

Subject:	Housing supply update		
Date of Meeting:	14 November 2018		
Report of:	Executive Director – Neighbourhoods, Communities & Housing		
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Ward(s) affected:	All		

1. PURPOSE OF REPORT AND POLICY CONTEXT

- 1.1 This report seeks to provide an update on the delivery of new affordable housing by the council, and future plans to escalate delivery by utilising the recently announced HRA borrowing flexibilities and revenue underspends in the HRA.
- 1.2 This report also incorporates information on the capacity and resources to expand public housing following the Notice of Motion presented and noted at the 13 June 2018 Housing & New Homes Committee.

'This Committee notes that over the last three financial years £10.5m (net) of the HRA's allowable £41m borrowing capacity has been used. This equates to an average of £3.5m a year. This leaves £30.5m of resources available to housing that has not been used.

This Committee further notes it is proposed in the current financial year to borrow over £20m. Yet last year, only £3.2 million was actually borrowed and by month 7 £7.6m spending had been re-profiled into future years' expenditure.

This Committee wishes to maximise the use of existing resources available to expand council housing. It is therefore requested, that as a matter of urgency, a report be brought to Housing & New Homes Committee, which:

- *Investigates obstacles to using available borrowing;*
- *Explores additional capacity needed to achieve spending;*
- *Provides a timetable which sets out how the current borrowing plans can be achieved across the next two years, without re-profiling."*

2. RECOMMENDATIONS:

That the Housing & New Homes Committee:

- 2.1 Notes the work programme to date to increase the supply of affordable housing in the city and proposals to increase cross council resources to support

expansion of the programme to realise the council's ambitions to increase housing supply.

- 2.2 Agrees (subject to government guidance) for the council to utilise HRA borrowing flexibilities to deliver future New Homes for Neighbourhoods Schemes.
- 2.3 Notes that as a result of current forecast underspend in the HRA, the month 7 Budget Monitoring report to Policy Resources & Growth Committee will propose that £1.5m will be used as a revenue contribution to the capital programme to support further housing delivery via the Home Purchase Scheme for 2019/20.

3. CONTEXT/ BACKGROUND INFORMATION

- 3.1 Brighton & Hove is a city with an acute 'housing crisis', with over 14,000 households on the housing register, 1,800 in temporary accommodation and a serious shortage of affordable homes. The city also has areas of significant deprivation and its population of around 280,000 has significant health needs and inequalities. The HRA Asset Management strategy, aligned to the overall Housing Strategy, has been reviewed (following detailed consultation) and now expressly supports provision of supply of new homes through ongoing stock review and investment as well as improving quality of existing homes.
- 3.2 The Council's Housing Strategy 2015-2019 sets out objectives and action plan addressing identified housing needs in the City which includes policy and investment prioritising 'Improving Housing Supply'. The City Plan also sets out housing targets across all tenures and policies on securing affordable housing through the planning system. The Housing Revenue Account (HRA) Asset Management Strategy is also aligned to Housing Strategy in support of improving housing supply. Greater Brighton partnership working across authorities is aiming to accelerate delivery of new housing supply through freedoms and flexibilities sought as part of the wider Greater Brighton proposals.

The council has to date responded to the housing crisis in a number of ways and supports a wide programme of activity in the city to increase affordable housing supply. This includes affordable housing gained through planning policy, registered provider developments and community led housing. The council has also developed the following programmes to directly deliver new affordable housing supply:

3.3 New Homes for Neighbourhoods

The council has developed an innovative 'New Homes for Neighbourhoods' programme, with an ambition to build at least 500 new homes. The programme has been successful and since summer 2015 has completed 172 new council homes in 11 projects, has another 12 council homes under construction. It has sites currently identified for a total of around 500 homes. In addition, there is potential for redevelopment of some existing council housing.

A pipeline of New Homes for Neighbourhoods projects need to be brought forward to order for the HRA to have the need to borrow. Projects can be delayed for a variety of reasons including issues with site identification and issues faced at the design and development phases. To ensure that all

obstacles to spending available borrowing are minimised the team have been reviewing potential development sites to bring forward more schemes, reviewed the capacity of all relevant teams and looked at potential bottlenecks to ensure speedy delivery of the programme.

3.4 Home for Brighton & Hove (Living Wage Joint Venture)

Working in partnership with Hyde the joint venture will deliver 1,000 new lower cost homes for rent and sale. The first three sites have been identified to deliver up to 570 new homes. These are Coldean Urban Fringe, the former Belgrave Centre, Portslade and Whitehawk Urban Fringe. Public consultation has taken place on all three sites with planning applications due by the end of this year.

3.5 Hidden Homes

The programme to refurbish and convert under used or unused spaces within our existing council stock into new homes continues with nine new homes delivered to date, with a further six due to be delivered in 2018/19. A pipeline of potential sites has been developed to deliver approximately 30 further units. In addition the council have taken advantage of 'one-off' opportunities for adding a new build where existing dwellings have a large footprint e.g. where we have 'split' the garden of an empty property.

3.6 Home Purchase Policy

The scheme so far has allowed the council to buy back nine properties which will now be used for general needs or temporary accommodation. Housing & New Homes Committee agreed to the expansion of the scheme in September 2018 allowing the council the option to look at purchasing affordable housing units supplied as part of new housing developments in the city (typically known as S106 sites).

The scheme can utilise the HRA revenue underspend to support the delivery of housing. It is proposed to allocate the £1.5m to the Home Purchase Scheme for 2019/20, taking the proposed budget for 2019/20 to £3.5m.

3.7 Council owned temporary accommodation

Creating a supply of council owned temporary accommodation allows the council to achieve savings against the costs of procuring more expensive accommodation from the private market either through existing frameworks or spot purchase. The conversion of Stonehurst Court provided ten family units this summer with 12 additional units to be provided at the former Oxford Street Housing Office. The property purchase from Orbit agreed at Housing & New Homes Committee in March 2018 will provide a further 15 units of temporary accommodation.

4. HRA BORROWING CAP

- 4.1 The government announced in July 2018 a process for councils in high cost areas outside of London (including Brighton & Hove) to bid for £0.5bn of

additional borrowing capacity within their Housing Revenue Account (HRA). Bids needed to be submitted by the 30 September 2018.

- 4.2 The council welcomed this announcement as the current borrowing cap is inhibiting the capacity of this council to build more homes. The restrictions on borrowing also mean that in the future the council may have to pay back its retained RTB receipts to the Government because it cannot utilise them without the ability to borrow.
- 4.3 Bid applications were made for the delivery of New Homes for Neighbourhoods schemes for the three years 2019–2022. The bids anticipated delivery of 465 homes with borrowing of £81,252m required.
- 4.4 On the 3 October 2018 the Government announced the borrowing restrictions will be removed enabling councils to play a key role in delivering the homes their communities need. The Minister for Housing, Communities and Local Government has now issued a determination – The Limits on Indebtedness (Revocation) Determination 2018. This came into force on 29th October 2018 and removes the current borrowing cap on the HRA.

Timetable setting out the current borrowing plans

- 4.5 The current capital programme 2018/19 – 2020/21 assumes further borrowing of £29.35m up to the end of 2020/21. However, this will increase when new pipeline schemes are accelerated. The Estates Regeneration Members Board are regularly updated with the new pipeline schemes being proposed in order to approve early feasibility studies and drawings and monitor the use of Right to Buy Receipts.
- 4.6 New Homes for Neighbourhoods Schemes, including those in the bid application, are now being reviewed to determine which schemes may be brought forward following removal of the cap. A detailed project plan with timelines and responsibilities is being drawn up by officers to accelerate the current pipeline schemes including the schemes in the bid application. This will result in escalation of the current programme, increasing the supply of affordable homes in the city.
- 4.7 Whilst the removal of the cap will enable substantial growth in the numbers of homes that can be built or purchased within the HRA, any borrowing undertaken will need to be prudent, affordable and sustainable. Work is being undertaken on the 30 year HRA business plan to provide assurance to the Chief Finance Officer that the borrowing is affordable for the HRA.

5. ADDITIONAL CAPACITY TO ACHIEVE SPENDING

- 5.1 With the removal of the borrowing cap each project within the programme has the potential for expansion. Any enhancement of the programme to realise the council's ambitions to increase housing supply will require additional cross council specialist resources.

- 5.2 We have a strong track record of cross directorate collaboration to deliver new homes. In order to increase the pace of new supply becoming available we have undertaken some analysis into what may be causing any delays, resourcing pressures and potential mitigation to enable us to speed up delivery of new homes. In light of this we propose to increase our existing programme capacity by targeting additional resources into an enhanced cross directorate housing supply team to drive projects forward.
- 5.3 The key additional resource requirements to achieve and escalate delivery of schemes outlined in 3.3 – 3.7 of this report are:
- 3 x Project Managers
 - 1 x Architects
 - 1 x Technical Surveyor
 - Planning support
 - Communications and consultations
 - Customer Liaison
 - Legal support
 - Financial support for viability modelling, wider financial implications and budget management support
- 5.4 This team will identify and address barriers to delivery, working flexibly to unblock anything which may be delaying schemes and reviewing focus and optimisation of resources across different work-streams. For example this could include better batching up of activity such as on smaller difficult sites to make sure this work proceeds as effectively and efficiently as possible but does not delay larger and / or more straightforward schemes. Some resources are required for specific projects, with flexibility built in for support services to provide project support as required across the programme.
- 5.5 Where local authority capital accounting arrangements allow, it is anticipated that the cost of these additional resources will be capitalised and therefore added to each capital project, as required. However, where costs cannot be capitalised, for example, where schemes are worked up but do not progress, then the costs will need to be met from the HRA. The exact revenue cost is difficult to quantify at this time and will depend on the number of schemes each year and whether or not the HRA can manage some of these costs within its current budget resources. However the current estimate for the full year revenue cost is £0.060m. Officers are currently in the process of drafting the HRA revenue budget for 2019/20 and will take account of this possible budget pressure.

6. ANALYSIS & CONSIDERATION OF OPTIONS

Option	Benefits	Risks
<p>Option 1 – Expand delivery of schemes to deliver new housing supply (preferred option)</p>	<p>Increased supply of affordable housing</p> <p>Pressing housing needs are met</p> <p>Right to Buy (RTB) receipts are spent and therefore not returned to government and not incurring interest of 4%</p> <p>The use of Right to Buy receipts will reduce the need for borrowing</p> <p>Further general fund savings can be realised through an increase in the supply of council owned temporary accommodation</p>	<p>Current consultation on use of RTB receipts highlights potential restrictions on the use of RTB receipts where an acquisition costs more than a set level</p> <p>Increased costs through additional resources</p>
<p>Option 2 – Maintain delivery of schemes to deliver new housing supply at current levels</p>	<p>Supply of new affordable housing maintained</p> <p>Pressing housing needs are met</p> <p>Right to Buy (RTB) receipts are spent and therefore not returned to government and not incurring interest of 4%</p> <p>The use of Right to Buy receipts will reduce the need for borrowing</p> <p>Further general fund savings can be realised through an increase in the supply of council owned temporary accommodation</p>	<p>Not utilising all opportunities to spend RTB receipts</p> <p>Not meeting full potential to deliver new affordable homes in the city</p>

- 6.1 Outcomes from current government consultations on use of Right to Buy Receipts and rents for social housing also have the potential to offer more options and certainty, helping the council to realise its ambitions.

7 COMMUNITY ENGAGEMENT & CONSULTATION

8. CONCLUSION

- 8.1 If approved, the proposal to escalate delivery will enable the council to increase the supply of affordable housing in the city, a key aim of the council's Housing Strategy 2015-2019.

9. FINANCIAL & OTHER IMPLICATIONS:

Financial implications

- 9.1 The Minister for Housing, Communities and Local Government has issued a determination - Limits on Indebtedness (Revocation) Determination 2018. This came into force on 29th October 2018 and removes the HRA borrowing cap.
- 9.2 The level of borrowing that can be sustained by the HRA will not be unlimited and this is currently being modelled. However, the removal of the cap will enable substantial growth in the numbers of homes that can be built or purchased within the HRA. The Chief Finance Officer will need to review the HRA 30 year Business Plan to ensure that any borrowing plans are prudent, affordable and sustainable. Each scheme will have to demonstrate need, value for money and that the net costs of borrowing can be met from the HRA.
- 9.3 Expansion of the affordable homes programme will require additional staffing resources as outlined in section 5 of this report. A high proportion of the cost of the officer support required to expand the current programme can be capitalised and so included as part of the overall scheme cost and factored into the viability modelling for each scheme.
- 9.4 However, some costs cannot be capitalised and will have an effect on the HRA revenue budget for 2019/20 and beyond. This is currently estimated as £0.060m for a full year but further calculations are on-going and will inform the budget setting process for 2019/20. The HRA budget will be reported to Housing and New Homes Committee in January 2019 and will incorporate proposals for any service pressure funding for this purpose. A proportion of these costs will be incurred in 2018/19 financial year and can be met from current HRA budget resources.

Finance Officer Consulted: Monica Brooks

Date: 31/10/18

Legal Implications:

- 9.5 One of the main powers of local housing authorities in the Housing Act 1985 is the provision of housing accommodation by the erection of houses or the , conversion of buildings into houses. The expansion of the New Homes for Neighbourhoods programme is compatible with that power.

Lawyer consulted: Liz Woodley

Date: 23/10/18

9.6 Equalities Implications:

All current housing supply programmes support the delivery of the city's Housing Strategy and an increase in housing supply will extend opportunities to accommodate households on the Housing Register who are on housing need.

The New Homes for Neighbourhoods programme builds at least 10% of new council homes to full wheelchair user standard and the rest to accessible and adaptable standard, which can be easily adapted for people with disabilities. An Equalities Impact Assessment has been completed on the programme and is supplemented for individual projects.

9.7 Sustainability Implications:

Homes delivered under the programme are built to high sustainability and energy efficiency standards, including photo voltaic panels on roofs where feasible and communal boilers in larger schemes.