

This report will be made public on 7 April 2017

Folkestone

Hythe & Romney Marsh
Shepway District Council



Report Number **C/16/120**

To: Cabinet
Date: 19 April 2017
Status: Key Decision
Head of Service: Sarah Robson, Head of Communities
Cabinet Member: Councillor Alan Ewart-James, Housing

SUBJECT: HOUSING REVENUE ACCOUNT – NEW BUILD/ACQUISITION PROGRAMME UPDATE

SUMMARY: Cabinet approved the Council's current HRA Business Plan at its meeting on 23 March 2016 (Minute number 80). The Business Plan sets out details of the Council's new build and housing acquisition programme. Over the 10 year period from 2014/15, the Business Plan includes sufficient resources to deliver approximately 200 additional Council homes. This report updates on the progress of the programme to date and on current site negotiations. The confidential annex to this report also sets out details of current land and property acquisition opportunities and seeks approval from Cabinet to pursue these opportunities.

REASONS FOR RECOMMENDATIONS:

The recommendations are made because:

- a) Cabinet approved the Council's current Housing Revenue Account Business Plan at its meeting on 23 March 2016 (Minute number 80).
- b) Considerable progress has been made over the last two years in terms of the delivery of the programme.
- c) The land and property acquisition opportunities set out in the confidential annex to this report have been fully evaluated in line with the council's Housing Revenue Account Business plan and pass all the necessary tests.
- d) The acquisition of these land and property opportunities will enable the council to establish an ongoing pipeline delivery programme within the HRA.

RECOMMENDATIONS:

1. To receive and note report number C/16/120.

2. To agree that the site and property acquisitions opportunities set out in the confidential annex to this report should be pursued by the council.

1. **BACKGROUND**

- 1.1 Cabinet approved the Council’s current HRA Business Plan at its meeting on 23 March 2016 (minute number 80). The Business Plan sets out details of the Council’s new build and housing acquisition programme. Over the ten year period from 2014, the Business Plan includes sufficient resources to deliver approximately 200 additional Council homes.
- 1.2 The new build/acquisition programme is funded by the rental income that the Council receives from its existing housing stock. In terms of the profile of the programme, the Business Plan incorporates sufficient resources to deliver up to 30 units per year, during the first five years of the business plan and an average of 10 units per year during the second 5 years of the business plan. Detail of the actual and projected HRA new build/acquisition expenditure over the period 2014/15 to 2024/25 is set out below.

Analysis of HRA New Build/Acquisition expenditure

	Actuals		Projected Spend	Approved Budget + Proposed Carry Forward		Proposed Budget	Total
	2014/15	2015/16		2016/17	2017/18		
	£000's	£000's	£000's	£000's	£000's		
Acquisitions	0	1,441	1,409	1,040	0		
New Builds	556	289	1,035	9,801	4,652		
	<u>556</u>	<u>1,730</u>	<u>2,444</u>	<u>10,841</u>	<u>4,652</u>		
	Proposed Budget	Proposed Budget	Proposed Budget	Proposed Budget	Proposed Budget		
	2019/20	2020/21	2021/22	2022/23	2023/24		
	£000's	£000's	£000's	£000's	£000's		£000's
Acquisitions	0	0	0	0	0		3,890
New Builds	4,592	4,888	3,154	761	780		30,508
	<u>4,592</u>	<u>4,888</u>	<u>3,154</u>	<u>761</u>	<u>780</u>		<u>34,398</u>

- 1.3 This report updates on the delivery progress that has been made since 2014/15 and the work that has been completed to enable the Council to put an active programme in place in the years ahead.

2. **Delivery Progress**

- 2.1 Since 2014/15, the Council has delivered an additional 26 Council homes which have been made available for affordable rent through the Shepway Housing List. This includes 21 homes which have been delivered through the acquisition of former right to buy properties and 5 which were completed as part of the pilot new build programme. The table below sets out the unit types that have been delivered so far and the general location of the units.

Unit types	Number Delivered	Locations
1 bed flats	2	Folkestone, Stelling Minnis
2 bed flats	9	Folkestone
2 bed houses	4	Folkestone, Lydd
3 bed houses	8	Folkestone, New Romney, Hawkinge and Lydd
1 bed bungalows	2	Hawkinge
2 bed bungalows	1	Hawkinge
Total Units Delivered	26	

- 2.3 Work is also underway to acquire a further seven properties, with completions due to take place during April 2017. The seven units are all one bedroom flats which will be made available for affordable rent. One bedroom units are in particularly high demand through the Shepway Housing List.
- 2.4 Work has also started on site to deliver a further 35 Council homes at Military Road. The first phase of homes at Military Road is due to complete in January 2018 with a second phase of completions in June 2018. Works at Roman Way are due to commence within the next few weeks and are due to complete during summer 2018. The table below summarises the unit types that will be delivered through these sites.

Unit types	Number of units
1 bedroom units	14 (Including 2 units to full physical disability standard.)
2 bedroom units	16 (Including 4 units to full physical disability standard)
3 bedroom units	11
Total	41

3. Establishing a Pipeline of Sites/Properties

- 3.1 The Council's Strategic Development Team continue to work to identify further development sites in the district to ensure that the Council has an ongoing pipeline of suitable development sites for the programme.
- 3.2 The site at Biggins Wood Road was acquired by the Council at the end of 2016. Overall the site is able to provide approximately 77 homes and the detailed site proposals are currently being prepared. It is envisaged that approximately 23 of the homes on the site will be delivered as affordable housing by the Council, in line with the Council's affordable housing policies.
- 3.3 Work is also underway to acquire/bring forward a number of further sites. Details of these sites and the number of homes that each is likely to deliver in terms of affordable housing are set out in the table below.

Site Name	Number of Affordable Units
Site A	45
Site B	28
Site C	31
Site D	11
Site E	6
Site F	15
Total Number of units	136

- 3.4 Negotiations are also currently ongoing which would enable the Council to acquire a 16 unit development on completion. The project involves the conversion of a former commercial property to provide 16 one and two bedroom flats. The scheme is due to be completed by December 2017. It is proposed that the acquisition will be funded through S106 funding and the HRA. The proposals has been tested against and shown to fully meet the requirements of the Council's HRA Business Plan. Details of the proposed acquisition are set out in confidential annex to this report for consideration by Cabinet
- 3.5 Advanced negotiations are currently taking place in respect of the purchase of a site in Folkestone. The proposed affordable housing delivery (at least 30% of the total units on site) has been tested against and shown to fully meet the requirements of the Council's HRA Business Plan. The site will also present opportunities for the Council to deliver additional market homes in the area. Details of the site are set out in the confidential annex to this report.
- 3.6 Further negotiations are underway in respect of the acquisition of a 31 unit site. It is proposed that all 31 of the units on this site will be delivered as Council homes within the HRA programme. This has been tested against and shown to fully meet the requirements of the Council's HRA Business Plan.

Details of the proposed site acquisition are set out in confidential annex to this report for consideration by Cabinet

- 3.7 Details of the other sites will be presented to Cabinet for approval as they are brought forward. Any opportunities will need to meet the requirement set out in the Council's HRA Business Plan that they should be fully repaid within a 30 year period (from the point of completion).
- 3.8 The table below summarises the affordable homes completed/acquired so far, the schemes currently on site and the proposed development/acquisition opportunities which are in the pipeline.

i) Homes completed/acquired.	26
ii) Acquisitions underway (individual properties).	7
iii) Homes onsite/due to start on site imminently.	41
iv) Homes to be delivered through sites already acquired (Biggins Wood Road).	23
v) Homes to be delivered through pipeline opportunities (including Ross House Acquisition and all sites detailed in 3.3).	152
Total potential affordable homes to be delivered by 2024/25.	249

- 3.9 By June 2018 (just over 4 years into the 10 year programme time frame), the Council is on track to have delivered at least 90 homes through the new build/acquisition programme. At present the HRA Business Plan has scope to deliver approximately 200 homes over the ten year programme. The current list of future potential pipeline opportunities set out in 3.8, provides capacity should any of the sites fail to come forward for development. The HRA Business Plan will be kept under ongoing review to ensure that it remains fit for purpose.
- 3.10 The project team have assessed the potential option of delivering shared ownership accommodation as part of the programme. The assessment has shown that any units delivered for shared ownership will fail against the HRA Business Plan requirement for them to provide full pay back within 30 years from completion. To ensure that the above sites are compliant in terms of the Council's affordable housing policy requirements, it will be necessary to deliver an element of the homes in partnership with an affordable housing provider who is able to deliver a low cost home ownership product. The site/acquisition options set out in 3.8 will also provide an opportunity for the

council to work in partnership with other affordable housing providers to provide affordable homes, including homes for low cost homeownership.

4. Risk Assessment

- 4.1 A comprehensive risk assessment and sensitivity analysis has been completed to test the assumptions underpinning the Housing Revenue Account Business Plan to ensure that they are realistic.
- 4.2 Any new build/acquisition options are required to be repaid in full within a 30 year period from completion of the build/acquisition. Each individual scheme will be subject to a separate risk assessment as part of the acquisition and development process.

5. RISK MANAGEMENT ISSUES

- 5.1 A summary of the perceived risks to the Council is shown below:

Perceived risk	Seriousness	Likelihood	Preventative action
Insufficient resources available to deliver the Council's new build/acquisition programme.	High	Low	<p>Development and implementation of an effective and properly costed HRA Business Plan.</p> <p>The completion of an effective risk assessment and sensitivity analysis within the Business Plan.</p> <p>The ongoing review of the business plan.</p>

6. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

6.1 Legal Issues (DK)

There are no legal issues arising directly out of this report on the basis the Council continues to act in accordance with the Business Plan approved by Cabinet on 23rd March 2016 (as may be amended from time to time)..

6.2 Finance Officer's Comments (LH)

There are no financial implications arising directly from this report, however the HRA Business Plan and Budget setting process will seek budget approval at the appropriate time.

6.3 Diversities and Equalities Implications (SS)

A comprehensive equalities impact assessment has been completed as part of the Council's overall HRA Business Plan. No negative impacts have been identified at this stage.

6.4 Communications Issues (ML)

The delivery team will continue to work closely with the Communications Team throughout the delivery programme to ensure that all possible media opportunities are taken up.

7. CONTACT OFFICERS

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