

Subject:	Improving Housing Supply – HCA Affordable Housing Programme 15-18 update.		
Date of Meeting:	18 June 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 Improving housing supply in the City, maximising investment in new homes and making best use of existing housing resources, are core elements of our Housing Strategy aligned in support of the City Plan and our Corporate Priorities of Tackling inequality & Creating a more sustainable City.
- 1.2 The Council has a strong track record of improving housing supply and supporting delivery of new affordable homes in the City, including attracting inward investment from the Homes & Communities Agency (HCA) and Registered Providers (RP) through our Affordable Housing Delivery Partnership.
- 1.3 This report updates Housing Committee on:
 - Offers received in our authority area for the 2015-18 HCA Affordable Homes Programme, including an outline of firm sites submitted by providers for our area as well as details of indicative supply;
 - Additional funding options available to ensure best use of existing housing resources and to improve housing supply.

2. RECOMMENDATIONS:

- 2.1 That Housing Committee note the update on our Registered Provider partners response to the Homes & Communities Agency 15-18 Affordable Homes Programme Prospectus in Brighton & Hove.

3. CONTEXT/ BACKGROUND INFORMATION

- 3.1 Brighton and Hove is a growing City with 273,000 people in 124,000 homes, an additional 22,840 households (914 per annum) are projected to 2033. The City has high housing prices and low incomes causing more households to approach the Council in housing need. There are over 18,000 households on our joint housing register and rising homelessness.
- 3.2 Owner occupation in the City is reducing, lower than the national average, at 54% (65,835) of all housing stock. There has been significant growth in the

private rented sector in the City, increasing by 45.7% (an extra 10,691 homes), and now standing at 34,081 homes, 28% of all housing stock (the 9th largest private rented sector in England & Wales).

- 3.3 Social Housing makes up a small proportion of the overall housing in the City (lower than England & Wales average) with 9.8% of homes owned by the local authority and 5.1 % by housing associations (Census 2011).
- 3.4 In order to address the strategic priority of improving housing supply in the City the Council has sought to stimulate new housing building in Brighton & Hove through: the City Plan; City-wide Housing Strategy; Housing enabling work with a range of partners including Homes & Communities Agency and Registered Providers; ongoing review of HRA assets; and the Estate Regeneration, New Homes for Neighbourhoods programme.
- 3.5 Our current Housing Investment Framework includes: Local Investment Plan for Housing (HCA, Council, Registered Providers), incorporating the current Affordable Housing Programme (AHP) & the HCA 15-18 AHP Prospectus bids; The new City Plan & Supplementary Planning Guidance incorporating Developer Contributions; HRA Capital Programme 2014-17 - HRA self-financing & borrowing capacity (incorporating Right to Buy receipts); 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.

Current (2011-15) Affordable Housing Investment Programme - HCA, Council & Registered Providers

- 3.6 Overall, investment and / or opportunities have been identified for 627 new affordable homes under the 2011-15 Affordable Housing Investment Programme (AHP), broken down in the table below:

	total affordable units	RENT	SHARED OWNERSHIP	Wheel Chair
2011-12 Total	58	46 (79%)	12 (21%)	13(22%)
2012-13 Total	46	16 (35%)	30 (65%)	4(9%)
2013-14 Total	164	104 (64%)	60 (36%)	16(10%)
2014-15 Total	359	137 (38%)	222 (62%)	34(9%)
ALL	627	303 (48%)	324 (52%)	67(11%)

- 3.7 The HRA Capital Investment Programme 2014-2017 approved February 2014 includes investment in Building New Council Homes, totalling £16.5 million to deliver 93 homes.

Sub regional working

- 3.8 In recognition of the limitations of seeking to meet the City's housing pressures within our administrative boundaries, and in line with the Duty to Co-operate for

local planning authorities to work together with their neighbouring authorities and other organisations in the development of strategic planning policies, we have also developed our sub-regional working.

- 3.9 We have sought to work in partnership, engaging with our neighbouring coastal local authorities through the Coastal West Sussex and Greater Brighton Strategic Planning Board area, taking forward joint objectives that meet existing and future needs of the residents and workforce in the area. In addition, Greater Brighton City Deal with Government and the establishment of the Greater Brighton Economic Board will act as the investment decision-making body for the Greater Brighton city region, advising on how national funding streams, such as the Regional Growth Fund should be prioritised, as well as providing a vehicle for joint housing investment decisions.

Registered Provider partners response to the Homes & Communities Agency 15-18 Affordable Homes Programme

- 3.10 The HCA have contacted all Local Authorities to notify of bids that have been made in their area and sought LA views on the schemes. The HCA have sought confirmation of the following: LA support for the HCA funding for the site; scheme contribution towards LA equalities priorities; Planning status; Revenue funding where the site provides supported housing; Scheme unit mix meeting local housing need; Any requirement to demolish any residential property.
- 3.11 The HCA have advised of the following offers received from RPs for proposed schemes in Brighton and Hove under the 2015-18 HCA Affordable Homes Programme. Information received from HCA is marked 'Sensitive – Commercial' so only an outline of schemes rather than specific detail is outlined below.
- 3.12 **Firm schemes** – Four RPs have bid for funding for 75 homes across four separate 'firm sites' in the City. Should funding be approved these schemes will 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 **Indicative schemes** – Two RP partners have bid for the following indicative scheme funding: 30 Affordable Rented homes made up of self contained / shared housing for young single people aligned to bringing long term empty homes back into use to be refurbished and leased as affordable housing for an agreed period of time; 20 Affordable Rent and 10 shared ownership homes to be secured on unidentified Sussex sites with the intention to secure site/s by March 2016 and work up a scheme in compliance with Housing and Planning policy.
- 3.14 Given the City Plan, City-wide Housing Strategy and Corporate Plan priority of improving housing supply we have indicated our support for HCA funding for the bids made in our area.
- 3.15 The HCA advise that nationally they have had a good response to bids across all areas and types of scheme, including bids for specialist housing. Bids are subject to local and national moderation prior to funding being agreed with a particular focus on value for money. Outcome of the bids under the 15-18 HCA Programme prospectus are expected to be announced by ministers during mid to

late July 2014. The HCA advise that they aim to open continual market engagement for un allocated funding as soon as possible to maintain momentum in overall programme delivery.

- 3.16 As previously reported to Housing Committee, it is worth noting that RPs are increasingly utilising their own borrowing to fund new affordable homes outside of the constraints of the AHP. We have currently identified significant potential for additional homes being brought forward by RPs in the City outside of the AHP with a mixture of market sale, market rent (under Build to Rent) and Shared Ownership.

Affordable Homes Programme 2015-18 – Headlines & key issues arising

- 3.17 Overall funding of up to £1.7bn is available outside London to contribute to delivery of 165,000 new homes by March 2018. The HCA prospectus was dated January 2014 with deadline for bids being noon on 30 April 2014. Not all available funding will be allocated from the out-set with the aim to allocate up to 75% with remainder being made available through ongoing market engagement.
- 3.18 The programme seeks to increase the supply of new Affordable Rent (80% market rent is retained) & shared ownership. The Prospectus includes opportunities for both general needs housing and meeting the needs of vulnerable and older people in both specialised and mainstream housing. Bids for supported housing and housing for older people are expected identify revenue funding source associated with accommodation or client group, have exit routes should commissioning priorities change and identify move on where required.
- 3.19 Housing Committee have previously been advised that Affordable Rent remains one of the few viable options to help fund the development of new social housing given reductions in Government capital funding for new affordable homes. Affordable Rent offers the potential to increase rent levels for new homes and build mixed tenure developments in order to maximise numbers built.
- 3.20 Housing Committee have previously expressed concern about the affordability of 'Affordable Rents' if based on 80% of the market rent in Brighton & Hove, in addition to emerging concerns over the level of shared ownership homes being delivered in the City against the supply of new affordable rented housing. Registered Providers partners have advised that with less Government capital subsidy for new affordable homes there is increased pressure on their income streams and greater rent collection risk given more of their income is now aligned to supporting borrowing for new development.
- 3.21 RPs have reported that this will potentially impact on their ability to borrow to support funding to build new affordable homes and the profile of clients to whom they let new affordable housing. In addition, the potential reduced income and higher risk profile is likely to result in a more cautious approach to future development, in particular of affordable rented homes.
- 3.22 Certainty of delivery is key to achieving HCA funding under this bid round. There were two routes to bidding, either firm schemes only approach or a mixed route of firm schemes and indicative proposals. Any bidder is able to bid for firm

schemes only. Current HCA Investment Partners with a proven track record of good delivery will be able to access the mixed route where this has been agreed with the HCA. HCA intend to agree with bidders in advance whether they may bid under the mixed route.

- 3.23 Firm scheme bids must be for named schemes with details including site ownership, Planning stage reached and tender stage reached. Forecast dates for start on site (and completion) will be taken into account in the HCA assessment of delivery, with schemes demonstrating an earlier delivery stage being advantaged in the HCA assessment. In line with the focus on certainty of delivery the HCA reserve the right to withdraw any allocation offered where there is significant delivery slippage, allowing allocations to be re-distributed to schemes with greater certainty of delivery.
- 3.24 The expectation remains that Section 106 schemes will be delivered at nil grant input for both Affordable Rent and shared ownership. If any HCA funding is requested this would be an exception, subject to evidence as part of the appraisal that this will result in additional affordable housing which would not otherwise be delivered, including by reference to the local authority Planning viability assessment.
- 3.25 In Brighton & Hove on suitable housing sites the Council will currently negotiate with developers to secure a 40% element of affordable housing on proposals for residential development capable of producing 10 or more dwellings in line with the Council's Affordable Housing Brief. The policy applies to all proposed residential development including conversions and changes of use. Only in exceptional circumstances will the Council accept a commuted sum or free serviced land in lieu of on site provision of affordable homes.
- 3.26 National Planning Policy Framework states 'To ensure viability, the costs of any requirement likely to be applied to development, such as requirements for affordable housing, standards, infrastructure contributions or other requirements should, when taking into account the normal cost of development and mitigation, provide competitive returns to a willing landowner and willing developer to enable the development to be deliverable' (NPPF, 2012, para 173).
- 3.27 Previous reports to Housing Committee have identified that in light of the NPPF and with no government / HCA capital subsidy available for new affordable housing development in support of any developer contribution, we are facing challenges around the viability of affordable housing on schemes where this developer contribution applies.
- 3.28 If developer viability concerns over the deliverability of 40% affordable housing on schemes are upheld through the Planning process, and mitigation such as exploring arrangements whereby this reduction may be partially offset by the willingness of the applicants to explore alternative ways of increasing the proportion of affordable housing cannot be negotiated, there will be an ongoing adverse impact on delivery of affordable homes in the City.
- 3.29 Potential alternative arrangements may include applicants entering into arrangements with the Council to offer residential units for sale and/ or lease at discounted rates on the basis of potential lease-back arrangements whereby the

Council or RP 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. This has previously been explored on the most recent Anston House Planning application.

- 3.30 The HCA programme also seeks to address a need for ‘more one and two bedroom homes that match the needs of smaller households’ in order to ‘build homes that address the demographic challenges that facing social housing’ for example in areas where tenants under-occupying social homes do not have the option of moving to a suitably sized home.
- 3.31 One of the key emerging themes arising from the City-wide Housing Strategy consultation is the acute shortage of family housing in the City, often set against concerns around the significant growth of houses in multiple occupation in the expanding private rented sector, in particular where these arise from conversion of smaller family homes. This shortage of family homes is also reflected in housing needs as demonstrated through households on our Housing Register. Generally across the City our Affordable Housing Brief for new homes, informed by housing needs assessments and site/neighbourhood characteristics, seeks a preferred affordable housing mix in terms of unit size and type of: 30% one bedroom units; 45% two bedroom units; 25% three + bedrooms. This mix is likely to become increasingly difficult to achieve with the scheme viability issues outlined above and funding increasingly aligned to addressing a need for smaller homes identified in the HCA prospectus.
- 3.32 The Prospectus also seeks to maximising delivery against available grant through bidders own contributions with specific focus on ‘active asset management’, including reduction on call from grant funding through maximising:
- Borrowing capacity on net rental income on new homes;
 - Generating additional borrowing capacity through conversion of social rent to Affordable Rent at re-let;
 - Cash generated through sale of existing stock;
 - Other cross subsidy including surpluses from existing stock and activities including any recycled grant or income from homes for sale;
 - Other sources of funding or means of reducing costs such as free or discounted local authority or other public land or additional local authority contributions such as New Homes Bonus.
- 3.33 HCA assessment of bids will include funding for the supply of new affordable homes that: Meet local needs and priorities, including meeting demographic challenges and any mismatch between existing stock and household needs – for example building more one and two bed homes in areas where there is a shortage; Demonstrate good value for money, enhanced where providers can demonstrate efficiency across their operating base; Show demonstrable prospect of delivery within the programme timeframe; Align with confirmation that the RP continues to meet regulator Governance & Viability standard.

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.

5. COMMUNITY ENGAGEMENT & CONSULTATION

- 5.1 Consultation with residents and ward councillors on specific schemes to be developed by Registered Provider partners will be undertaken via the Planning process.
- 5.2 Housing Committee previously approved the ongoing methodology and planned events for consultation on the City-wide Housing Strategy which includes Improving Housing Supply as a key priority.
- 5.3 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.

6. CONCLUSION

- 6.1 The importance of improving housing supply in the City, making best use of existing housing resources and maximising inward investment in support of this priority is outlined in this report is one of the key themes emerging from the scoping phase on development of the new City-wide Housing Strategy.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 7.1 There are no direct financial implications arising from the recommendations in this report.
- 7.2 The HRA Capital investment programme 2014-17, as referred to in paragraph 3.7, includes investment of £16.5 million for delivering 93 new homes. As further feasibility of schemes are progressed through the New Homes for Neighbourhoods Programme, these will be reported to Housing Committee and Policy & Resources Committee (if seeking budget/ funding approval) with full financial implications included in these reports.
- 7.3 If potential alternative arrangements, as described in paragraph 3.28 & 3.29, to enable the delivery of 40% affordable housing on schemes through entering into arrangements with the council are required to be explored further, then financial implications will be assessed as part of this review and reported back to this committee.

Finance Officer Consulted: Susie Allen

Date: 04/06/2014

Legal Implications:

- 7.4 There are no direct legal implications arising from the recommendation in this report.

Lawyer Consulted:

Name Liz Woodley

Date: 04/06/14

Equalities Implications:

- 7.5 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:

- 7.6 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.

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. 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.

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.