

**EXECUTIVE
COMMITTEE**

15th October 2013

DELIVERING NEW AFFORDABLE HOUSING

Relevant Portfolio Holder	Mark Shurmer, Portfolio Holder for Housing
Portfolio Holder Consulted	Yes
Relevant Head of Service	Sue Hanley, Deputy Chief Executive/Executive Director, Leisure, Environment & Community Services
Wards Affected	All
Ward Councillor Consulted	N/A
Key Decision	

1. SUMMARY OF PROPOSALS

1.1 The Executive Committee resolved on the 21 February 2012 that Officers bring forward a report outlining proposals for how the Council might build Council homes on land owned by the Council and declared surplus.

1.2 The Council resolved on the 5 March 2012 that any proposal to build Council homes include included the following considerations.

- a cost-benefit analysis of the scheme;
- an analysis of the number of sites suitable for housing;
- timescales for the development to be delivered on each site;
- the means by which the Council was proposing to deliver the housing;
- details of the tendering process to engage the outside contractors;
- a measure of the prudent level of reserves to be retained in the HRA budget; and
- a financial appraisal and feasibility study for each site.

1.3 Officers have considered the proposal for the Council to develop homes and also other options to increase the numbers of affordable housing in the Borough (appendix 1) to meet affordable housing demand.

1.4 The other options to increase affordable housing in the Borough include:

- The Council purchases existing homes and adds them to its stock
- The Council sells or gifts land to an RSL to build housing association properties
- The Council enters into leasing arrangements with housing providers

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- The Council introduces a cash incentive scheme/ Home Ownership Grants for council tenants
- The Council introduces a shared equity scheme
- The Council becomes a syndicated partner for the Mortgage Rescue Scheme (MRS)

1.5 This report brings forward the recommendations from that report for Members to consider what options they would like to see worked up in more detail before Officers further report back to Committee.

2. RECOMMENDATIONS

The Committee is asked to **RESOLVE** that

- 1) **The Executive Committee notes the report and the current financial position of the HRA;**
- 2) **due to the various risks and unknowns in the HRA business plan the Council does not build new homes in the short term;**
- 3) **Members note the options within the report at 3.12 and task Officers to provide a further report on the options for further consideration of the Executive Committee;**
- 4) **authority be delegated to the Head of Housing Services and Head of Legal, Equalities and Democratic Services to enter into a Service Level Agreement with WM Housing to become a syndicated partner for the Government Mortgage Rescue Scheme;**
- 5) **authority be delegated to the Head of Housing Services to agree each individual case for purchase through the Government Mortgage Rescue Scheme;**
- 6) **Officers undertake a review of the Government Mortgage Rescue Scheme to determine if further funding needs to be invested and report back to the Executive Committee before 31 March 2014; and**

RECOMMEND that

- 7) **authority be delegated to the Executive Director of Finance & Resources and Head of Housing Services to use up to £400,000 from Housing Revenue Account reserves for the Government Mortgage Rescue Scheme and support.**

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3. KEY ISSUES

Financial Implications

- 3.1 The total HRA debt currently stands at £122,157,521 which is now capped at this amount. The Council has developed a viable 30 year business plan based on a number of assumptions and there are risks associated with deviations from these assumptions.
- 3.2 The HRA capital reserve is £9.4million which can be used to support capital of revenue expenditure, however currently the HRA has no further capacity to borrow should funding be required for the housing capital programme.

Legal Implications

- 3.3 The Council is able to undertake a new build programme by virtue of the Housing Act 1985.
- 3.4 Under the General Disposal Consent (England) 2003 it is permissible to make disposals at less than best consideration if those disposals contribute to the social, economic and environmental well-being of the area.
- 3.5 Under Right to Buy legislation the discount you receive must not reduce the price you pay below what has been spent on building, buying, repairing or maintaining it over a 15 year period. This is known as the cost floor. Therefore the discount will be reduced to ensure the property is not sold for less than the cost of building/purchasing it.
- 3.6 The Council will be required to enter into a service level agreement with WM Housing to be a syndicated partner of the Mortgage Rescue Scheme. WM Housing will undertake the necessary legal and conveyance matters for any successful mortgage rescue case.

Service / Operational Implications

- 3.7 The number of new affordable homes developed through RSLs over the last 6 years is 340, an average of 57 units per year. The net affordable housing need for the Borough is over 200 units per year.
- 3.8 Officers have considered the option of the Council building new affordable housing. After discussion with Registered Provider officers have completed a desktop exercise to assess the costs of building new homes.
- 3.9 The cost of developing for the Council is an estimated average of £132,895 per property. The Head of Housing Services has advised that

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the Council has recently completed the purchase of ex Right to Buy properties at an average cost of £104,000

- 3.10 Having considered the risks associated with the current position of the HRA outlined in 3.1 and 3.2 and Appendix 1 pages 4 & 5 and the advice from the Head of Housing Services that ex Right to Buy properties are being purchased by the Council at less than the estimated build cost of developing new properties, officers do not consider it value for money for the Council to build in the short term.
- 3.11 To increase the affordable housing in the Borough Officers have considered a number of other options which the Council could implement which may be more cost effective.
- 3.12 The other options to increase affordable housing in the Borough include:
- 1) The Council purchases existing homes from the open market and adds them to its stock
 - 2) The Council sells or gifts land to an RSL to build housing association properties
 - 3) The Council enters into leasing arrangements with housing providers
 - 4) The Council introduces a cash incentive scheme/ Home Ownership Grants for council tenants
 - 5) The Council introduces a shared equity scheme
 - 6) The Council introduces its own Mortgage Rescue Scheme
- 3.13 In addition to the Council introducing its own Mortgage Rescue Scheme the Council has the opportunity of becoming a syndicated partner for the Governments Mortgage Rescue Scheme (MRS), which has had 27 successful cases since its inception in 2009.
- 3.14 This scheme will enable the Council to attract grant to cover a proportion of the cost of completing each Mortgage Rescue, through the Homes & Communities Agency, however referrals to this scheme will need to be received by the HCA before April 2014 to access the grant available.
- 3.15 The current level of grant is 47% of the purchase price under the Government Mortgage Rescue Scheme. There is a requirement that the property must be brought up to the decent homes standard capped at a max of £20,000. The Council will also receive a grant of 47% towards the cost of works to bring a property up to the decent homes standard.
- 3.16 WM Housing as the Syndicated Agent for the scheme will undertake all the administration, valuation, Homebuyers report and negotiating with

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lenders and their costs will be covered by the Homes & Communities Agency.

- 3.17 The Council will be required to undertake a survey of the property to provide details of the works and costs to bring the property up to the decent homes standards. This will need to include electrical and gas inspection and any issues relating to asbestos. This work will be at the Council's cost, but can be recovered through the decent homes work identified through the identified budget.
- 3.18 Officers will ensure the provision of support and training in appropriate fields, such as, financial management and budgeting skills for those applicants that are helped by the scheme to ensure that they are able to meet their financial responsibilities as a tenant of the authority.
- 3.19 Further details of the scheme and the associated benefits are record in the report at appendix 1 page 19 to 21.

Customer / Equalities and Diversity Implications

- 3.20 The need for affordable housing in the Borough is greater than the supply. Increasing affordable housing in the Borough will assist in meeting the need for housing of those who are unable to access housing in the open market.

4. RISK MANAGEMENT

There are a number of risks facing the HRA over the 30 year period of the Business Plan. These include Welfare reform which has the potential for increasing rent arrears, interest rates if debt is to be replaced rather than repaid, the robustness of the data re stock/assets and future rent policy.

5. APPENDICES

Appendix 1 – 'Delivering New Affordable Housing' Report.
Appendix 2 – Possible affordable housing sites - CONFIDENTIAL

6. BACKGROUND PAPERS

Executive Committee Minutes 21February 2012
Council Minutes 5 March 2012

AUTHOR OF REPORT

Name: Matthew Bough - Strategic Housing and Enabling Team Leader
E Mail: matthew.bough@bromsgroveandredditch.gov.uk
Tel: 01527 548465