

Body:	Cabinet
Date:	6 February 2013
Subject:	Eastbourne Housing and Economic Development Project (HEDP)
Report of:	Ian Fitzpatrick, Senior Head of Community
Ward(s)	All.
Purpose	This report provides an update on the joint work of the Council and Eastbourne Homes in developing a Housing and Economic Development programme for the Borough.
Decision Type:	Key Decision.
Recommendation:	Cabinet is recommended to: <ol style="list-style-type: none">1. Approve the development of a joint Eastbourne Homes Ltd (EHL) and Eastbourne Borough Council (EBC) Housing and Economic Development Project Board to co-ordinate and bring forward delivery of a Housing and Economic Development initiative.2. Recommend to full Council the establishment of a £20 million investment facility as part of the 2013-2018 Capital Programme, with separate business case approval to be sought for individual projects and schemes before any financial commitment is made.
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1.0 Background

- 1.1 The traditional landscape for local authorities, Arms Length Management Organisations (ALMOs) and social housing providers is changing rapidly. Greater pressures arising from changing economic circumstances and national social policy are being faced by these agencies as they work to sustain services and investment, to promote sustainable communities, to meet strategic housing responsibilities and to ensure best use of the Council's powers to promote economic development.
- 12 Local authorities will need to adapt to the new environment and make sure they have in place appropriate governance structures, delivery capacity and forward planning to respond to opportunities, some of which may become

available at short notice.

- 1.4 This report introduces a new approach being developed by EHL together with the Council to make sure we are well placed to take advantage of any new funding streams and the changing policy landscape to meet Eastbourne's housing and economic needs.

2.0 Key changes affecting the housing development market

- 2.1 Changes to funding and a more restricted housing market mean the Council will have to take a proactive role if it is to shape the housing market to meet Eastbourne's needs and aspirations, detailed in the forthcoming housing strategy 'At Home in Eastbourne' and to meet the housing supply targets detailed in the Core Strategy (Planning). These changes are considered below.
- 2.2 There is speculation that the next round of National Affordable Housing Programme (NAHP) from 2015 will be focused on deprived communities. It is unlikely that Eastbourne would, if current norms for defining deprived communities remain in place, be considered such an area. This may limit the Council's ability to benefit from future NAHP investment.
- 2.3 The 2011-2105 NAHP reduced through lower capital grants supported by higher rents the level of national public sector funding to Registered Providers (RP's). This is leading to a rationalisation of activities by a number of RPs, with an increased rigor being applied to investment assessments of new schemes to build homes.
- 2.4 There has been an increase in interest in alternative investment opportunities and models from pension funds, banks and private investment companies. This is a result of uncertain rates of return from traditional share and security based forms of investment.
- 2.5 The Government has been offering support to help developers, social landlords, housing providers and local authorities to better shape overall housing supply. This has included directly supporting home ownership for first time buyers, encouraging the release of publically owned land for house building and encouraging pilot projects to explore the potential for large scale private investment in rented accommodation.
- 2.6 Restricted access to mortgage finance has driven a growth in the number of households renting accommodation in the private sector, driving up the cost of rents and hindering development plans by house builders. Demand and aspiration both nationally and in Eastbourne for owner occupation however remains high. There are however market indications that lending for home buying is starting to recover, in part as a result of the Government's Funding for Lending Scheme.

3.0 Business Case for a Housing and Economic Development Project

- 3.1 Although the overall operating environment is one of reduced public sector funding for public and voluntary bodies, the Localism Act 2011 has introduced additional powers for both local authorities and the social housing

sector. These may offer the potential for the Council to generate higher levels of income by operating more commercially focused projects and initiatives and to borrow more creatively to support additional investment.

- 3.2 Local authorities are beginning to actively look at how to use the changes to meet priorities and develop new income streams to support their housing/economic development functions. One option being considered by some councils is the use of institutional investment funds to support Private Rented Sector (PRS) housing development.
- 3.3 Some authorities have now progressed to a delivery stage for housing and economic development projects, using funding outside of traditional sources. These include Kent County Council working in Thanet and Barking and Dagenham in Essex. While each project has different funding arrangements and outcomes, the core objective of securing investment from new sources is common to these schemes.
- 3.4 An interim Project Team with representatives from both EHL and the Council has considered the overall scope, focus and core objectives for Eastbourne. It has concluded that a sophisticated, locally sensitive 'place-shaping' approach, rather than one concentrating purely on numbers of new units provided as an income stream generator, is the right option for Eastbourne. This is to make sure that:
- As well as providing new housing, overall housing and economic development strategic objectives are met in ways that contribute to the Council's overall vision for Eastbourne and build on and ensure the continuance of existing work.
 - The Council has the long-term ability to take a leading role in housing and economic development work by developing local delivery capacity in a way that best utilises existing corporate structures and emerging implementation of the Future Model.
 - Private finance requirements and risk management do not become the predominant determinants of focus and supply.
 - The Council is best placed to facilitate social housing providers to deliver new homes and to make sure that associated economic development work is co-ordinated and focused.
 - The Council and investment partners have appropriate access to, and are able to benefit from, additional funding, including for example Homes and Community Agency resources, New Homes Bonus and planning policy gains.
- 3.5 In Eastbourne this does present a number of challenges, in particular restrictions on land availability, property values, below regional average incomes and pockets of deprivation in certain wards and estates.
- 3.6 Without considering an integrated approach that helps bring together housing and economic development there is a risk that there would be:

- Difficulty in sustaining essential community services and in promoting additional economic development.
- Limitations on the scope, development and deliverability of the new 'At Home in Eastbourne' housing strategy, the development outcomes in the Core Strategy (Planning) and Eastbourne's Corporate Plan ambitions, particularly those around Prosperous Economy.
- Restrictions on the Borough's capacity to lead and drive opportunities around major capital and infrastructure developments (e.g. Town Centre Area Action Plan).
- Limited capacity to maximise wider economic development and social outcomes in priority areas (e.g. Devonshire Ward).
- Pressure from the community, the Government and other funders around achieving the best value for money from the asset base. There is an expectation by the Government that local authorities will have strategies for maximising the future returns on assets, measured against their overall vision, purpose and objectives.
- A risk of the Council being unable to participate in or influence to the benefit of communities and local households investment in new homes, other than projects on smaller infill sites owned by the Council.
- A lack of co-ordination of developers, social housing providers and investors to bring together collective capacity to address opportunities that transcend the issues of any single provider.
- Greater exposure of the Council's landlord service and HRA Business Plan to the changes being introduced to the social security system.

4.0 Scope, Objectives and Funding of the Project

- 4.1 The main staffing resources for the initial evaluation and development phase have been secured through a secondment from Town & Country Housing Group following on from a skills swap between the Group and EHL. An interim Project Team has been established to progress the feasibility and scoping work to March 2013. By April 2013 the Team will produce a proposed Three Year Strategy and Delivery Plan to set out in detail a programme of housing and economic development work. It is proposed that a Project Board be formally established to consider this programme and oversee its implementation. It is proposed that representatives of both EHL and the Council comprise the membership of the Board.
- 4.2 The interim Project Team has been undertaking research and has identified potential funding routes and working with the Council's Housing and Planning Specialists has examined key sites and areas that might form part of the programme from April 2013. The programme would incorporate existing and planned housing projects and consider how to further encourage stalled sites to be brought forward.
- 4.3 The Board would consider overall objectives and delivery focus as well as

priority interventions for key sites and areas. The Housing and Economic Development programme will help:

- To place local communities and the needs and aspirations of local people at the heart of all economic development and housing projects and to make sure that benefits are equitably shared within sustainable communities.
- To improve the built environment in key areas where to do so will encourage further investment in these areas, support a tenure pattern that meets the aspirations and needs of the people of Eastbourne, and provide additional affordable housing.
- To establish realistic and sustainable approaches to delivery, partnerships and funding that have only limited reliance on external public sector funding and which support local strategic objectives and outcomes.

4.4 Wider economic development objectives are also being developed by the Council. The Three Year Strategy and Delivery Plan will set out how housing and economic development projects will contribute to these outcomes, either directly (e.g. employment and training requirements, ICT installations to support new and existing businesses, relocation incentives, site assembly) or through the accrual of funds to support new and existing economic and business activity.

4.5 Whilst the Council's capital investment facility is proposed to be in the region of £20m, it is expected that this will be matched to some extent by additional investments and sources of funding. Subject to the nature of the final programme, this match funding could come from a mixture of:

- Use of local authority guarantees.
- Institutional investment via pension and private equity funds.
- Public Works Loan Board borrowing.
- Bank borrowing.
- South East Local Economic Partnership (SELEP) Growing Places fund.
- Homes and Communities Agency (HCA) including acting as a risk guarantor for working capital cash flow and via new funding streams.

4.6 As part of the project, a detailed comparative assessment of funding mechanisms will be undertaken by externally commissioned investment specialists. This is to confirm both the overall targeted mix and phasing so that sufficient funding is in place to meet the requirements of the Three Year Strategy and Delivery Plan whilst ensuring:

- The Council achieves the overall best cost of funds within a balanced loan and investment portfolio.
- Sufficient flexibility is retained to retain local control on the timing and

types of housing development and allow Eastbourne to maximise wider economic benefits and impact.

- That risk is maintained within agreed parameters.
- Accounting treatments are established which best meet all stakeholder requirements.
- The process for required approvals and value for money assessments is fully met and that the most expedient but appropriately compliant basis for future approvals are established.

4.7 Cabinet are therefore recommended to approve the establishment of a £20 million investment facility as part of the 2013-2018 Capital Programme.

4.8 The intention is to establish the £20m facility as part of overall capital investment capacity and as leverage for additional funding rather than to seek approval for the actual utilisation of any borrowing at this stage. Whilst any draw down of the facility will be subject to individual business cases and associated due diligence, having the facility in place will help provide the necessary comfort to support the levering-in of the privately funded element of the programme's finance.

4.9 The facility will be subject to full Council legal and financial requirements in relation to its utilisation. In addition each scheme/development will be separately appraised and subject to Cabinet approval. The appraisal will consider strategic fit, risk, funding mix and outcomes against a set of financial viability criteria.

4.10 The borrowing would in broad terms be used to finance investment through physical and economic development initiatives, allowing the Council to take full advantage of the prevailing capital and revenue regime. Developments and investments, depending on their nature and the support offered through the investment facility, may generate a revenue stream, a capital return or enhance the Council's capital asset base

5.0 Start Up, Procurement and Resource Implications

5.1 Subject to approval, in the next two months, from February until April 2013 the Project Team will continue to develop the Three Year Strategy and Delivery Plan and to put in place some of the key underpinning aspects around funding, delivery models and area studies.

5.2 This would include:

- a community involvement and consultation programme that contributes towards the Council's overall corporate priority of a Prosperous Eastbourne.
- further developing the links to the 'At Home in Eastbourne' Housing strategy and the Core Strategy (Planning) to make sure the Housing and Economic Development programme contributes to achieving the targets and outcomes set out in these two corporate strategies.

- the continued development of the Three Year Strategy and Delivery Plan identifying potential schemes including pilot projects, major infrastructure work and incorporation of existing affordable housing schemes.
- progressing the potential and viability of area based interventions including joint neighbourhood management work, progression of funding bids and the commission of an urban design study of the Devonshire Ward.
- progressing any strategic site acquisitions which may require more immediate action to secure their inclusion in the programme to help with delivery of wider strategic priorities (e.g. Town Centre Area Action Plan)
- developing existing Council housing stock investment plans to make sure that the benefits to the existing housing portfolio are clearly defined and that full recognition is made of any additional value that can be derived from external and internal relationships/dependencies.

5.3 Members will note from items for decision elsewhere on the Cabinet agenda that EHL has made efficiencies in their organisation and negotiations are in progress to reduce by up to £200,000 the management fee paid to EHL for the year 2013/14. Should these negotiations be successfully concluded, the management fee will be circa £6.8m. It is proposed that EHL will be commissioned to undertake HRA linked regeneration activity that will initially be at the core of the three year strategy and delivery plan. To fund this an additional payment of £200,000 is proposed to be paid to EHL to meet the costs of this emerging Housing and Economic Development initiative for the period 2013-2014.

5.4 As part of this decision making process, EHL's Board is also considering the project, including its proposed role in overseeing the day-to-day management of the Project Team with appropriate support from the Council's Communities, Housing and Planning managers, to meet the expectations of the Project Board and the parent organisations.

6.0 **Consultation**

6.1 The Housing and Economic Development project will undertake appropriate consultation for all projects that are proposed for funding from the investment facility detailed in this report. It also able to benefit from the extensive consultation undertaken to inform both the Core Strategy (Planning) and "At Home in Eastbourne"

7.0 **Other Implications: Environmental, Human Rights, Community Safety, Youth, Anti-poverty.**

7.1 The development of a stronger position in taking forward economic development will give the Council greater scope to deliver its wider role of community well being. Developing the wider economy and encouraging investment in homes in a sustainable and equitable way will help to reduce crime, improve the environment and contribute towards human rights.

8.0 Summary of Options

8.1 The development of single purpose Project Board, able to focus on housing and economic development work, has been proven to be able to make a positive contribution in taking forward work to bolster economic development. Examples include the Housing Market Renewal Pathfinder Programme. Establishing the Housing and Economic Development Project Board, with access to funding, offers the Council and EHL an opportunity to deliver similar benefits for Eastbourne.

9.0 Recommendations

9.1 Cabinet is recommended to:

1. Approve the development of a joint Eastbourne Homes Ltd (EHL) and Eastbourne Borough Council (EBC) Housing and Economic Development Project Board to co-ordinate and bring forward delivery of a Housing and Economic Development initiative.
2. Recommend to full Council the establishment of a £20 million investment facility as part of the 2013-2018 Capital Programme, with separate business case approval to be sought for individual projects and schemes before any financial commitment is made.

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Background Papers:	
The Background Papers used in compiling this report were as follows:	
<ul style="list-style-type: none">• Development of a new Housing Regeneration Model in Eastbourne – Discussion Document and Outline Proposal – September 2012	
To inspect or obtain copies of background papers please refer to the contact officer listed above.	
(Cabinet Report HEPD 6 Feb.doc)	