

COUNCIL HOUSING BUY-BACK & DEVELOPMENT UPDATE 2012/13 – 2015/16 AND FUTURE STRATEGY 2016/17 – 2018/2019

1 INTRODUCTION

- 1.1 This report looks at our approach to the delivery of new Council Housing and the options available to us to increase our own Housing Stock.
- 1.2 This report shows the progress of our Council Housing Buy-Back & Development programme over the last 4 years and the future programme for the next 3 years.

2 BACKGROUND

- 2.1 One of the key aims relating to Housing within the Corporate Plan is helping provide affordable housing for local people.
- 2.2 The introduction of the New Council Housing finance regime introduced as part of the 2011 Localism Act enabled the Council to re-look at its Housing Strategy and Finances to best meet the aims of the Corporate Plan.
- 2.3 From 2012/13 the Council no longer had to pay an annual subsidy to the Government from our Housing Revenue Account. Furthermore we were able to retain a greater level of capital receipt to spend on its own stock provision rather than providing grants to Housing Associations. Offsetting this, the Council now has to make interest payments on loans acquired from the start of this new system and will make principal repayments on these loans from 2017/18.
- 2.4 In response to the above, the Cabinet agreed to invest additional funds of approximately £7m per year for 5 years, 2012/13 to 2016/17, for the acquisition and development of our own Housing Stock.
- 2.5 The options identified as being available to the Council include;

HOUSING BUY-BACK

This is the purchase of former council homes previously sold under Right to Buy.

NEW DEVELOPMENT ON HOUSING PORTFOLIO LAND

This involves the assessment of potential development sites within our District.

PURCHASING S106 UNITS

This is where the Council directly purchases units from private Sector developers through partnership arrangements.

- 2.6 New Project Teams and Project Boards were initially set up as well as further consultation with Heads of Service, EMT, Tenants and Members to meet this goal, drawing principally from the following Service areas;
- Housing – Development, Needs, Asset Management & Rent Accounting
 - Resources - Building Works & Surveying & Technical
 - Planning – Development Control, Environmental Design
 - Legal – Conveyancing, Property/Land, Estates & Valuation
- 2.7 Re-structuring of Service areas in 2016 has brought a majority of these service areas under the Executive Head of Economy, Housing and Planning which will further enhance cross service working to deliver the Council's objective of maintaining the supply of Council owned stock.

3 PROGRESS BETWEEN 2012/13 – 2015/16

3.1 HOUSING BUY-BACK

Due to the lead in time needed to implement new build programmes this has been our primary means of quickly securing new properties over the past 4 years.

We had reached our initial target of acquiring 100 properties in the first 3 years of the programme and now have a total of 135 at the end of the fourth year. These properties are across our District and offer a range of property types but are predominantly family Homes.

3.2 NEW DEVELOPMENT ON HOUSING PORTFOLIO LAND

This is a new area of work for this Council and is very resource intensive. The advantage with this option is that it provides additional units of Housing Stock, that wouldn't otherwise be built.

In May 2015 we completed 4 one bed units which have been built on a previous garage site in Testwood Crescent, Totton.

3.3 PURCHASING S106 UNITS

This was initially felt to be an attractive option for both the Council and developers. For the Council it removes the complex work involved in working up and delivering schemes from the start. For the developer, this approach provides a simple way of providing their affordable housing obligations and provides a good level of security. In practice this has been found to be more complex and time consuming than originally thought and without guarantees for the actual developments to complete.

In March 2014 we purchased 4 two bed units in Keyhaven Road, Milford on Sea.

4 FUTURE STRATEGY

- 4.1 The minimum requirement will be to at least maintain our existing stock levels. We currently manage 5,000 properties and selling up to 30 a year through the Right to Buy Scheme. To match this ongoing reduction we would need to set ourselves a target to develop or acquire, on average, at least 30 a year.

- 4.2 Further consideration will also need to be given on our stock position with the introduction of a new Government Policy “The sale of higher value vacant housing”. This is whereby we will be required to sell our high value properties when they become vacant. The proceeds from the sale will then be passed to Central Government to pay for the discounts given to Tenants who can now buy their Housing Association properties through the Right to Buy scheme. The full details of the scheme are due in autumn of this year.
- 4.3 We should look to identify the areas and property types of highest demand and longest wait to concentrate future development or Buy-Backs to meet this need.
- 4.4 For the past 4 years stock levels have been maintained largely through ‘Buy backs’ rather than new Build projects. This results in the delivery of extra Council Housing Stock but does not result in an overall increase in Housing; it just moves existing properties from one tenure to another. Furthermore, new build projects have the advantage of increasing the overall supply of affordable Housing Stock, leaving ex-Council Housing Houses in the Private Sector to provide relatively affordable market housing.
- 4.5 The emphasis of future programmes will now be on new build projects which will add to the overall levels of housing stock. Less reliance will be placed on the purchase of Ex-Council Homes, Buy Backs, and these should in future be restricted to only where there is a high need or specific requirement.

5 FINANCIAL CONSIDERATIONS

- 5.1 This future strategy will require the appropriate funding to be available. While at the moment this is in place, future changes to Government Policy may have an impact on this.
- 5.2 As mentioned in 4.2, this Council may have to sell our higher value Council Housing Stock when they become vacant or at least have a financial levy imposed on us. These options will impact on the Capital Programme, either through reduced revenue from the loss of rent or through a reduction in Capital resources. No allowance for this issue has been made in the appendices to this report as no financial details are currently available.
- 5.3 Our Council Housing Rents have previously increased in line with the appropriate Retail or Consumer price indexes. Since 2016/17, in line with Government Policy, Rents have been reduced by 1% and this is due to continue for at least a further 3 years. This will reduce our current and predicted revenue streams.
- 5.4 The programme of development and acquisitions is funded from various sources, one of which is Developers Contributions. These are negotiated as part of the planning application process and implement Policy CS15: Affordable Housing contribution requirements from developments, in the adopted Local Plan Core Strategy. Recent changes in national planning policies now preclude the Council from seeking affordable housing from sites of 10 or fewer dwellings. This and other changes to planning policies are likely to result in a decrease in funding available from this source in the future.

- 5.5 As part of the new Council Housing Finance Regime we borrowed £142.7m with our intention to payback £4.1m of the loan each year from HRA revenue resources, commencing 2017/18. This still remains our aim assuming that suitable funding continues to be in place.
- 5.6 An option to increase our Rents from Social to Affordable rents is a further consideration. This could be done with new properties and properties when they become vacant. This should increase our revenue but we need to be mindful whether our customers that we are Housing can actually afford these increased rents. Additionally, changes in Government Policy, namely "Pay to Stay" could have an impact on this and our future allocation policy.

6 CURRENT & FUTURE PROJECTS BEING WORKED ON THAT WILL ADD TO OUR EXISTING HOUSING STOCK

6.1 NEW DEVELOPMENT ON HOUSING PORTFOLIO LAND

On site with 21 Units (14 x two bed, 6 x three bed & 1 x four bed) in North Milton estate, New Milton. Started on site in November 2015 and expected completion date is March 2017

Planning Permission was granted in January 2016 for 35 units (9 x two bed & 26 x 1 bed) at site next to Compton & Sarum House, Totton. Delivery is currently delayed due to unsatisfactory tender prices.

Working with Hampshire County Council to purchase land at Stocklands, Totton. An outline planning application was submitted in August 2016 to redevelop the site and provide for 20 Social housing units.

In October 2015, as part of the New Forest National Park Authority's (NPA) 'call for sites' for its Local Plan review work, the Council submitted details of 21 sites which it owns and believes may have some potential for future housing. If all were considered appropriate sites for development by the NPA it is estimated that these potential sites could deliver up to 100 units. However, the acceptability of these sites will be a matter for the NPA as the Local Planning Authority and we would only expect a proportion of these to progress. If NFDC wished to progress any of these sites independently of the Local Plan it could do so by making planning applications direct to the Park Authority, under the 'rural exceptions' Policy. Dwellings through this means are unlikely to start before 2018/19 so fall outside the remit of this report.

Re-modelling of our former older person's accommodation by converting existing communal areas to flats. It is hoped to be able to create 16 additional units over 8 sites.

6.2 PURCHASING S106 UNITS

The Council's adopted planning policy (Policy CS15 in the Core Strategy) requires Affordable Housing to be provided as part of most new residential development (subject to a change in national planning policy). The presumption is that affordable housing should be provided on-site as part of the development as it is constructed. With the Local Plan Review requiring a significant increase in Green field site allocations, these new site allocations in future may provide new opportunities to acquire new affordable Housing Stock directly from the developers. In the shorter term such opportunities are more limited. Although there is the possibility of the

Council acquiring a total of 40 units of Affordable Housing from the development south of Hightown Gardens, Ringwood (RiNG3). Discussions are underway on the 1st phase which could provide 15 units for the Council to purchase. Delivery of these units is difficult to programme as this will largely be dependent on the private developer. The Council is also aware of two other sites where it may be possible to acquire affordable Housing units from the developer as required by planning policy as part of the developments. It is hoped that these units could become available in the 2018/19 financial year.

The ability of planning policies to enable the delivery of affordable housing is significantly influenced by national planning policy guidance. The Government have trailed a policy change which will require 20% of all homes on new developments to be 'starter' homes. The impact of this policy change on the viability of providing other 'affordable housing' as part of the development will need to be tested by viability work as part of the Local Plan Review process. The situation will be reviewed as part of the Local Plan Review preparation process to see what might be achieved on new greenfield site allocations.

6.3 HOUSING BUY-BACK

Buy-Backs will continue to form an important element within the overall strategy but as previously mentioned it is hoped that with an increase in new developments, less reliance will be required by this scheme and we can become more selective to meet a specific need.

See Appendix 1 for a Financial Summary of current & future projects

7 **EXAMPLES OF OTHER PROJECTS THAT COULD AND ARE CURRENTLY BEING WORKED ON THAT WILL INCREASE AFFORDABLE HOMES AND IMPROVE OUR EXISTING HOUSING STOCK**

- 7.1 Explore all opportunities to identify suitable land for new Council housing development in both the public and the private sector.
- 7.2 Continuing with our enabling role and maintaining close working relationships with our Housing Association partners to assist in the development of new affordable homes in our district. In the last 4 years, 2012/13 – 2015/16, this work has assisted in the completion of 117 affordable homes, 103 of which were rented with the other 14 being shared ownership properties.
- 7.3 Continue working with partners such as Hampshire County Council and the National Park to enable us to develop on their sites.
- 7.4 Converting and extending our existing stock to meet current and future need. This includes converting bedsits to 1 bed flats, 2 beds to 3 beds etc.

8 **CONCLUSION**

- 8.1 There has been good progress in the acquisition and development of new Council Housing following the changes to the Housing Revenue Account financing. This has been accomplished with a lot of hard work and resolve across many teams within the Council.

- 8.2 This has primarily been achieved through the buy-back of ex-council houses but we have also started and completed new development schemes on our own land. Additionally we have begun purchasing units from private developers as part of their obligation to provide affordable Housing through Section 106 Agreements.
- 8.3 This range of options will continue to be required to achieve our desire to increase our own Council Housing stock but it is our expectation that with the current work in progress, more new homes will be provided through new developments.

9 RECOMMENDATION

- 9.1 That the contents of the report be noted and any comments passed to the Cabinet for consideration.

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Background Papers

Proposals for the Direct Provision
of New NFDC Council Housing -
Affordable Housing Project Board
June 2013