

Subject:	Improving Housing Supply - Off Plan Procurement – Residential Acquisitions		
Date of Meeting:	16 October 2014		
Report of:	Executive Director, Environment, Development & Housing		
Contact Officer:	Name:	Martin Reid	Tel: 29-3321
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Ward(s) affected:	All		

FOR GENERAL RELEASE

1. PURPOSE OF REPORT AND POLICY CONTEXT

- 1.1 This report outlines our strong track record of improving housing supply in the City, maximising investment in new affordable homes and making best use of our statutory powers and resources in support of our City Plan, Housing Strategy and Corporate priorities of Tackling Inequality & Creating a More Sustainable City.
- 1.2 The report sets out the challenges we currently face in identifying sites in the City to meet housing need and around the viability of delivering new affordable housing on residential schemes where a developer contribution to secure new affordable homes on site applies. This is with particular detriment to the delivery of Affordable Rent and larger family homes and aligned to changes to public subsidy arrangements and Registered Provider risk in relation to funding new affordable housing. The report also outlines increased investment in private rented housing contributing to a decline in owner occupation, driving a growing market for shared ownership homes, and risking those seeking to buy their own home being unable to take advantage of housing for sale on new developments.
- 1.3 In order to mitigate an on-going adverse impact on delivery of new affordable homes in the City, and in light of alternative funding routes available to the Local Authority, this report seeks approval for delegation of authority to the relevant Executive Directors to explore and negotiate options to enable the Council to intervene in the market to deliver new housing to meet our identified needs. This includes potential procurement of housing 'off plan' on new developments in addition to affordable housing deemed to be viable for the developer to deliver on site through the Planning process. Detailed proposals on any specific capital schemes relating to acquisition of residential accommodation on major development sites in the City will form separate reports back to Housing Committee and Policy & Resources Committee.

2. RECOMMENDATIONS:

- 2.1 That the Executive Director Environment, Development & Housing, in consultation with Executive Director of Finance & Resources, pursue negotiations with potential funding and development partners in order to work up

- fundable off plan residential acquisitions propositions and that these be brought back to Policy & Resources Committee for consideration;
- 2.2 That officers continue discussion with Department of Communities & Local Government in making recommendations to HM Treasury for the Autumn Statement arising from discussions on housing supply & homelessness work;
 - 2.3 That officers consider funding options including General Fund prudential borrowing, Housing Revenue Account capital financing and 'off public sector balance sheet' institutional and private investment financing along with appropriate delivery, management and governance frameworks, subject to further reporting back to Housing Committee and Policy & Resources Committee.

3. CONTEXT/ BACKGROUND INFORMATION

City housing market

- 3.1 Brighton & Hove is a growing city with high housing prices, low incomes, an ageing population and a significant proportion of households with support needs. There are over 19,000 households on our joint housing register, 1,800 households in temporary accommodation and rising homelessness. Social Housing makes up only a small proportion of the overall housing in the City with 9.8% of homes owned by the local authority and 5.1 % by housing associations.
- 3.2 This report outlines that, while the Council has a strong track record of improving housing supply and enabling delivery of new affordable homes, we are currently facing significant challenges around the viability of affordable housing on schemes where a developer contribution toward affordable homes applies. This has a particularly negative impact on the delivery of Affordable Rent and larger family homes.
- 3.3 One of the key emerging themes arising from the City-wide Housing Strategy consultation is the acute shortage affordable homes and in particular family housing, in the City. This is often set against concerns around the significant growth of houses in multiple occupation (HMO) in the expanding private rented sector, in particular where these arise from conversion of smaller family homes.
- 3.4 Private renting has increased by 45.7% (an extra 10,691 homes), and now stands at 34,081 homes or 28% of all housing stock. This growth is in contrast to the declining owner occupied sector, now making up 54% (65,835) of housing stock in the City (Census 2011). The private rented sector includes a very high level of converted family homes or shared houses, with a significant proliferation of smaller HMOs along the Lewes Road corridor being identified in our Student Housing Strategy. Of the 3019 HMOs licenced across the City, the council has received 2001 license applications for smaller HMOs in the 5 Lewes Road wards since commencement of our additional licensing designation following concerns over the management and standards of these dwellings.
- 3.5 The continued growth in the private rented sector in the City presents the risk that a reduced affordable housing offer on larger residential sites is compounded by the remaining residential accommodation meeting the demand of buy to let or other landlord investors rather than those seeking to buy their own home. In particular, in areas already identified as having a proliferation of multi-occupied

homes which offer investors a higher rental yield. This in turn may increase pressure on the Housing Register or result in families seeking accommodation outside the City.

Development viability & delivery of new affordable homes

- 3.6 In order to improve housing supply, the City Plan identifies sites for housing development and mixed use sites where an element of housing will be required. While the City Plan inspector recognised the significant constraint to providing land for housing development in the City she considered the shortfall between the City Plan housing target (11,300) and our objectively assessed need (20,000) to be significant and indicated that the Council must rigorously assess all opportunities to meet housing need.
- 3.7 In order to ensure evidence underpinning the Plan is up to date and robust an updated study on housing requirements has been undertaken. As a result the new figures for Brighton & Hove indicate that the housing requirement has increased from 16,000 - 20,000 to 18,000 - 24,000 additional homes by 2030. This increase is due to higher levels of migration and household formation than previously forecast. The implication is that the gap between the target and objectively assessed need has increased. As a result, the Inspector will be looking for even greater assurance that no stone has been left unturned in the search for additional homes.
- 3.8 In particular, there is a significant need for affordable housing identified. However, primarily due to viability issues and uncertainties regarding future funding for affordable housing, the proportion of affordable housing being delivered within new housing sites appears to be decreasing.
- 3.9 In light of the National Planning Policy Framework priorities, and the end of public subsidy in support of developer contributions for new affordable housing, our ability to secure a 40% element of affordable housing on residential development of over 10 homes supported by the City Plan is frequently challenged. Increasingly, developers are successfully demonstrating viability of affordable housing on schemes at levels lower than 40%. Should developer viability concerns over the deliverability of affordable housing on schemes continue to be upheld through the Planning process there will be an ongoing adverse impact on delivery of new affordable homes in the City.
- 3.10 Where affordable housing is delivered, there are also concerns over the level of shared ownership homes against the supply of new Affordable Rent housing. Registered Provider (RP) partners advise that less public subsidy for new affordable homes and their greater exposure to income risk is likely to result in a more cautious approach to future development, in particular of affordable rented homes, and the profile of clients to whom they let new affordable housing. While our Affordable Housing Brief seeks to ensure a tenure split for affordable housing of 45% intermediate housing (including shared ownership) and 55% Affordable Rent or Social Rent, this split is not enforceable via the Planning process. Viability concerns also impact on delivery of our preferred mix of: 30% 1 bed; 45% 2 beds; 25% 3 bed plus homes.

- 3.11 Housing Committee (18 June 2014) were advised that of the 627 new affordable homes included in the 2011-15 Affordable Housing Investment Programme, 324 (52%) were for shared ownership and 303 (48%) for rent. The proportion of shared ownership homes increasing from 12 (21%) in 2011/12 to 222 (62%) in 2014/15.
- 3.12 Under the new 2015-18 Affordable Homes Programme (AHP), the expectation remains that developer contributions toward new affordable homes will be delivered at nil grant input for both Affordable Rent and shared ownership. Remaining HCA funding is increasingly aligned to addressing delivery of smaller homes. Four RPs have bid for funding for 75 homes across four separate 'firm sites' in the City. These schemes are projected to deliver 14 (19%) homes for Affordable Rent and 61 (81%) homes for shared home ownership. Three of these 'firm sites' were already identified as opportunities in the existing 2011-15 programme.
- 3.13 While many RPs are increasingly utilising their own borrowing to fund significant numbers of new affordable homes outside of the constraints of the HCA programme, this potential for additional homes being brought forward in the City outside of the AHP currently consist of a mixture of market sale, market rent (under Build to Rent) and shared ownership.

Council response – enabling delivery of new homes

- 3.14 The Council continue to work closely with the HCA, our RP and other partners to identify opportunities for delivery of Affordable Homes. Working with the Strategic Housing Partnership, we have hosted a number of high profile events to bring together stakeholders from all sides of the affordable housing delivery process to discuss issues and blockages, share good practise and develop innovative ways forward to combat the difficulties being experienced meeting our shared objectives of providing new homes, including:
- Housing Summit (29/06/12), involving Adult Social Care, Children's Services & Public Health;
 - Housing Seminar (26/04/13) with RP Chief Executives;
 - Housing Conference (17/06/14) aligned to our Housing Strategy review, including key-note speakers from the HCA, National Landlords Association & Brighton Housing Trust.
- 3.15 This has included a review of opportunities for the Council to intervene in the housing market to stimulate the delivery new homes to meet our identified housing needs, including:
- Creation of Brighton & Hove Seaside Community Homes;
 - Best use of our own portfolio of land and housing, in particular through on-going review of HRA assets;
 - Opportunities arising from HRA self-financing capacity to generate revenue surpluses to finance capital investment;
 - Use of Right to Buy and other receipts to provide subsidy for affordable homes;
 - General Fund borrowing;
 - The local authority as a potential purchaser/lessee of new accommodation, exploring ways in which we can secure additional housing being brought forward on sites in the City.

- 3.16 As well as addressing high levels of need, Council enabling investment in new homes can make a major contribution to the quality of life and public health of lower income households and neighbourhoods. Appropriately targeted, new housing provision may also reduce costs in other Council budgets notably Adult Social Care (ASC) and local public health service provision. The Localism Act places a stronger onus on local authorities to stimulate economic well-being and the significance of the Council's Housing budget and Housing enabling role reaches beyond statutory service provision. The development of new housing also has a strong economic multiplier impact on the local economy (estimated at £3.51 of economic output for every £1 of public investment) creating jobs and supply chain business opportunities.
- 3.17 The 2011-15 Affordable Housing Programme already includes Council HRA investment in 15 new Council homes for rent at Balchin Court and both HRA and General Fund capital toward the forthcoming 45 home Council extra care scheme at Brooke Mead. Provision of extra care housing being aligned to our Corporate and budget commitment to providing more appropriate cost effective housing options for adults and older people as an alternative to more expensive residential care accommodation. The Housing Revenue Account Capital investment programme 2014-17, includes investment of £16.5 million for delivering 93 new homes (including Brooke Mead).
- 3.18 Under the guidance of the New Homes for Neighbourhoods Project Board our estate regeneration programme has been established and is progressing design and delivery options for new council homes on a range of sites across the City. Overall there are currently around 175 potential homes in the New Homes for Neighbourhoods development pipeline. The homes are at different stages of development from initial feasibility/viability studies having been completed to schemes that are currently in planning.
- 3.19 Options for the Council to intervene in the market and increase the supply of new housing also includes the potential for developers with large Planning applications entering into arrangements with the local authority to offer residential units for sale and/ or lease at discounted rates on the basis of potential lease-back arrangements whereby the Council may borrow to purchase homes on the new schemes. This is on the basis that the Council have nomination rights for households to whom we have a housing duty, using the rents received over the lease term to fund the discounted purchase of homes on the development.
- 3.20 This discounted sale option has previously been explored on the most recent Anston House Planning application. We have also submitted a letter reserving our option to buy off-plan on the forthcoming Preston Barracks scheme.
- 3.21 Council borrowing money and then paying developers to supply new homes is an opportunity being explored by a number of other local authorities who have demonstrated that replacing the private funder with Public Works Loan Board (PWLb) and European Investment Bank (EIB) funding could, through LA intervention in the market, result in a significantly stronger return to the Council, a shorter repayment period and greater flexibility over use of any new homes. Other local authorities have also explored the use of institutional finance and underwriting private finance deals for the same purpose.

- 3.22 In addition to the opportunity to address a shortfall between supply and demand of quality public and private accommodation available for rent in the local authority area, such local authority led investment contributes to meeting affordable housing planning obligations. This in turn, provides the opportunity for the Council to make a positive impact for wider objectives, such as reducing unemployment and improving health and wellbeing. Also, provision of newer homes for rent provides the opportunity to:
Create decant space for major housing regeneration schemes on HRA land;
Continue to support reduction in cost pressures in ASC by block purchasing clusters of Life-time accommodation that could help to reduce care costs.
- 3.23 We are currently in discussion with Department of Communities & Local Government (DCLG) around how best to meet affordable housing need within Local Housing Allowance rent levels. Our review has focused primarily on financial models including best use of local authority land and borrowing capacity (HRA & GF) and procurement off-plan of private sector housing developments to meet affordable housing planning obligations, options which may minimise central government capital grant subsidy and 'incentivise' LAs to provide the land or public subsidy to increase the pace and supply of affordable house building providing homes at Affordable / LHA rents. Initial discussion has also focused on the scope to extend private sector housing leasing on the basis we are aiming to avoid more costly and unsatisfactory B&B accommodation.
- 3.24 In addition to taking forward negotiations with potential funding and development partners in order to work up fundable off plan residential acquisitions propositions, approval is also sought from Committee to continue this liaison with DCLG in support of them making recommendations to HM Treasury for the Autumn Statement arising from our discussions on housing supply & homelessness work. DCLG would potentially be looking to work with us on delivering schemes arising from this joint work.
- 3.25 Further work is required over the coming period to ensure that the council's legal and financial position is safeguarded and this will be undertaken in parallel with schemes which are emerging in planning and development over coming months.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

- 4.1 Options for improving housing supply are outlined in the report and will be kept under review as part of current scoping, development and review of the revised City-wide Housing Strategy and Housing Investment Plan and in support of City Plan priorities.

5. COMMUNITY ENGAGEMENT & CONSULTATION

- 5.1 General consultation on our approach to stimulating new house building, making best use of our HRA assets and estate regeneration through the New Homes for Neighbourhoods programme has been undertaken with councillors, council tenants and leaseholders through reports and presentations to Housing Committee. The cross party New Homes for Neighbourhoods Project Board oversees delivery of our estate regeneration activities.

- 5.2 Consultation with residents and ward councillors on specific schemes to be developed by the Council or its partners will be undertaken via the Planning process.

6. CONCLUSION

- 6.1 Approval is sought for the above recommendations in order to:
Support achievement of City Plan and Housing Strategy priorities, in particular delivery of new affordable homes;
Enable meaningful pre-application discussion and negotiation with developers on forthcoming planning applications, in particular where the developer may incur costs working up detailed proposals;
Support discussion with DCLG to take forward any further discussion on freedoms and flexibilities.
- 6.2 Approval is not being sought for Policy and Resources Committee to enter into any financial risk at this stage. We would return to Committee with proposals for any specific schemes which must be aligned to the Council's legal framework and financial capacity. We propose to provide interim progress reports to Housing Committee & the New Homes for Neighbourhood Project Board.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 7.1 There are no immediate financial implications arising from the recommendations in this report. The report recommends that officers consider different funding options for increasing housing supply. These options will be fully appraised and financial implications for specific schemes will be reported back to this Committee.

Finance Officer Consulted: Susie Allen

Date: 24/09/14

Legal Implications:

- 7.2 There are no immediate legal implications arising from the recommendations in this report. There are a number of options to be fully considered and different sites may have different solutions. As and when specific project proposals emerge from the further work proposed the specific legal issues arising will be addressed.

Lawyer Consulted:

Name Bob Bruce

Date: 24/09/14

Equalities Implications:

- 7.3 Increasing housing supply supports Tackling Inequality, priority one of the Corporate Plan. It will help meet the identified needs of households unable to access housing other than by approaching the Council for assistance. It will also help the Council discharge statutory duties to accommodate vulnerable households to whom it owes a housing duty. New affordable housing is built to Lifetime Homes standard with 10% fully wheelchair adapted in order to support households with a disability to live independently at home for as long as possible.

Sustainability Implications:

Newly built homes will be built to Affordable Housing Brief standards in terms of size, Code for Sustainable Homes, amenity space, Lifetime Homes Standard. Development to the BREEAM standard level 'Good' ensures that new homes are designed sustainably to minimise carbon emissions and use sustainable materials in their construction. New homes will support One Planet Living principles.

Any Other Significant Implications:

- 7.4 Implications are outlined in the Body of this report.

SUPPORTING DOCUMENTATION

Appendices:

1. None.

Documents in Members' Rooms

1. None.

Background Documents

1. Housing Committee report, Stimulating New House Building in Brighton & Hove. 25 September 2013.
2. Housing Committee report, Improving Housing Supply - Homes & Communities Agency Funding Update, 30 April 2014.
3. Housing Committee report, Improving Housing Supply – HCA Affordable Housing Programme 15-18 update, 18 June 2014.
4. HCA – Affordable Homes Programme 2015-18, Prospectus. January 2014.

Crime & Disorder Implications:

- 1.1 Good architectural and urban design can contribute to safer homes and neighbourhoods. The proposed developments will include Secure by Design principles and in relation to extra care schemes, IT enabled technology supporting older people particularly those experiencing dementia.

Risk and Opportunity Management Implications:

- 1.2 Risk and opportunity management implications are outlined in the report and will be kept under review as more detailed on specific schemes are brought forward.

Public Health Implications:

- 1.3 The Joint Strategic Needs Assessment 2012 (JSNA) identifies the relationship between poor housing and poor health outcomes and the Director of Public Health Annual Report has identified good quality housing as important for building wellbeing and resilience and housing in the City as an area representing a particular vulnerability. Improving Housing supply in the City has an overall beneficial impact upon Public Health outcomes in the City.

Corporate / Citywide Implications:

- 1.4 This report aligns to the following Corporate Plan priorities: Tackling inequality - Improving Housing & Affordability; Decent, affordable, healthy housing; reduce health inequalities and long standing public health issues; Vulnerable adults supported to live healthy independent lives; Creating a more sustainable city: A healthier and higher quality built environment; City Performance Plan (CPP) / Corporate Plan (CP) Measures- CPP 5.4.Number of affordable homes delivered per year.