

10 September 2014

Housing & Health Committee

Introduction to Affordable Housing Strategy

Report of: *Helen Gregory, Head of Housing Services*

Wards Affected: *All*

This report is: *Public*

1. Executive Summary

- 1.1 The Council is proposing to commence building new homes. In response to this, it requires the development of an Affordable Housing Strategy to give vision and provide direction to enable affordable housing development to be focused and to maximise the impact of Council resources. The Council will need to consider a range of issues to structure and plan its future affordable housing development priorities.
- 1.2 This report is an introduction to identify areas for consideration and where supporting strategies and policies will be needed to guide the development process. This will ensure that Brentwood can both create and deliver affordable housing development opportunities to meet market demand and housing need.

2. Recommendation(s)

- 2.1 **That the Committee authorises the formulation of an Affordable Housing Strategy and supporting documentation as set out in 3.2 & 3.3 below**

3. Introduction and Background

- 3.1 The Council wants to improve the supply of affordable housing in the Borough and wishes to build new units to contribute to this supply. At present the first affordable housing development proposals are for Hallsford Bridge and several potential garage sites (included later on agenda).

- 3.2 To consider these sites further, a feasibility study will need to be completed which will include tenure type, size and mix, It is proposed that an Affordable Housing Strategy and supporting documentation is developed to establish a framework to guide future affordable housing development proposals for Brentwood.
- 3.2 The Affordable Housing Strategy will set out the guidelines for future new building and regeneration initiatives. It will identify:
- Type of homes to be built (through Affordable Housing Needs Assessment and Accommodation Standards)
 - Location of homes to be built - priority areas of the borough
 - Policy on mix of homes - social rent, shared ownership, sub market rent
 - Ownership and management - when the Council will own and manage and when the Council will develop in partnership
 - Regeneration Proposals - areas the Council is considering to upgrade
 - Financial funding options/requirements, appetite for borrowing and risk (see 4.10 to 4.11 below)
- 3.3. The Strategy needs to be supported by:
- Affordable Housing Needs Assessment
 - Asset Management Appraisal – identifying Council sites with development potential
 - Financial Plan/Model to facilitate development - that identifies what the Council can afford year on year and how this may be supplemented
 - Options Appraisal Model - to set out assumed costs, to model the financial impact of choices and to assess the risk of each affordable housing development
 - Procurement Strategy - how consultants, partners, developers/ constructors will be selected
 - Affordable Housing Programme of proposed new build/regeneration initiatives
 - Affordable Housing Specification/Accommodation standards - space, facilities, external areas
- 3.4 Imminent corporate planning decisions affecting the content of the Strategic Housing Land Availability Assessment (SHLAA) and the Local Development Plan (LDP) will impact on future social housing development as these documents will provide the overall planning framework and numbers of homes to be built.

4. Issue, Options and Analysis of Options

- 4.1 It is suggested that a workshop be held in September with key Members and lead officers; facilitated by an independent housing consultants, Campbell Tickell, to explore, discuss and agree how the strategy should be shaped to address the points in 3.2. There will be key questions for Members to consider that will influence the strategy and with whom the Council may wish to work to achieve its goals.
- 4.2 It is assumed that the Council will be using its HRA sites to provide new homes rather than to primarily generate income
- 4.3 It is likely that a mixed tenure approach would include affordable, Immediate rent and shared ownership. Currently the Housing Department does not manage either of these tenure types. However the Department does have the capacity to manage this type of service in-house or it may wish to work in partnership with a Registered Provider to manage these tenures. Where we are developing in partnership, we will need to consider do we wish to retain the ownership of the asset and seek a management partner or do we wish to transfer the asset; and use the income to promote further general needs affordable housing.
- 4.4 There are other company/governance structures that are used in the social housing sector, such as standalone housing company or joint venture arrangements, to enable the housing provider to limit the right to buy options; secure additional financial resources and/or to deliver specific regeneration solutions. The opportunities and limitations of these will need to be considered when deciding a vehicle to support the Council's goals.
- 4.5 This agenda includes proposals to develop garage sites. The development of these sites will enable debate using these specific examples to explore the impact of different choices.
- 4.6 Officers will identify sites to be considered within the initial Affordable Housing Programme and will refer the initial selections to the November committee for approval..
- 4.7 The development of Affordable Housing Strategy, supporting documentation and the physical schemes will be influenced by both staffing and financial resources.
- 4.8 Staffing - The Affordable Housing Strategy and the supporting documents identified in 3.3; will be prepared over the next 3 to 6 months. This will enable a full 3 to 5 year Strategy and Financial Plan to be in place for the 2015/16 financial year.
- 4.9 Officers will present a further report to the November Committee to identify the resource implications of initiating and sustaining an affordable housing programme. This will be influenced by the discussions at the Member/Officer workshop. In the interim, officers will progress the garage

site schemes and identify other potential opportunities for consideration within the Strategy.

4.9 Finance – The development of new homes needs to be financed. The delivery and range of the Affordable Housing programme will be partly determined by the financial resources that the Council is prepared to invest. The level of investment will be influenced by income and the appetite and capacity to borrow.

4.10 Currently the Council has

a) Council Dwelling Investment Fund of £500,000 set aside from HRA reserves

b) Recycled Capital Grant Fund (income from RTB sales). This currently stands at £1.2m. The Council can use this as a 30% contribution to any new provision. We need to use £466,000 by March 2016 or it will be reclaimed by the HCA. Of this £50,000 must be used by September 2015. We need a scheme(s) valued at £1.56m to be able to spend this recycled grant. This will require £1.1m to be funded by the Council, probably using the Investment Fund above to partly bridge the gap.

4.11 There are two principal sources of funding to meet any shortfall.

a) Borrowing – The Council may have the capacity to borrow to fund the gap. The Council's capacity and willingness to borrow needs to be assessed.

b) Sale of assets – The Council may wish to use part of its HRA land asset to fund the gap. We could sell a whole site or sell/lease part of the completed development.

5. Reasons for Recommendation

The Committee is asked to approve the development of Affordable Housing Strategy to underpin future affordable housing development in Brentwood.

6. Consultation

6.1 We will need to use consultants and contractors or other Registered Providers to assist with the delivery of the schemes. Members may also wish to have external advice on aspects of the strategy and affordable housing options. In the short term we can use other social housing provider frameworks. Brentwood is a member of the South East Consortia which has appropriate consultancy and contractor frameworks. We can undertake a mini tender among the framework contractors as a quick way to maintain probity and to obtain a competitive price from an established framework.

- 6.2 While Brentwood is unique and has its own character, most of the questions we face to develop affordable housing have been experienced by peer social housing providers. Officers will consult with colleagues in neighbouring authorities and other providers who display best practice to identify opportunities for members to share experiences to assist with the evolution of Brentwood's Affordable Housing Strategy.
- 6.3 Brentwood may wish to enter into partnerships with other providers to share experiences and the costs and risks of development.
- 6.4 There are currently three phases to the Affordable Housing Strategy.
- i) Garage sites - The first schemes on the garage sites will be progressed and a report will be submitted to the November Committee to seek approval to a specific option(s). Other site opportunities will also be assessed and brought to members as necessary.
 - ii) Affordable Housing Strategy - Officers will arrange a workshop(s) for Key Members/officers to facilitate discussion of the issues that have been raised above. Progress and headline proposals will be reported to the November Committee for consideration and approval.
 - iii) Supporting policies and processes.- Officers will review the items identified in 3.3 to develop these in support of the Strategy. Progress will be reported to the next committee and specific reports presented for approval where decisions are needed.
- 6.5 Alternative Management/Ownership Options - There are options for the ownership of housing assets (see 4.4 above) which should be explored to identify how these can contribute to the Council's strategic goals. These will be included in future proposals to enable members to consider the benefits and implications.

7. Reference to Corporate Plan

- 7.1 Developing new homes aligns with the Council's plan to provide quality affordable housing to meet housing need.

8. Implications

Financial Implications

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- 8.1 The next steps will be to establish the financial capacity of the HRA to support future affordable housing development and to ensure the full utilisation of recycled grant.

- 8.2 There will also need to be clear identification of the implications of any interaction between the General Fund and the HRA where a scheme may involve the movement of assets between them.

9 Legal Implications

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The need to consider the legal and governance issues of all relevant options, including the ability of the Council to retain ownership should the Council desire this, has been recognised at 4.3 and 4.4.

10. Background Papers

None

11. Appendices to this report

None

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