

**Report to:** Cabinet

**Date of Meeting:** Monday, 1 November 2021

**Report Title:** 500 Affordable Homes Programme

**Report By:** Andrew Palmer, Assistant Director Housing & Built Environment

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### **Purpose of Report**

The council is committed to significantly improving the supply of affordable housing in the town to meet unprecedented level of demand. The report outlines key opportunities to deliver a programme which combines direct delivery of affordable housing by the council, or its housing company, alongside enhanced partnership work with Registered Providers (RPs).

The report recommends the adoption of a target to deliver at least 500 Affordable Rented Homes over the next 5 years through the approaches outlined. Once agreed, the programme will form a work package within the council's new Housing Strategy and Corporate Plan.

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### **Recommendation(s)**

- 1. That the council sets a target for the delivery of 500 homes for affordable rent (capped at Local Housing Allowance rate) over the five-year period 2022/3 – 2026/7**
- 2. That the two main Registered Provider Partners working locally are asked to commit their support to the programme**
- 3. That the council undertakes a review of its own land holdings with a view to supporting this programme**
- 4. That the Affordable Homes Programme Pipeline (Appendix A) is kept updated to track progress against our target**

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### **Reasons for Recommendations**

The supply and delivery of new affordable housing locally is failing to keep pace with rising demand. This has been shown by the growing number of people on the waiting list for social housing, as well as the increasing demand for the council's homelessness services. The pandemic has exacerbated this problem, and the number of households living in temporary housing has continued to rise. This has a significant impact on the council's resources and negatively effects the quality of life of residents.

A lack of affordable housing also undermines the ongoing regeneration of the town, including employment growth and education, as well as the health and general wellbeing of residents.

## Background

1. Access to affordable housing in Hastings has significantly worsened in recent years. The supply of new housing continues to fall well short of the overall demand and consequently many local households find themselves increasingly disadvantaged within the local housing market. This is a particular problem, but by no means limited to, those areas where regeneration has attracted outside buyers to the town.
2. Hastings has a large private rented sector, at around 38% of total housing stock. This sector is increasingly unaffordable and inaccessible to low / medium income households. Average rents in the private sector have increased over the past 3 years and are now often 40% above local housing allowance.
3. There is a limited supply of social housing stock in the town, which is owned by Registered Providers (RPs). There are currently 1,413 households on the waiting list for rented social housing, which is 2846 people. The number of properties let over the past year was 217.
4. The number of homeless households living in emergency accommodation has increased to 309. The average length of time people spend living in emergency accommodation is now 210.1 days. This trend also impacts access to employment, training, health services and education for the individuals and families affected. A lack of affordable housing also impacts the council's ongoing work to end rough sleeping in the town.
5. Consequently, the council's spend on temporary accommodation has increased considerably over recent years. The council is projected to spend over £2,000,000 on emergency accommodation in 2021/22. The average cost of a 2-bed need placement in emergency accommodation is £9,000. The council could therefore achieve indicative revenue savings of £16,000 per unit each year on its emergency accommodation spend.
6. The longer-term impact of the pandemic on employment opportunities and working practices may well favour attractive coastal towns such as Hastings, where traditionally comparatively poor transport infrastructure has been a barrier to growth and prosperity. Recent data published by the Office for National Statistics evidences that house prices in Hastings are increasing faster than anywhere else in England. Whilst the overall impact may be favourable in terms of regeneration it is further increasing demand and competition for scarce resources such as housing.
7. The council positively welcomes the opportunity to secure higher levels of inward investment to the town. However, it is mindful that the benefits of regeneration need to be shared equitably if existing communities are not to be further disadvantaged

### What is affordable housing?

8. The government defines affordable housing as:

- Homes for rent at below market values
  - Shared ownership and low-cost home ownership schemes
  - First Homes
9. We recognise that the most significant need in Hastings is for affordable rental products. The pipeline attached at appendix A sets out the development of 799 affordable houses using the government definition, of these we will facilitate the delivery of at least 500 homes for affordable rent capped at the Local Housing Allowance rate.

### **Strategic Fit**

10. The need to increase the supply of affordable housing, is aligned with several council strategies, including:

- Corporate Plan and Programme for the Year – the council’s corporate plan includes a priority to tackle poverty, homelessness and ensuring quality housing. This includes an activity to maximise the delivery of new homes through the planning system, development of our limited land and property assets and partnerships with housing providers.
- Homelessness and Rough Sleeping Strategy – includes a priority to minimise our use of emergency accommodation by improving access to housing solutions. This will be supported by a strategy to increase the supply of affordable housing in both the social and private rented sectors.
- Housing Strategy – the council’s housing strategy is due for review. The current target for affordable housing delivery was not met and the council is therefore considering direct delivery to help increase the supply of housing. The 500 Affordable Homes Programme will form a work package within the new strategy.
- Local Plan – the council’s draft local plan recognises the need for affordable housing across the borough and sets out policies to try to maximise delivery through the planning process.
- B&B Reduction Programme – the council has implemented several measures to minimise expenditure on emergency accommodation. However, the main conclusion drawn is that without a step change in the supply of affordable housing the problem and associated costs will inevitably continue to rise.
- Partnership working – the council will work with a range of partners including Registered Providers and other public sector landowners, including the county council to achieve the programme. East Sussex Housing Officers Group is in the process of forming a specialist group to increase the supply of affordable housing across the region.

## Planning Delivery

11. Delivery of affordable homes in Hastings has relied almost exclusively on a market and Local Plan led approach with a small number of Housing Associations acquiring sites either in competition with private sector developers or through section 106 requirements as part of larger developments. The current policy for section 106 obligations varies depending upon site specifics, in general there is a requirement to provide 25% affordable housing on brownfield sites and 40% on greenfield sites. As Hastings is a largely urban area, few greenfield sites are available for development.
12. In practice, delivery of the policy has been problematic and largely unsatisfactory in terms of results. National planning guidance on negotiating section 106 agreements in recent years has not been wholly supportive and has tended to put overall housing delivery ahead of the need to provide affordable housing. A lack of prescription has made it all too easy for some developers to avoid their responsibilities on the grounds of site viability or to provide housing of a tenure not always suitable for those in the greatest need. This is not to suggest that viability is not ever an issue in Hastings. It is recognised that values are still comparatively low compared with some other areas of the South East and some sites do carry abnormal costs.

## Delivery Models

13. It is proposed that the council seeks firm commitments from the two main RPs working locally to deliver the greater portion of 500 homes target. Ideally up to 300 homes over a 5-year period. The remaining homes might be met directly by the council through a commitment to deliver a minimum of 200 homes over the same period.
14. In respect of the council-owned land holdings there are several options for maximising affordable housing and ensuring delivery.

## Direct Delivery

15. The council has recently re-activated its Registered Provider status and successfully applied to become a Homes England Investment Partner, this opens additional opportunities for the council to provide affordable housing directly.
16. Existing sites within the council's ownership, including the Lower Tier Site and Harrow Lane have already been identified for affordable housing. However, these sites alone will not be sufficient to meet demand.
17. It is recommended that the council review its landholdings to identify further sites which it could develop for affordable housing.

## Land disposal to Registered Providers

18. This would assist the main RPs making good their commitment to deliver a target figure and would involve the council restricting the marketing of land for sale to RPs to develop out schemes that incorporate affordable housing. It should be noted that the council can dispose of land under the Social Housing Act 2010 (as

amended) to Registered Providers at less than market value for the development of housing, other than housing for outright sale.

19. In some cases, the development of an all-affordable housing scheme would reduce the likely land receipt available to the council (although the evidence at Harrow Lane suggests this may not always be the case). However, there is a General Disposal Consent 2003 which permits the council to dispose of land at below market values so long as it does not exceed £2 million and providing a wellbeing criterion is met. This approach would need to be considered as part of the council's review of its land holdings.
20. The benefits of this approach are that this would be quick and relatively simple to deliver and require limited council officer resource to implement whilst limiting financial risk to the council.

### **Direct Acquisition of Affordable Homes**

21. As previously stated, the council is a Registered Provider of affordable housing with Homes England. At present it has directly acquired 4 homes but can acquire up to 200 homes without seeking Secretary of State approval to reopen a Housing Revenue Account.
22. Should the council wish to exceed the 200 limit then it would have to seek ministerial approval to reopen a Housing Revenue Account (HRA) and account for expenditure separately from other General Fund activity. We are assured that although ministerial approval is required it would only be a formality. There are pros and cons associated with the reopening a HRA and further specialist legal and financial advice will need to be sought before proceeding with this option.
23. This option would be particularly beneficial in instances where a developer has been unable to find a Registered Provider to purchase the affordable housing secured via a Section 106 agreement. In these circumstances the council may receive a commuted sum instead of onsite affordable housing however the value is significantly less than required to replace the lost affordable housing.

### **Wholly Owned Housing Company**

24. The council can develop or acquire housing through the establishment of a not-for-profit arm of its existing 100% owned Housing Company or establish a new council company specifically for the purpose of providing affordable housing.
25. There are pros and cons associated with delivery through a housing company or by the council and again more detailed legal and financial advice will need to be sought before proceeding. Some of this is already being explored a part of the Joint Venture discussions covering the Bulverhythe Lower Tier Development.
26. A full appraisal on a site-by-site basis would need to be undertaken and brought forward before firm funding decisions were made by the council. It is quite likely that a mix of the above options may be employed in different scenarios on different sites.
27. The council already has a wholly owned housing company. The company directors are the Assistant Director for Housing and Built Environment, the Chief

Accountant and the Commercial and Technical Accountant. It is not anticipated that the council's existing company will be used to deliver the programme in its present form but it remains an option.

### **Governance and sign off**

28. It is recommended that the council adopts a 2-stage sign-off process for prospective direct developments by the council.

#### **Stage 1**

29. Initial modelling of potential sites is reported to Cabinet. Cabinet approves sites for further due diligence work and removes them from the capital programme while this is completed.

#### **Stage 2**

30. Further due diligence is completed. This will include procurement of an employer's agent, architect, legal and survey work. A revenue budget will be required to carry out these appraisals. The outcome of this due diligence is reported back to Cabinet before final approval for a development to proceed.

### **Financial Implications**

31. The council is using an in-house tool, PodPlan, to provide an initial assessment of the viability of developing sites. PodPlan is widely used across social and private developers.

32. Following this initial assessment, the council will be required to provide revenue funding to carry out further due diligence and develop a business case to progress the sites. This business case will then be reported back to Cabinet for decision. It should be noted that the revenue costs the council incurs can be capitalised if the development proceeds.

33. The council will also be required to amend its capital programme to provide funding for the development. In addition to investment by the council, we will also identify grant funding opportunities including Homes England funding streams.

34. Such an approach will need to be considered alongside other capital funding and borrowing commitments and form part of a revised capital allocation programme to be agreed by Cabinet and Full Council.

### **Timetable of Next Steps**

35. Please include a list of key actions and the scheduled dates for these:

Action	Key milestone	Due date (provisional)	Responsible
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Council to review existing landholdings and identify sites which may be suitable for direct development	Report back to Cabinet	December 2021	Assistant Director, Housing and Built Environment / Housing Development Manager
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### Wards Affected

Insert the list of wards affected

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### Implications

Relevant project tools applied? Yes

Have you checked this report for plain English and readability? Yes – 25.4

Climate change implications considered. Yes

Please identify if this report contains any implications for the following:

Equalities and Community Cohesiveness Y  
 Crime and Fear of Crime (Section 17) N  
 Risk Management Y  
 Environmental Issues Y  
 Economic/Financial Implications Y  
 Human Rights Act N  
 Organisational Consequences Y  
 Local People's Views N  
 Anti-Poverty Y

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### Additional Information

Appendix A – 500 Affordable Homes Pipeline

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### Officer to Contact

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