and this could pose a risk to funding of future development.
- 5.10 Under the new rules, the Council is able to acquire twenty units before the cap is applied which based on the current levels of acquisition in recent years, the Council would not achieve this exclusion level. If, however the Council looks to acquire more than twenty dwellings in a year, a thorough review of funding will be required.
- 5.11 A further potential risk to the HRA is the digitalisation of Careline which at this stage is under review. It is anticipated that approximately £600k may be required to update the service provision and this is not currently included within the financial plan as a review of the Careline provision is underway and will be reported separately.

6.0 Corporate Implications

Employment Implications

- 6.1 There are no direct employment implications arising from the approval of the recommendations within this report

Legal Implications

- 6.2 Legal advice will be sought in conjunction with all matters relating to land deals, design and build contract awards and the conveyancing associated with the acquisition of homes.

Corporate Plan Implications

- 6.3 The recommendations contained within this report have a direct impact on the following themes within the Corporate Plan;
- Place – to increase the supply and range of affordable housing provision
 - Place – to Facilitate and deliver a range of integrated and sustainable housing and community infrastructure
 - People – to enable people to live independently

Risk Impact

- 6.4 Having a consistent methodology within which to assess which sites to pursue, will reduce the likelihood (and associated risk) of both missing out on development opportunities and the pursual of sites where housing is not required, irrespective of the cost / VFM.
- 6.5 The risks associated with different housing delivery models will be explored in the subsequent report.
- 6.6 By having an approved medium to long-term plan for development, the risks posed to the HRA by RTB are mitigated.

7.0 Community Impact

Equality and Diversity

- 7.1 The approval of the recommendations contained in this report will enable the development of new affordable homes where they are needed most. This will ensure that more households who cannot access the open market, can access secure, affordable housing across the District.

Social Value

- 7.2 Approval of the recommendations contained in this report will have a direct positive impact on the following sections within the Council's Community Strategy:
- Enabling people who cannot access market housing to remain within their communities to give support and benefit from established support networks
 - Rehousing people living in unacceptable living conditions.

8.0 Conclusions

- 8.1 The Council is committed to affordable housing delivery in the District and when opportunities arise to acquire specific sites that meet identified need these need to be proactively considered.
- 8.2 There needs to be a strategic approach to the Council's existing HRA and general fund portfolio to assess the options for sites and where possible achieve economies of scale in devising a pipeline or programme of developments over the next 5-10 years.
- 8.3 A consistent methodology is required to enable the Council to assess the sites in areas where housing need has been identified and where any potential development /disposal/would achieve value for money for the Council.
- 8.4 The Council is in a fortunate position to deliver as well as enable affordable homes in the future. It is, therefore, imperative that the right methods for delivery are utilised and tailored to suit the District's needs.

9.1 Background Papers

- 9.1 Report to Housing and Community Services Committee (November 2017) – ***'Increasing supply of affordable homes through direct acquisition and LA new build schemes – options report'***