

Southend-on-Sea Borough Council

Agenda
Item
No.

Report of Corporate Director for People

to

Cabinet

on

1st July 2014

Report prepared by: Jacqui Lansley, Head of Procurement,
Commissioning and Housing

Investigation of potential development sites on HRA Land

Executive Councillor: Councillor David Norman

“A Part 1 Public Agenda item.”

1. Purpose of this report

- 1.1 To present a feasibility report on Council owned Housing Revenue Account (HRA) land which has the potential to meet the Council's strategic aim of developing additional affordable housing.

2. Recommendation

- 2.1 To undertake further investigation and consultation on the feasibility of the identified sites at **Appendix 1**
- 2.2 To agree to use time-limited capital funds, including RTB (Right to Buy) receipts, with the balance of the funding to be met from within the existing HRA capital resources, to bring forward the initial pilot sites in Shoeburyness in the short term.
- 2.3 To ask Officers to investigate and bring forward a longer term Capital Investment Strategy for the Council which considers the different development models and delivery vehicles open to the Council including for Council-led house building.
- 2.4 To seek Member's views that any new properties will be let on Assured Shorthold Tenancies and initially be leased onwards to South Essex Homes Limited outside of the HRA at 80% of market rents to maximise rental income.

3. Background

- 3.1 The Council's commitment to addressing local housing need for affordable housing in Southend is well documented. The Council's Corporate Plan, the aims of the Southend Housing Strategy 2011-21 and recommendations from the In-depth scrutiny project report on housing in 2013 all affirm this commitment.

- 3.2 To this end, Strategic Housing Officers undertook an initial assessment of 124 small pieces of HRA land which had potential to be developed for housing. Following site visits and a desktop appraisal a large number of these sites proved to be unviable and a shortlist of 32 sites was produced. In the last few years the Council has successfully worked with a number of Registered Providers (RPs) on similar programmes of small infill and garage sites which have achieved 86 additional affordable homes to date.
- 3.3 The list of potential sites was presented to the Community Services and Culture Scrutiny Committee on 9th April 2013 who requested officers prepare further feasibility studies for consideration.
- 3.4 The minutes from the Scrutiny report noted: *To welcome the undertaking of a more detailed assessment of the potential development of the sites to provide additional affordable housing on Council-owned HRA land, and that a report go forward to Cabinet.*
- 3.5 Accordingly a procurement exercise was undertaken and South Essex Homes, in partnership with PJM Architects, were selected to carry out a feasibility study looking at 32 different potential sites across the Borough.

Feasibility Study Results

- 3.6 The options presented for each site are suggestions based on a review of each site's context, planning aspects and the constraints which would prevent development from taking place.
- 3.7 Any proposed development project(s) has been considered against the following criteria:-
- Proximity to and overlooking issues of adjoining properties
 - The neighbouring habitat and landscaping issues
 - Parking and amenity issues
- 3.8 The Feasibility study's conclusion was that if all 32 sites could be developed to their full capacity then a maximum of 122 units could be achieved (dependent upon planning and consultation considerations). However, it is likely that many of these sites will not be able to be developed for a number of reasons so the final number of potential units which can be built may be reduced.

Development Options

- 3.9 If a decision is taken to bring forward some, or all of the sites, outlined in the feasibility report, there are a number of broad options open for the Council to consider. The descriptions outlined below represent only

a brief summary of these and Officers will undertake further work to fully investigate the route which offers best value for money and will bring a Report back to Members setting out the Options which could be further investigated.

3.10 Option 1 - Transfer the land to a Registered Provider

This option would follow the development route used in previous projects to develop redundant garage sites, whereby the land is transferred to a housing association for a nominal amount to develop the site as affordable housing.

3.11 This is a model which has previously delivered high quality affordable housing for those in housing need in perpetuity. However, this approach does mean the loss of capital assets and potential future revenue income to the HRA.

3.12 Option 2 – Sale of some sites on the open market

This option would allow some of the sites to be considered for sale on the open market with receipts used to reinvest in the HRA, potentially in Council-led development, as per option 3 below.

3.13 Option 3 – Local Authority New Build

Traditionally the lack of available capital finance within the HRA has severely limited a council's ability to fund a new build programme. However changes to the HRA finance system, with the abolition of HRA subsidy in April 2012, means that there is now more freedom for the Council to choose to use any predicted surplus within the HRA to fund new housing development. Alternatively that surplus can be used to pay down existing HRA outstanding debt. Members will be aware that HM Treasury has maintained a cap on the level of borrowing that the HRA can undertake, and therefore still restricting the amount of capital investment that can be undertaken, unless more innovative, non-traditional financing and development routes are used.

Consideration could therefore be given to the Council retaining the land and increasing the amount of council owned housing stock. This option has become increasingly popular amongst other Local Authorities that still own their own housing stock. Within the Council's HRA Business Plan there are limited capital resources available which could be used to fund a small scale pilot new build development programme in the coming years. However anything beyond the suggested pilot would need different arrangements put in place. There are various models which could be available to the Council to achieve this aim through either delivery with a development partner; or via a Council-owned development company.

Changes to the subsidy system also mean that there is a freedom for the Council to choose to use the predicted capital surplus available to the HRA to fund new housing development.

- 3.14 For all of the above options consideration will need to be given as to how the developments align with Southend's wider Housing Strategy. This could mean that units delivered offer a mix of different tenures including 80% of market rents to meet those in housing need from the Homeseeker's Register; they may also be suitable as decant units for larger regeneration schemes in the future. It is proposed that the first Phase will be let at 80% market rents on assured shorthold tenancies to maximise rental income.
- 3.15 It is suggested that Officers begin work on determining a medium and long-term strategy assessing in more detail the development models outlined above. This Capital Investment Strategy will build on the work of the feasibility study and provide guidance to Members on how the Council can best use its own resources, both in terms of land and financial surpluses, to help meet local housing need and deliver strategic objectives such as the regeneration of the town centre tower blocks.

Pilot Development Option

- 3.16 In the short term, the Council has development funds available which are time limited and if they are not spent will be handed back to central government.
- 3.17 The Council currently has RTB receipts and s106 planning contribution monies to the value of £614k which is time limited and must be spent on funding new housing development. This is the option therefore to use this money to part finance the development of the Shoeburyness pilot.
- 3.18 Whilst detailed costs and viability will need to be confirmed, Officers estimate the total scheme cost of the Shoeburyness Pilot scheme would be between £1.5m and £3m depending on number of units agreed upon following consultation with the Planning department, Ward Members and the local community. 30% of any cost could be covered by any retained RTB capital receipts, with the remaining funding being from the s106 (£66k) and the HRA capital investment reserve.

4. Corporate Implications

4.1 Contribution to Council's Vision & Corporate Priorities

The review of Council owned land for affordable housing meets the Council's Corporate Priority to *Enable well-planned quality housing and developments that meet the needs of Southend's residents.*

4.2 Financial Implications

- 4.21 An initial financial viability on the pilot sites in Shoeburyness, outlined in the *Development Options* section of this report, has been undertaken by Officers using industry standard build costs with total scheme costs ranging from £1.5m to £3m depending on the final number of units that can be achieved.
- 4.22 Funding for this pilot could come from existing HRA capital resources and a housing related s106, as outlined within the report.
- 4.23 Before any wider development programme can be undertaken, there is a need to research and agree a suitable development vehicle through which funding can be raised and channelled.

4.3 Legal Implications

None at this stage but will be investigated as part of the process if a decision is taken to proceed with further work on any of the sites.

4.4 People Implications

There are currently no people implications envisaged.

4.5 Property Implications

The development of additional affordable housing units on HRA land would provide much needed housing for those on the Council's Homeseeker's Register. Rents would need to be set at a level which is affordable and in line with statutory guidance, whilst ensuring payback of any capital borrowing and to cover the cost of ongoing repairs and maintenance.

4.6 Consultation

Consultation with South Essex Homes Officers has been undertaken to integrate any development with the ongoing garage refurbishment programme. Consultation with the Planning department at an early stage in the process will

Consultations with the Portfolio Holder, Ward Members, local residents and other stakeholders will take place once a decision has been taken as to how the project will proceed.

4.7 Equalities and Diversity Implications

No Equality and Diversity Implications to consider at this stage.

4.8 Risk Assessment

There are no risks that Officers are aware of in undertaking further financial viability work, should an in house pilot go ahead the usual planning, consultation will be addressed over the course of the project.

4.9 Value for Money

The Council may be able to bring additional larger units back into family use by allowing under-occupiers to move into the smaller units, including those tenants affected by the Spare Room Subsidy ("Bedroom Tax")

The Council could potentially reduce revenue funding by moving vulnerable people who do not require residential accommodation into more appropriate housing and reduce the use of rent deposit and temporary accommodation by moving homeseekers into appropriate housing.

4.10 Community Safety Implications

Previous projects have shown that redeveloping underused garage sites have reduced anti-social behaviour and have had positive impact on community safety in the immediate area.

4.11 Environmental Impact

The environmental impact of development on each site would need to be considered as part of the consultation and planning process.

There is an aspiration that, within the limits of financial viability, any new properties developed would be energy efficient.

5 Appendix

Appendix 1 – Review of Housing Revenue Account Land – Feasibility Study Summary

Development Opportunities

Preliminary investigation has been undertaken with the Legal department to determine further information on the feasibility of each site. Information has been provided on:

- Report on title. This includes information on the Council's title to the land, information on any Right to Buys in the area (including any rights they may have), information from Highways, Local Land Charges results and drainage/water results
- Transfers/plans where they have been referred to in the report on title
- Highways report and plan.

This information has informed the methodology in selecting the pilot options below and has been assisted by the experience housing officers have gained on similar housing projects within the Borough.

Three options for pilot cluster sites have been recommended by Officers. By selecting sites in proximity to each other, site setup costs would reduce and it would allow for increased economies of scale to therefore achieve a lower build cost price per metre². The pilot sites have been ranked in order of deliverability in terms of timescales and consultation.

Phase 1 Shoeburyness Ward

Site Location	Unit Range
Ashanti Close, Bulwark Road, Exeter Close	13 – 27 units
<p>These are underused or disused garage sites in Ashanti Close, Bulwark Road and Exeter Close and are similar to those the Council have brought forward previously with Registered Provider partners. The sites suffer from antisocial behaviour and fly tipping. This pilot would be relatively straightforward, of low risk, and considered to represent good value for money. It is predicted that some local parking issues would need to be resolved as part of the development process.</p>	

Phase 2 St Lawrence Ward

Site Location	Unit Range
Rochford Road and Bishop House	12 – 18 units
<p>The garage site along Rochford Road is proposed for flatted development with bungalows proposed on land adjacent to Bishop House. Being located near to sheltered accommodation this project offers an opportunity to release larger, under-occupied, Council accommodation by providing smaller single storey units. The location of the bungalow development will require detailed consultation with local residents to gain local support.</p>	

Phase 3 Blenheim Ward

Site Location	Unit Range
Juniper Road	15 units
<p>These sites are in Juniper Road and consist of a garage site and a piece of open land which currently only has a narrow access, thus it would be necessary to demolish 2 Council owned units in Hurst Way to provide development. The net gain would therefore be 15 units and an allowance will be made for demolition, relocation and possible home loss costs. These sites offer the opportunity to create a sustainable development and whilst has a higher risk (green space) and a lower Value for Money (due to the demolition) there are sufficient units to make this site financially viable</p>	

There are other opportunities for clusters of three or four smaller sites which could be brought forward. However, due to their locations being spread out across the borough, necessary economies of scale may be difficult to achieve. One option to overcome any viability issues is to develop some units for open market rent or sale to cross-subsidise the higher costs of delivering social/affordable rented housing units.

Indicative Timescales for Phase 1

Action	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15 to Oct-15	Nov-15
Planning Consultation	█											
Member Consultation		█										
Community Consultation			█									
Member Decision				█								
Architect Tender					█	█						
Finalise Plans							█					
Planning Application								█				
Planning Decision										█		
Contractor Tender								█	█			
Start on Site										█		
Work Programme											█	█
Completion												█