



Havering
LONDON BOROUGH

CABINET

16 October 2013

Subject Heading:	Development of New Affordable Housing
Cabinet Member:	Councillor Lesley Kelly, Cabinet Member for Housing
CMT Lead:	Joy Hollister, Group Director – Children, Adults and Housing
Report Author and contact details:	Tohi Rahman Project Manager for Housing Development Email: Tohi.Rahman@havering.gov.uk Tel: 01708 432557
Policy context:	The Council's existing Housing Strategy, and draft revised Housing Strategy, both demonstrate a need for additional affordable housing and supported housing in the borough. The Council's Extra Care Housing Strategy recognises the need for more housing options for older people; the new developments covered in this report will provide such housing
Financial summary:	A total of £1,819,500 grant from the Greater London Authority has been secured. Approval is now sought for the allocation of the remainder of the funding identified at the bid stage consisting of £1,001,863 from right-to-buy receipts, £3,399,936 from HRA capital resources available within the HRA Business Plan, £311,891 of section 106 commuted sums, £110,000 of Adult Social Care capital funding (Department of Health grant) for assistive technology, and £655,949 from unallocated resources in the Housing General Fund previously earmarked to support vulnerable and/or disabled people
Is this a Key Decision?	Yes

Is this a Strategic Decision?	Yes
When should this matter be reviewed?	Not Applicable
Reviewing OSC:	Value

The subject matter of this report deals with the following Council Objectives

Clean, safe and green borough	<input type="checkbox"/>
Excellence in education and learning	<input type="checkbox"/>
Opportunities for all through economic, social and cultural activity	<input type="checkbox"/>
Value and enhance the life of every individual	<input checked="" type="checkbox"/>
High customer satisfaction and a stable council tax	<input checked="" type="checkbox"/>

SUMMARY

- 1.1 In line with the Council's commitment to address the local need for good quality homes, a number of bids were submitted to the Greater London Authority (GLA) to attract inward funding for new build housing schemes. Although the bidding round was extremely competitive, the Council was successful in securing £2,076,000 inward investment from the GLA to fund development in the borough. Of this, approval has already been granted by Cabinet for a bungalow scheme at Garrick House which has attracted £256,500 GLA. This report covers seven further schemes consisting of 61 new homes supported by £1,819,500 GLA grant.
- 1.2 This report seeks authority to allocate match-funding from a number of Housing Revenue Account, HRA, and general fund capital sources.

RECOMMENDATIONS

- 2.1 That an allocation of £1,001,863 from the proceeds of right-to-buy council property sales accruing between 1 April 2012 and 31 March 2013 is agreed for this new build programme with onward referral to Council for approval.
- 2.2 That an allocation of £3,399,936 resources from the HRA Business Plan, including £353,000 already approved for Hidden Homes works, is agreed for this new build programme with onward referral to Council for approval.

- 2.3 That an allocation of £311,891 of section 106 commuted sums is agreed for this new build programme with onward referral to Council for approval.
- 2.4 That an allocation of £110,000 from the Adult Social Care capital budget, from Department of Health grant, to enable the addition of assistive technology to a scheme specifically for Adult Social Care clients is agreed for this new build programme with onward referral to Council for approval.
- 2.5 That a virement of £655,949 from unallocated capital resources held in the Housing General Fund previously earmarked to support vulnerable and/or disabled residents is agreed for this new build programme with onward referral to Council for approval.
- 2.6 That the specific financial allocations from all sources are applied to the constituent schemes as detailed in Appendix 2 to this report.
- 2.7 That authority to make variations to any of the schemes covered in this report deemed desirable following resident consultation and/or identified as a planning requirement is delegated to the Lead Member for Housing unless the variations would incur additional capital investment by the Council in which case Cabinet's approval would be sought.
- 2.8 That the estimated £1,300,000 proceeds from sale of the shared ownership element of this new build programme be earmarked for future shared ownership and/or affordable rented developments on sites such as the former Diana Princess of Wales hostel.
- 2.9 That approval is given to commence the process of procuring the main contractors to deliver the schemes.

REPORT DETAIL

- 3.1 Following the Council's successful registration as an Investor Partner with the Greater London Authority, GLA, the Council submitted bids for housing development funding under the Mayor of London's 'Building the Pipeline' bidding round. The bids consisted of a number of affordable housing schemes to be built on Council-owned land held within the Housing Revenue Account, HRA.
- 3.2 The Council's proposals focused on the provision of bungalows for older people and general needs houses and flats in line with locally-defined strategic priorities.
- 3.3 In total, the Council's bids for seven schemes were accepted by the GLA and the corresponding grant funding will be received upon completion of these schemes. The total of seven schemes includes

one scheme receiving a grant allocation from the GLA's Care and Support Specialist Housing Fund. The seven schemes are summarised in the table below with full details in **Appendix 1**.

Scheme	Number of new homes	Type and tenure mix
Bideford Close	9	Flats for affordable rent
Holsworthy & Ravenscourt (2 sites)	6	Older people's bungalows for affordable rent
Albyns Close	20	10 older people's bungalows for affordable rent and 10 older people's bungalows for shared ownership
Conversion of hard-to-let bungalows into houses	12	12 houses for affordable rent
Thomas England & William Pike Ground Floor Conversion (2 sites)	4	4 flats for social rent
New Plymouth & Napier Ground Floor Conversion (2 sites)	3	3 flats for social rent
Ullswater Way	7	4 bungalows and 3 flats for Adult Social Care clients
TOTAL	61	

3.4 In all instances:

- the new homes will be developed on land held within the HRA
- the Council will retain a freehold interest, albeit on a shared ownership basis where applicable
- the properties will be held and managed within the HRA
- development using the Council's own land and capital resources will remove, or at most reduce to an absolute minimum, any requirement to offer nominations to other boroughs.

3.5 The proposed use of HRA land is in keeping with the Council's Asset Management Plan which states that land and property assets should only remain in Council ownership if they:

- need to be retained in Council control for the provision of services
- are of great value to the Council, community and other stakeholders and are in need of the degree of protection from development or other uses afforded only by ownership
- are investment properties providing a financial return that can fully satisfy relevant investment criteria.

- 3.6 In line with the bidding guidance, all schemes would meet the standards set by the London Design Guide including the current Lifetime Homes Standards and Level 4 of Code for Sustainable Homes which, among many design improvements, aims to reduce fuel bills for the occupants.
- 3.7 Homes and Housing intends to carry out public consultation regarding the design details for both sheltered housing extension schemes in advance of any statutory planning consultation to be carried out by the Planning department.
- 3.8 It is anticipated that around £1,300,000 could be generated from the sale of 50% shares in the shared ownership bungalows proposed to be developed on the site of the former Albyns Close sheltered scheme. Early discussions are currently underway regarding shared ownership and/or rented development at the site of the former Diana Princess of Wales hostel. It is proposed that these shared ownership proceeds are earmarked to support these potential schemes.

REASONS AND OPTIONS

4 Reasons for the decision:

- 4.1 Development of the proposed schemes will meet well-documented housing need, especially the need for supported housing schemes and the need to provide high quality housing for older tenants to facilitate downsizing from under-occupied family housing. The schemes would also enable the Council to utilise its right-to-buy receipts in line with the agreement made with the Homes and Communities Agency for local determination of the use of such receipts by the Council for new affordable housing development in the borough.
- 4.2 Developing on Council-owned land and retaining control over the new dwellings would strengthen the Council's housing portfolio and future revenue sources.

5 Other options considered:

- 5.1 Disposal of the land for development by a housing association or private developer – REJECTED. Should the proposed schemes be delivered by housing associations there is significant likelihood that a proportion of the new homes would have to be offered up to the sub-regional pool giving other boroughs nomination rights. Furthermore, this would neither provide the mixed tenure bungalow scheme envisaged as key to encouraging downsizing nor meet housing demands from disable adults.

- 5.2 It is also important to note that should the Council not be able to spend its right-to-buy receipts within three years of their generation, they will need to be returned to the HCA/GLA with interest. These proposals will obviate the risk of this.

IMPLICATIONS AND RISKS

6 Financial implications and risks:

Right to buy receipts

- 6.1 The Council holds £1,001,863 in unallocated right-to-buy receipts generated between 1 April 2012 and 31 March 2013. Under the agreement made between the Council and the Department for Communities and Local Government, DCLG, in June 2012, the Council can retain the proceeds of right-to-buy sales (net of receipts already assumed within the HRA Business Plan) to the sole purpose of delivering new housing for 'low cost rent', that is, social or affordable rent. These receipts can fund development directly by the Council or be converted to grant to subsidise a housing association's or other developer's social or affordable rented scheme in the borough. Under the terms of the agreement, the right-to-buy receipts cannot be used to fund the development of shared ownership homes.
- 6.2 An allocation from the right-to-buy receipts to support the development of bungalows within the grounds of Garrick House sheltered scheme has already been approved. Under the agreement with the DCLG, the remaining receipts accrued to 31 March 2013, totalling £1,001,863, can be applied to meet up to 30% of the total scheme costs of new affordable housing development. Of note, receipts generated after 1 April 2013 cannot be combined with GLA grant and so will not be used to support these schemes.
- 6.3 Under the agreement to use right-to-buy receipts on new affordable housing, the Council must spend the resources within three years of their generation. Failure to do so would render the Council liable to repay the receipts to the DCLG, for onward transmission to the GLA, with interest. The proposals in this report will utilise in full the unallocated right-to-buy receipts generated before 1 April 2013 and thus obviate this risk of repayment.

The Council's own resources

- 6.4 The schemes also require £3,399,936 of HRA resources from the HRA Business Plan. This is made up from:
- £353,000 resources already allocated to Hidden Homes across 2013/14 and 2014/15 as agreed by Cabinet in February 2013 and subsequently approved by full Council – this is net of £62,000 from the overall two year budget of £415,000 as this has already been committed to other schemes
 - £2,000,000 from unallocated HRA reserves
 - £1,046,936 from HRA resources from the 2015/16 programme.
- 6.5 Completion of all schemes is required by December 2015 and so this funding model is viable. Unallocated resources within the HRA Business Plan can be converted to capital for the purposes outlined in this report without impacting on the Council's previously agreed aspiration to meet the Decent Homes Standard across the whole stock by March 2015.
- 6.6 The Ullswater Way scheme to develop seven properties for allocation to Adult Social Care clients requires, in addition to GLA grant, match-funding consisting of £311,891 from section 106 commuted sums specifically paid by developers for affordable housing in lieu of on-site affordable provision and £110,000 from Adult Social Care resources, funded by the Adult Social Care Department of Health capital grant. The inclusion of assistive technology will support the client group's ability to live independently. There will also be a virement of £655,949 (from unallocated resources in previous programmes) to support vulnerable and/or disabled residents held in the Housing General Fund.

Mitigating development risk

- 6.7 Any large-scale construction programme will carry some degree of development risk. That said, the Homes and Housing Service is doing much to mitigate these risks. It is noted that the build costs estimated by cost consultants could vary from actual tenders from main contractors. Some contingency will need to be built into the budgets as standard practice, and there is some headroom in the HRA should any major financial implications arise (in which case a subsequent report to Members would be required). The Council aims to enter into appropriate contracts with main contractors to protect its interests after a competitive procurement process. All schemes would have the necessary professionals involved including Employer's Agents, Clerks of Works and CDM Co-ordinators.
- 6.8 Costs have been incurred at risk to date within the HRA in preparing the schemes in advance of planning consent. Any abortive costs could be absorbed within the HRA although pre-planning consultation with planners is keeping this risk to an absolute minimum.
- 6.9 Whilst GLA funding has been secured in principle, the actual draw down of funds will only be possible upon completion of the

developments. The schemes will need to be completed in accordance with the completion deadline agreed with the GLA of December 2015, and therefore has the inherent risks associated with this which the Council will need to manage. Should financial risk arise as a result of timing or other issues, this will be negotiated with GLA as part of the programme monitoring process. There is some contingency built into the timeline in case of slippage.

Revenue

- 6.10 Analysis conducted by Finance indicates that the properties to be developed would make a positive revenue contribution to the HRA Business Plan over a 30 year lifecycle.
- 6.11 There will be Adults revenue implications arising from the Ullswater Way scheme. These will need to be quantified as the scheme is developed, and met from appropriate funding streams.

7 Legal implications and risks:

- 7.1 There are no direct legal implications in the development proposals themselves except the potential existence of third party rights over the land or other restrictions. Initial investigations have been undertaken which appear to indicate there are no legal impediments to the works being undertaken, however, more detailed investigations will be undertaken and legal advice provided as appropriate.
- 7.2 Acceptance of grant funding from the GLA will be subject to a number of conditions including timescales and the design standards for the proposed units. The Council will need to ensure that it complies with these, failing which funding may be withdrawn or clawed back if additional time cannot be negotiated.

8 Human Resources implications and risks:

- 8.1 The report deals with the development of affordable homes and therefore has no direct Human Resources implications or risks

9 Equalities implications and risks:

- 9.1 The report deals with the development of affordable homes and therefore has no Equalities or Social Inclusion implications or risks.

BACKGROUND PAPERS

None

PROPOSED DEVELOPMENT SITES

Scheme 1

Redevelopment of Albyns Close redundant sheltered housing scheme to provide self-contained bungalows for shared ownership and affordable rent for downsizers.

- The site is located at Albyns Close, Rainham RM13 7YA.
- The site was previously used to provide sheltered accommodation for the elderly. The building is currently empty awaiting demolition.
- Proposed dwellings and tenure:
 - 1 x 1 bed self-contained affordable rented bungalow
 - 9 x 2 bed self-contained affordable rented bungalows
 - 10 x 2 bed self-contained bungalows for shared ownership

Scheme 2

Enlarging the existing sheltered housing schemes at Holsworthy House and Ravenscourt by building self-contained bungalows on under-used car parks and adjacent land currently outside the scheme boundary.

- Holsworthy House is located on Neave Crescent in Harold Hill.
- The development scheme is made up of two plots, an existing parking facility for the scheme which will be re-provided to the front of the scheme and a plot of land adjacent to the scheme and has no defined use.
- The proposal is to incorporate the unused drying areas of the scheme into the plots identified above and build 3 x 2 bed roomed self-contained bungalows for affordable rent for older.
- Ravenscourt is located on Ravenscourt Grove in Hornchurch.
- The scheme benefits from 3 parking facilities and one of them is used predominantly by surrounding private residential properties that are not part of the sheltered scheme. This plot has been identified as a suitable development plot where 2 x 2 bed roomed bungalows and 1 x 1 bed roomed bungalow for affordable rent can be built for older downsizers.
- All new bungalows proposed would become part of the existing sheltered schemes and the future occupants of the bungalows would benefit from the related services.

Scheme 3

Development of new affordable rented flats on Bideford Close, Harold Hill.

- The scheme consists of 2 plots of land within an existing development of 3 storey blocks. The plots currently serve as a parking facility for the existing development and it is proposed that the parking provision is recreated around the periphery of the development which would free up the plots for development.
- The proposal is to build an additional 9 x 2 bed roomed flats on 3 floors for affordable rent.

Scheme 4

Redevelopment existing hard-to-let small bungalows.

- The bungalows are located within Harold Hill, with exact bungalows to be redeveloped yet to be finalised. Vacant properties will be prioritised.
- The existing bungalows are very small and are often difficult to let. A feasibility exercise revealed that, using a modern pod construction method, the bungalows can be demolished and replaced by larger 2 storey dwellings using the same foundations.
- This proposal is to replace 12 bedsit bungalows with 12 x 2 bed roomed houses for affordable rent.

Scheme 5

Redevelopment of pram stores at the base of high rise New Plymouth House and Napier House in Rainham.

- The proposal is to construct 3 x 2 bed roomed flats for social rent by converting the previously under-used pram stores on the ground floor of New Plymouth and Napier Houses in Rainham. This is an integral element of the wider regeneration of the two blocks and has been discussed with residents.

Scheme 6

Redevelopment of ground floors, including former storage areas, of the high rise Thomas England and William Pike Houses, Waterloo Gardens Romford RM7 9BD.

- The proposal is to construct 4 x 2 bed roomed flats for social rent using the unused communal areas on the ground floors of these blocks.

Scheme 7

Supported housing scheme for Adult Social Care clients.

- This site in Ullswater Way, South Hornchurch previously contained garages. These were demolished many years ago with the site standing empty with no identifiable use since then.
- The proposal is to build 4 x 1 bedroomed bungalows and 4 x 1 bedroom flats over 2 floors for allocation to Adult Social Care clients, with one of these flats providing an officer and sleep-in space to the tenants' support provider.

