

Executive

12th July 2018

Report of the Corporate Director of Health Housing and Adult Social Care & the Corporate Director of Economy & Place

Portfolio of the Executive Member for Finance and Performance & Executive Member for Housing and Safer Neighbourhoods

Housing Delivery Programme

Summary

1. This report sets out a proposal for the council to take a strategic lead in the delivery of mixed tenure housing, accelerating housing delivery and providing much needed affordable homes. The market is not currently delivering the quantity or quality of homes the city needs and the dynamic of high demand and low supply has increased house prices beyond the reach of many people living and working in York. This impacts on the quality of life of residents and their ability to play an active role in our communities and contribute to growing our local economy. There are also implications for essential services, such as health and social care, with the high cost of living affecting our ability to retain key workers.
2. It is proposed that council owned land and investment from the Housing Revenue Account (HRA) is utilised to directly deliver approximately 550 houses on six sites of which 40% will be affordable housing. This will include a range of affordable products which will help meet the housing needs of a wider group of people — from those in the most acute need to key workers and first time buyers.

3. It is the council's vision to create healthy and sustainable developments — neighbourhoods that are inclusive, improve the lives of both new and existing residents, and stand the test of time. With this in mind, the report sets out a number of principles which will underpin the design of all new developments within the scope of the programme.

Recommendations

4. Executive are recommended to:
 - I. Agree in principle to the direct delivery of mixed tenure housing on the sites listed in para 7 (excluding Tang Hall Library).
 - II. Agree in principle that the Lowfield site is appropriated from the General Fund into the HRA subject to final valuation which is to be confirmed through the Capital Monitoring Report.
 - III. Agree a recommendation to Council that a budget of £22.5m is created for the development of the Lowfield Site, funded from HRA resources (£4.5m) and market sales (£18m), as set out within the report, noting that the final funding split may change and will be reported in future reports to Executive. Agree that HRA reserves will cash flow the development prior to the start of market sales.
 - IV. Agree to bring back to Executive a revised HRA business plan setting out the funding mechanism to deliver all other sites within the programme.
 - V. Agree to undertake detailed design work to develop and submit planning applications for the Askham Bar and Burnhome sites to be funded from the HRA investment Reserve at a cost of £700k.
 - VI. Agree to procure construction partners for the Housing Delivery Programme with authority for their appointment delegated to the Corporate Director of Health, Housing and Adult Social Care in consultation with the Executive Member for Housing and Safer Neighbourhoods.
 - VII. Note that a detailed business case for each of the following sites will be brought back to Executive:
 - a. Burnhome
 - b. Askham Bar former Park and Ride

- c. Former Clifton Without school
- d. Former Manor School
- e. Former Woolnough House Older Person's Home (OPH)
- f. Hospital Fields Road and Ordnance Lane

- VIII. Agree to develop a programme of support and marketing to promote and ensure the successful delivery and uptake of market sale, self-build, rent to buy, shared ownership and downsizing schemes funded from the HRA investment reserve.
- IX. Agree to investigate opportunities for investment in additional affordable homes on private sector developments across the city and bring back proposals to Executive.
- X. Agree to dispose of the Tang Hall Library site on the open market.

Reason: To progress with the building of much needed new homes in York, to increase the number of affordable homes within the city and meet the housing needs of a broader range of York residents.

Background

5. The Government's Housing White Paper 'Fixing our Broken Housing Market' established a clear role for local authorities to create radical, lasting reform to boost housing supply and affordability by using their powers of general competence to actively engage in the facilitation of housing delivery through the exploitation of publicly owned land, providing local solutions that work for local communities.
6. As a direct response to this, the Executive report of December 2017 outlined a broad ambition to use council land and investment to accelerate housing delivery in the city and earmarked a number of surplus General Fund sites suitable for development for housing. Further work was requested to create detailed options for an extensive programme of direct housing delivery.
7. Since then, due diligence has been undertaken on the legal and financial implications of different models of delivery. In addition, a high level business case has been developed for all the potential sites in scope which includes:
- Lowfield Green

- Burnhome
- Askham Bar former Park and Ride
- Former Clifton Without school
- Former Manor School
- Former Woolnough House OPH
- Hospital Fields Road and Ordnance Lane
- Former Tang Hall Library site

8. Other sites may in future be considered for development within the programme including residential developments in the Castle Gateway.
9. The Tang Hall Library site is very small and constrained and early due diligence indicated that it is too small to develop a significant number of houses. It is therefore recommended that this is removed from the programme and disposed of to gain a capital receipt to help fund the replacement library facilities at Burnholme.

Housing Need

10. Limited housing availability and affordability issues in York dominated discussions during the Local Plan and York Central consultation process. These problems are endemic within the national housing market and there are no easy fixes, however, the council has a significant role to play in increasing housing supply and ensuring affordable quality homes are delivered. Work has been ongoing for some time to develop a comprehensive council response to the housing challenges faced in the city. This report sets out an analysis of the issues being experienced in York and proposes an exciting and ambitious vision for the direct delivery of mixed tenure housing.
11. York's Strategic Housing Market Assessment (SHMA) (2016) identifies a need for an additional 573 affordable homes each year if we are to address the shortfall within the next 20 years and 656 if we are to achieve this within a 10 year period. These figures are in stark contrast to the number of affordable homes delivered over the last 10 years, with an average of just 130 affordable housing completions per annum.
12. The deficit in affordable housing for sale has increased the demand for private rented homes, resulting in an average rent rise of 12% in the last five

years. This further pushes home ownership out of reach for many due to the difficulty of saving for a deposit whilst paying a significant amount of income as rent. The average rental price paid in York is around £879 per month. It is widely considered that spending more than 30-35% of income on household costs is unaffordable. In York, a single person on average earnings or below would exceed this affordability level. A family with one full and one part time earner on average earnings or below could not afford to rent a typical three bedroom house in York.

13. The existing market dynamic of mismatched supply and demand leads to:

- Difficulty in providing sufficient numbers of affordable housing for those in greatest need
- An inflationary impact upon private rent levels creating an affordability gap even for those on middle incomes
- Escalating house prices meaning that the option for home ownership is out of reach for many

14. The lack of affordable housing in York is particularly affecting low to middle income households including potential first time buyers, graduates, young families, and key workers. This in turn impacts upon the long term health and growth potential of our city's economy which requires a readily available and diverse housing supply of different tenures at different price points.

15. These are complex issues to address and there are no simple solutions, but if housing remains unaffordable for the majority of working age households (be it for rent or for sale) then the city could find it increasingly difficult to attract new, and retain existing, employees across a whole range of occupations, especially in the service sectors on which much of the city's economy depends. There is already evidence of recruitment difficulties in health and social care — two areas that have a direct and profound impact on the wellbeing of York citizens.

16. The introduction of the National Planning Policy Framework (NPPF) in 2012 saw an expanded definition of affordable housing to include social rented, affordable rented and intermediate housing. Earlier this year, consultation was undertaken on a draft revised NPPF which has been produced in response to

the Housing White Paper and the 'Planning for the Right Homes in the Right Places' consultation. The draft revised NPPF expands the definition of affordable housing further by referencing starter homes, discount market sale housing, and rent to buy. This contrasts with CYC's existing housing policy, which promotes a more narrow range of affordable tenures with a primary focus on social rent and discount sale. Whilst the revised NPPF is in draft only, it represents a clear attempt to bring home ownership within reach for a greater number of potential first time buyers.

17. With this in mind, and in acknowledgement of the affordability issues facing a wide range of households, it is proposed that a review of the council's housing policy is initiated, to complement the recently submitted Local Plan. This would look to maximise the level of affordable housing delivered by private developers, to meet national planning policy and to enable a wider range of affordable housing to be delivered. This will include the consideration of HRA investment in new affordable homes on larger strategic sites. A business case for investment will be brought back on a site by site basis.

Current HRA developments

18. In response to the housing challenges in the city, the council has been developing new houses since 2010 when 19 houses were built off Lilbourne Drive in Clifton. Following this, a £20m HRA investment fund was created to deliver council houses across a number of sites. As part of the first phase of the delivery programme, 250 affordable homes—including general needs, homeless, and older person's accommodation—are being developed. This £20m Phase 1 investment fund was supplemented by another £20m of funds made up of grant from Homes England, capital receipts from housing and land sales and S106 money.

19. In December 2017, Executive approved the updated Housing Revenue Account Business Plan (2017 to 2047), which included the creation of a Phase 2 £20m investment fund to support additional affordable housing delivery. To date, members have approved the delivery of Lincoln Court, the purchase and repair of three homes to be converted from shared ownership homes into social rent, and the buy back of some ex Right to Buy (RtB) homes. This will require around £1.8m from the investment fund plus around £900k of RtB receipts.

20. This leaves £18.2m of the Phase 2 investment fund which has not been allocated to specific housing schemes. This £18.2m of Phase 2 investment fund could be supplemented by RtB receipts, Homes England Grant, or additional unallocated S106 funds received. These unallocated funds could support the delivery the Housing Delivery Programme.

21. We are in receipt of Homes England grant to deliver a further 65 shared ownership homes to be purchased on the open market but as a council we are currently delivering a relatively narrow range of the housing tenure products available.

The Vision

22. It is the council's vision to play a leading role in the direct delivery of a range of housing solutions to address the affordability challenge facing many residents. This is underpinned by a desire to create healthy and sustainable communities. The vision will be achieved through four strands:

- a. Delivering the type of housing which meets the needs of our residents
- b. Meeting the full range of affordable housing need
- c. Building homes to higher environmental standards
- d. Creating healthy places where people want to live

Delivering the type of housing which meets the needs of our residents

23. The Strategic Housing Market Assessment (SHMA) indicates that there is greatest need for two and three bedroom homes, as well as a wider range of accommodation for older people who are currently living in unsuitable and often large homes.

24. The SHMA is informed by longer term population projections including:

- a growth in population from 200,018 to 224,498 between 2012 and 2031, above the average for Yorkshire and Humber
- that the largest growth is projected for people aged 60 and over; an increase of 16,500 (36%) from 2012 to 2031;
- that the population aged 75 or over is projected to increase by a greater proportion than this (56%);

25. Consultation with colleagues within the Housing Standards team has identified a local shortage of adaptable and accessible housing. This under provision has significant social and financial implications. Individuals who live in housing that does not meet their accessibility needs have poorer mental and physical health, are four times less likely to be in employment and are more likely to need to claim benefits. There are also significant costs to health and social care associated with falls, delayed discharge due to inappropriate accommodation, and the need for additional support from care services.

26. The demand for accessible housing is expected to rise significantly, with an increase in the number of people with long-term health problems and mobility issues (see table below - source SHMA).

	Number of individuals (2012)	Number of individuals (2032)	Percentage increase
Long-term health condition or disability	30,389	39,800	31%
Mobility problems	6,514	10,268	57%

27. The private housing market is not currently meeting the housing needs identified above — instead it typically provides housing which delivers the greatest financial return. This results in new housing developments that are skewed towards three and four bedroom houses, rather than smaller family houses and homes designed for an aging population. The market also tends to deliver schemes at a speed which maximises sale prices. This can result in modest build out rates, delaying the delivery of much needed new homes for the city. By directly delivering homes, the council will retain control over both the build speed and type of housing delivered. The council will therefore be able to deliver homes that meet priority need and are built to higher accessibility and adaptability standards.

Meeting the full range of affordable housing need

28. A key part of the council's vision is to deliver above planning policy requirements in terms of affordable housing numbers. This is a response to the existing deficit in affordable housing provision which is not being met by private developers. Therefore 40% of the new homes delivered will be an affordable tenure. This represents 20% more affordable homes compared to the number that would be delivered by the market if they were to comply with planning policy.
29. In light of the affordability challenge highlighted in the section above, and the government's response to bring home ownership within reach of a greater number of people, it is proposed that the council deliver a range of products to meet a broad range of housing need. This could include:
- **Market Sale** – Selling a range of housing types which meet the needs of the city, including starter homes for young couples, well proportioned family houses, and housing which is attractive to an aging population to encourage downsizing.
 - **Council Houses** - Aimed at households in the highest need and acting as a vital safety net for those on the lowest incomes.
 - **Rent to Buy type products** – This tenure traditionally offers people a tenancy where the rent is set at a maximum of 80% of the market value. The tenant is then given the option to buy the property at market value at intervals set out in the agreement, generally over a period of 5 - 10 years. This approach provides security of tenure and works well for young households who expect to increase their income during the rental period. The potential for delivery of a similar product by the Council will be explored.
 - **Shared Ownership** – This tenure option allows people to buy an initial 25%-75% share of the property using a shared ownership mortgage. Rent is charged on the remaining value of the property at 2.75%. The occupant has the choice to buy greater equity up to 100% as their financial circumstances improve. Typically only a 5% deposit is needed on the initial share allowing households that would otherwise have struggled to save enough for a typical mortgage deposit to get a foot onto the property ladder.

- **Discount Sale** – This tenure allows for the home to be purchased at a set percentage of its market value based on affordability criteria with the buyer owning 100% of the home. When the owner decides to sell, they can only do so at the same percentage of its market value ensuring it stays affordable in perpetuity. This approach is helpful to those who have a modest income and deposit and whose financial circumstances may not change significantly in the future.
- **Self-Build** – Self-build is a blanket term for housing which is directly delivered by the individual or group who will be the benefactor of the finished product. While not a standard affordable product it can provide access to home ownership to those who may not be able to afford a market property. By using sweat equity to commission or undertake work themselves, self-builders can create a house for less than it could be bought on the open market. Community self-builds, where a group forms an organisation to construct and manage the property, can deliver further affordable home opportunities for both sub market rent and homeownership.

30. The split of affordable tenures will be determined on a site-by-site basis depending on local need.

Building homes to higher environmental standards

31. The majority of new build housing in the city does not significantly exceed building regulations in terms of energy efficiency. Fuel poverty is intrinsically linked to housing energy efficiency. It affects 10.7% of the population of York and incurs significant social and financial costs to health and social care providers.

32. Housing in York is responsible for 1.1 million tonnes of CO₂, 40% of the city's emissions. It is therefore a significant priority to build housing in a manner that minimises its carbon footprint. If housing is not built to higher environmental standards, there will also be additional costs to the council in the near future, as the government has recently committed to decarbonising new housing stock from 2020 onwards. In light of these issues, the programme aims to build homes to higher environmental standards than current building regulations.

Creating places where people want to live

33. A central part of the council's vision is to create healthy and sustainable neighbourhoods and a lasting legacy. In light of this, the following concepts will be integral to the design of our new housing schemes:
- a. Creating mixed communities, both in terms of age and tenure
 - b. Providing well-designed, bright and spacious housing
 - c. Creating places for people to come together and spend time outdoors e.g. quality green space, children's play equipment and communal growing areas
 - d. Building homes in a manner that better accommodates the needs of individuals with mobility issues
 - e. Designing developments in a way that is inclusive and allows individuals with and without mobility or health issues to enjoy communal facilities
 - f. Encouraging the use of sustainable transport e.g. adequate cycle provision, electric car charging points, bus stop improvements, connections to cycle and footpaths
 - g. Ensuring developments are well connected to their neighbours—encouraging new and existing residents to come together and share facilities
 - h. Supporting digital inclusion and our Digital City ambitions by making the most of existing technology and designing schemes in a manner that accommodates future advancements e.g. free Wi-Fi in public spaces and dwellings that are able to utilise ultra fibre broadband

Supporting the local economy

34. By directly delivering housing, the council is able to maximise the economic benefits of house building. Delivering housing of the scale proposed across multiple sites requires significant capital investment. Added social and economic value can be secured through the procurement of building contractors utilising the principles of the One Planet agenda. Procurement can be used to encourage the use of local supply chains and local labour, as well as increasing opportunities for training and apprenticeships for young residents of the city.

Options for delivering the vision

35. Significant due diligence has been undertaken since December 2017, when the Executive approved the principle of establishing a Housing Delivery Programme. This due diligence process included internal and external legal support. There are multiple ways of delivering housing. The primary routes to housing delivery by a local authority are:
- a. Through a council owned Development Company or Limited Liability Partnership
 - b. Through the Housing Revenue Account
 - c. Through the disposal of sites to private sector house builders
36. In the December 2017 Executive report, one of the two key objectives was around revenue generation. Based on this, the advice was that a wholly-owned company was the most appropriate delivery method. However, since this time there has been a clear shift in emphasis away from revenue generation to be entirely focused on meeting housing need in a sustainable way.
37. Through this shift in ambition it is now also appropriate to deliver schemes through the HRA on the basis of it being a programme undertaken pursuant of our powers to provide housing to meet housing need. Our existing housing powers through the HRA permit us to develop sites whereby land is appropriated to the HRA for development and the resulting affordable housing held within the HRA. The legal advice we have received is clear that the housing powers held in the HRA do not prevent the market sale of houses. Indeed, the sale of market housing cross-subsidises the affordable housing, enabling more to be delivered.
38. Having established that there are three primary delivery options available, the next section of this report analyses which of these best meet our objectives and sets out their relative risk profile.
39. The table below summarises our vision for housing delivery into a range of objectives. A RAG (Red, Amber, Green) analysis has been undertaken against these objectives.

<u>Key Objectives</u>	Dev Co	HRA	Sell Sites
An increase in housing supply	Green	Green	Green
The accelerated delivery of new homes	Yellow	Green	Yellow
An above planning policy number of affordable homes	Green	Green	Red
Meeting a broader housing need	Green	Green	Red
Healthy placemaking	Green	Green	Red
Delivering more adaptable and accessible homes	Green	Green	Red
Meeting higher environmental standards	Green	Green	Red
Supporting the local economy	Green	Green	Yellow

40. The RAG analysis highlights that simply selling the sites on the open market is likely to deliver fewer of the objectives. Selling the sites removes control over when the sites are brought forward for development, the amount of affordable housing, the type of housing, and the quality of places created.

41. By the council delivering the housing developments directly, either through a separate development company or the HRA, control is retained over all aspects of the developments. This provides the opportunity for the authority to design and build the schemes in such a way that all objectives across the delivery programme are met.

42. The benefits of a programme of council led housing delivery needs to be balanced against the delivery risks. The table below summarises these key risks and where the three delivery options sit against these.

<u>Key Delivery Risks</u>	Dev Co	HRA	Sell Sites
Complexity of delivery	Yellow	Green	Green
A delay in the delivery of Phase 1 sites	Yellow	Green	Yellow
Budgetary impact of falling sales values	Yellow	Yellow	Green
Budgetary impact of rising construction costs	Yellow	Yellow	Green
Construction contractor risk	Yellow	Yellow	Green

43. As highlighted above, there is a different risk profile associated with delivering housing through the HRA or a development company. Whilst a development company, as a separate legal entity from the council, allows for the ring fencing of some financial risk, delivering through this approach is likely to require significant borrowing from the general fund. Therefore, financial exposure to development risk, including any decrease in prices or increases in costs is a risk whether delivery is through the HRA or a development company. There are also risks associated with appointing a contractor to undertake work on the council's behalf. This risk covers both the quality of work and the risk that any contractor may have financial difficulties during development. These risks can be mitigated to some extent through a thorough procurement process; however some risk remains due to external factors beyond our control.
44. However, where the HRA does present a reduced risk to the aim of accelerating housing delivery is in terms of complexity. Setting up a development company or LLP would require external expertise to assist in company formation. Setting up a company or LLP takes time. The process is complex with the necessity of ensuring all relevant governance and financial management systems are in place. Undertaking this work could delay the start of the construction of new houses. The objectives of meeting wider affordable housing need through the development of housing on the sites identified in paragraph 7 are consistent with the council's powers within the HRA to provide housing to meet accommodation needs.
45. It is therefore proposed that the sites listed within recommendation VII of this report be delivered through the housing powers pursuant in the HRA. It is further recommended that due diligence work continue in respect of the establishment of a development company or LLP. This would allow the council to respond quickly to any further housing opportunities which become available where housing need is best met through the provision of PRS and where the development provides wider regeneration benefits.
46. A revised HRA business plan will be brought before Executive in the autumn taking account of the scope and scale of the Housing Delivery Programme. This will include both general needs housing and older people's accommodation.

47. The proposed process to develop the identified sites through the HRA would be as follows:

- Procure design and planning work, with the design process to include public consultation
- Sites are appropriated from the general fund to the HRA at market value after planning permission is received
- A building contractor is procured to develop the sites and support the sales process – development cost paid by the HRA
- All affordable homes are retained by the HRA with the remaining sold on the open market to create sustainable mixed tenure communities

Phasing

48. Delivering significant new housing projects requires staffing resource. The HRA is already geared up to deliver new housing and an expansion of the development team will be required to meet the housing ambitions. In order to suitably manage resources and financial risk, it is proposed that the development of the sites identified in this report be split into phases. Phase 1 would consist of Lowfield, Burnholme and Askham Bar as these sites are vacant and ready to be brought forward for development. The aim would be for construction to commence on all three sites in 2019, with the first site, Lowfield, starting in early 2019. It is anticipated that the design and planning of Askham Bar and Burnholme will begin this summer, in view to getting on site in Autumn/Winter 2019. Phase 2 will consist of the former Clifton Without School, former Woolnough House OPA, former Manor School site, and Hospital Fields Road and Ordnance Lane.

Delivering Phase 1

49. It is estimated that Lowfield will cost around £22.5m to develop. In addition, the land would need to be appropriated from the General Fund to the HRA at an estimated land value of around £5m.

50. It is anticipated that total sales receipts from market sale, shared ownership equity, and discount sale homes would be around £18m. This leaves a funding gap of approximately £4.5m. This gap would be met by HRA

investment funds and where possible Right to Buy receipts, commuted sums, and Homes England grant. To deliver Lowfield will require a spend of approximately £10m before sales receipts are received which would then help to cross fund the remaining construction costs.

51. The table below summarises the housing delivery and financial implications of developing Lowfield.

Lowfield	
Total Homes	165
CYC Developed Homes	140
Self and Community Build	25
Affordable Tenure Homes	56
Estimated Development Cost (excluding land)	£22,500,000
Estimated Total Sales Receipt	£18,000,000
Estimated cost of land	£5,000,000
Maximum HRA Borrowing requirement	£10,000,000

52. Burnholme and Askham Bar are identified as the other two sites within Phase 1 of this programme. These two sites are ready to be developed and currently serve no social or commercial function. The housing on Burnholme will be set within a wider council led development, including a community and health hub and a care home. The two sites are both draft housing allocations within the local plan. It is anticipated that up to £700k be spent undertaking site surveys, preparing and submitting planning applications, and to developing a detailed business case for these two sites. This will be funded from the HRA Investment Reserve.

53. The Phase 1 and 2 sites identified within this report would deliver around 550 new homes for the city. Of these, over 100 would be new council houses with more than another 100 new mixed tenure affordable homes to help people into affordable home ownership.

Council Plan

The proposals in this report will contribute directly to the following objectives in the Council Plan 2015-19

A prosperous city for all

- Residents can access affordable homes while the greenbelt and unique character of the city is protected
- Local businesses can thrive
- Residents have the opportunity to get good quality and well paid jobs
- Environmental sustainability underpins everything we do
- Visitors, businesses and residents are impressed with the quality of our city
- Be entrepreneurial, making the most of commercial opportunities

A focus on frontline services

- Everyone has access to opportunities regardless of their background
- All York's residents live and thrive in a city which allows them to contribute fully to their communities and neighbourhoods
- Every child has the opportunity to get the best possible start in life
- Residents are encouraged and supported to live healthily

Implications

Financial – In November 2017 Members approved the latest HRA business plan which created a new investment reserve of £20m over the period 2018/19 to 2023/24 to deliver new affordable housing. To date Members have approved £1.2m expenditure to develop Lincoln Court and there have been purchases of former council houses requiring up to £380k from the investment reserve. There remains £18.4m unallocated to support other schemes.

The key financial highlights of the business plan are that the HRA is forecasting to pay off its current debt of £140m whilst maintaining minimum levels of reserves at c.£20m. Overall the HRA can be seen to be in positive financial health.

It is therefore possible to use this strong position to deliver the housing ambitions on our sites through the Housing Revenue Account.

The proposal to develop Lowfields at a gross cost of £27.5m with market sales assumed at £18m through the HRA has a number of financial implications.

The land (existing assumed value £5m) will need to be appropriated from General Fund to the Housing Revenue Account. The financial impact of this appropriation will be that an adjustment equivalent to the market value of the land to be transferred will be made to the apportionment of the council's debt financing costs; increasing the costs to the HRA and decreasing the costs to the General Fund by approximately £200k per year. The increased costs will need to be met from existing HRA budgets. The appropriation will lead to the HRA increasing its level of debt from c£140m to c£145m which is close to the current HRA debt cap of £146m. Whilst this is allowable it will lead to little flexibility in future appropriations without the HRA repaying debt or there being a relaxation of the HRA debt cap. The current debt cap position is shown in the table below.

	£'m	£'m
HRA debt Cap		146.0
HRA debt @ 31/3/2018	139.0	
Marjorie Waite Court appropriation	0.4	
Revised Debt		139.4
Debt Headroom		6.6

Table A Debt Cap and Headroom

The development costs (£22.5m gross) can be funded from a combination of Market Sales (£18m) and HRA Investment Reserve (£4.5m). There may be other opportunities to receive other funding such as Homes England, Right to Buy receipts and these will be explored.

At this stage the likely indicative funding profile is shown below

	£'000
Estimated Development Cost (excluding land)	22,500
Estimated Sales Receipts	18,000
Funding from HRA Investment Reserve	4,500
Estimated cost of land (appropriation)	5,000
Peak HRA Borrowing requirement	10,000

Table B cost of development

It will be necessary for the HRA to cash flow the cost of the development which is estimated to be a maximum of £10m before sales will be received. This can be funded through a combination of general HRA reserves which are currently c£19m and HRA investment reserve.

The detailed design costs at Askham Bar and Burnholme (£700k) can be funded from the HRA investment reserve.

The new investment reserve has the following resources available

	£'000
Approval Nov 2017	20,000
Lincoln Court (March 2018)	-1,200
Repurchase former HRA homes (Nov 2017)	-380
Uncommitted	18,420
Approvals sought	
Lowfield Scheme (net)	-4,500
Other Scheme development	-700
Revised Balance	13,220

Table C Investment Reserve

This overall capacity to fund the investment and cash flow deficit within the HRA is shown below

		£'000
Debt Cap	Table a	6,600
Investment Reserve uncommitted	Table c	18,420
HRA Working Balance @ 01/4/18		19,420
Available Resources		44,440

Table D Overall HRA resources

It will be necessary to provide an update of the HRA Business Plan in the Autumn which reflects the new ambitions of delivering the house building through the HRA to consider how the scales, speed and size of ambitions can be delivered through the HRA

Human Resources (HR) – In order to deliver the work plan set out in this report the project team will be expanded. The cost for this expansion is included within the £22.5m budget estimate to deliver Lowfield. Council policies will be followed for any recruitment.

One Planet/Equalities - The development of a wider range of mixed tenure housing on the city will contribute to narrow the affordability gap which will impact on communities with protected characteristics. The Better Decision Making Tool is attached as annex A.

Legal - The Council has the power under section 9 of the Housing Act 1985 to build or acquire housing which includes houses for sale. There are a range of supplementary powers available to the Council which can also assist in delivering this project including powers to borrow. As the Council does not intend to do this for a commercial purpose the Council can act as the developer without the need to do so through a company structure. Disposals of land held under the HRA must be at best consideration unless a dispensation has been granted allowing sales at under value. Tenancies of HRA properties will need to be granted under normal Housing Act provisions including those as to security of tenure and the right to buy unless the tenancy falls within an exception under the legislation.

As with the exercise of any power the Council must ensure it makes decisions in accordance with normal public law principles including as to

reasonableness. The report clearly demonstrates a proper rationale for its recommendations. Members are also well aware of their obligations under the Equalities Act including the need to advance equality for those with protected characteristics. That need must be considered now and as the project progresses.

Crime and Disorder – none

Information Technology – The Housing Delivery Programme will seek to ensure that all housing developments supports digital inclusion and our Digital City ambitions by making the most of existing technology and facilitating future enhancements. This ambition will be supported by utilising existing resources from the ICT team.

Property – Covered in the report

Risk Management

54. It is recognised that there are risks associated with housing development. A number of these are identified in the legal and financial implications above. In addition, risks are identified below in respect of sales values and costs, the success of a variety of affordable housing options, construction contractor risks, planning and resources. These risks will be managed through regular monitoring of a programme risk register.

Fall in sales values and an increase in development costs

55. The high level financial models for the Phase 1 and 2 sites include an estimation of the likely sale values. Further detail on this will be included in the revised HRA business plan to be brought to Executive in the Autumn. Market conditions will be continually monitored to ensure site proposals and financial models are well informed and the houses are attractive to future buyers and renters. A strong evidence base will be developed and continually reviewed. However, sale prices are entirely dependent on the market conditions at the time of sale. Should the market fall, lower sales values will be achieved. This could impact on the HRA's financial capability to deliver all of the affordable homes proposed within this programme. There is also the potential that costs may rise. Whilst detailed due diligence will be undertaken on each site, there is always the risk of unknown costs once development commences. The programme reduces the overall development risk by proposing a mixed tenure housing solution.

Failure to generate sufficient interest in the range of affordable home ownership tenures

56. As outlined in this report, recent council policy has focused on delivering social rent and discount sale housing. The vision outlined in this report seeks to create a broader range of affordable home ownership tenures to help a greater range of residents in housing need. In order for these tenures to be successful and to attract potential buyers, we will need to undertake promotion of these products to ensure that residents are both aware of their availability and the opportunities they bring. However, there is a risk that one or more of these tenures may not be appealing to residents. A potential mitigation is to allow some flexibility on each site in terms of the proportion and type of homes which are offered under the different tenure options.

Construction contractor risk

57. The proposed delivery approach includes procuring a building contractor to develop the houses and associated infrastructure and public open space. Whilst all appropriate checks will be undertaken as part of the procurement process to ensure that the potential development partners are financially sound and can deliver a high quality product, such an approach brings risk, both financial and reputational. Any development partner will be subject to external market conditions which could create financial difficulties during the development process. Contract controls and the employment of a clerk of works and site project manager will help to ensure that the council closely monitors quality over the course of the development.

Planning

58. Five of the seven sites within Phase 1 and 2 of the programme are draft housing allocations in the local plan. However, there remains a risk of any of these sites either not obtaining planning permission or not obtaining permission for the scale of development envisaged. This would negatively impact the number of affordable homes delivered through the programme. To help mitigate risk, public consultation will be undertaken on each site in addition to liaison with internal and external stakeholders.

Resource capability to deliver the programme

59. The Housing Delivery Programme creates a step change in the council's ambition in respect of taking a lead on the delivery of housing at scale. To deliver this ambition will require an increase in internal capacity. There is an established development team within the HRA which can be supplemented by members of the Major Projects team who have developed this vision and supported by those working on the Older Persons Accommodation Programme. However, it is considered that this will need to be supplemented to ensure sufficient experience and skill is in place in respect of project management, sales, marketing and letting, as well as technical expertise. A re-structure will take place to ensure the development team are sufficiently geared up to deliver the ambition.

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Wards Affected: All

For further information please contact the author of the report

Background Papers:

Executive reports

December 2017

[Housing Delivery Programme - Establishing a Delivery Model and the Scope of the Programme](#)

[Housing Delivery Programme - Delivering the Lowfield Scheme](#)

March 2017

[Strategic Partnership opportunities with the Homes and Communities Agency for the Accelerated Delivery of Housing](#)

Annexes

Annex A - Better Decision Making Tool