

COUNCIL

18 April 2012

STRATEGIC APPROACH TO COUNCIL HOUSE BUILDING

REPORT OF CORPORATE DIRECTOR (OPERATIONS) AND HEAD OF NEW HOMES DELIVERY

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RECENT REFERENCES:

CAB 2305 – Disposal of Housing Revenue Account Land: 110 and 112 Cromwell Road and Land at the Rear of 96 – 112 Cromwell Road – 14 March 2012.

CAB 2287(HSG) – Housing Revenue Account budget 2012/13 and Business Plan 2012/13 to 2042/43 – 1 February 2012.

EXECUTIVE SUMMARY:

Following a request from Cabinet this report invites Members to consider and comment upon the principles which will need to underpin a programme of new council house delivery. This will assist Cabinet in formulating a Development Strategy to underpin a programme of delivery. The report also seeks Council endorsement of Cabinet's decisions in relation to Report CAB 2305, Disposal of Housing Revenue Account Land: 110 and 112 Cromwell Road and Land at the Rear of 96 – 112 Cromwell Road – 14 March 2012.

RECOMMENDATIONS:

To Council:

- 1 That the decision of Cabinet to dispose of 110 and 112 Cromwell Road and land to the rear of 96-112 Cromwell Road, Stanmore for affordable housing development purposes (as set out in Cabinet resolutions 3-9 on page 3 of the Council Book) be supported;
- 2 That the principles outlined in this report are commended to Cabinet as it considers its Development Strategy early in the 2012/13 municipal year.

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DETAIL:

1 Introduction

- 1.1 As a result of the financial freedoms granted by housing finance reforms the Council is taking the opportunity of establishing a programme for the provision of new council housing. Cabinet have agreed that resources made available by the approach the Council has adopted to managing housing debt which are not required to maintain existing stock should be used to support that programme. The HRA Business Plan therefore includes a provision for £42m of investment in additional Council housing over the next 10 years.
- 1.2 Members are anxious to make rapid progress on the delivery of new homes. They do not want to see undue delays caused by long-winded processes and procedures, but at the same time expect an appropriate degree of oversight of the programme. This report outlines, for discussion, a framework within which Officers can develop and implement an ambitious programme of new-build council-owned housing. In particular Members are invited to discuss and endorse the eight principles outlined below as the basis for a comprehensive Development Strategy.

2 Background

- 2.1 Recent public expenditure cuts following the Comprehensive Spending Review mean that, at a national level there are fewer resources available to support the provision of new affordable housing through Housing Associations (or Registered Providers - RPs). Additionally, not enough housing overall is being supplied by the market, increasing the problem of affordability (through lack of supply).
- 2.2 The increasing pressure on RPs to provide more affordable housing despite less subsidy from Government may result in the future reductions of inward investment from them into our District. The Council's ability to supplement RPs programmes with its own affordable housing programme is therefore very timely. That programme should provide in the region of 200 to 300 homes over the 10 year period (depending on the building type and land costs etc) supplementing the projected RP programme of 1000 homes (which are mainly on market sites through Section 106 agreements).

2.3 The Council has an adopted Housing Strategy which sets out housing priorities and actions for the plan period 2008/09 to 2012/13. This document is currently being reviewed by the Housing Strategy Informal Policy Group (IPG) with a view to publishing a new Housing Strategy during 2012/13. The principal themes that are emerging are:-

- lack of affordable housing leading to a large increase in numbers on the Housing Register and increasing homelessness
- high demand for private renting
- older home owners are staying in their own homes for longer, meaning the stock may be “under-occupied”

2.4 The Strategy also considers in some detail the local needs; whether that be the balance between family homes and smaller properties, the mix of tenure types or our approach to meeting need in rural communities, for example. It is recommended that the Housing Strategy, following Cabinet’s consideration of the recommendations of the Housing Strategy IPG, should provide the basis for a programme of development:-

Principle 1: that the Council’s approach to the delivery of new homes be guided by the Winchester District Housing Strategy

3 Development Viability

3.1 It will be important for the new build houses to be viable in terms of the income the Council anticipates receiving. The HRA Business Plan assumes that any new build housing will be available on the same basis as existing Council house rents, with rents changing according to the agreed national rent formula. The Plan also assumes a 30 year payback on HRA investment, and that will need to be reflected in scheme viability assessments. It will not preclude the Council from making exceptions if there is good reason to do so.

Principle 2: the viability of all new build council houses will be measured against the assumptions in the HRA Business Plan.

4 Development Priorities

4.1 In a district like Winchester with high demand for housing and low availability of land there will be significant issues in finding suitable development sites. The first choice of land to develop is and should be land which is already in the Council’s ownership. The Council has worked with RPs over the last 15 years to deliver housing on many of the straightforward sites in the Council’s ownership. There remains, however, a long list of candidate sites that staff are working through to assess their potential for development. None of the sites will be straightforward, not least because the process of development has become more complex, and necessitates rigorous public scrutiny of any proposals.

- 4.2 Where Council owned land is not available in suitable locations it may be necessary to purchase land on which to develop. Opportunities to purchase land or houses may arise at short notice and there will be a need for a process to be agreed by which valuation can be made and terms agreed which is sufficiently rigorous to ensure best value, supported by a swift but robust decision making process.
- 4.3 In some cases it may be appropriate for the Council to enter into agreement with market housebuilder to deliver affordable homes which are required under a Section 106 agreement if there is no other RP which can do so or if the terms available are particularly advantageous.
- 4.4 Finally it might be considered an option to deliver new homes through the acquisition of existing or newly built property on the open market. This may be advantageous when a property has development potential (or is strategically located) or might to add quickly to the affordable stock in the absence of other opportunities. Former Council houses are most likely to be of interest since they are likely to be located adjacent to sites which still belong to the Council.
- 4.5 Council should note that, alongside the proposed new-build programme we will continue to explore opportunities for development on exception sites, working with parishes, local communities and RPs.
- 4.6 Members are invited to consider a hierarchy of development options as follows:

Principle 3: that the priority afforded to different options for the use of resources is as follows:

- new-build on Council owned land;
- acquisition of former Council properties by negotiation where that facilitates a wider re-development opportunity;
- other open market purchases to facilitate a wider re-development opportunity;
- purchase of land for development;
- procure delivery of affordable homes in partnership with a market housebuilder or RP.

5 Development Programme

- 5.1 At present the comprehensive list of sites in the Council's ownership which might have development potential is shared with the Portfolio Holder for Strategic Housing and Landlord Services. Of this long list, a small number of sites will provide a good opportunity for development. Sites may often be contentious, and require a thorough process of discussion, investigation and consultation before they can be developed – and some may be found unsuitable. To achieve the ambitious programme Members seek it is important

that we maintain a rolling programme of sites which are considered to have sufficient potential to be investigated thoroughly

5.2 Officers therefore propose that in future potential sites be discussed with the Portfolio Holder, who will then bring forward to Members in an appropriate public forum for debate a long-list of those with potential for development. Members will be asked to agree a programme of sites which can reasonably be investigated and, where appropriate, taken forward over the next three years. That programme will be reviewed and refreshed annually to maintain a steady flow of opportunities under consideration. That programme may need to be updated in-year should a new opportunity arise.

5.3 It is recommended that:

Principle 4: A Development Programme, identifying a three-year rolling programme of development opportunities to be investigated and brought forward be agreed annually

5.4 A steady programme of development will not be maintained if the development team must bring every site through a lengthy decision-making process even before making a planning application or acquiring land or property. When a probable site is identified the Council will also have to provide and commission a series of studies and reports, ranging from topographical surveys to tree surveys or archaeological assessments. The costs of these studies and reports may be substantial, and whilst there will be a return if a site is developed, some work may still be commissioned on sites which do not subsequently progress. Officers will need appropriate delegated authority to incur such costs, and there should be a recognition that the inherent risks in the development process means that on occasion such costs may not be recovered.

5.5 It is also essential that there is an appropriate level of Member scrutiny of progress being made, and that proper attention is paid to key issues such as consultation with Ward Members and community consultation. At the same time, we should avoid prolonged and repetitive debate on every site.

5.6 To avoid undue delays, it is proposed that a protocol be developed and agreed which will set out the procedure for progressing sites. The aim will be to allow Officers to act promptly in readying these sites for development, whilst ensuring that an appropriate level of Member oversight is maintained.

Principle 5: that a Development Protocol be prepared outlining the approach to be taken to bringing forward sites for decision, including key stages of the process to be followed and stages at which formal authority is required That protocol should be approved by Cabinet.

6 Governance

6.1 The overall responsibility for setting the framework within which the Council pursues new homes delivery sits with Cabinet. It is proposed that the lead on

overseeing and, where appropriate, guiding with decisions, the delivery programme should rest either with Cabinet (Housing) Committee - which includes provision for two representatives from TACT to attend and comment on proposals before the Committee. – or with a separate body with a specific remit on new home livery accountable to Cabinet. That body will be accountable for the investment decisions made, and will receive training to help them understand the development process and can analyse projects for their potential risks and rewards. .

- 6.2 Council should receive an annual report of progress against the Development Programme.

Principle 6: that the lead Member body within the Council for overseeing the Development Programme for new homes delivery should be a formal Committee directly accountable to Cabinet

7 Design Principles

- 7.1 All of the sites developed by the Council will be subject to existing and emerging planning policies. The Council will have to adopt its own consistent design principles for new homes which strike an appropriate balance between cost and specification, and take account of whole life costing. This might include:

- developments will incorporate modern methods of construction, where this represents good value for money
- they will comply with Design and Quality Standards 2007 and meet at least the minimum Housing Quality Indicators
- they will meet the objectives set out in Council's Affordable Housing Supplementary Planning Document 2008.
- they will comply with Winchester's Core Strategy (CP11) / Homes and Communities Agency sustainability requirements
- the design will be such that it allows construction costs to be affordable

Once again, we should avoid a repetitive and detailed discussion of design principles 'from scratch' on every site.

Principle 7: that Cabinet agree a framework for design principles to be adopted across all new-build council schemes

8. Community Lettings Plans

- 8.1 In July 2011 Overview and Scrutiny Committee established the Application and Weight of Local Criteria in Allocating Housing Informal Scrutiny Group (ISG). The Group, amongst other matters, considered the use of Community Lettings Plans (CLPs) and the circumstances in which they may be considered. One of the recommendations to Overview and Scrutiny Committee, accepted by Cabinet on the 8 February 2012 (CAB2293), was that on any new-build development on Council-owned land where it is important for the stability of the community that local families should be given priority. This will complement our

existing policy for exception sites.

- 8.2 Local authorities have the power to introduce CLPs which reflect local circumstances – albeit with some restrictions. Members will want to consider how robust a CLP can be developed under those powers, and how best to ensure we adopt a consistent approach across schemes.

Principle 8: Cabinet should agree a model Community Lettings Plan which will be adopted across all new-build council schemes

9 Early Development Opportunities

- 9.1 Members are anxious to make rapid progress in delivering new build council homes. Officers will bring forward to Cabinet in June proposals for realising early development opportunities.

10 Summary

- 10.1 The complex options available to the Council demonstrate that it is important for Members to agree a set of development principles to guide the investment of its capital resources. In the light of the discussion on the principles suggested in this report, it is proposed that a more detailed Development Strategy be drawn up and agreed by Cabinet. The Strategy should take account of the principles set out in this report, as discussed at Council, and provide a framework for Officers to take forward the Council's aspiration to see a significant new-build housing programme.

OTHER CONSIDERATIONS:

SUSTAINABLE COMMUNITY STRATEGY AND CHANGE PLANS (RELEVANCE TO):

Active Communities: to support local people to access high quality and affordable housing which meets their needs.

RESOURCE IMPLICATIONS:

As set out in Para 1.1 of this report the HRA Business Plan includes a provision of £42m over the next 10 years to invest in new Council homes This will support all aspects of the cost of delivery, including preparation and build costs, as well as officer or advisor costs associated with the development programme. A core team has already been put in place (see PER208), and officers will bring forward further advice on the best way of securing other resources necessary to deliver an ambitious new-build programme, including Legal, Finance, Planning and other costs.

RISK MANAGEMENT ISSUES

The risk of not responding to the freedoms presented by HRA reform are that fewer families will be housed by the council which has implications for the waiting times for affordable accommodation and homelessness.

More specifically in development terms all new build projects are subject to risk, particularly with respect to abortive costs at site appraisal stage, however most of the risks can be reduced through carrying out the surveys and financial appraisals outlined above prior to a formal contractual relationship being established with a Builder. An approach to managing risk will need to will be developed as part of the Development Strategy.

BACKGROUND DOCUMENTS:

Winchester City Council Housing Strategy.

HRA Business Plan

APPENDICES:

None