

November 24th 2016

REPORT OF THE PORTFOLIO HOLDER HOUSING SERVICES AND THE PORTFOLIO HOLDER FOR ASSETS AND FINANCE

Affordable Housing Development and garage site development programme

EXEMPT INFORMATION

None

Purpose

- To update Cabinet on the progress of affordable housing delivery in Tamworth and approve continuation of the delivery programme.
- To update Cabinet on the approach to be taken in respect of retained sites.
- To agree to the procurement of partners and contractors to assist in delivery.
- To update on the progress of the Council's acquisitions programme including the purchase of properties 'off-plan'

RECOMMENDATIONS

- ✓ **That Cabinet agree to continue the re-development of garage sites as Council Housing.**
- ✓ **That Cabinet agree to charge affordable rents aligned to the Local Housing Allowance (LHA) for the new Council Housing.**
- ✓ **That Cabinet agree to the outline approach to be taken in respect of retained sites.**
- ✓ **That Cabinet agree to the virement of £2 million from the garage re-development programme into the acquisitions programme**

EXECUTIVE SUMMARY

In November 2015 Cabinet approved the development of garage sites for new Council owned affordable housing. Since then substantial work has been undertaken and the first six sites have been granted planning permission. The development of new Council housing follows a successful programme of redevelopment with partner Registered Providers (RPs) delivering 54 units of affordable housing between 2011 and 2015 across 14 sites. In parallel to the delivery of this new housing selected garage sites have been refurbished and re-let to provide suitable and sustainable garages to meet demand.

All remaining Housing Revenue Account (HRA) garage sites within the borough have been assessed for housing development potential. The results of this assessment can be found in Appendix A where the developable sites have been split into a number of tranche programme for Council House building. This schedule includes 47 sites where development potential has been identified from the Council's overall stock of 92 sites.

There are currently 1628 (as at 31 October 16) households waiting on the Housing Register for social housing and the number of homeless households is increasing. This is combined with an on-going reduction in the social housing stock through Right to Buy sales and a reduction in the ability of Registered Providers to develop Affordable rented

homes due to changes in funding priorities. The increase in Social Housing through garage site redevelopment has been important in helping to meet current housing demand and crucial in the achievement of related projects such as the redevelopment of the Tinkers Green and Kerria areas.

The occupancy levels across all existing garage sites is currently at 44.8% with a significant financial requirement to bring all the garages up to a minimum lettable standard and deal with the backlog of repair issues. In reality to deliver a sustainable and suitable supply of garages requires demolition and rebuilding of garages rather than repair of existing units.

Delivery of the garage site re-development programme has demonstrated the sites are particularly difficult to develop due to the locations, size and dimensions resulting in planning, design and access issues. Additionally, due to the difficulties associated in developing such sites, the unit cost is higher than on larger development sites. Although the sites shown at Appendix A have been assessed as having development potential detailed site investigations are needed to evidence the viability of each site. Once this detailed work is done a number of these sites will not be viable for redevelopment.

The first 19 units of new Council Housing to be built, which were approved by Cabinet in November 2015, will be part funded through the Homes and Communities Agency (HCA) grant programme. One of the conditions of the grant is that an affordable rent will be charged. Affordable rents are higher than social rent and can be set up to a maximum of 80% of the equivalent market rent inclusive of service charges. The purpose of affordable rent is for housing providers to generate income that can be used to increase the supply of affordable housing.

For all but one of the units currently being developed, an affordable rent set at 80% of the market rent is more than the Local Housing Allowance (LHA) rate, and currently 56 % of all applicants for Council housing are receiving housing benefit. It is therefore proposed that we cap our affordable rents so that they do not exceed the LHA rate (housing benefit for social tenants will be capped at LHA rates from April 2018).

For example: a 2 bedroom house average social rent in Tamworth would be approximately £325 per month, with the equivalent market rent being £625 per month. The affordable rent based on 80% of the market rent would be £500 per month. The LHA rate for a 2 bedroom property is £493.66. It is recommended therefore that in order to ensure the homes remain affordable to tenants the 'affordable rent' is set at the LHA rate (in this example this would equate to £493.66 making the affordable rent 78% of the market rent). Any service charges arising would be dealt with within the Council's Service Charge Policy.

With regard to any further units developed on garage sites, a decision needs to be made whether to charge social rents or affordable rents. Because the properties are not funded with HCA grant the Council has discretion to charge either a Social or Affordable rent in order to maximise income and reduce the payback on the Capital cost of development of the properties, whilst still ensuring that properties remain affordable to those on benefits. It is proposed that the rents are set to closely reflect the LHA level. Additionally Members will be aware that tenants with an income of greater than £31k per annum will be charged a higher rent based on the proposals contained within the Housing and Planning Act 2016. This matter will be subject to a further report to Cabinet and will result in variance in the level of rents charged across the Council's housing stock. As noted above not all garage sites will be developable for housing. This may be due to a number of factors including the restrictions on the development potential of the site. In addition there may be other sites where a demand for garages can be evidenced. To date the Council's approach has been to offer alternative garages to existing garage users within a reasonable distance and it is proposed that this approach is continued in recognition that Council owned garages offer a resource for some residents. However, it is considered that where garages ties are retained for their current purpose the garages themselves should be of a suitable standard and be sustainable for the future. This includes evidence via a business case that demand is sufficient to provide a payback on any repair and refurbishment costs.

As part of the current refurbishment programme the Council has re-furbished 4 garages sites following an assessment of the likely demand for garages in the relevant areas. These sites have proven lettable and current are 88% occupied.

There are sites where housing development is not feasible but additionally there is no business case for continued investment in the sites for provision of garages. In these cases it is proposed that the Council undertake an option appraisal for the site to include assessment of options including- use of the site for the provision of car parking, extension of gardens, disposal and other uses. Approaches to be utilised will be considered during the 2017/2018 financial year with individual business cases reviewed and agreed in consultation with the portfolio holder for housing.

Appendix B describes the sequence of considerations for each site.

Appropriate resources to enable the extension of required consultancy support and internal staffing arrangements can be met within the provisionally allocated capital budget for the project.

On 1st October 2015 Cabinet approved the acquisition of properties via market purchase utilising HRA Capital resources and retained Right to Buy receipts. To date the Council has successfully purchased 9 individual properties from the open market at total purchase cost of £705,000. Changes in the housing market combined with limitations in the ability of the Council to offer above market value have reduced the Council's ability to purchase individual properties in a 'sellers' market. However, the Council has been successful in negotiating acquisitions 'off-plan' with housing developers. These purchases provide a cost effective means of increasing the housing supply although opportunities are limited. The Council is currently in negotiation with two developers for the purchase of a total of 14 new homes across two sites. Given these developments regarding acquisitions, it will be necessary to vire £2 million from the re-development programme this financial year as highlighted in the resource implications section of this report.

In order to maximise investment opportunity and also avoid repayment of Retained 1 for 1 Receipts it is essential these acquisitions are made. During 2016 / 17 it has been necessary to repay £143k plus interest of £20k to DCLG where it has not been possible to comply with scheme condition timeline. It is therefore essential entering into formal contract before payment timelines are reached.

BACKGROUND INFORMATION

Rationale for re-development

There is a demonstrable need for the provision of additional affordable housing in Tamworth. However, opportunities to increase the supply of affordable housing are limited due to land availability, an increased focus on enabling access to owner occupation and the adoption of revised business models by Registered Provider partners.

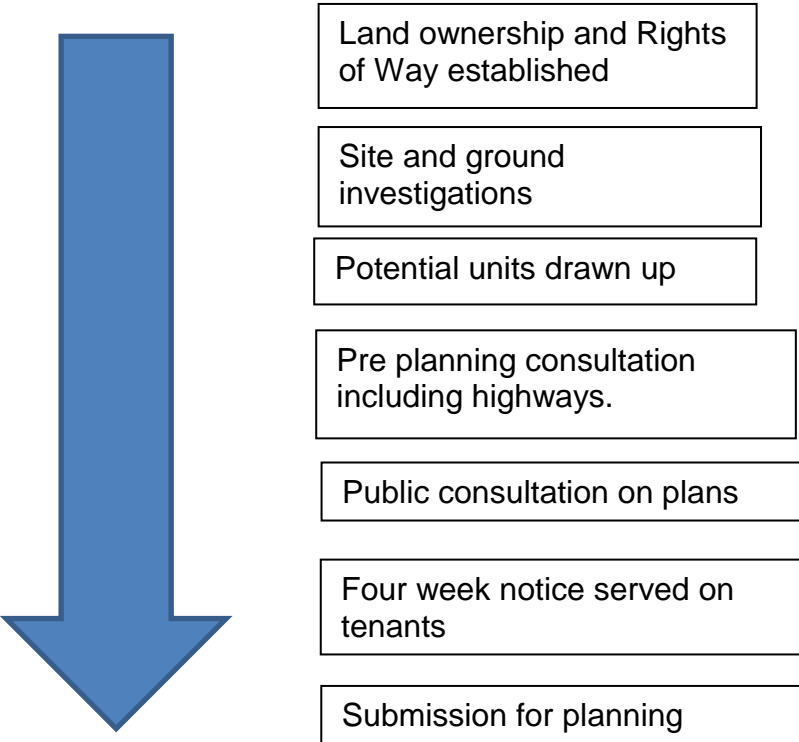
Given these factors, the Council has pro-actively explored how the supply of affordable housing could be increased utilising Council owned land. The Council also recognises that there is an on-going requirement for garages and parking areas in some localities within the Borough. Therefore a balance approach to the re-development of the garage sites has been adopted that also considers the parking requirements of residents.

However demand for existing garages is low and currently only 97 applicants have confirmed they wish to remain registered with the Council as having an interest in renting a garage. Preference for particular geographical locations and bidding activity of the applicant are reasons why applicants on the waiting list have not already been offered a garage.

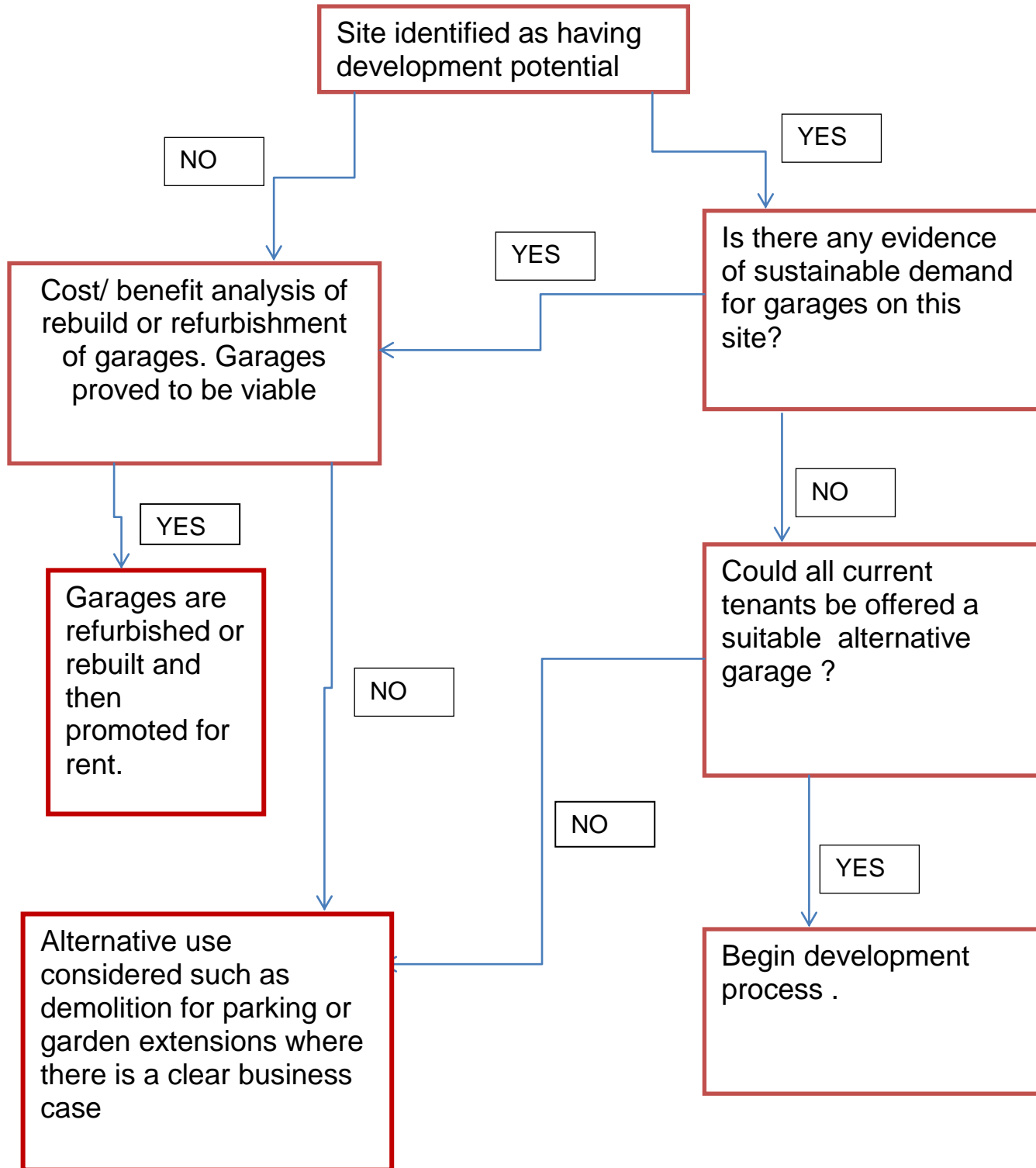
The sites will be developed in consultation and partnership with all relevant parties including local residents. It is our intention that as we move through the sites in the attached schedule we approach them using the process below. Following this process will enable us to be as certain as we can be that a site will be suitable for development and will gain planning approval, before consulting with local residents and garage tenants. This will allow us to occupy the garages for as long as possible and continue to receive rent. This approach will be taken on all sites but there may be sites where this is not possible. For example if large bore holes are required for the site investigations the garages may need to be emptied prior

to ground investigations or if parking is a particular issue tenants may need to be contacted prior to pre planning to discuss the allocation of another garage or future parking arrangements.

The Development Process



The decision making process



Options for sites that are not suitable for re-development

OPTIONS

Option	Benefit	Risk
Do nothing	No spend required	<p>Unmet need for affordable housing increases homelessness and reduces residents quality of life.</p> <p>Garage sites either dilapidate further or are renewed and costs are not recovered causing a drain on council finances.</p> <p>Right to buy receipts may have to be returned.</p>
Develop all garage sites that have the potential to provide affordable housing.	<p>New Council Housing</p> <p>New affordable housing with 100% nomination rights to Tamworth Borough Council.</p> <p>Removal of derelict/dangerous garages.</p> <p>Increased income stream to the HRA.</p> <p>Utilisation of Right to Buy receipts.</p>	<p>The implementation will be resource intensive.</p> <p>Residents surrounding the garage sites may not be supportive</p>

RESOURCE IMPLICATIONS

The re-development of garage sites for new housing is resource intensive given the difficulties associated with such developments. This applies to sites in Tamworth with a current estimated cost of £165K per unit of housing being required to completion. This is expensive when compared to the acquisition of housing by either alternative routes highlighted above, however does meet the policy objectives of development of new housing and resolution of perceived issues at garage sites.

Acquisitions

The garage re-development programme has a provisional budget of £3 million per year to develop up to 30 units per annum. However, given current activity relating to acquisitions and opportunities arising to purchase new build units for use as Council housing, it is proposed that within the current financial year, £2m from the re-development programme budget be vired over to the acquisitions budget. £1million will be utilised to purchase 8 new build units with the remaining £1million being used to support further acquisitions opportunities as they arise. In future years it is proposed £1m from the re-development programme will be utilised to further support acquisitions of both existing and new build units

resulting in a budget of £1.5 million per annum for acquisitions.

Affordable rents

Rent Types

Cabinet has previously agreed (November 2015) to develop 100% affordable housing on former garage sites. A decision is now required in relation to rent levels for our new supply – which can be based on social rent or affordable rent. Affordable rents can be set at a maximum of 80% of equivalent market rents (inclusive of service charges).

N.B. As the first tranche of 19 units are part funded by HCA grant, the Council have to charge Affordable Rent for these units.

Affordable rents are intended to generate additional income to be invested in further new supply. If adopting affordable rent, the Council needs to consider affordability for tenants claiming housing benefits, which will be capped at LHA rates from 1 April 2018 onwards. It is therefore recommended that if using affordable rents, they are capped at LHA rates so that our homes remain affordable for tenants on benefits.

It is recommended that the Council charge affordable rents for all of its new supply developed on former garage sites. This will enable the Council to generate additional income which can be invested in further new supply. The Council should ensure that it caps affordable rent levels at LHA rates so that rents are affordable for tenants in receipt of housing benefits.

There will be a potential loss of rental income from charging rents at less than the market rate which cannot be quantified. However, any potential loss is off set by the benefits brought about by housing people in need who might otherwise need to be accommodated in Bed and Breakfast with all the financial implications and negative impacts on wellbeing this can engender.

The potential loss of garage rental income, while reduced, will not have a significant budgetary impact due to current void levels.

LEGAL/RISK IMPLICATIONS

A full risk assessment has been undertaken and a copy of the considered risks can be found in Appendix C.

SUSTAINABILITY IMPLICATIONS

There are significant beneficial implications of implementing this proposal

1. Good quality affordable housing contributing to healthier outcomes and quality lives.
2. Contributing to a sustainable community environment.
3. Providing suitable housing for households with disabilities
4. Supports the delivery of corporate objectives especially “Living a quality life in Tamworth”

These and other associated outcomes would contribute towards the delivery of key priorities identified by the Tamworth Strategic Partnership and adopted by Tamworth Borough Council. A full equalities impact assessment can be found in Appendix D.

The Council currently owns a large number of underused garage sites which require significant investment. There is also high demand for affordable housing in Tamworth as reflected by the number of households on the Housing Register. This programme aims to utilise the Council's assets to assist in meeting that demand. The programme also supports the delivery of the Corporate objective "Living a quality life in Tamworth". Agreement of the recommendations made in this report will enable the provision of much needed housing in Tamworth.

REPORT AUTHOR

Rob Barnes

LIST OF BACKGROUND PAPERS

none

APPENDICES

- | |
|--------------------------------------------------------------------------------------------------------------------------------|
| Appendix A: Site Lists
Appendix B: Delivery Plan
Appendix C: Risk Assessment
Appendix D: Equalities Impact Assessment |
|--------------------------------------------------------------------------------------------------------------------------------|