

**TITLE OF REPORT:** Council Housing Development, Seymour Street, Dunston

**REPORT OF:** Paul Dowling, Strategic Director, Communities and Environment

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### **Purpose of the Report**

1. This report is to seek approval for a new affordable housing development within the Housing Revenue Account (HRA) and to pursue Affordable Homes Grant funding from the Homes and Communities Agency (HCA) to support the project described within this report.

### **Background**

2. There is a clear need and ambition for the Council to increase the provision of new affordable homes across the borough through a programme of internal development and housebuilding. A number of proposals are being taken forward through the Gateshead Trading Company (GTC) that will combine commercial housebuilding with a commitment to deliver affordable provision as part of the commercial developments.
3. In addition to the sites being delivered through GTC, a number of sites are being considered for new council homes to be developed within the HRA. One of the sites identified and the first to be taken forward is a development site at Seymour Street, Dunston and is shown at appendix 2.

### **Proposal**

4. The proposal for the site at Seymour Street, is to provide seven 2 bed 4 person council houses to be let at affordable rents. The site sits adjacent to other social housing and is within a council owned housing estate. A number of neighbouring properties have transferred to private ownership under the right to buy but there is still a strong management presence through the Gateshead Housing Company (TGHC).
5. The proposed development has been subject to a desktop appraisal to determine financial viability and the proposal meets the strategic needs of the Council in terms of housing provision, planning requirements and local demand.
6. Pre-Application planning advice has been obtained for the proposals ahead of a full planning application which is being progressed.
7. The cost of the proposals is estimated to be in the region of £1.2m. Capital funding for the scheme would be provided via the Housing Revenue Account Capital Programme. It is proposed that a contract for Affordable Homes Grant be entered into with the HCA to supplement the build costs through the HCA's continuous

market engagement route. Initial discussions with the HCA have indicated that they would be supportive of a grant allocation to increase the provision of affordable homes. As a condition of grant, the properties would be let at an affordable rent. Typically this would equate to 80% of market rent in the locality. Exact rent levels and level of grant would be determined through the application process.

8. The provision of new Council housing within the HRA helps sustain the future of the HRA.
9. It is proposed that the scheme would be designed by the Council's Council Housing, Design and Technical Services and the construction be delivered by TGHC (formerly Construction Services).

### **Recommendations**

Cabinet is recommended to approve:

- (i) The proposed development of seven Council houses at Seymour Street, Dunston.
- (ii) The application of Affordable Homes Grant funding from the Homes and Communities Agency to support the project described within this report.

For the following reasons:

- (i) To increase the provision of much needed affordable housing for rent utilising external grant.
- (ii) To contribute to the further sustainability of the Housing Revenue Account.

## **APPENDIX 1**

### **Policy Context**

1. The proposal outlined in this report is very much seen as being complementary to other development across the borough and some of the benefits are outlined below.
  - The proposal for the Council to act as housing developer directly contributes to the Vision 2030 and the Council Plan aspirations for 'Live Well Gateshead'.
  - The importance of accessing good quality, affordable housing is recognised in all of the Council's major strategies;
  - The Core Strategy identifies the need to build 11,000 new homes by 2030.
  - There are recognised benefits of new development to Health and Wellbeing and Economic Growth.
  - Critically, both social and commercial housebuilding responds to the challenges in the Councils Medium term financial strategy by maximising income to the Council to support front line service delivery through new homes bonus and council tax receipts.
  - To contribute to the further sustainability of the Housing Revenue Account.
2. The proposal will also accord with the provisions of the Corporate Asset Strategy and Management Plan 2015 – 2020. In particular, the use of Council land to bring forward new housing development to meet the needs of current and new residents of the borough.

### **Background**

3. A shortage of affordable housing is recognised nationally as being a priority and this need is replicated in Gateshead. There is a clear need and ambition for the Council to increase the provision of new homes across the borough through a programme of internal development and housebuilding. A number of proposals are being taken forward through the Gateshead Trading Company (GTC) that will combine commercial housebuilding with a commitment to deliver affordable provision on sites that have been identified as suitable following an options appraisal.
4. An increase in affordable housing was recently identified as being a key priority within the Strategic Housing Market Needs Assessment. Gateshead operates a planning policy of 15% affordable provision on new housing development sites, although this can prove challenging to adhere to due to site constraints and commercial viability, particularly on brownfield sites.

## **Consultation**

5. Prior to a full planning application, consultation with neighbouring properties has been undertaken. Residents have been advised of the proposed development and their views sought. In addition, Cabinet Members for Housing and Economy have been briefed on the proposal.
6. Ward Councillors for the Dunston and Teams Ward have also been consulted on the proposal ahead of a planning submission.

## **Alternative Options**

7. The alternative option would be to not proceed with development on this site and for it to continue to be a space that requires ongoing maintenance. This would not increase housing provision nor attract external funding and therefore is not a recommended option.

## **8. Resources**

- a) **Financial Implications** – The Strategic Director, Corporate Resources confirms that the costs of the development, estimated to be £1.2m, can be accommodated as an addition to the Housing Revenue Account Capital Programme.

To ensure there is no financial impact upon existing investment plans, HRA capital receipts, generated through previous Right to Buy disposals, will supplement the existing resources identified within the HRA Capital Programme.

It is anticipated that the development will benefit from the use of HCA Grant funding, although at this stage the amount has not been confirmed. Any additional funding that is secured from the HCA would reduce the level of HRA capital receipts that are required in order to facilitate the proposed development.

The properties would be made available for affordable rent. It is anticipated that the associated rental income will contribute to the sustainability of the HRA.

- b) **Human Resources Implications** – there are no human resources implications arising directly from this report.
- c) **Property Implications** - Successful delivery of this programme will utilise land which is currently vacant, increase the housing stock, through the addition of seven much needed affordable homes and reduce the Council ongoing maintenance costs of the land.

## **9. Risk Management Implications**

Discussion with the HCA have indicated that an application for grant to support this scheme would be positively received, however, there is a risk that should a grant application not be successful, the viability of the scheme as an affordable rented development would be impacted.

The completed development would potentially be the subject of the Right to Buy scheme as secure tenants would be entitled to purchase the properties. The purchase price would, however, be restricted during the first 15 years by a cost floor adjustment ensuring the discount entitlement did not reduce the purchase price to less than the amount paid for the construction of the property concerned and so a capital receipt equal to that paid in respect of the property construction would be realised.

After the first 15 years if the property is the subject of a Right to Buy application the purchase price could be significantly reduced by the discount entitlement, however, the capital receipt together with the rent received over the 15 year period is likely to exceed the capital investment, all of which helps the HRA manage this risk.

#### **10. Equality and Diversity Implications**

Proposed housing would be compliant with legislative and policy requirements of the Council, including the Equality Act 2010.

#### **11. Crime and Disorder Implications**

There are no crime and disorder implications arising directly from this report.

#### **12. Health Implications**

There are no health implications arising from this report.

#### **13. Sustainability Implications**

The proposed works will help to deliver high standards of environmental sustainability through the delivery of new homes; ensuring the use of more energy efficient materials and practices in the construction of new buildings. Projects will strictly follow the Council's Sustainable Construction policy

#### **14. Human Rights Implications**

There may be interference or disturbance to nearby tenants and residents while construction works are carried out. However, such interference or disturbance will be kept to a minimum and the works will result in benefits to tenants and residents through bringing much needed new housing to the locality.

#### **15. Area and Ward Implications**

Dunston and Teams in the Inner West Area.

