

DECISION-MAKER:	OVERVIEW AND SCRUTINY MANAGEMENT COMMITTEE		
SUBJECT:	ESTATE REGENERATION		
DATE OF DECISION:	10 OCTOBER 2019		
REPORT OF:	CABINET MEMBER FOR HOMES AND CULTURE		
<u>CONTACT DETAILS</u>			
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STATEMENT OF CONFIDENTIALITY	
None	
BRIEF SUMMARY	
The purpose of this report is to provide an interim update on estate regeneration and the council's aspiration to deliver 1000 council homes. This report provides a brief overview of the work currently being undertaken to produce the outline delivery plan for the 1000 homes programme.	
RECOMMENDATIONS:	
	(i) That the Committee notes the current approach for Estate Regeneration within the programme to deliver 1000 council homes.
REASONS FOR REPORT RECOMMENDATIONS	
1.	At the request of the Chair of the Committee.
ALTERNATIVE OPTIONS CONSIDERED AND REJECTED	
2.	<p>The council has an ambition to deliver 1000 council homes by 2025 this is underpinned by:</p> <ul style="list-style-type: none"> • A long-term vision to continue to provide homes for those in need across the city. • The aim to address the continual reduction of the council stock of between 105 - 164 homes per year (over the last 5 years) through the Right-to-Buy programme. • The ability for the council to have control over the delivery of homes to address the local need. • By giving opportunities through the HRA to give residents secured tenancies. • The ability through shared ownership to help households into property ownership that may not otherwise have been achievable. <p>There are a range of options described below that if used alone would not achieve the council commitment to deliver 1000 council homes by 2025.</p>

3.	Do Nothing – This is not a recommended option given the current and future demand for homes in the city.
4.	Sale of all vacant sites for capital return – This would secure a capital receipt for the council but would not maximise the number of affordable homes or deliver more council homes. This is evidenced by the reduction in the number of affordable homes built in the city by developers in recent years.
5	Sale of all sites for less than best value for the provision of more affordable homes – this would secure a significantly reduced capital receipt and could secure affordable homes, but not council homes with secured tenancies.
6.	A Joint Venture for all sites – This approach would not maximise the number of affordable council homes on the site and has a lengthy programme of selection and implementation associated with it.
7.	Sale and Lease back – This option involves an external investor funding the development in return for a rental payment over a period which may vary but is generally between 20-40 years, it relies on a mix of affordable and market rent properties. The model does not allow for Right-to-Buy to apply. This is a complex arrangement with financial risk and procurement issues. This option does not maximise the number of affordable homes on the site as there would need to be a significant percentage of market rental properties, so it relies on a demand for market rent across the sites.
DETAIL (Including consultation carried out)	
8.	In September 2016, a report considered by the Overview and Scrutiny Management Committee set out the proposed high-level strategy for Estate Regeneration for the city.
9.	The report stated that a range of models for development and funding of new homes would be pursued and the following approaches were listed in the report: <ul style="list-style-type: none"> a) Direct Development within the Housing Revenue Account (HRA). b) The sale of sites to Housing Association partners. c) The sale of sites to institutional funding partners making completed units available to the council through finance leases with options to purchase. d) Use of the Council’s Development and Investment Companies that will allow the Council to develop and invest in housing for sale and offer market rent to reinvest development proceeds in the delivery of affordable homes.
10.	The homes that were implemented on council land in line using this range of delivery options included the following: <p>Direct Development within the Housing Revenue Account (HRA):</p> <ul style="list-style-type: none"> • Development of Erskine Court which opened in 2016 with 54 units of housing with extra care in Lordshill. • Townhill Park Plot 1 which included the provision of 6 houses and 50 flats for general needs which were completed in 2019.

- Potters Court, which is currently under construction and is due to be completed in the autumn of 2020, will provide 84 units of housing with extra care in Wimpson Lane, Millbrook.
- Kiln Court, which is also under construction and due for completion in autumn 2020, which will provide 15 general needs homes adjacent to the extra care facilities at Potters Court.

The Sale of Sites to Housing Association Partners:

- Tenders were invited from housing associations for the Brownhill House site in Brownhill Way and Sovereign Housing Association were selected. The project which started on site in 2019 involves the development of 29 homes all of which will be affordable.

The Sale of Sites to Institutional Funding providers:

- This was investigated extensively in relation to the Former Oaklands School and Townhill Park Plot 2 sites. The model does not allow for Right-to-Buy to apply. This is a complex arrangement with financial risk and procurement issues. In addition, this option does not maximise the number of affordable homes on the site as there would need to be a significant percentage of market rental properties. It also relies on a demand being demonstrated for market rent. For all the reasons above the council has therefore not pursued this option at this time.

Use of Council's Development and Investment Companies:

- The creation of a development and investment company was not pursued but is now being reviewed and investigated.

11. In addition to the above the net housing completions delivered by all housing developers across the city over the past five years is shown below.

	13/14	14/15	15/16	16/17	17/18
Past completions	405	1312	1046	997	826

Between 2013 – 2018 (past 5 years) the net total number of housing completions is 4,586 (917 completions per year on average).

<https://www.southampton.gov.uk/planning/planning-policy/research-evidence-base/amr.aspx>

12. As part of the Autumn Budget 2017 the government confirmed its commitment to delivering 300,000 homes per year.

<https://www.gov.uk/government/publications/autumn-budget-2017-documents/autumn-budget-2017>

On the 29th October 2018 the Housing Revenue Account (HRA) borrowing cap was formally removed with the publication of the Limits on Indebtedness (Revocation) Determination 2018. In the HM Treasury Budget Policy Paper October 2018, it states:

	<p><i>“the Housing Revenue Account cap that controls local authority borrowing for house building will be abolished from 29 October 2018 in England, enabling councils to increase house building to around 10,000 homes per year.”</i></p> <p>The government announcement regarding the above included the following: <i>“Today’s move recognises that councils see the borrowing cap as the greatest barrier to building new homes. This gives councils the tools they need to deliver a new generation of council housing. Removing the borrowing cap entirely is also likely to diversify the house building market, with councils being better able to take on projects and sites that private developers would consider too small.”</i></p> <p>https://www.gov.uk/government/news/government-announces-new-generation-of-council-housing</p>
13.	<p>In response to the above the council set up a Task and Finish group to consider the opportunities and implications of this change to the HRA. This group developed the following recommendations which created the opportunity for the council to take advantage of the additional funding available:</p> <ul style="list-style-type: none"> • The principle agreed was that HRA cap projects will be separate from the existing borrowing. • Projects could be supported which are financially appraised and using agreed assumptions proved to cover the cost of the borrowing and therefore financially viable either as a single project or as a programme of projects. Therefore, the borrowing would not negatively impact the HRA. • The above could be funded by one or more loans which are deemed most appropriate at the time in accordance with the council’s treasury strategy. • The repayment programme will be developed as part of the financial model per programme. • The HRA would by default underwrite programmes which is why rigorous financial appraisal systems are vital. • Whilst there would not be a limit to the borrowing; the key issue is to be able to demonstrate financial viability across a programme or business plan.
14.	<p>In addition, the Task and Finish Group recommended that:</p> <ul style="list-style-type: none"> • The development of 1000 council owned homes would be recognised as a council-wide priority through all other departments, planning, legal, finance, procurement, capital assets, housing services, housing operations, adult social care etc. • The would work need to be joined-up with the local plan review. • There would be a need for financial appraisal software, the setting up of a company would also be revisited and reviewed and there would need to be feasibility work once sites had been identified.

	<ul style="list-style-type: none"> • There would also be a need to clarify the demand and need for homes together with the council's requirements in terms of specification for any new properties.
15.	The removal of the HRA borrowing cap presented a significant opportunity for the council and the first project to be approved following this change was the project to build 103 council homes on the former Oaklands School site which was agreed by council in July 2019.
16.	A financial appraisal was developed in house for the Oaklands scheme, the council has now procured specialist financial appraisal software which has been used extensively by Registered Providers to assess financial viability of housing developments. Officers have been trained to carry out appraisals and the finance team will be monitoring and reviewing appraisals. Approvals will be sought through established Financial Procedure Rules and delegations.
17.	<p>To take the opportunity provided by the lifting of the borrowing cap and the ambition to deliver 1000 council homes by 2025 the approach that the regeneration team are currently working on includes:</p> <ul style="list-style-type: none"> - Identifying potential sites and options for the delivery of 1000 council homes by 2025. - Reviewing the sites, the potential housing densities, costs and delivery options that would enable individual projects or programmes to be financially viable. - Carrying out outline financial appraisals, more detailed appraisals will be carried out as each scheme seeks approval to proceed. - Developing scheme indicative programmes. - Working across the council to identify the demand for not only general but also other client group needs. - Developing the overarching council requirements in terms of design & specification requirements going forward. - Working with the council's strategy team who are developing an affordable homes policy.
18.	<p>As part of the 1000 council homes programme which begun in the Summer of 2018, the following have been delivered, are under construction or are approved.</p> <p>Delivered</p> <ul style="list-style-type: none"> • 56 homes Townhill Park completed • 6 Hugg Homes • 10 buy backs (council properties acquired) <p>Under Construction</p> <ul style="list-style-type: none"> • 99 homes at Potters Court and Kiln Court <p>Approved</p> <ul style="list-style-type: none"> • 103 Former Oaklands School Site
19.	Many of the Townhill Park plots identified as part of the regeneration of the estate will be part of the 1000 homes programme. An update will be provided at the next SO18 Big Local meeting in December 2019. The most recent update is that the council officers have been working with Homes England to

	finalise the information required to enter into a contract for the Housing and Infrastructure Fund grant of £3.75M that the city council was successful in securing. This has now been finalised. This grant will fund the traffic calming measures of Meggeson Avenue and the creation of the new local park the 'Village Green' in the centre of the area, both identified as priorities by residents. The local community has been involved in the design of these improvements through extensive public consultation and engagement.
20.	A decommissioning programme is underway for all the plots in the regeneration of Townhill Park. This started with Plot 1 and there is an indicative programme which was approved by Cabinet in December 2017 which suggested that this could be concluded in 2024. The decommissioning progress is monitored against the programme, Plot 2 and Plot 10 have been decommissioned and Plot 9 is underway.
21.	The removal of the HRA borrowing cap gives the council an opportunity to review the delivery options at Townhill Park and the overall programme and pursue approaches that would not have been previously available to be used to deliver the 1000 council owned homes. The commitment to deliver over 640 new homes at Townhill Park remains and will be delivered with a phased approach, 56 homes have already been completed on plot 1. The aim is to get a contractor working on the plot 2 project during 2020. A detailed programme for those plots that can be delivered before 2025 is currently under development as part of the 1000 homes project.
RESOURCE IMPLICATIONS	
<u>Capital/Revenue</u>	
22.	Financial approvals required to be able to proceed with developments will be sought on a project by project basis or as part of a programme.
23.	There is already funding approved for: <ul style="list-style-type: none"> • Potters and Kiln Court • A decommissioning and demolition programme at Townhill Park and some funding for scheme progression. • The traffic calming measures of Meggeson Avenue and the development of the open space • The former Oaklands School Site development.
<u>Property/Other</u>	
24.	The Council's Capital Assets Team is leading on the 1000 homes programme work involving permanent staff and consultants. There is also the opportunity to bring in additional staff or consultants on a project by project basis.
25.	Advice will continue to be taken on specific delivery and funding models. In addition there has and will continue to be consultation with other local authorities who have experience from which the council can benefit.
26.	There is work ongoing to refine the council's requirements for future homes as part of the 1000 council homes programme. This is being developed in consultation with a number of teams across the council to ensure that properties will meet client group needs, that will be robust and easily maintained and that reflect the councils green aspirations.

LEGAL IMPLICATIONS	
<u>Statutory power to undertake proposals in the report:</u>	
27.	The legislation that allows the council to build and acquire homes is Section 9 and 17 of the Housing Act 1985
28.	Specific legal advice is obtained on a project by project basis. This can involve for example: <ul style="list-style-type: none"> • The Use of Right to buy Receipts - Section 11(6) of the Local Government Act 2003 relates to the Council's ability to retain and use Right- to- Buy receipts to fund affordable housing. • Helping to identify appropriate procurement methods for each project or programme. • Appropriation of land - The legislation that allows the council to appropriate the land into the Housing Revenue Account from the General Fund is Section 19 Housing Act 1985.
<u>Other Legal Implications:</u>	
29.	None
RISK MANAGEMENT IMPLICATIONS	
30.	A risk register will be developed for each site and programme as part of the delivery of 1000 council owned homes.
POLICY FRAMEWORK IMPLICATIONS	
31.	The project to deliver a 1000 council owned homes by 2025 will deliver more affordable homes in line with the Southampton City Council Housing Strategy 2016-2025, they will also contribute towards the targets in the Core Strategy. The Southampton City Council Core Strategy Adopted version January 2010 in policy CS4 outlines the target to provide an additional 16,300 homes to be provided between 2006 and 2026. The Planning Authority monitoring report April 2015 – March 2016 says that the target of 16,300 homes will be replaced with 19,450 homes needed between 2011 -2034 in the New Emerging Local Plan.

KEY DECISION?	No
WARDS/COMMUNITIES AFFECTED:	None directly as a result of this report
<u>SUPPORTING DOCUMENTATION</u>	
Appendices	
1.	None
Documents In Members' Rooms	
1.	None
Equality Impact Assessment	
Do the implications/subject of the report require an Equality and	No

Safety Impact Assessment (ESIA) to be carried out.		
Data Protection Impact Assessment		
Do the implications/subject of the report require a Data Protection Impact Assessment (DPIA) to be carried out.		No
Other Background Documents		
Other Background documents available for inspection at:		
Title of Background Paper(s)		Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
1.	None	
2.		