

Southend-on-Sea Borough Council

Corporate Director of Adult & Community Services

to

Cabinet

on

8th January 2013

Report prepared by: Daniel Baker, Group Manager Strategy
and Planning

Agenda
Item
No.

Possible New Affordable Housing Development Site 159 Bournemouth Park Road/Byron Avenue

1. Purpose of Report

- 1.1 To advise Cabinet about the potential to provide an additional affordable housing unit on Council owned land at Bournemouth Park Road/Byron Avenue.
- 1.2 To consider the options on how the site could be developed and if approved, progress the project with a view to submitting a Cabinet report to authorise development on HRA land.
- 1.3 If the Council-build option is preferred to seek approval to use a combination of commuted sums from section 106 contributions and Right to Buy receipts to bring forward affordable housing on the proposed site.

2. Recommendation

- 2.1 To request permission to develop this site, subject to full site investigation to determine whether this is a desirable and appropriate use of the land.
- 2.2 If agreed to proceed to carry out full consultation with Ward Members and Residents regarding possible development of this site.
- 2.3 That the Council-led approach is considered the preferred development option conditional on appropriate risk management being adhered to.

3. Background

- 3.1 The Council is committed to utilising its land to bring forward affordable housing and is currently nearing the completion of Phase II of the garage redevelopment programme. The identification of additional development sites on HRA land is included as an action within the Housing Strategy 2011-21.

- 3.2 As part of on-going discussions with the Asset Management department and South Essex Homes, officers within strategic housing have been investigating possible sites that could help to meet the borough's housing needs. To this end South Essex Homes identified a Council owned void property, 159 Bournemouth Park Road. The property is a 3 bed corner house with a large overgrown garden, SEH asked Officers to consider whether the garden could be reduced to provide an additional unit on the site.
- 3.3 Officers have taken advice from both an architect and construction company and it is feasible that a property could be erected on the site with enough space remaining for each property to benefit from a reasonable sized garden. See site plan at **Appendix 1**, note that the frontage of the new property will be on Byron Avenue.
- 3.4 Following discussions at SBC/SEH operational meetings 159 Bournemouth Park Road is now being held as a *major works* void whilst a decision is taken on whether to proceed with proposed project.
- 3.5 Initial discussions with Planners, Highways and Asset Management Officers have not raised any major potential barriers to development. Comments received from colleagues in finance have helped to inform the contents of this report.
- 3.6 If permission is granted to proceed with the development of the site a new rear boundary fence (indicated by thin red line in drawings in part b of **Appendix 1**) will be erected at an estimated cost of £1,000. This will allow 159 Bournemouth Park Road to be re-let, with a smaller garden, whilst work on the development site can proceed.
- 3.7 Initial investigations are being made as to whether adjoining land could be procured from neighbouring, privately owned properties. If this proves possible it could mean that a larger unit could be provided on site. However, before this can be contemplated further the willingness of the owners to sell, planning and financial considerations will need to be fully understood.

4. Other Options

- 4.1 The option of leaving 159 Bournemouth Park Road as *is* and re-letting with existing sized garden was considered. However, this was rejected as the proposals allow for the provision of an additional affordable home without detrimental effect on the amenities of 159 Bournemouth Park Road or neighbouring residents.

The development options include Registered Provider (RP)-led and Council-led. The RP option has been the primary route for affordable housing development in the recent past in Southend and represents a low risk approach. However, it is considered that the Council build

option is a feasible and financially viable approach which would act as a small scale pilot for future council-led residential build programmes.

5. Reasons for Recommendation

- 5.1 To fulfil Southend Borough Council's commitments as a strategic local Housing Authority to meet the demand for affordable housing in the town. This can be achieved through sensible use of Council assets whilst minimising the impact on existing properties.

6. Design Options

- 6.1 Following initial site surveys there is a sufficient area on site to provide the following development options:

- 2 bed general needs/adapted house
- 2 bed general needs/adapted bungalow

- 6.2 Under the current plans it is not believed that the proposed site is of sufficient size to support a 3 bed or larger property.

- 6.3 There are 1,391 applicants currently on the housing register with a requirement for 2 bed general needs accommodation. Whilst the numbers requiring fully adapted properties are lower it would help to offset social care/health costs and reduce the pressure on the adaptations budget. Both options present the possibility of releasing a larger under-occupied property. There is the possibility of providing a 2 bed property which is either part adapted or capable of being adapted in future.

- 6.4 The final decision on which property type is provided on site can be determined once full site surveys and budget considerations have been assessed and following broader consultation and more detailed discussion of planning implications. Guidance from planning colleagues have suggested that the design will need to be in keeping with the character of the local area which is made up of predominantly two storey houses.

- 6.5 To investigate these options further a topographical survey is required to produce an accurate site plan and check the footprint of the available land. As an indication of final cost, a price of £1,300 for this survey has been quoted by SBC Property Services architectural section.

- 6.6 Topographical surveys, public consultation, the appointment of an architect, design and planning submission, site surveys, employers requirement, tender document and review and pre-contract meeting would take place prior to start on site. Estimated timescales for the whole project would be around 8 months, with an actual build program of 3 months from start on site.

6.7 Given SBC's recent achievements and ongoing commitment to deliver new housing with exceptionally high energy performance levels it is an ambition that the new property would reach at least level 4 of the Code for Sustainable Homes. However, this will be dependent on financial viability.

7. Development Options

7.1 The land could be transferred, for a negotiated sum, to a RP partner to develop. From initial market research it is believed that there may be interest from RP partners in developing the site. However, the small size of the proposed development (1 property) is likely to constrain interest as RPs seek larger schemes to achieve economies of scale. It is possible that if a RP is developing locally that this site can be added to their existing build programme.

7.2 Alternatively the opportunity could be taken to pilot a Council-led build project, similar in nature to the recent projects undertaken successfully by Basildon and Thurrock councils. The first council house build in around 20 years would bring a level of political and civic prestige whilst allowing possibly greater control over the specifications of the property. This option would also mean the land would remain in the ownership of the Council and offer additional rental income to the HRA.

8. Corporate Implications

7.1 Contribution to Council's Vision and Corporate Priorities

This project helps contribute to realisation of the corporate aim- *Enabling well planned quality housing and developments that meet the needs of Southend's residents and businesses*

7.2 Financial Implications

Registered Provider build option Following viability testing of the development a residual land value would be agreed between the RP and the Council which would permit development of the site. The land would then be transferred to a RP partner for this sum (NB some previous land transfers have taken place at a nominal cost to enable development) and they would seek to develop the site using a combination of HCA funding and self financing. Where HCA funding is used this would mean that the new home would be let at Affordable Rent levels, representing up to 80% of market rent. The Council would seek to negotiate 100% nomination rights for the property, through the Homeseekers Register in perpetuity.

Council-led build option *All figures are approximate, actual values will only be known once the design drawings have been completed.*

Design and Planning Cost

A price guide of £6,647 from an external architect has been received, this would include: Site plan, elevations, Planning drawings and supporting documentation, tender issue and review as well as SBC's employment agent*, project management, CDM co-ordinator and Quantity Surveyor.

**The appointment of the Employment Agent would allow Officers to shadow the role and increase the internal skill base should the Council proceed with more in-house development in the future.*

Construction Cost

An affordable housing contractor working within the Borough on the Garage Site Regeneration project has indicated that an estimated cost on a Design and Build project for an adapted bungalow similar to those recently built in Fraser Close, Shoeburyness, would cost in the region of £131,325, the estimated Total cost of the build excluding the topographic survey stands at £138,000.

Internal Services

There is an option of using the Architectural Services of the Property Regeneration team at SBC as they currently supply architectural services to Schools and other departments. They have advised that they would be unable to offer the employers agent service, CDM co-ordinator or the Quantity Surveyor, therefore further investigation would be required to procure these additional services.

Procurement Process

The tender process for the site plan will require 2 written or verbal quotations as the sum will be £4,999 or less.

As the value of the architectural contract is between £5-£10,000 we will require three written quotations and then appoint on confirmation of Head of Procurement and Head of Service.

On appointment of an architectural services provider the documentation can be prepared for formal tendering via Construction Line suppliers for the build.

Resources

It has been confirmed by the section 106 Officer that a commuted sum to the value of £122,302 is available for the development of affordable housing within the Borough and could be used to help finance this development; however this would leave a shortfall of around £16,698 which would need to be identified from alternative sources.

The section 106 Officer confirmed that an additional sum of £66,249 for affordable housing will be due from the Officer Mess development at the

Garrison which is expected this financial year however the exact date is unknown.

One option being explored is whether the s106 monies could be combined with Right to Buy receipts, a proportion of which are now being retained by the Council, in order to make up the shortfall.

Following consultation with colleagues in Accountancy it is believed that pursuing the Council-build option, financed through a mixed funding model using s106 monies and Right to Buy receipts, would be a viable approach.

By pursuing this option rent receipts will remain within the HRA, although there is an extant risk that the property could be purchased under the Right to Buy at some point in the future.

Either the Council-build or Registered Provider development models would be able to make sensible use of Right to Buy receipts that since April 2012 have been made available to LAs to fund up to a maximum of 30% of the total amount invested in new properties. It has been confirmed by finance colleagues that as of November 2012 there is an indicative figure of £40,000 in Right to Buy receipts available to part-fund additional affordable homes.

Failure to use Right to Buy receipts within three years means that the Council would be required to return them to the HCA for redistribution.

*'...the only condition in the agreement is that the retained Right to Buy receipts must not constitute more than **30% of the total amount invested** in replacement stock (**which could mean newly built council homes**, newly acquired council homes (i.e. existing homes bought on the open market) or **social housing provided through local authority grants to housing associations**).'*

Extract from CLG document Right to Buy and one for one replacement: Information for Local Authorities

The rental charge for the new property would be determined dependent on its type and size. There is scope for the Council to consider setting the rent at Affordable Rent levels, up to 80% of Market Rent. This could help to subsidise the cost of development through increased rental receipts, however this would need to be balanced against the affordability of the property for potential tenants. In order to be able to charge Affordable Rents the Council needs to state its intention to do this within its Tenancy Policy.

7.3 Legal Implications

The development will require planning permission. As part of the consultation, design and planning application process the suitability of the site for development will be considered in greater detail in accordance with local and national planning guidance. The impact on the local area as a result of the development will need to be carefully considered during the consultation and design stage.

Planning colleagues have advised that as an infill site the proposals will have to be considered in accordance with the Southend Design and Townscape Guide and the draft Development Management DPD. This may require that the final development is two-storey, in-keeping with the existing building line and character of the local area.

Cabinet approval is required to develop on or sell HRA land.

7.4 People Implications

Given the scale of the development and level of in-house expertise across SBC it is envisaged that the Council-build option could be project managed using existing council resources.

7.5 Property Implications

Following in-house build option would add an additional unit to the council's housing stock.

7.6 Consultation

Discussions have taken place internally with SBC and South Essex Homes, if permission is granted to investigate further, consultation will take place with Ward Members and local residents.

The report was considered and discussed at the Community Services and Culture Scrutiny Committee on the 27th November 2012. There was general consensus and support for the initiative and the content of the report and that Council-led development would be the preferred option (assuming risks associated with this option are assessed and managed). The report was endorsed for submission to Cabinet on the 8th January 2013.

7.7 Equalities and Diversities Implications

None identified.

7.8 Risk Assessment

Both the RP and in-house build options are considered feasible and viable approaches to development. Given that the RP approach has been the predominant affordable housing development option for Council owned land for over a decade the risks are well understood and can be managed accordingly.

Transferring the land to a RP would mean a loss of land from the HRA.

There is a risk that no RP will wish to develop such a small site.

The Council has relatively little recent inexperience in developing affordable housing. However, it is believed that these can be overcome through the application of project management knowledge and experience of recent successful non-residential capital projects in the town.

Right to Buy and Right to Acquire

The in-house build approach could mean that the property is purchased under Right to Buy once the eligibility residency period is reached. The Right to Buy discount is **35% of the properties open market value (OMV) plus 1% for each year** beyond the qualifying period up to a maximum of 60%, **tenants must have been public sector tenants for 5 year before they qualify for Right to Buy.**

In March 2012 the Government Reinvigorated the Right to Buy, after consultation with local council, changes were made to the Housing Act 1985, included changes to Section 131 which now limits the Right to Buy discounts to insure that the purchase price of the property does not fall below what has been spent on building, buying, repairing or maintaining the property over a certain period of time (Cost Floor).

The Government increase the period of time the Cost Floor covers from 10 to 15 years for new homes subject to Right to Buy, bringing them in line with those for Housing Association and protecting investment in the housing.

The cost floor safeguards the amount of money that has been spent by Councils and Housing Associations in the construction of a property, in the case of 159 Bournemouth Park Rd the estimated build cost is around £138,000.00.

Example of Right to Buy v Cost Floor

Average OMV of Houses/Bungalow for **SS2 5JY** = £198,333.00

Less Right to Buy discount of 35% = £69,416.55

Tenants purchase price = £128,916.45*

These indicative figures fall below the Cost Floor for the building of 159 Bournemouth Park Road therefore safeguarding the property from RTB on current OMV. (NB these figures are based on current estimates and will be reviewed once further information on the build project understood).

If the RP development option is pursued this could still lead to the property being lost to social housing through a tenant's right to buy the home they rent at a discount through the Right to Acquire (Hosing Associations).

For a housing association tenant to be considered for the right to acquire they must have been a tenant for a total of at least 5 years after January 2005 and if the property was built by the housing association after 1997 and have been paid for through a social housing grant.

The discount for Right to Acquire are fixed for each area by the UK government, the maximum discount for a property in Southend is set at £11,000.00.

A risk assessment of the site to be completed once topographical survey undertaken.

7.9 Value for Money

Value for Money to be ensured through procurement processes.

7.10 Community Safety Implications

None identified.

7.11 Environmental Impact

Ambition to ensure new housing reaches at least level 4 of Code for Sustainable Homes.

7.12 Background Papers

None.

8 Appendices

Appendix 1 Site/Location Plan 159 Bournemouth Park Road