

PROPOSALS FOR DEVELOPMENT UNDER THE NEW HOUSING STRATEGY

1 SUMMARY

1.1 This report sets out the new proposals for developing and acquiring additional affordable housing units in the District following the Housing Revenue Account (HRA) Review in 2012 and subsequent discussions and decisions by the Affordable Housing Project Board.

2 BACKGROUND

2.1 Following the review of the Housing Revenue Account (HRA) in April 2012 it has been possible for the past two years to increase substantially the Council's investment in new affordable housing.

2.2 As part of the review of the HRA the Council borrowed £143m and currently have a strategy to pay interest only on this loan and only to begin to repay the capital after the first five years. This was to allow the maximum investment in new affordable housing for the first five years. This has meant that over £6m has been available since 2012/13 and in the first year resulted in the purchase of 36 new affordable homes on the open market. We are currently on target to purchase a similar number in the current financial year.

2.3 The strategy was always to invest the available finance in the purchase of affordable homes on the open market until new development could be identified, designed and constructed, since this was recognised as achieving better value for money. In addition, it was also recognised that the best solution and the method of achieving new homes offering the most effective value for money was through Section 106 agreements with developers, where the Council would get free land and would purchase new affordable homes at cost, plus an element of developer's profit. The four homes being achieved in Keyhaven Road this year are an excellent example of this.

2.4 Currently the only constraint on the number of new affordable homes being provided is the amount of income generated from the HRA (i.e. £6.8m in the current year). However, some Members have indicated that we should not be constrained by this and should consider other sources of capital.

3 CURRENT FINANCIAL POSITION

3.1 The Housing Capital Programme for 2013/14 is shown in the table below.

Private Sector	Grant £	Capital Funding	Revenue Funding	Total £
Private sector renewal grants		102,000		102,000
DFG's	387,000	203,000		590,000
Social Housing Grant		100,000		100,000

Public Sector				
Major repairs			5,048,000	5,048,000
Environmental enhancements			450,000	450,000
PV Panels			30,000	30,000
Property extensions			50,000	50,000
New build/acquisitions			6,800,000	6,800,000
Totton new build		665,000		665,000
Totals	387,000	1,070,000	12,378,000	13,835,000

- 3.2 As can be seen, the vast majority of the expenditure is funded from revenue, i.e. Council rents. £387,000 currently comes from central government grant for Disabled Facilities Grants (DFG's) and just over £1,000,000 is funded from capital resources. In the past the necessary capital funding has been funded from Right to Buy (RTB) sales, a proportion of which **must** be invested in new affordable housing. The remaining capital receipt has to go towards Private Sector Renewal Grants and DFG's. Provision must be provided for this expenditure and should RTB sales decline, this money would need to be found from the Council's overall capital funds.
- 3.3 The current HRA balance is £5,313,000 which needs to be reduced to a more reasonable level. It is considered that £4m could be expended immediately on new affordable housing. To leave balances as they are without good reason could lead to tenants raising justifiable concerns, should we continue to raise rents in accordance with government guidance.
- 3.4 In addition, when the HRA review took place the government did allow the Council to borrow up to a limit. In the case of NFDC, this would allow borrowing an additional sum of up to £12.8m. National discussions are currently taking place with a view to removing the cap.
- 3.5 It has also been mooted that, if necessary, the HRA could borrow from the General Fund to support the affordable housing programme.

4. THE AFFORDABLE HOUSING PROGRAMME

- 4.1 On 11 June 2013 a report was presented to the Affordable Housing Project Board setting out proposals for the direct provision of new council housing up to 2017/18. Attached at Appendix 1 is the programme of expenditure set out in that report.
- 4.2 What that report identified was that there were a number of development sites in the offing that would provide a substantial number of affordable homes as part of the planning process. The budget set out in Appendix 1 would most likely not be sufficient to purchase all the affordable rented homes provided in this way, especially if the Council continued with plans to develop its own sites. Further work by the Planning Department has identified that over the next 5-10 years there are a number of new developments proposed in the Sites and Development Plan that will give rise to over 700 new affordable homes in the area which will be provided under Section 106 agreements. The only constraint on when these might come forward is when developers actually begin these

developments. Much depends on the economic position and the current position is that with the improving economy, these sites are now coming forward. A large development in Ringwood is expected to commence in 2014 and this will give rise to around 80 new affordable homes.

- 4.3 With Section 106 developments the developer has to provide the new homes free of land and infrastructure costs and therefore the cost of the new homes to a purchaser (i.e. Registered Social Landlord) is the cost of the building plus an element of reasonable profit for the developer. The Affordable Housing Project Board has agreed that this offers the Council the most cost effective means of obtaining new affordable homes if procured under these arrangements.
- 4.4 The Council is unlikely to wish to purchase all affordable homes that might be provided in the manner described above but is likely to look to negotiate to purchase at least 50% of the total. The remainder of the properties would still come forward as additional affordable housing units to which we would have nomination rights. Registered Social Landlords would, no doubt, wish to utilise Affordable Rents and shared ownership units in order to make the schemes viable for them. They could, therefore be less affordable for our prospective tenants and not meet the needs of a large proportion of tenants on our waiting list.
- 4.5 The proposals agreed by the Affordable Housing Project Board will still allow for the development of new affordable homes on our own land and the purchase of ex-Council homes but only where new affordable homes as described in paragraph 4.3 are unavailable. In this manner the Council can ensure it is taking advantage of all means of increasing the numbers of affordable housing units yet still ensuring that value for money is achieved. Whether or not reserves, additional general fund money or borrowing is used to fund new affordable housing in excess of that in the Capital Programme shown at Appendix 1, will depend upon the opportunity and need and the particular time that developments and purchases are available. The Affordable Housing Project Board and the Cabinet may be asked to approve additional funding at the appropriate time to meet any additional need.
- 4.6 A further question for the Affordable Housing Project Board and the Council to consider in the near future is whether or not the strategy originally set out to begin to repay the loan should still be supported. If it is, then the level of funding for new affordable housing will significantly reduce after 2016/17.

5. ISSUES FOR THE PANEL

- 5.1 The Panel are asked to note this report and support the proposals for the development of affordable housing for the District.

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Background Papers
Published documents

New Build/Acquisitions						
Financial Year	2013/14	2014/15	2015/16	2016/17	2017/18	
	£'000	£'000	£'000	£'000	£'000	
Budget	6,800	7,200	7,600	8,000	4300	*
Expenditure						
North Milton Estate New Build	50	2,800 (12)	2,100 (11)	900 (4)	0	
Keyhaven Road – Affordable Hsg Obligation	550	0	0	0	0	
Development scheme support staff	50	50	50	50	50	**
Additional development costs -Hsg Land sites / unimplemented permissions etc (No of Units)		875 (7)	5,450 (43)	7,050 (56)	4,250 (34)	***
Buy-backs ex council houses	6,150	3,475	0	0	0	#
Total	6,800	7,200	7,600	8,000	4,300	
Other Projects						
Budget	915	0	0	0	0	
Expenditure						
Testwood Crescent (4 Units)	665	0	0	0	0	
North Milton Env. Improvements	250	0	0	0	0	

Notes

* 2017/18 budget = £8.4m - £4.1m (Capital repayment) = £4.3m

** The £50K in 2013/14 for North Milton & Development Schemes is an estimate on pre-works/additional staffing that may be required in these areas. This cost has been rolled through the subsequent years

*** New build costs based on £125,000 per unit

Purchases expenditure dependant on Development Scheme expenditure

New Build/Acquisition increasing budget based on success in previous years i.e. increase in Stock No's/Rent.