

<b>Body:</b>	<b>Cabinet</b>
<b>Date:</b>	<b>6 February 2013</b>
<b>Subject:</b>	<b>Development of New Affordable Housing</b>
<b>Report Of:</b>	<b>Senior Head of Communities</b>
<b>Ward(s):</b>	Devonshire; Langney
<b>Purpose:</b>	<ul style="list-style-type: none"><li>To request Cabinet approval for the development of new Council-owned homes</li></ul>
<b>Decision Type:</b>	Key Decision
<b>Recommendation:</b>	Cabinet is recommended to: <ol style="list-style-type: none"><li>To approve the sale of 14 Vicarage Road, with authority to accept the sale price delegated to the Chief Finance Officer and Senior Head of Community in consultation with the Cabinet Portfolio Holder for Finance and the Cabinet Portfolio Holder for Community, in consultation.</li><li>To approve the development of up to 23 affordable Council-owned family houses on Council owned sites in Seaside (Coventry Court and 25A Belmore Road) and Langney (Tenterden Close) with a budget of £2,930,000 to be included in the Capital Programme.</li><li>To approve the charging of an Affordable Rent, set at 80% of Local Housing Allowance, for the properties.</li></ol>
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## **1.0 Introduction**

1.1 As the largest provider of social homes in the Borough, the Council faces increased pressure on its housing waiting lists, the result of a growing demand for affordable, secure homes. The cost of renting privately is outstripping the incomes of many households. Constrained access to finance is making it harder for those families who can afford monthly mortgage repayments to secure the money they need to buy a home of their own. Together, these are adding to the demand for affordable and secure rented homes.

1.2 The Council's corporate objectives include:  
**Prosperous Economy**

- A wide range of employment opportunities

## **Thriving Communities**

- Support for families and young people to reach their full potential
- A high level of community volunteering and involvement in our neighbourhoods
- A wide range of quality homes including affordable housing for those in need

- 1.3 To help the Council deliver these outcomes for local people, there is a clear need to increase the supply of affordable, secure homes. The Council now has the opportunity, as a result of the introduction of a Self-financing Housing Revenue Account (HRA) and the disposal of properties no longer suitable for social housing, to consider a range of options for the development of new affordable homes.
- 1.4 This report considers how the Council can effectively make use of its own assets and the investment capacity of both itself and other agencies and organisations to help increase the range of secure and affordable homes available to the people of Eastbourne.
- 1.5 This proposal is designed to run in parallel with the emerging Housing and Economic Development Project, the subject of a more detailed report on this agenda. In terms of the proposals for the sites identified within this report, an exercise will be conducted to assess and maximise the potential to contribute to the town's wider economic development as the scheme progresses.

## **2.0 Rationale for Building New Affordable Homes**

- 2.1 Research undertaken to inform the development of the Council's forthcoming housing strategy At Home in Eastbourne and Strategic Housing Market Assessment (SHMA)<sup>1</sup> stresses a clear need for an increased amount of secure, affordable rented housing to be provided in Eastbourne.
- 2.2 The SHMA suggests an annual need for 230 additional affordable homes a year. The Council itself lets 212 homes a year, based on the figures for 2011-12 but has a waiting list for those properties of 3,889 households.
- 2.3 Considerable research and consultation work has already been undertaken to inform At Home in Eastbourne. Clear priorities are now apparent and these have been endorsed by the At Home in Eastbourne Project Board:
- Affordable housing to buy and to rent, including a call for the Council itself to build more homes to rent.
  - Help and support for people to buy a home.
  - Action to help people reduce and avoid fuel poverty.
  - Help and support for people with special needs, including those with disabilities and who are most vulnerable.
- 2.4 In the context of what has already been learned over the past six months in

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<sup>1</sup> Strategic Housing Market Assessment: A review of housing markets, an assessment of housing need and affordable requirements, a review of general market requirements and policy recommendations used to inform the development of local authority planning and housing policies.

developing both the SHMA and At Home in Eastbourne, alongside the plans that are being firmed up for the regeneration of the Town Centre, it has been possible to determine a number of strategic considerations that have a bearing on where and how the Council could provide additional affordable homes.

- 2.6 These considerations and imperatives, additional to meeting housing demand for secure and affordable rented family homes, include:
- To provide additional affordable homes, available to rent on secure tenancies, in the Seaside and Langney areas of Eastbourne where there is a need for homes affordable to people on low incomes.
  - Support economic development by helping to improve the appearance of the link between the Lottbridge Drove trading area, and its connections to the A22 and A27, with the revitalised town centre retail experience.
  - To keep the stock numbers within the Council's own housing stock at a level that keeps the Self-financing HRA viable.
  - To make positive use within the time limits set out in the various planning agreements, the funding the Council has successfully secured from commuted sums payments paid to provide a new supply of affordable housing.
  - Support the Council's policy decision to retain Right to Buy receipts for affordable housing.

- 2.5 The factors noted above, which contribute towards securing a substantive impact on Eastbourne's social and economic sustainability have been considered in preparing this report and its recommendations.

### **3.0 Sale of Property**

- 3.1 An opportunity has arisen to allow the Council to enhance its investment resources while at the same time completing the rationalisation of its housing stock, started in 2011 as part of the programme to secure Decent Homes for all Council tenants.
- 3.2 A property is due to be returned to the Council in early 2013. This property is 14 Vicarage Road, a four bedroom terraced house, currently used as part of a shared accommodation scheme operated by the NHS for clients with learning disabilities. The NHS Trust has advised us that it no longer wishes to continue with the scheme in its current form. The Council's Housing Options Specialists are now working with the NHS to identify independent living arrangements for the three residents who wish to remain in Eastbourne. The property is not viable to retain due to the nature of its age and construction. Indeed, its neighbouring property – 12 Vicarage Road – was disposed of as part of the original disposals programme.
- 3.3 Members are therefore recommended to approve the sale of 14 Vicarage Road, with authority to approve the sale price delegated to the Cabinet Portfolio Holder for Finance and the Cabinet Portfolio Holder for Community, in consultation with the Chief Finance Officer and Senior Head of Community.

### **4.0 Resource Options for Developing New Affordable Homes**

- 4.1 There are a number of potential resource options for the development of new

affordable homes in Eastbourne. These have been assessed by the Council's officers. Using its own resources the Council is able to afford the development of new homes without borrowing against the HRA or incurring additional costs that may be a part of drawing on external private finance. The resources come from the Disposal of Land and Dwellings, the Existing Capital Programme and Section 106 Receipts<sup>2</sup>. In the case of Section 106 resources, these are available to invest only on affordable housing. If not used within the time frame set out as part of the agreement, need to be handed back to the developer who made the original payments.

- 4.2. Although no funding is currently available from the Homes and Communities Agency (HCA), should there be slippage in the current National Affordable Housing Programme (NAHP) by having a programme in place the Council will be in a good position to bid for external public support to offset against its costs..

## **5.0 Financing and Viability of Affordable Homes**

- 5.1 By bringing together a range of sources including its own experiences in 2009-2011 in developing Council-owned homes and those of partners who develop new properties, the Council has been able to develop a robust assessment of the cost of developing new affordable homes.
- 5.2 For a provider of affordable homes to meet the Government's definition of an 'Affordable Rent', the rent charged needs to equate to no more than 80% of market rent. An assessment by the Council's Housing Specialists has calculated the rent levels that would fall within this definition.
- 5.3 Rent Comparison of Housing Options in Eastbourne

Property	Current average Council rent	Proposed rent for new homes	LHA <sup>3</sup>	Average private rented accommodation rent
2 bed house	£75	£120.00	£150.00	£161.54
3 bed house	£85	£145.00	£181.15	£190.38

- 5.4 On the basis of the above assumptions, the estimated rents for the new properties equate to 80% of the LHA and will be higher than currently charged for Council homes. They will however be at least twenty per cent below rents typically charged by private landlords. By offering lower rents, the residents of these properties will be able to help contribute to wider economic prosperity by having additional income to spend in the wider economy. People may also have greater opportunities to save to fund possible home ownership or start and support a small business.

<sup>2</sup> Section 106 of the Town and Country Planning Act 1990 allows a Local Planning Authority to enter into a legally binding agreement or planning obligation with a landowner in association with the grant of planning permission. The obligation is called a Section 106 Agreement.

<sup>3</sup> Local Housing Allowance (LHA): The maximum amount of help that is available from the social security system to help people cover the costs of renting accommodation in the private sector.

- 5.5 Rents will increase in future years in line with the rates of increase levied on the rents of existing properties but will remain at below market levels. As this increase is related to the prevailing rate of inflation, the rents will remain comparatively affordable. Over thirty years the scheme returns a small surplus each year after allowing for all management, maintenance and financing costs.
- 5.6 At affordable rents, set against the development costs for new homes assessed by the Council's Housing Specialists, it is possible to develop affordable housing if the cost of development excludes the cost of land.
- 5.7 The use of affordable rents allows the Council to cover the full cost of developing this scheme if it were to use external funding sources at an interest rate of 4%. The use of internal resources would mean that there is an opportunity to recover these financing charges for the benefit of the Council and so allow the possibility of supporting further development in the future.

## **6.0 Location Options for Building New Affordable Homes**

- 6.1 There is a shortage of land in Eastbourne on which to develop new homes of any type. The geography of the Borough means that there is little chance of green-field sites being available and the heritage of the town means that there few large scale former industrial brown-field sites. The boundaries of the town are rigid due to the presence of the English Channel, the South Downs National Park and Wealden District Council's area.
- 6.2 With this in mind, Housing and Planning Specialists have undertaken a review of land in the town. This has been done as part of the Strategic Housing Land Availability Assessment (SHLAA)<sup>4</sup> to support the Core Strategy<sup>5</sup> and to have available informed options to meet housing needs that may arise as the Council takes forward At Home in Eastbourne.
- 6.3 There are a small number of sites within Eastbourne in private ownership that may provide opportunities to develop new homes. Discussions are currently taking place with the owners of these sites to consider how best they can be developed, for both owner occupied and affordable homes and for commercial and economic activity. These discussions are at an early stage and it is unlikely that formal proposals will be developed until later in 2013-2014.
- 6.4 This work also identified a number of sites that could be developed quickly as they are in Council ownership, including sites which have redundant and obsolete Council property in situ.

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<sup>4</sup> Housing Land Availability Assessment: an assessment of the land available in a local authority area that can feasibly and viably be made available for the development of new homes and businesses.

<sup>5</sup> Core Strategy: The Core Strategy is part of a local planning authority's Local Development Framework for planning policy. It provides the clear policy framework of how an area will be developed.

- 6.5 One site in Devonshire, at Coventry Court has the potential to contribute positively to enhance the link between the town's two major retail and commercial areas, supporting the forthcoming redevelopment of the town centre. This site could accommodate 16 family sized houses. Close to this site is another smaller site at 25A Belmore Road that while hidden away from view, may offer an opportunity to increase the availability of affordable housing in the area. This site could accommodate four family sized homes.
- 6.6 A recent assessment by the Council's Housing Specialists of the value of these sites for residential development, taking into account current market trends and a more detailed assessment of the capacity of each site to support homes in compliance with relevant planning guidance, suggest a prudent value for the two sites would be approximately £300,000. Coventry Court would be subject to the requirement that 30% of the homes developed would need to be affordable.
- 6.7 A third site has been identified at Tenterden Close in Langney. This site is currently a car park which is little used. It has an estimated value for open sale of less than £75,000.
- 6.8 The Council's Housing Specialists have considered a range of options for these sites, including assessing the financial viability of different development options. The options include disposal of the sites for development by a third party and retention by the Council for development of different forms of housing, covering all tenures.
- 6.9 Having considered all these options, the use of Council owned sites helps reduce the overall cost of providing new affordable homes compared to projects which would require the purchase of privately owned land. This is an essential factor to keep rents below those prevailing in the open market.
- 6.10 Therefore the most appropriate locations for developing a programme of new affordable housing over the next two years are the following three Council owned sites – two in Seaside (Coventry Court and 25A Belmore Road) and one in Langney (Tenterden Close). These sites have the capacity to provide up to twenty three new family homes.

## **7.0 Delivery Options for Building New Homes**

- 7.1 There are a number of options open to the Council for the delivery of new affordable homes. These are assessed below.
- 7.2 The Council develops the homes itself:
- 7.2.1
- The Council retains the benefits of its land and financial assets.
  - The Council has absolute control over the design of the homes, how the properties are let and which tenures are used.
  - The Council would continue its regional trailblazer role as a developer of new council housing.
  - The development of Council-owned homes supports the long term viability of the Council's landlord role.
  - The Council has a pressing need on its Housing Register for family sized

homes.

7.3 The Council puts the sites out to tender for purchase and development by a locally active Registered Provider<sup>6</sup> (RP) or a private developer

- 7.3.1
- The Council would keep the resources gained from disposals, Section 106 payments and funds allocated in the existing capital programme.
  - RPs and private developers may require subsidy from the Council in the form of a transfer of land at zero cost and/or direct financial subsidy for the costs of construction to allow rents to be affordable. This would mean the Council would be losing assets with no direct return to its stock holdings.
  - The Council may have reduced control over the design of the properties.
  - The Council will not receive additional rental income to support the HRA's long term sustainability nor will it gain additional assets within its own housing stock.

- 7.4 The advantages of the Council developing the affordable homes itself outweigh those of putting the sites out to tender and relying upon an RP or private developer to deliver the affordable homes.
- Developing the properties itself allows the Council to retain the value of its accumulated financial and land assets.
  - A further programme of building new Council homes between 2013-2016 means the Council will retain the capacity and capability, developed for the 2009-2011 programme, to continue to be in a position to take advantage of future development opportunities.
  - Direct provision allows for greater level of control over the design and use of the properties.
  - The addition of properties to the HRA will help support the long term viability of the Council's role as a landlord.

7.5 The proposed mix of properties, which will best help meet current needs for Council-owned homes, is as follows

- Coventry Court: 8 (eight) 3 (three) bedroom family houses; 8 (eight) 2 (two) bedroom family houses
- Belmore Road: 4 (four) 3 (three) bedroom family houses
- Tenterden Road, Langney: 3 (three) 3 (three) bedroom family houses

The total scheme cost would be in the region of £2,750,000 subject to competitive tendering with an additional contingency sum of £180,000 set aside to cover unforeseen issues.

7.6 Adding these properties to the Council's housing stock would, based on the current value of the properties with vacant possession, be £3,905,000. The investment would therefore represent value for money.

7.6 Members are therefore recommended:

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<sup>6</sup> Registered Providers: a housing provider operating on a not-for-profit basis, providing homes at below market rates for people who need an affordable, secure home and who have insufficient income to secure such accommodation in the private sector. Includes council and housing association landlords.

- To approve the development of up to 23 affordable Council-owned family houses on Council owned sites in Seaside (Coventry Court and 25A Belmore Road) and Langney (Tenterden Close) with a budget of £2,930,000 to be included in the Capital Programme.
- To approve the charging of an Affordable Rent, set at 80% of the LHA, for the above properties.

## **8.0 Time-line**

8.1 Setting out a time line for developing the properties needs to take account of unknown factors, for example securing planning consents and dealing with any construction related issues that only become apparent as works progress. Further reports will be submitted to Cabinet when more detailed and accurate dates are known. However, the Council would expect the properties to be completed by the end of 2015.

## **9.0 Consultation**

9.1 Formal discussions with affected parties and local people will, subject to approval of the recommendations in this report, take place to secure agreement for the new homes. Any development will also be subject to the usual planning application and consultation process.

## **10.0 Financial Implications HRA Business Plan Impact**

10.1 The proposals in this report will have no impact on the limited borrowing capacity that exists within the HRA. As indicated earlier separate funding is available. There will be additional revenue to support the HRA from the rental income, amounting to £163,000 at current prices which exceed the costs of maintaining and managing the properties.

## **11.0 Resource Implications**

11.1 Housing Services Development Specialists will participate in the project management of the construction of the properties and oversee the allocation of the homes to their new occupiers. The cost of design and contract management has been included in the overall scheme costs. There are therefore no significant staffing or resource implications.

## **12.0 Other Implications – Environmental, Human Rights, Community Safety, Economic Development**

- 12.1
- The properties will be built to high standards of energy efficiency, helping to address fuel poverty and safeguard the environment.
  - The development of new homes will give the Council greater scope to deliver its landlord role in tune with local circumstances and needs. This means that the opportunity to tailor current and future housing services to improve the environment and community safety within Eastbourne will be stronger.
  - It has been estimated that every £1 spent on construction generates a total of £2.84 in local economic activity.
  - There are no Human Rights implications arising from this report.



### **13.0 Youth and Anti-Poverty**

13.1 The provision of new homes will allow up to twenty three households on low to middle incomes to access new, affordable homes. This will give confidence to people either without work or on low incomes enhanced opportunities to explore employment opportunities to raise their income.

### **14.0 Conclusion**

14.1 To deliver the outcomes of additional secure and affordable housing in Eastbourne and increased prosperity and quality of life for local people, the provision of new homes is an essential role for the Council. The development of 23 new homes will make a contribution to those outcomes and demonstrate the Council's commitment to the town.