

Report to: **Overview and Scrutiny Panel**

Date: **25th July 2018**

Title: **Community Housing Update**

Portfolio Area: **Assets – Cllr Tucker**

Wards Affected: **All**

Urgent Decision: **N** Approval: **Y**

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Recommendations:

That the Panel welcome the update on the progress with the Community Housing Strategy and the programme of action going forward.

1 Executive Summary

- 1.0 The purpose of this report is to provide an update on progress with the Community Housing Strategy and programme of action going forward.
- 1.1 A first tranche of four community housing projects, being directly managed / financed by the authority, are currently in design with planning applications due to be lodged towards the end of the year / early 2019 (two schemes on land owned by the authority and two by third parties). Further prospective schemes are at the early stages of discussion / feasibility.

Additionally South Hams is providing low input support to existing and emerging local housing projects where “hands on” community groups wish to progress housing schemes with limited involvement by the authority.
- 1.2 Standardised models have been deployed which include a consultancy appointment framework, a tailor made housing needs assessment, a legal mechanism to ensure housing for local people in perpetuity, land option to purchase arrangements and a standardised viability appraisal approach.
- 1.3 Internal resource has been expanded (increased to two staff) to implement the strategy.
- 1.4 A communications exercise has been undertaken inviting residents across the district to complete an on-line survey of housing needs, focused on “intermediate housing need” (i.e. people who wish to buy in a community they have a connection with, where the cost of market housing is beyond their reach).

2 Background

- 2.0 The Community Housing Strategy was put in place to support the development of homes that are accessible to those with local connections for whom the cost of market housing (to purchase and rent) is beyond their reach. The lack of such housing is having an adverse impact on the underlying vitality and sustainability of local communities.
- 2.1 Most projects are being delivered via exception planning policy enabling affordable housing delivery through reduced land value (£10,000 / unit maximum) and cross subsidisation from some open market units (Village Housing Initiative Guidance).
- 2.2 The strategy was “kick started” through the Government’s Community Housing fund through the allocation of £1.88m to South Hams last year. These resources are being invested in project development such that schemes will deliver a profit margin for the authority (through a revolving financial model) which will enable the programme to grow over time.

- 2.3 Housing needs assessments typically identify a mix of different types of affordable housing which include discount purchase and affordable rented units. The intention is that the affordable rented element of a community housing scheme could be owned / managed by the South Hams and therefore contribute towards the authority's wider objective to build its' portfolio of rented housing stock.
- 2.4 The Government's accelerating commitment to community housing, one of the pillars of its wider housing strategy, has been demonstrated through further financial support for the next 3 years which is being administered by Homes England. This mechanism will provide both project development and infrastructure grant.
- Government has announced a new £1 billion borrowing scheme ("Housing Revenue Account Borrowing Programme" for 19/20, 20/21 and 21/22) to stimulate Local Authority delivered housing programmes in areas of high affordability pressure which includes South Hams. Additionally, extra funding has been announced to deliver 12,500 homes let at social rents outside of London.
- 2.5 There is likely to be an increase in modular build methods (off site construction of housing or components) which will assist in delivering cost savings, reduce construction risk and improve delivery timetables.

3 Community Housing Programme Update

- 3.0 The table below details fourteen prospective schemes being progressed across the district (A detailed table is annexed as Appendix A). These are made up of schemes where South Hams is taking an active development role (coloured green), those being progressed by community groups where the authority is fulfilling a supporting role (coloured blue) and projects at an early stage of viability appraisal (coloured pink)

Project	Proposed Units	Status	Target Planning Application	Target Construction
South Brent (DNPA)	14	Detailed development design underway leading to planning application	Late 2018	2019 -2020
St Ann's Chapel	13	Detailed development design leading to planning application	Late 2018	2019 - 2020
Brixton	6	Modular solution, design underway, neighbouring land issue to be addressed	Late 2018 / early 2019	2019 - 2020
Kingsbridge	20	Development design underway	Late 2018 / early 2019	2019 - 2020
Cornwood (DNPA)	12	Land deal agreed, ecological surveys being carried out	2019	2020
Stoke Gabriel	10	Pre- application under review		
Salcombe – land at Croft	20	Access constraints under review		
Thurlestone	10	Initial site assessment		
Newton Ferrers / Noss Mayo	10	Initial site assessment		
East Portlemouth	4	New scheme proposed by Waterhouse Trust		
Atmos Totnes	57	Planning consent granted through right to build. Development design	Planning granted	2019 - 2021
Clay Park Totnes	27	£215k support from SHDC to date. Funding gap addressed through Homes England & SHDC S106 contribution	Planning granted	2019 / 2020
Oak Tree Field Harberton CLT	10	VHI scheme. £25k prelim grant from SHDC. Access constraints tba		
Plantation Dartington	40	Community housing platform plus Cohousing retirement scheme	Allocated	2019 / 2020

3.1 Five Year Projection (units)

	2018	2019	2020	2021	2022	Total
Planning application (total units)	22	30	30	30	30	144
Commence construction		22	30	30	30	112
Completion			22	30	30	82

3.2 Structures and processes update

3.2.1 A framework arrangement has been put in place with consultancy teams to ensure efficient delivery and cost effective procurement. South Brent (14 units) and St Ann's Chapel (13 units) are being progressed under such a framework. This standardised approach enables replication of the model to new projects as these come forward.

3.2.2 An essential early step in any community housing scheme is to identify sufficient housing need through the completion of an independent housing needs assessment in combination with other supporting information (e.g. Help to Buy SW and Devon Home Choice registers).

A work-stream is ongoing to simplify housing needs surveys in a "user friendly" format tailoring it to community housing need and encouraging electronic returns. This new format, will be trialled in coming months in an attempt to encourage greater awareness and hence participation

3.2.3 In February 2018, the communications team undertook a communications exercise inviting individuals across the district to complete an on line survey as a "snap shot" to establishing those communities where there is sufficient interest in community affordable housing. The survey has provided helpful data as to housing need and type of need (discount purchase or discount rented) in certain specific locations e.g. Kingsbridge

3.2.4 A key challenge of the strategy is acquiring suitable land on terms aligned to exception planning policy guidelines at circa £10,000 / plot. This is being addressed through targeting existing landowner networks, reviewing those sites which were put forward as part of the JLP call for sites process, dialogue with neighbourhood plan groups and flexibility in how remuneration to a landowner is structured (e.g. providing a serviced development plot in lieu of a capital receipt). Option arrangements have been standardised

3.2.5 Standardised financial models have been developed, which enable sensitivity analysis of the economics of a development alongside an appropriate mix of discount purchase, rented and required open market housing (to cross subsidise the affordable units)

3.2.6 A review of modular housing providers (construction system / methods & cost) and contracting methods is being undertaken related to specific development sites (e.g. Kingsbridge). This is examining both Volumetric (entire unit constructed off-site) and

Component (e.g. timber frame and panelised components) modular construction methods.

3.3 Integrated Housing Strategy and further communication

- 3.3.1 There are wide ranging housing functions, strategies and policies across the authority and close collaboration of these work-streams is essential to ensure the best use of resources and maximum delivery. A strategy is being put together to set out proposals to build a portfolio of rented housing stock and a report proposing how this will be implemented is due to be presented to members in the Autumn. The Community Housing programme, particularly in relation to how this will contribute rented housing units, will link closely to this wider strategy.
- 3.3.2 Although it is essential to ensure that community housing schemes impose local occupancy and value restrictions in perpetuity, it is also important that such restrictions do not have an adverse impact on a purchasers ability to obtain a mortgage. Discussions have been ongoing with mortgage providers to deliver a mechanism which will streamline the mortgage process for prospective purchasers. A paper will be put to members setting out a proposal for a mortgage guarantee structure
- 3.3.3 As noted above, a number of schemes are on track for planning applications being lodged towards the end of this year with a view to construction during 2019. It is estimated that the initial four schemes will require capital funding between £8m - £9m (based on 53 units). It is proposed that South Hams will undertake project construction funded through borrowing from the Public Works Loan Board (PWLb) and other funding sources (Community Housing Fund contribution, S106 commuted sums and Homes England grant funding). Specific funding proposals will be put to members on a case by case basis to coincide if planning consent is granted. A further report will be submitted later in the year.
- 3.3.4 The Self-build / Custom-build register, which will have close links with the community housing programme (as one of the routes to delivery) is in the process of being updated. There will be an ongoing exercise of "signposting" the delivery of self-build / custom build within South Hams.

4 Conclusion

- 4.0 A first tranche of four projects (being directly managed / financed by the authority), are currently in design with planning applications due to be lodged towards the end of the year / early 2019. It is proposed that South Hams will undertake project construction, at an estimated cost of between £8m - £9m, funded through the PWLB which will be the subject of specific funding proposals

- 4.1 A consultancy delivery framework has been put in place to streamline cost effective delivery of the development process
- 4.2 The programme of projects is being stepped up through a proactive approach to identifying new sites in communities where there is demonstrable housing need
- 4.3 The community housing strategy will be closely integrated with the wider housing strategy and objective to build a portfolio of council owned housing for rent (to be covered in a separate paper)
- 4.4 A proposal is being drawn up to offer a mortgage guarantee structure to address lenders' requirements linked to local occupancy restrictions in perpetuity. (to be covered in a separate paper)

5 Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/ Governance	Y	Governance arrangements for the programme are in place. Legal work will be required to ensure discount from market price remains in perpetuity. Legal input on land options Further advice to be sought on the restriction in relation to borrowing arrangements for individual owners.
Financial	Y	Financial monitoring information in Appendix B.
Risk	Y	Programme timeline has been slower than planned although projects now on track for delivery in 2019 No financial risks to date (within budget)
Comprehensive Impact Assessment Implications		
Equality and Diversity	N	Not Applicable
Safeguarding	N	Not Applicable
Community Safety, Crime and Disorder	N	Not Applicable
Health, Safety and Wellbeing	N	Not Applicable
Other implications	N	Not Applicable

Supporting Information

Appendices:

Appendix A – Programme Action Plan

Appendix B – Budget

Background Papers:

None