

Southend-on-Sea Borough Council

**Report of Deputy Chief Executive People
to
Cabinet
On
25 June 2019**

Report prepared by: Glyn Halksworth, Interim Director for
Housing

Housing Update

**Policy and Resources Scrutiny – Cabinet Member: Councillor Ian Gilbert
A Part 1 Public Agenda item**

1. Purpose of Report

- 1.1 This report provides an update on two key elements of the Housing, Homelessness and Rough Sleeping Strategy, namely housing supply and a proposed Acquisitions Programme for Council Housing. This report seeks approval to the funding and governance of the proposed acquisitions programme.

2. Recommendation

- 2.1 That Cabinet agrees:
- a. The work to develop a regeneration framework and pipeline of housing and regeneration projects, including the potential to establish a revolving investment fund to deliver the pipeline, with a report coming forward to Cabinet in September 2019.
 - b. To proceed with the Acquisitions Programme for Council Housing as agreed in the Council's Housing, Homelessness & Rough Sleeping Strategy.
 - c. That a capital budget of £4.3M be created within the Housing Revenue Account (HRA) capital programme for 2019/20 to facilitate the Acquisitions Programme, funded 30% from retained Right to Buy Capital receipts and 70% from HRA Capital Investment Reserve.
 - d. That the delegated authority to the S151 Officer for property acquisitions and disposals for the sign off of the property acquisitions in Part 3, Schedule 3, Section 4 of the Constitution be amended to increase the value from £250,000 to £500,000.

3. Background

- 3.1 The need for affordable housing within the borough is greater than ever and is demonstrated by the outcomes of the Strategic Housing Market Assessment (SHMA) and by our own Homes Seeker's Register data. The Council's commitment to addressing this housing need is well documented with the Council's Southend 2050 Vision & the corporate Housing, Homelessness and Rough Sleeping Strategy both reflecting this.
- 3.2 In addition, the preparation of the new Local Plan for Southend will address how to achieve housing growth of all types to address local needs.
- 3.3 The Council can play a number of different roles in increasing housing supply, and sometimes must fulfil these different roles at the same time:
- **Direct deliverer** - as with the Housing Revenue Account funded development managed by the Strategic Housing Team which is now entering Phases 3 and 4. The most recent completion being the houses and flats at Rochford Road.
 - **Landowner and Landlord** - enabling new housing through redevelopment and/or disposal of its land and assets for development, or the potential to purchase affordable homes built on larger schemes.
 - **Enabler** - using various tools and approaches such as joint delivery arrangements including (but not limited to) the joint venture with Swan for Better Queensway, or development through Public Sector Partnerships (PSP) Southend LLP as used to deliver the developments at the former Hinguar Primary School and Saxon Lodge in Shoeburyness. The Council can contribute finance or assets as part of enabling these developments, or consider sharing risk, acting as a guarantor or other bespoke options.
 - **Planning authority** – this role is relevant for all developments
- 3.4 In light of the limited amount of land available for new development in the borough, work is being undertaken to plan the pipeline of development opportunities, including for new housing and affordable housing of the quality and design we aspire to. The pipeline includes new build, potential acquisitions and leasing opportunities such as a private sector leasing scheme along with the identification of potential estate refurbishment, repurposing and regeneration opportunities. The proposed acquisitions programme for council housing set out in section 3.14 of this report is one such example.
- 3.5 The purpose of creating a planned, pro-active pipeline of regeneration and housing opportunities is twofold:
1. To increase the pace of delivery of affordable homes to address known need whilst also ensuring that limited land and assets are not used for housing when other non-housing uses are needed e.g. land required to support

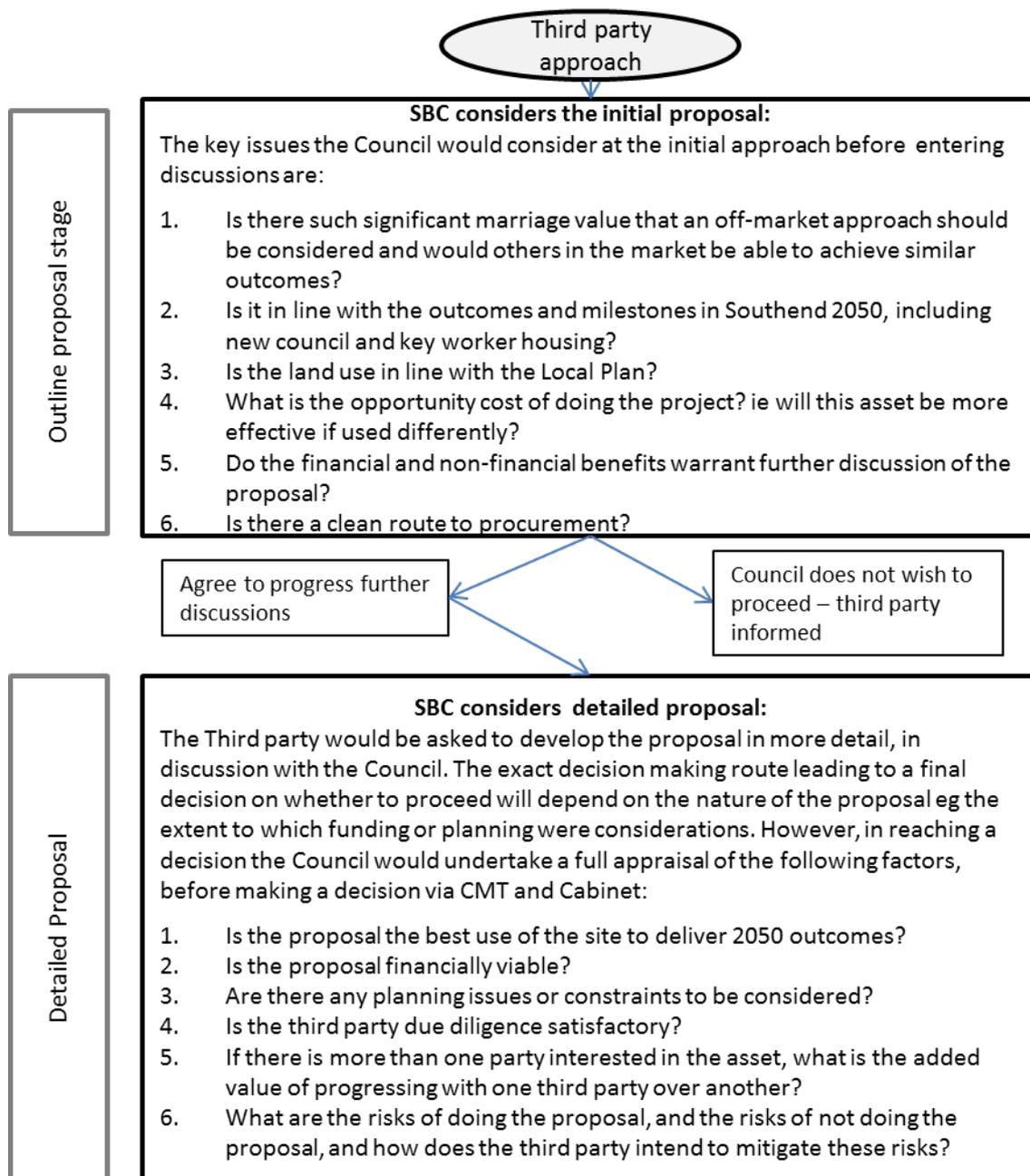
regeneration and economic development. Being pro-active and planned means we are more able to respond positively to market changes.

2. To take a portfolio approach to delivering housing and wider regeneration projects which provides the opportunity to use the income from early projects to support the funding of other projects within the portfolio. This revolving investment fund approach has been used by other local authorities to fund housing and regeneration programmes and is currently being explored as an option for delivering Southend's housing and regeneration portfolio. Updates on this proposal will be brought back to Cabinet in September.
- 3.6 Recognising the potentially competing requirements for use of land and assets, the pipeline is considering all regeneration opportunities, not just housing and infrastructure associated with new development. A regeneration framework is being prepared to set the context for bringing forward sites, focusing in particular on those areas with the greatest concentration of potential sites and opportunities namely the town centre, the area surrounding the airport, and Shoeburyness.
- 3.7 Further updates will be presented to Cabinet as work progresses on the regeneration framework, the pipeline, and the potential to establish a revolving investment fund. In the meantime delivery will continue through existing programmes such as Better Queensway and HRA Phases 3 and 4, as well as working in partnership to enable development on non-Council owned sites where the Council can add value.

Responding to Third Party Approaches

- 3.8 Southend-on-Sea Borough Council has the opportunity to contribute significantly to achieving the Southend 2050 outcomes through effective use of its land and property assets. The best approach to maximising use of our assets is often for the Council to release them to the market through a proactive and planned approach, and this is how the majority of projects happen now. However, the Council does also receive approaches from third parties relating to the use of Council assets, sometimes as part of a larger scheme with other landowners.
- 3.9 Whilst recognising that each third party approach is unique, it is important that Council has a clear, transparent and replicable approach to considering these opportunities, and this is set out below.
- 3.10 It is helpful to note that an internally generated idea about changing the use of a Council asset, or requiring major investment will be subject to similar criteria to those set out below relating to third party approaches.
- 3.11 One of the issues which this process needs to reflect is the need to take ideas through a process which is proportional to the scale of the proposal or request to the Council. This will ensure that smaller scale projects can progress with appropriate review, but larger proposals get a more detailed appraisal.

3.12 A two stage process is proposed:



3.13 Whilst Phase 1 of the Regeneration Framework will be internal to the Council, the intention is to develop this for Phase 2 in to an outward facing document which can be used as an investment brochure for the borough. This approach would seek to highlight the land and opportunities which the Council intends to bring forward together with the timescale for these so that potentially interested parties are aware and opportunities are not placed in to a ‘cold market’.

Proposed Acquisitions Programme for Council Housing

- 3.14 The Council's Housing, Homelessness and Rough Sleeping Strategy aims to prioritise the supply of safe and locally affordable homes and propose a range of commitments to help to deliver this aim and provide affordable housing solutions. One of the commitments detailed is to develop an acquisitions programme for additional council housing to enable more existing stock to be brought up to standard and let to low income households, managed through South Essex Homes.
- 3.15 This Acquisitions Programme for additional council housing also links to the Council's use of Right-to-Buy receipts as this Programme will be part funded (30%) by accumulated Right-to-Buy Receipts which are time sensitive and need to spent by the end of 2019/20 to avoid the need to return them to HM Treasury, together with punitive interest payments (at 4% above Base Rate) that would be required.
- 3.16 As per the above, due to the increasing need for affordable housing within the borough and a requirement to use Right-to-Buy receipts, an Acquisitions Programme valued at £4.3M for 2019/20 is proposed to purchase homes directly from the private sector to then be utilised for the purpose of council housing within the HRA.
- 3.17 In order to ensure a strategic approach to these acquisitions, the Council's Housing teams have carried out an assessment of the current housing needs of those households on the Homeseeker's Register.
- 3.18 A viability assessment detailing the amount of property purchases required within the financial year and associated costs has also been undertaken. Assessment criteria have also been developed to evaluate the initial suitability of the property for acquisition.
- 3.19 In terms of the property purchase process, a two stage viewing method has been established between the Council's Corporate Property & Asset Management Team and Housing teams alongside the requirement for full business cases to be required for each purchase to ensure value for money. That business case will look at the value and the whole life costs and incomes of an acquisition in reaching its conclusion.
- 3.20 Once the business cases are agreed between the Council's Housing, Corporate Property and Asset Management and Finance teams, they will be recommended to the Strategic Director (Finance & Resources) for agreement. An amendment is required to Part 3, Schedule 3, Section 4 of the Council Constitution to facilitate this process. Currently under delegated authority the S151 Officer can agree the acquisition of property on value for money terms up to £250,000. However due to the nature of the Programme and the increasing local property values, and to enable acquisitions that meet the identified housing need and are supported by a viable business case to proceed promptly, this value is recommended to be increased to £500,000. Significant property acquisitions such as for example, large family housing over £500,000, portfolio acquisitions or blocks of flats would still require agreement via the Cabinet, or Standing Order 46 process. The recommendation at 2.1d above

therefore recommends that the delegated limit for acquisitions and disposals is increased to £500,000 to enable most such transactions to be processed under delegated authority.

4. Other Options

- 4.1 The alternate options open to the Council with regard to the Acquisitions Programme have been evaluated and are detailed below:
- 4.2 Do Nothing – This option considered not creating an Acquisitions Programme. This approach however would result in a repayment of Right to Buy funds to HM Treasury, would not increase council housing stock and would also not help the Council to meet its 2050 Vision or contribute to the 2050 road map.
- 4.3 Transfer the funds as grant to a Registered Provider – This option would see the Right to Buy funds given to RP's as a grant to build affordable housing, with nomination rights given to the Council. This approach would not however be achievable in the given timescales, but remains a potential option for future years and could be a helpful mechanism to assist with schemes with borderline viability which would otherwise not progress.

5. Reasons for Recommendation

- 5.1 The Acquisitions Programme for additional council housing is recommended as there is an established need for affordable housing within the borough as demonstrated by the local Strategic Housing Market Assessment (SHMA), and by our own Homes Seeker's Register data.
- 5.2 The formation of an Acquisitions Programme for council housing would result in an increase in the levels of affordable housing in the short term. This increase in the borough's affordable housing stock may assist in reducing reliance on more expensive temporary accommodation.

6. Corporate Implications

6.1 Contribution to the Southend 2050 Road Map

The development of the housing and regeneration pipeline, the proposed acquisition of property to be utilised for affordable housing in the borough both work towards the Southend 2050 Safe and Well outcome of ***“We are well on our way to ensuring that everyone has a home that meets their needs”***.

The development of a regeneration framework and pipeline are also key contributors to the Opportunity and Prosperity outcomes ***“We have a fast-evolving, re-imagined and thriving town centre, with an inviting mix of shops, homes, culture and leisure opportunities”*** and ***“Key regeneration schemes, such as Queensway, seafront developments and the Airport Business Park are underway and bringing prosperity and job opportunities to the Borough”***.

6.2 Financial Implications

The proposed capital budget for the Acquisition Programme will be funded by a combination of retained right to buy receipts (30%) and HRA Capital Reserves (70%). There is available capital funding available to finance this budget. There is a financial implication of not spending the money, with a requirement to return it to HM Treasury, including punitive interest payments of 4% above Base Rate.

The Council is required to make use of retained Right-to-Buy receipts within three years of their collection. As detailed below, the Council is currently required to invest £4.3m in affordable housing by the end 2019/20 in order to not return up to £1.292M of our RTB receipts.

Timescales	Retained Receipts (30%)	Other Funding (70%)	Budget required
by 30 th September 2019	£452,700	£1,056,300	£1,509,000
by 31 December 2019	£574,800	£1,341,200	£1,916,000
by 31 March 2020	£264,300	£616,700	881,000
Total 2019/20	£1,291,800	£3,014,200	£4,306,000

The 70% matched funding has to be found from within other HRA resources, including potentially borrowing and use of any capital investment reserves. It is proposed that the 70% matched funding be met from the HRA capital investment reserve. Therefore overall fund for the Acquisitions Programme for 2019/20 would therefore be broken down as follows:

Funding source	Amount
HRA Capital Reserves (70%)	£3,014,200
Right to Buy Receipts (30%)	£1,291,800
Total	£4,306,000

Any revenue and capital implications for the proposed housing pipeline will be included in the report to Cabinet in September 2019, and in future iterations of the capital programme.

6.3 Legal Implications

Initial consultation with the Council's Legal team has been undertaken and legal searches and conveyancing services will be required throughout the programme on a case by case basis.

6.4 People Implications

No People implications regarding the Pipeline or Acquisitions Programme.

6.5 Property Implications

The acquisitions of additional council housing units within the HRA would provide housing required for households on the Council's Homeseeker's Register. Rents would need to be set at a level which is locally affordable and in line with statutory guidance. Any properties purchased will be brought up to decent homes standards prior to being let. Any properties purchased will be used for the provision of locally affordable secure tenancies within the HRA.

The main purpose of the pipeline work is to review, and develop a strategic approach for the Council's forthcoming or latent development opportunities and this will of course generate many strategic and details property implications as the work progresses.

6.6 Consultation

Necessary consultation with Corporate Property and Asset Management & Finance colleagues will be undertaken throughout the property evaluation process. All these teams (and others as required) will jointly assess and prioritise opportunities to ensure a robust, corporate approach.

Depending on the type and size of the property purchased, local resident consultation may be required.

6.7 Equalities and Diversity Implications

The acquisitions programme provides increased opportunities to house people with particular requirements, potentially linked to Disabled Facilities Grant funding.

6.8 Risk Assessment

Necessary risk register and issue logs will be used as part of the management of the affordable housing acquisition project.

6.9 Value for Money

Value for money assessments will be undertaken by a project team of representatives from the Council's Corporate Property and Asset Management Team, Housing and Finance teams on individual property purchase basis.

Following acquisition, any acquired properties will be incorporated in to the Council's HRA and valued on a rolling basis with the rest of the housing stock.

6.10 Community Safety Implications

Potential refurbishment of acquired properties will meet with Secured by Design standards where necessary.

6.11 Environmental Impact

Property purchases and works required will look to improve environmental standards by improving landscaping and environmental and economic sustainability where possible

7. Background Papers

- Cabinet Report – Future Phases of the Housing Revenue Account (HRA) Development Project – March 2017
- Cabinet Report – Housing, Homelessness and Rough Sleeping Strategy – November 2018
- Cabinet Report – Future Phases of Affordable Housing Development Programme Update – January 2019