

Agenda Item No: 8
Report To: Cabinet
Date: 14th April 2016



Report Title: Proposed Update to the Affordable Housing Programme and Business case for Remodelling of Danemore Sheltered Housing Scheme
Report Author: Richard Robinson
Portfolio Holder(s): Cllr Clokie (Housing & Home Ownership)
Cllr Shorter (Finance, Budget & Resource Management)

Summary:

This report seeks approval from members to update the programme of new build council housing and also seeks approval of the business case for the proposed remodelling of the sheltered housing scheme at Danemore, Tenterden. These updates are necessary in view of the impact of the social housing rent cut announced in July 2015 together with the need to ensure that expenditure remains within the housing revenue account (HRA) debt cap and meets its debt repayment commitment.

Cabinet is also asked to note the successful bid made to the Care and Support Specialised Housing (CASSH) Fund of £1.6m to contribute towards the costs of remodelling Danemore.

Key Decision: YES

Affected Wards: All

Recommendations: **The Cabinet be asked to:-**

- I. Approve the proposed updates to the new build programme between 2016 and 2020, and**
- II. Approve the business case for remodelling of the Danemore sheltered housing scheme in Tenterden**
- III. Note the successful bid for £1.6m from the Department of Health CASSH fund**

Policy Overview: Housing Framework 2013-2018: Priority 1- Improve the supply of affordable housing to meet local housing needs in Ashford borough's urban and rural areas.

Reform of HRA – Cabinet endorsed five key priorities for further spend as a result of greater freedom within the HRA.

Corporate Plan, Focus 2013-15, High quality homes to meet local need.

Kent Forum Housing Strategy 2012-2015, affordability and choice.

National Housing Strategy 2011 – delivering new homes under the affordable rent model.

Financial Implications:

Delivery of new build council housing has been achieved using both grant funding and HRA cash resources. The rent cut to all social housing announced in July 2015, and set to take effect in April 2016, has required a revision of the number of units deliverable within the programme, to ensure the HRA remains within the debt cap and meets its debt repayment commitment.

The same impact, along with the need to reduce the scale of redevelopment at Danemore has resulted in proposals for a smaller scale scheme

Risk Assessment

YES – detailed financial assessment has been undertaken within the HRA business plan

Community Impact Assessment

YES – a range of factors have been considered in terms of affect on tenants, neighbours and the broader community

Other Material Implications:

Design and construction standards will comply with Ashford spatial standards (complying with Residential Space and Layout SPD), Lifetime Homes (a standard we set out for Registered Social Landlords) and Code for Sustainable homes level 3 (which we are committed to for HCA), and level 4 on energy. Emphasis on the building envelope will deliver the greatest benefits for landlord and tenant.

Exemption Clauses:

Appendix A and B – details of Affordable Homes Programme including estimated build costs and grant funding: Not For Publication by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

Background Papers:

None

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Purpose of the Report

1. This report seeks approval from members to update the programme of new build council housing.
2. Approval of the business case for the proposed remodelling of the sheltered housing scheme at Danemore in Tenterden. The proposed remodelling is of a smaller scale than anticipated in March 2015.
3. The update is necessary due to the impact of the rent cut to social housing announced in July 2015 and the need to ensure expenditure remains within the housing revenue account (HRA) debt cap and ensure that the HRA meets its debt repayment commitment.
4. Any new build units and remodelling of Danemore will be subject to planning permission in the usual way.

Issue to be Decided

5. Members are asked to approve the updated programme shown at appendix A to this report, which reflects fewer dwellings than originally planned for in March 2015, but continues to provide new affordable housing for people in housing need, whilst remaining affordable within the overall HRA Business Plan. The delivery of fewer units may involve the return of some Homes & Community Agency grant. Appendix B itemises the proposed new build HRA properties by site, using garage and land sites.
6. Agree the business case for the remodelling of the Danemore sheltered housing scheme, based on the improvements in quality of accommodation this will offer, as well as some home ownership sales opportunities.

Background

7. In March 2015, members agreed a programme proposing to deliver 106 units of new affordable homes, including 49 units in total at a remodelled Danemore in Tenterden.
8. These proposals were costed and included funding from the Homes & Community Agency (HCA) to the tune of £1.2 million for the affordable rent homes and £0.92 million towards the new units at Danemore.
9. Additional funding to meet the overall anticipated costs would be met from HRA capital funding and use of '1:4:1' monies (pooled capital receipts available to the council arising from right to buy sales.) More detail is shown at Appendix A

10. The overall cost of these new units was contained within the HRA Business Plan.
11. In July 2015, the Chancellor announced his intention to cut rents across the social sector to help reduce the overall national housing benefit bill. This 1% cut to social rents is to take effect in April each year from 2016 through to March 2020.
12. This rent cut has a significant impact on the income to the HRA between 2016 and 2020, and directly impacts on the funding available to deliver many housing functions, including planned maintenance programmes and new build works.
13. As a result, a cost recovery programme was presented to members in November 2015 as part of the annual review of the HRA business plan. This programme identified some of the necessary measures to be taken to ensure we continued to have a balanced HRA business plan.
14. The cost recovery programme also identified the need to re-consider a number of work programmes once more detail was available e.g. around implications to local authorities of housing association tenant's right to buy, pay to stay, and welfare reform measures.
15. Although some of that detail is still to be published by government, further examination by officers of the business plan and the HRA financial capacity has concluded that some of the proposed AHP proposals can be delivered between 2016 and 2020; and remodelling of Danemore can also be achieved by extending the programmes into another financial year.

Affordable Homes Programme

16. In March 2015, Cabinet considered a report recommending proceeding with delivery of a total of 106 new affordable dwellings, 50 of which were intended at that time to be at Danemore. Funding was to be from HRA reserves, HCA grant and available qualifying capital receipts.
17. With the announcement in July 2015 of the intended social sector rent cut to take effect between April 2016 and March 2020 significant revisions to the proposals have been necessary to ensure we do not exceed the available funding over the 30 year life of the HRA business plan.
18. As a consequence, we have reconsidered the proposed scale of remodelling Danemore (see later in this report) and the number of units and sites we can reasonably afford to deliver elsewhere in the borough.
19. Appendix A shows the breakdown of units and sites (excluding sheltered sites) where we now feel we can deliver a total of 38 new build units over 14 separate sites, a mix of both rural and urban locations. The locations are:

Urban sites

- Boxley garages
- Noakes Meadow garages

- Towers View garages
- Beecholme Drive garages
- Belmont Place land

Rural sites

- Brattle garages
- Carters Wood
- Priors Way land
- Priors Way garages
- Ragstone Hollow garages (2 sites)
- Calland land
- The Weavers garages
- Jubilee Fields land

20. In addition, the business plan is comfortable in being able to afford to purchase a further 11 'street properties' (i.e. existing dwellings) giving a total of 49 further affordable housing units.
21. It can be seen that a number of the proposed new build sites are on council-owned garage sites which are no longer viable as such sites (due to limited local interest) and so it makes sense to put this land to better use in such circumstances. All the land proposed for these new build units is in the council's ownership.
22. Should any particular site become impractical to develop, e.g. planning issues or significant local opposition, we would look to maximise our opportunities to purchase street properties in its place.

Danemore Sheltered Scheme Remodelling Business Case

23. In December 2011 members agreed that remodelling of the borough's sheltered housing stock over a 12 – 15 year period, was to be one of five key priorities within the HRA business plan.
24. The first of these remodelled schemes is Farrow Court and members will be aware that Phase 1 of the scheme was completed and fully occupied by Christmas 2015. Work on Phase 2 is currently underway with anticipated completion of a further 71 units is scheduled for summer 2017.
25. Farrow Court was the first scheme selected for remodelling as it had the opportunity of adjacent land, meaning we could build new without the prior need to decant any tenants.
26. Decanting tenants in large numbers is always a huge undertaking and imposes significant demands on other dwellings within the housing stock, usually (or preferably) in a very short timeframe.
27. In June 2014 the council disposed of the land containing the empty Little Hill sheltered scheme in St. Michael's to Kent County Council (KCC) as part of the most recent round of private finance initiative (PFI) works. This project will deliver a brand new, 41 unit extra care sheltered housing scheme on that site in the summer of 2016.

28. Although the St. Michael's scheme will be owned and managed by the PFI consortium (Galliford Try and West Kent Housing Association) this council has 100% nomination rights for 25 years and as such it presents a golden opportunity to be able to decant a significant number of tenants from nearby Danemore in one go.
29. Aware of this decanting opportunity, officers explored the possibility of redeveloping Danemore. Built in 1977 the scheme as it currently stands consists of 33 dwellings (18 x bedsits; 10 x 1 bed flats; 4 x 1 bed bungalows and 1 x 2 bed house.)
30. The report to members in March 2015 highlighted some of the deficiencies of the scheme – small, very dark flats and even smaller bedsits; all dwellings lack the space to provide fairly basic equipment e.g. full-size ovens and washing machines and although all flats are self-contained it is almost impossible to provide any form of adapted bathing for tenants within these units.
31. The scheme generally does not readily lend itself to straightforward conversion i.e. turning 2 bedsits into a single, larger dwelling. In addition the constraints of the site do not allow for simply extending the existing footprint of the building in such a way that would deliver accommodation fit for modern standards and expectations.
32. The communal spaces within Danemore are also very dark and there are different levels for tenants to negotiate even on the same floors.
33. Members may recall that the HAPPI (Housing our Ageing Population: Panel for Innovation) Report of 2010 (and updated further in 2012) set standards for sheltered and extra care accommodation that addressed many of these design shortcomings, including better space standards, better communal facilities, better use of natural light, economy of operation and a scheme that is part of a community. The redevelopment of Farrow Court applies these HAPPI standards to a very large extent so many members may well have seen the impact they have in practice.
34. In our remodelling proposals we are seeking to deliver on much, if not all of the expectations of the HAPPI report to improve the quality of accommodation and facilities for our older tenants. In so doing, we play a key part in helping address a fundamental aspect of the health and wellbeing agenda in providing quality accommodation which is often directly linked to someone's health. By improving such accommodation we also make it more attractive to many of those older people currently living in family sized accommodation who could therefore free up family units as a consequence.
35. Our intention is to completely demolish and rebuild the scheme. The proposed new scheme will provide 34 flats (23 x 1 bed and 11 x 2 bed units) and a further four 2 bed chalet bungalows which will be made available for private sale, thereby helping cross-subsidise the redevelopment costs. (Officers would seek to place appropriate covenants on the sold units to ensure they were only for sale to people over 55 years of age so that the residents remained compatible with the overall scheme.)

36. All dwellings will meet ABC's space standards. The scheme will also provide a residents communal lounge, guest room, adapted bathing facility, buggy store and communal gardens. This can be achieved by making better use of the existing site at Danemore; and in late 2014 ABC was also able to acquire the adjacent site of the St. John's Ambulance station which provides more land and is likely to better help facilitate the construction works by creating space for a site compound. (Access to Danemore generally is poor and parking has long been an issue for the scheme and residents in neighbouring houses.) Although the works proposed will inevitably cause difficulties whilst in progress, significantly better parking is proposed as part of the redevelopment and upgrading to the road which should result in significantly better access and parking once complete.
37. Each flat will be equipped with a flush floor shower and provide space sufficient for wheelchair users. The chalet bungalows will be ideal for couples or older people with live-in carers and will be built to lifetime homes standard i.e. should the occupier no longer be able to manage the stairs in their home the existing bathroom downstairs will enable them to fully function on the ground floor.
38. Our architects (PRP, who have designed Farrow Court for us and who are widely regarded as amongst the leading architects for older persons design in the country) have made design proposals which are currently being considered by the Council's Planning department. The proposals look to sympathetically blend the scheme into its surroundings, drawing on nearby properties and Tenterden itself for influence, but at the same time coming up with a proposal which is both better, more efficient and spacious, and more appropriate for 21st century retirement living. A copy of the current plans for the proposed scheme can be viewed using the following link:

<http://www.ashford.gov.uk/developments-coming-soon>

or via the planning portal at:

<http://planning.ashford.gov.uk/Planning/details.aspx?systemkey=101665&pageindex=0>

39. Based on their design proposal, and from initial market testing, we believe the scheme will cost in the order of £9.5m (gross) to empty demolish, rebuild and equip. However taking into consideration the CASSH funding achieved and the proceeds of the sale of 4 bungalows within the site, the net cost is expected to be in the region of £6.9m. This figure includes the costs of decanting tenants, home loss payments (a statutory obligation) and likely rent loss as some tenants may choose to move sooner and it often makes more sense to leave such vacant flats un-let and thereby avoid further home-loss payments for any subsequent tenants. In all, these costs could be in the region of £200k to £225k depending on length of time we have any unlet flats. The largest part of this estimate is though, made up of home loss and removal costs, which we have to accept as part of the overall cost of delivering a new scheme.

40. Members will also by now be aware of the successful bid to the Care and Support Specialised Housing Fund (CASSH) to contribute to the cost of the work. This money is Department of Health funding used to help deliver housing solutions to help reduce the overall cost of care provision by promoting independence in suitable homes. The bid will contribute circa £1.6m* towards the cost of the scheme and mirrors the successful £3.6m CASSH contribution made to Farrow Court.

*we estimate the figure will be reduced slightly as the revised redevelopment proposals see fewer units than anticipated when originally bidding to this CASSH fund

41. There has been considerable assessment as to the value of proceeding with this scheme for a number of reasons, not least the impact on the HRA business plan of the rent reduction to be applied between 2016 and 2020. Further understanding was also needed about the additional impact of caps on rent and service charges in connection with social rents being restricted to local housing allowance rates, which from 2018 will affect new tenancies, including sheltered housing.
42. The business plan also needs to be able to absorb the impact of the sale of a percentage of high value council houses to support the funding of replacement housing association properties sold under 'right to buy 2' and a number of other government initiatives such as 'pay to stay' which will affect the overall HRA.
43. At a total gross cost of £9.5m (£6.9m net costs), and a new scheme with 38 new units, it was only prudent to give thorough consideration before committing to the redevelopment. The scheme is very well located, close to Tenterden town centre, and provides reasonably level access to the town. The short-comings of the current scheme mean that the need to address these is becoming increasingly pressing, and delays will only make this worse. The excellent opportunity of being able to address a large part of the decanting requirements with use of the new extra-care scheme in St. Michael's is unlikely to be repeated. We would also deliver a scheme that would deliver similar sized care-ready apartments to those at Farrow Court, in a part of the borough with very limited numbers of such quality apartments. Over the life of the building, these units will prove attractive to a significant number of tenants in larger homes and will therefore help free up these homes for families in need. Overall, these factors combined suggest we should proceed with the redevelopment sooner rather than later.
44. It is only after careful consideration and reflection that officers are comfortable in recommending we proceed with remodelling Danemore. Extensive work with officers in Finance and Housing has concluded that, even with the impacts mentioned above we can still afford to redevelop the Danemore scheme; and the successful award of CASSH funding from the Department of Health means the net project cost to the council will be further reduced and so more affordable.

Community Impact Assessment

45. An assessment has been carried out and no negative impacts have been identified on either the new build sites or Danemore.

Other Options Considered

46. We could opt to leave Danemore and do either no work or only minimal works to maintain the scheme in its current form. Whilst this would significantly reduce capital costs associated with the proposed remodelling it would
 - lead to increased maintenance costs
 - fail to provide suitable accommodation to meet growing demand and expectations of an ageing population
 - would fail to grasp the opportunity presented for decanting the scheme, meaning doing such work in years to come will be much harder and prolonged
 - miss the opportunity of maximising the significant grant funding of £1.6m available from the CASSH fund
 - fail to meet the aspirations of members to deliver high quality homes that meet local need

Consultation

47. Several meetings have already taken place with both tenants of the scheme and residents in nearby properties. As a result revisions to the original proposals have been made and the ward member, Councillor Clokie has also been actively involved in helping with this consultation. Now we are more confident the scheme is financially viable we will continue with more detailed discussions with all relevant parties, including discussions around decanting arrangements for tenants
48. As part of the planning permission process further formal consultation will take place with local residents giving them the opportunity to respond to the proposals.
49. In terms of the AHP work, housing staff will supplement the formal planning consultation work on each site, as has been done on every other site we have developed in previous new build developments. This work gives local residents and other stakeholders an opportunity to understand the proposals and talk through the likely impact in more detail with housing staff. Such previous consultations have proved very successful and we would continue the approach we have adopted thus far to engage local people.

Conclusion

50. Both the new homes proposed in the AHP work and the proposed remodelling of Danemore are further evidence of the council's ambitions to deliver high quality homes for local people.
51. The 38 new AHP homes across 14 sites set out at paragraph 19 of the report and detailed further at Appendix B, will help further tackle some of the affordable housing need in the borough by delivering lifetime homes standard accommodation built to the Ashford standard.
52. Full regard has been had to the cost of delivering the Danemore scheme, which will greatly improve the quality of accommodation on offer in part of the borough currently with very little other such care-ready accommodation.

53. The opportunity to utilise the new scheme in St Michael's to support the needs of decanting tenants from Danemore will help overcome a significant obstacle in the redevelopment process; and the award of £1.6m from the Department of Health towards the remodelling cost is another key supporting factor.
54. The finished scheme will provide 38 high quality, care-ready dwellings and communal facilities for local people, including some owner-occupiers that will not only promote their independence but also in turn help free up family units of accommodation as the quality offer at Danemore is enhanced.

Portfolio Holder's Views

55. **Cllr Clokie** – 'We have seen the successful delivery of a new standard of accommodation for older people with the completion of phase 1 at Farrow Court in Ashford, and the proposals for Danemore, whilst on a smaller scale, will see the delivery of similar high quality accommodation and facilities in Tenterden. The proposed scheme is further evidence of this council's ambitions to deliver high quality accommodation for local people, including some for home ownership, and our willingness to play our full part in helping address the full range of needs of a growing older population. Additionally, that we can also continue to build more new family homes as part of the Affordable Homes Programme is further evidence of us delivering on our Corporate Plan commitments. At a time when many social housing providers are freezing their development plans Ashford Borough Council continues to deliver such new homes as proof that we are *'housing business-ready.'*
56. **Cllr Shorter** – I am delighted that the council continues to be progressive in seeking high quality solutions to the demands of an ageing population. The delivery of this scheme will continue our significant contribution in enabling people to live independently in care-ready apartments close to Tenterden town centre. The council's success in achieving funding through the CASSH fund further reduces the net cost of this scheme, and this, coupled with the greatly improved quality of accommodation and communal facilities the completed scheme will offer mean I fully support the decision to remodel Danemore. In addition, I endorse the council's proposals to deliver more new-build homes, again using grant funding from the Affordable Homes Programme. This will see us deliver another 49 affordable new homes for local people across a range sites and is further proof of this administration's desire to deliver local housing needs across the borough.

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