

Agenda Item No: 9.8 **Report No:** 123/16
Report Title: New Affordable Housing Update – Housing Revenue Account
Report To: Cabinet **Date:** 28 September 2016
Cabinet Member: Cllr. Ron Maskell, Cabinet Member for Housing
Ward(s) Affected: All
Report By: Ian Fitzpatrick, Director of Service Delivery
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Purpose of Report:

To update the Council on the existing Council programme for developing new affordable housing through the Housing Revenue Account (HRA) and to seek approval for the next stage of the programme.

Officers Recommendation(s):

- 1 To note the progress in developing 22 new affordable homes as part of the Local Growth Fund Project, predominantly upon former Council garage blocks.
- 2 To approve the use of a Council owned amenity land site at Ashington Gardens, Peacehaven for the construction of two affordable homes designed with full disabled access.
- 3 To approve a budget from the HRA of up to £400,000 for the design, planning, consultation and construction of the homes.

Reasons for Recommendations

- 1 Delivering sustainable new housing and infrastructure is a key priority within the Council Plan, and the Local Growth Fund is a key project within it.
- 2 There is a shortage of affordable homes with full disabled access and the site at Ashington Gardens has planning restrictions that would prevent the development of housing above ground floor level.
- 3 The development of the homes directly by the Council will ensure that the project comes forward promptly and within a specification set to meet the needs of our residents.

Information

Garage Site New Builds

1. The Local Growth Fund project was commenced in Summer 2015 with the aim of building new affordable homes for the Council to offer to households on the housing register for rent. The project initially included 7 small Council owned sites, where the land had been assessed as being underutilised and where new affordable homes would benefit the community.
2. The 7 sites, mainly low demand garage blocks, were assessed as having capacity for up to 30 homes, and designs were worked upon during Autumn 2015. Following consultation on the designs with local residents and town councils, it was decided that more work was required to produce two of the sites in Valley Road, Newhaven and Waldshut Road, Lewes, and both of these were consequently dropped from the programme. The remaining 5 sites went forward to the planning stage and all 5 were granted planning permission as follows:
 - Hythe Crescent, Seaford – 2 x 2-bed houses
 - Rectory Close, Newhaven – 3 x 2-bed houses, 2 x 1-bed flats
 - Headland Way, Peacehaven – 3 x 2-bed house
 - Balcombe Road, Peacehaven – 6 x 2-bed flats (including 2 flats with disabled access and facilities)
 - Grassmere Court, Telscombe Cliffs – 6 x 1-bed flatsTotal = 22 homes
3. Following a tendering process the Council has commissioned construction company Thakeham to build the homes and the build programme has been set to complete build of the 5 sites on a phased approach in early summer 2017.
4. These new homes are being funded by a combination of capital receipts from the sale of council homes under the Right to Buy and additional HRA borrowing sanctioned by the Department of Communities and Local Government.
5. The sites at Valley Road, Newhaven and Waldshut Road, Lewes remain suitable sites for development of new housing and could be added to a subsequent phase of the Council's new build programme depending on finance options.

Ashington Gardens

6. There are a large number of households registered on the Council's housing register who have a need for accessible housing due to mobility issues or who are registered as disabled, and 10% of all new households joining the register require adapted properties.
7. The cost of adapting existing homes to meet the needs of tenants who cannot use the stairs is significant, and once adapted affordable homes do not become available for new tenants very often. Additionally most private landlords are very reluctant to allow their properties to be adapted for disabled tenants, and so this increases the need for the Council to meet this need. The Local Growth Fund

project includes two homes that are specifically designed to meet those with physical disabilities, but there remains a significant need for more affordable homes of this type.

8. A small site at Ashington Gardens, Peacehaven has been identified as having good potential for a development, although there are planning reasons why only single storey homes would be acceptable. The remaining capacity within the HRA to borrow to fund the construction of new homes means that this site would be an opportunity to rapidly deliver two new affordable homes for those in need of accessibility features, ahead of any larger housing delivery programmes that the Council undertakes.

Legal Implications

9. There are no legal implications beyond those covered in the body of this report.

Financial Appraisal

10. The Council is able to borrow to fund the development of new affordable homes, provided that the cost of borrowing is affordable and that the cumulative amount of outstanding borrowing does not exceed the 'HRA borrowing cap' which the Government has specified for each local housing authority.
11. This Council's HRA borrowing cap (excluding an additional allowance in respect of the Local Growth Fund project) is £72.9m. Cumulative outstanding borrowing is projected to be £65.7m at 31 March 2017, which gives £7.2m in borrowing 'headroom'.
12. Since 2012, in common with most local housing authorities, the Council has operated under an agreement with the Government whereby it has retained a portion of capital receipts generated from the sale of homes under Right to Buy in order to part-finance the development of new affordable homes. The 'retained receipts' from each home sold must be spent within 3 years of the sale and can only be used to finance 30% of the cost of a new home (the remaining cost can be financed from other capital receipts, direct from the HRA or through HRA borrowing). Any retained receipts unused at the end of the 3 year period must be repaid to the Government, with interest. The Council has retained £2.7m to date under this agreement and has incurred expenditure to a level which will require no repayment before March 2018 at the earliest.
13. The total cost of the development of 2 new homes at Ashington Gardens is expected to be a maximum of £400,000 including contingencies. With 30% (£120,000) financed from retained receipts, the HRA would incur additional borrowing of £280,000. The affordable rent income from each home would be approximately £146 per week, which would be sufficient to fund operational expenditure, including borrowing costs, repairs and maintenance, etc.

Risk Management Implications

14. A risk assessment has been completed. No new risks will arise if the recommendations are not implemented.

The following risks will arise if the recommendations are implemented, and I propose to mitigate these risks in the following ways:

- Ensure that all contractors have appropriate indemnity insurances in place.
- If the recommendations are implemented, the residual risks that cannot be mitigated fully are:
- If the project is abandoned before construction commences due to unforeseen circumstances, initial consultants' fees would not be recoverable.

Equality Screening

15. The assessment identified: The decision was found to have no impact on any of the protected groups.

Appendices

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| Appendix A: | Site plan |
| Appendix B: | Equalities Impact Report |