

# **DRAFT DELIVERING NEW AFFORDABLE HOUSING REPORT**



AFFORDABLE HOUSING PANEL  
REDDITCH BOROUGH COUNCIL  
24 September 2013

## Introduction

Currently, a number of stock-owning local authorities are exploring the potential to build council housing in their area, and in reaching any conclusion about whether this is the preferred approach to increasing housing stock, there are several key areas to be worked through.

The provision of affordable housing meets the Council's Strategic Purposes of 'Help me find somewhere to live in my locality' and 'Help me live my life independently'.

The Council's Housing Strategy vision of 'the right home, at the right time, in the right place sets out how the Council aspires to providing affordable, quality homes in places where people are proud to live.

The three main areas for the Council to consider are:

- **Finance** – as the main source of funding for building new council homes, what is the current and future likely financial position of the Housing Revenue Account (HRA), and what risks and opportunities are there in using the HRA to fund further council housing development in the short to medium term?
- **Community need and emerging lessons from the transformation agenda** – what is the need in Redditch, and is building new council homes the best way to respond to this need?
- **The value for money of building council homes, and other options to increase stock** – what would building new homes cost, and what other options does the Council have to increase stock, besides building new homes itself?

This report sets out the historical context to recent housing delivery in Redditch, and outlines the key areas the council needs to work through prior to embarking upon any further programme of council house building in the Borough.

There are also various ways in which the Council might increase the amount of stock available in the area, apart from building homes itself. The report therefore outlines these alternative housing delivery options too, as a combination of initiatives may represent the best way forwards in Redditch, rather than focussing on a 'one size fits all' approach.

Finally, the report draws some initial recommendations, by pulling together the key financial, community need/transformation and alternative options themes.

## Redditch – historical housing context

Historically, Registered Social Landlords (RSLs) have been the principle provider of new affordable homes in the Borough, with approx. 1700 RSL dwellings in the Borough. These properties have been delivered through a

mixture of s.106 developments, RSL's funding their own developments and purchasing properties from the open market. Redditch Borough Council is the largest provider of affordable housing retaining its stock with 6,000 properties.

The Council has long established links with RSLs within the Borough to promote much needed Affordable Housing and has preferred partner arrangements with Accord/RCH, Rooftop, Festival, Sanctuary and West Mercia/bdht. The Council has supported development through capital funding and a supply of land at either nil cost or substantially discounted values in exchange for nomination rights at 100% of the initial letting and 75% thereafter.

The current population of Redditch Borough is more than 84,200 (2011 Census) and this is projected to rise to more than 88,000 by 2030. The population of Redditch has increased from 78,813 (2001 Census). There are just over 35,100 dwellings in the Borough.

To meet the housing needs of the Borough the Council's Local Plan No.4 provides for the provision of 6,400 dwellings. It is proposed that 3,000 dwellings can be accommodated in the Borough and 3,400 to be provided in sites adjacent to the boundary within Bromsgrove District.

The table 1 below shows the number of new affordable homes developed through RSLs over the last 6 years averaging 57 units per year. The net affordable housing need for the Borough is over 200 units per year.

The table 2 provides information on the number of units expected to be delivered over the next few years that officers have worked with Registered Providers and Developers to provide.

**Table 1 - New Build Affordable Dwellings 2007 -2013**

<b>Year</b>	<b>Number</b>
2007-2008	78
2008-2009	10
2009-2010	111
2010-2011	100
2011-2012	23
2012-2013	18
<b>TOTAL</b>	<b>340</b>

**Table 2 - New Build Affordable Housing Pipeline**

<b>Site</b>	<b>Number</b>
Marfield School	79
Church Hill Centre	51
Pointers Way, Brockhill	42
Claybrook School	36

Dorothy Terry House	42
Dingleside	64
Greenfields	2
Hewell Road	12
Ipsley 2	15
Ipsley 3	18
<b>TOTAL</b>	<b>361</b>

Information from the census shows that Redditch compared to Worcestershire has a higher proportion of overcrowding. It also shows that owner occupation had declined and the private rented sector doubling over a ten year period.

#### Overcrowding and Under-Occupation by District, 2001 and 2011

District	2001			2011		
	Total Households	Overcrowding	Under-Occupation	Total Households	Overcrowding	Under-Occupation
Redditch	31,652	6.2%	75.0%	34,722	7.4%	73.6%
Worcestershire	223,049	4.1%	81.3%	239,717	4.8%	80.3%

Source: 2011 Census, ONS

#### Tenure by District, Census 2001 and 2011

Tenure	Census	Redditch	Worcestershire
Owner Occupier	2001	70.6%	75.5%
	2011	65.7%	70.8%
Shared Ownership	2001	0.3%	0.5%
	2011	0.4%	0.7%
Social Rent	2001	22.7%	15.2%
	2011	21.2%	14.8%
Private Rent	2001	6.5%	8.7%
	2011	12.8%	13.7%

Source: 2011 Census, ONS

### **Key issues for the Council to consider before embarking on a programme of building homes**

#### **1. Finance and the Housing Revenue Account (HRA)**

The current and likely future financial position of the HRA is critical to understanding the potential for the Council to build its own homes in Redditch. The analysis below shows there are various risks and unknowns associated with taking a decision to build council housing in the near future, and that the risks outweigh the benefits of building council properties at this moment in time.

The position regarding the HRA changed quite radically in April 2012 when the system of Housing Subsidy ceased. In March 2012 the Council took on £98.929 million of PWLB debt as part of the national reallocation of central government debt relating to housing. This together with the existing HRA prudential borrowing brings the total HRA debt to £122,157,521. The borrowing for the HRA is now capped at this amount.

### HRA Borrowing

Borrowing	%	No Years	Repayment
£15,000,000	3.01	15	28/03/2027
£25,000,000	3.30	20	28/03/2032
£5,000,000	4.71	21	03/05/2032
£40,000,000	3.44	25	28/03/2037
£18,929,000	3.50	30	28/03/2042
£3,228,521	various	< 1 year	
£15,000,000	3.50	Internal borrowing*	
<b>£122,157,521</b>			

\*the HRA pays the General Fund £525k in terms of interest of the £15 million borrowed internally.

In 2011/12, the last year of Housing Subsidy, the Council paid £6.8 million to the government in respect of negative subsidy. This sum is now retained within the HRA and used to service the HRA debt and fund the capital programme/depreciation. The annual interest payments on the borrowing are currently £4.1 million.

The Housing Subsidy regime included an element called the Major Repair Allowance (MRA) that was transferred to a reserve (MRR) and used to fund the capital programme. In 2012/13 this was replaced with the introduction of a requirement to provide for depreciation in the HRA. Councils have been granted a 5 year transition period (we are now in year 2) to develop a methodology for the basis of the depreciation calculation.

The Council has developed a viable 30 year Business Plan that provides for the repayment of debt over the lifetime of the Plan. Obviously with any long term Business Plan this is based on numerous assumptions and there are risks associated with deviations from these assumptions. The main risks are:

- No strategy for the repayment/profiling of debt
- Interest rates
- Welfare reform/Universal Credit
- RPI forecasts
- The robustness of data re the stock/asset base
- Increase in RTB sales
- Rent policy

The Council currently has a HRA capital reserve of £9.4 million that has been built up over several years. This reserve can be used to support either capital or revenue expenditure in respect of the HRA, including the repayment of

debt. It is recommended that part of this reserve is set aside to address any unforeseen pressures on the HRA as the Council no longer has the option to undertake prudential borrowing to fund the housing capital programme.

## **2. Community need and emerging lessons from the transformation agenda**

The information below and the work currently being undertaken by Housing Services shows that many of the housing enquiries can be resolved without moving customers to new homes. As the transformation agenda continues to gather pace, our understanding of housing need in Redditch will inevitably change as a result. It is therefore very important for the Council to continue to focus on dealing with housing demand in context, rather than concentrating financial resources on building new properties, as these resources may need to be prioritised in the short to medium term to support and develop locality working.

### Locality

We are learning through the locality trial that the environment that people live in also impacts on their lives and cannot be separated when Officers are working with customers to help resolve issues to enable them to live a good life.

We learnt that whilst working with the tenants in Winslow Close although we could help resolve some of the issues being raised around the housing management side, residents were also raising that the environment needed improving. Staff decided to look at Winslow Close as a whole and invited Capital Officers, Landscaping and Refuse to meet with residents. It is from this meeting that Officers decided to approach the improvements in a different way. Housing Capital set aside money from several budgets to carry out all the works, at the same time Refuse Services agreed to trial a different way for residents to dispose of their rubbish. Landscaping are also trialling a different way of cutting the grass and hedges. Officers have also drawn up plans to segregate blocks to prevent people from using the area as a walk through causing anti-social behaviour, this included a crime risk survey being carried out in the area.

This is the approach we would like to take to all areas of Redditch, however, the current capital budget agreed as part of the 30 Capital Programme does not include finances to cover this type of work to this extent.

Although the Locality Team in Batchley has only just been set up we have already identified areas through anti-social behaviour records and tenancy management records within Batchley where new projects have been created and work has commenced.

In particular Cedar View where we have experienced ASB which involved heavy involvement from the Police and officers of the Council, the problems

resulted in the properties not being let for a considerable time. Our different approach has enabled us to use data about people and the environment and work with residents to improve the area.

Four of the flats were completely refurbished, fencing and gates were installed around the block of flats. CCTV cameras will be installed, the flats have been let to people who want to be involved in the running of the flats and the up keep of the area. Officers are currently in discussions with Environmental Services to improve the landscaping area.

A further project relates to the communal areas in the 3 storey flats in Cardy and Lock Close. Based on levels of crime and anti-social behaviour a report was put together which highlighted the need for improvements to be made to the security of the flats. A specification has been compiled and costed and will be tendered for over the next few months.

### **Green/Eco Deal**

As part of the Councils sign up to work with Carillon on the ECO/Green deal, Housing Capital Officers are working with the organisation to provide data on the Councils housing stock to produce contracts to improve the efficiency of the Council's housing stock. This work will require funding as the level of work was not originally in the Capital Programme for external insulation working. There is an opportunity under this scheme to look at the properties in Hewell Road and Salters Lane, this would not only make them more energy efficient but improve the area which has recently been increased with a new development with private sector housing. It is planned that the Batchley Locality team will be working with the community in this area to understand their needs.

### Mutual Exchange Data

There are currently 689 households from Redditch registered on the national mutual exchange system Homeswapper. Of these 148 households physically logged on the system to look for a mutual exchange this week (16-22/09/13).

The number of under occupied households registered on the list is 107 and by comparison the number of overcrowded households is 100.

Under occupied households needing 1 room less = 14,  
Under occupied households needing 2 rooms less = 71.

Overcrowded and in need of 1 extra room = 29 households  
Overcrowded and in need of 2 extra rooms = 36 households

Total swaps in the last 12 months this year = 121 compared to just 19 last year.

### ELF Data

## Desktop Analysis of ELF Applicants

Data collected as part of the 2011 Census has been used to provide an indication of the number of households living within each housing tenure in Redditch (summarised in Table 1). That information has then been compared to data about what tenures households applying to the ELF scheme lived within (summarised in Table 2). Only 3 households that applied to the ELF stated that they owned their own property (despite there being approximately 22,796 households living within that tenure in the area). In contrast although approximately 5,703 households live in Council Housing (25% of the number in Owner Occupation) 144 households applied for assistance that were living in Council Housing (50% of all ELF Households that applied).

**Table 1- Number of Households in Each Tenure within Redditch Borough**

Tenure	Owner Occupiers	Council Tenants	Other Social Tenants	Private Rented	Other
Number of Households in Tenure	22796	5703	1648	4059	516

(ONS,2011)

**Table 2 - Number of Households that applied for the ELF within each Tenure (between 1 April 2013 to 31 July 2013)**

Tenure	Owner Occupiers	Council Tenants	Other Social Tenants	Private Rented	Other
Number of Households that Applied	3	144	24	76	41
% of Households that Applied from Tenure	1	50	8	27	14

**Table 3 - Comparison between Social Fund and ELF**

	DWP Social Fund (01/04/11 to 31/07/11)	ELF (01/04/13 to 31/07/13)
<b>No. of Applications Received</b>	920	422
<b>No. of Applications Approved</b>	633	332
<b>% of Applications Approved</b>	69	79
<b>Total Expenditure in £</b>	81,000	18,267

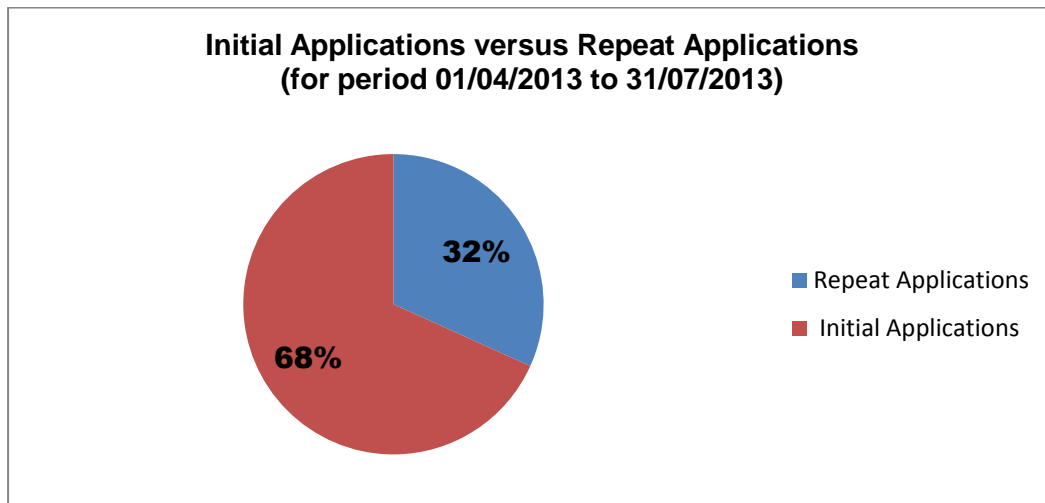
(DWP, 2012)

The DWP Social Fund data used to populate Table 3 includes applications and expenditure relating to Crisis Loan Items, Crisis Loan Living Expenses, and Community Care Grants. It does not include applications or expenditure in respect of Budgeting Loans or Crisis Loan Alignments (as they are not part



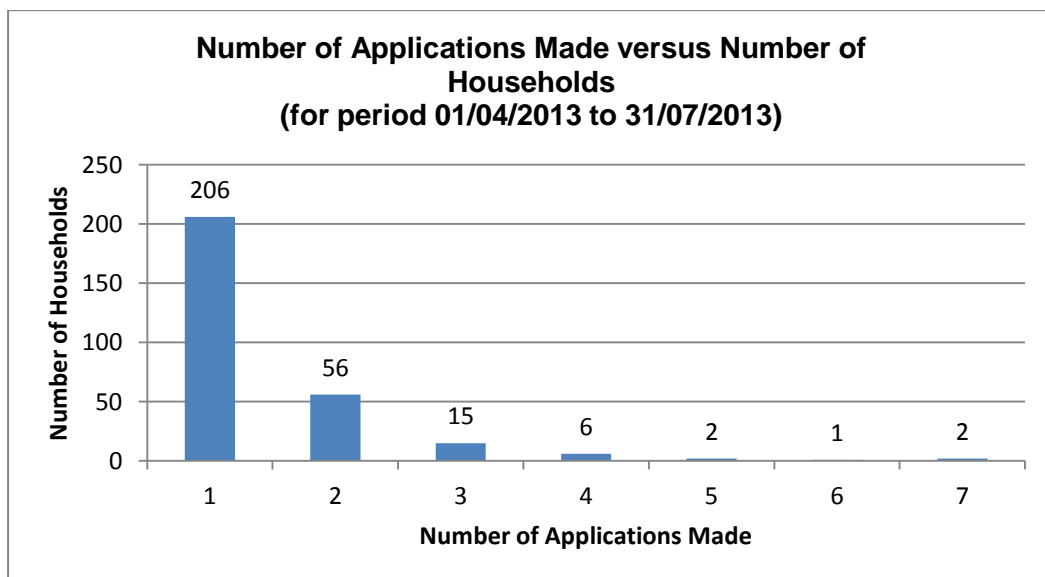
of Local Welfare Assistance or in this case the ELF). Unfortunately it was not possible to compare the ELF expenditure to Social Fund expenditure for 01/04/12 to 31/07/12 as the DWP advised they were unable to provide the localised information (Jacobsen, 2013). It appears from the information contained in Table 3 that Local Welfare Assistance expenditure on awards in 2013 was less than a quarter of the amount spent on the Social Fund in 2011. In addition the number of applications under ELF is less than half the amount seen under the Social Fund in 2011. The percentage of successful applications rose from 69% under Social Fund to 79% under ELF.

**Figure 1**

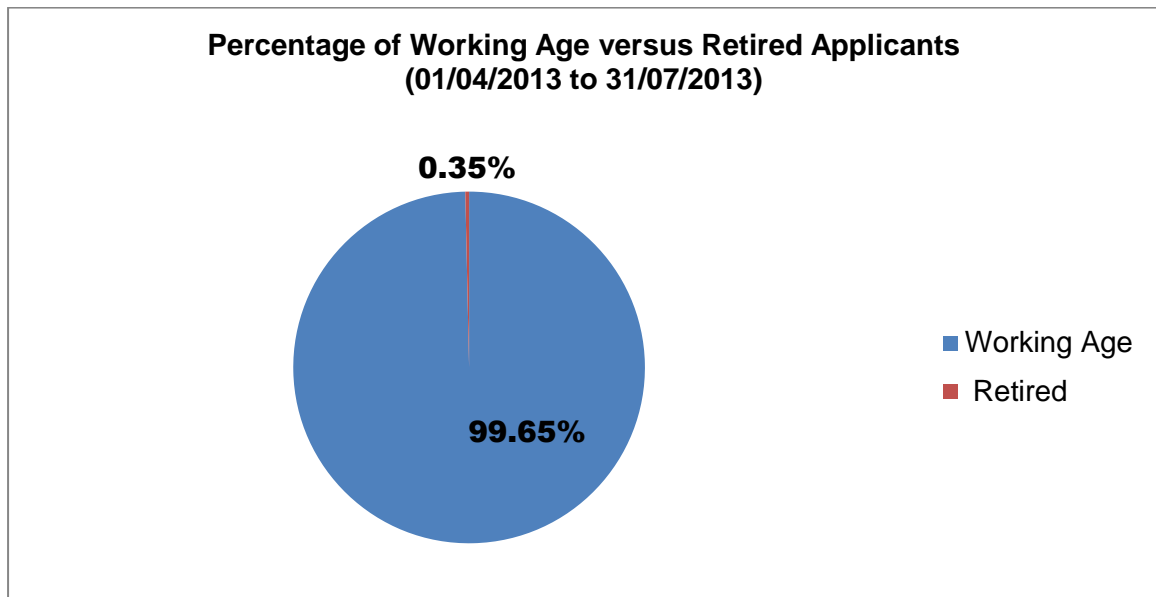


In the snapshot period 288 households made a total of 422 applications to ELF. According to these figures 32% of all applications were the result of households returning for further assistance following their first visit (Fig 1). Further analysis shows that although 49% of applicants visit just once, some households have returned numerous times within the snapshot period (Fig 2).

**Figure 2**

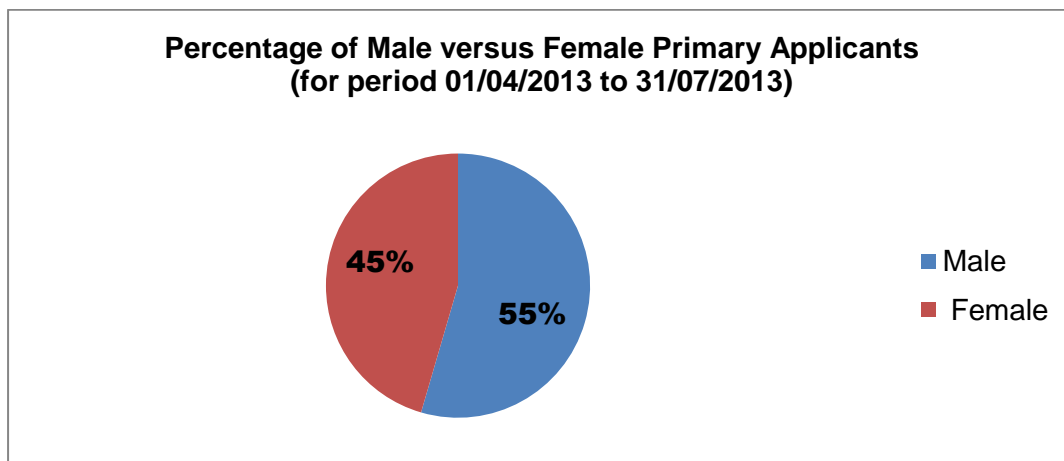


**Figure 3**



According to 2011 Census information there are approximately 6,110 households that contain only adults aged over 65 years of age (of retirement age) out of 34,722 households in Redditch. Given the proportion of older households in the population, one would expect at least 17% of primary applicants to the ELF to be from the retired age group (ONS, 2011). In fact, as summarised in Figure 3, retired people account for less than 0.5% of primary applicants, with over 99.5% originating from the working age category. Despite there being slightly more females in Redditch than males, 55% of the primary applicants to the ELF were male, and 45% were female (ONS, 2011) (please refer to Figure 4).

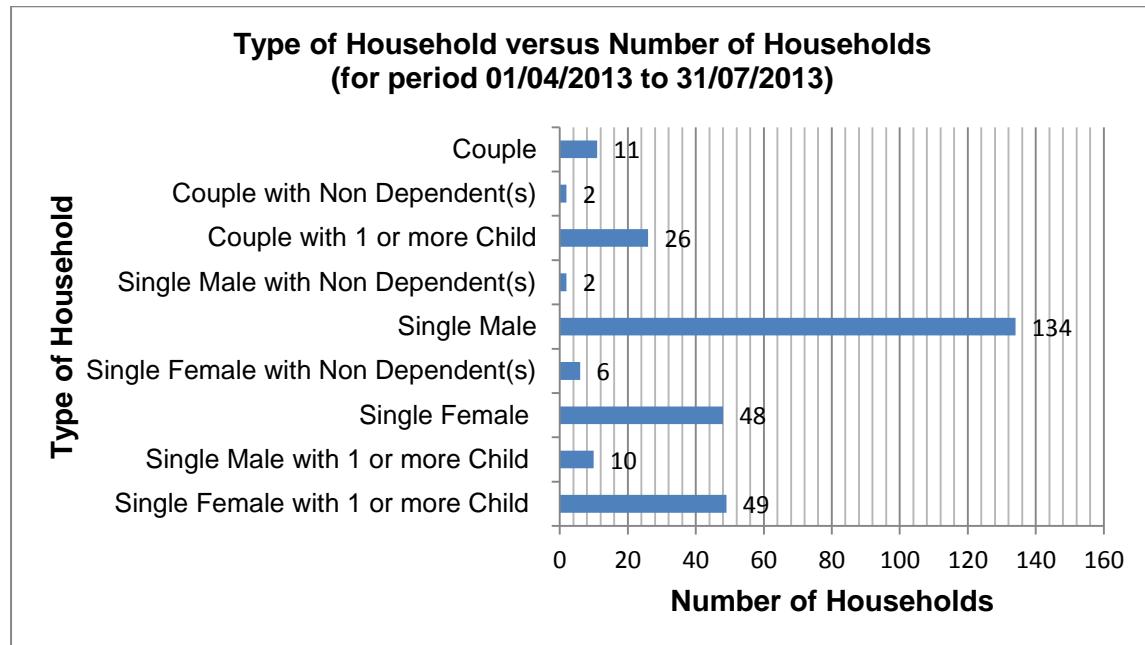
**Figure 4**



A breakdown of the type of household from which each primary applicant derived is contained in figure 5. From the 288 households, single males accounted for 47%, compared to just 17% who were single female. Single Parents with at least one child also accounted for 20% of the households requesting help, yet based on the 2011 Census figures, they represent only

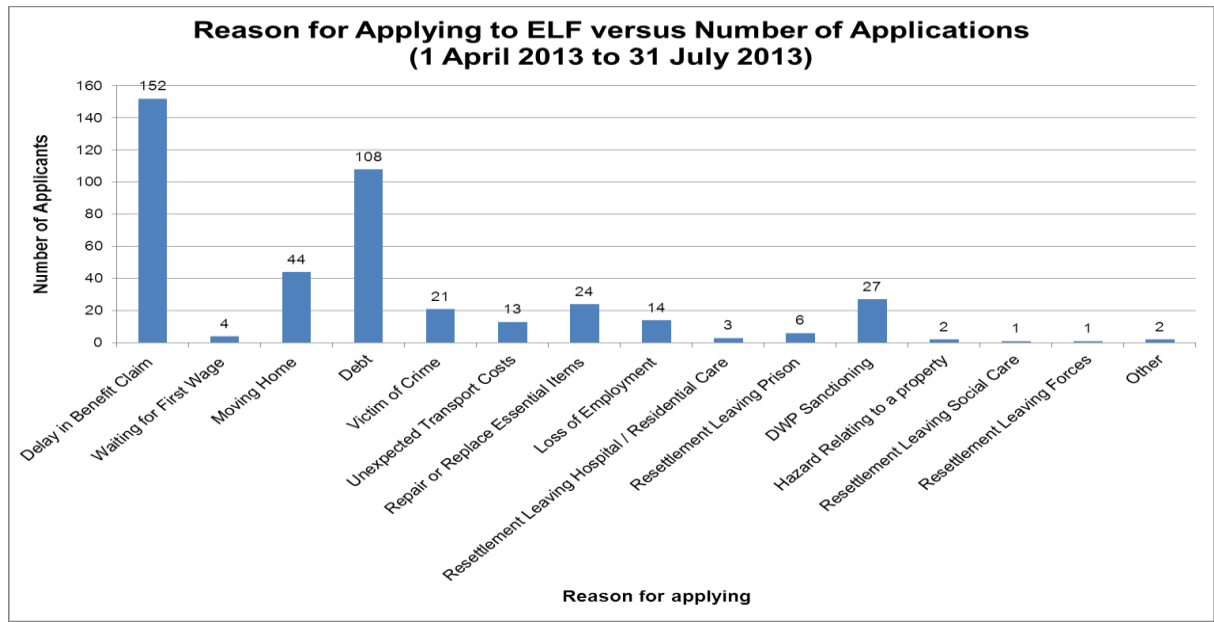
11% of the total households living in Redditch (ONS, 2011). As the number of applications made by both single males, and single parents, are disproportionate to population data, further investigation is required to find out why they appear to be more susceptible to a crisis resulting in an ELF application than other groups (ONS, 2011).

**Figure 5**



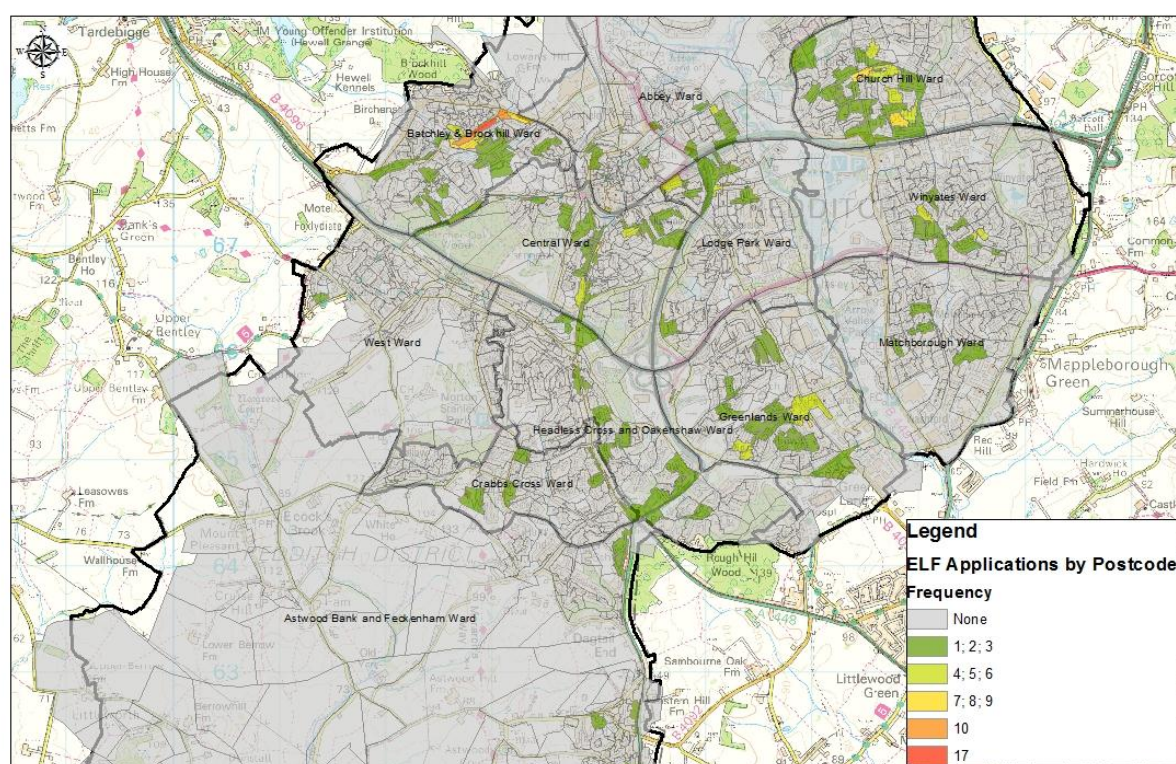
The top reason given for applying to the ELF was ‘delay in a benefit claim’ which represented 36% of applications. The next largest recurrent reason was ‘debt’ which accounted for 26%. The third most frequent explanation was ‘moving home’ which generated 10%. ‘Repairing or replacing essential items’ and ‘DWP sanctioning’ both represented 6% respectively, whilst the remaining categories collectively accounted for 16%. Fig 6 provides more detail about the reasons given for applying to the ELF, and the equivalent numbers of applications received. These figures show, 42% of customer demands for ELF, were because of delays in other types of benefits or DWP sanctioning.

**Figure 6**



Post-codes of applicants, minus those that were no fixed abode at the time of their application have been placed onto a map of Redditch (displayed as Figure 7); the map was colour coded to signify the frequency of ELF applications in each area, although most are grey (showing that there were no applications), the largest number of ELF claimants lived in the Batchley and Brockhill ward. A comparison been undertaken on two key areas, Batchley and Brockhill ward, and Winyates ward, through a specialist tool called ACORN. The findings have confirmed that the areas are demographically similar, and that typically ELF applicants living in the Winyates ward re-approached less than claimants from Batchley and Brockhill. Unfortunately due to the small number of applicants involved it was not possible to prove this conclusively (Thomas, 2013; Clark, 2013).

Figure 7



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0 0.3 0.6 0.9 1.2 Kilometers

ELF Applications by Postcode 1st April to 31st July 2013

Produced by Emma Clark on behalf of the R&I Unit, September 2013



### Housing Options Demand Data

Table 1 – Top Presenting Demands Currently

Presenting Demand	Frequency	% Demand
I need to be re-housed as I need support	3	5%
I am homeless/ threatened with homelessness	12	19%
I have a problem within my community	12	19%
I need to be re-housed as my property is unsuitable	13	21%
I need to be re-housed as my property is too large	2	3%
I need to be re-housed as my property is unaffordable	6	10%
I need to be re-housed due to dis-repair	4	6%
I need to be re-housed due to overcrowding	3	5%
I need advice	2	3%
I need independent accommodation	5	8%

## Demand in Context

The top demands in context are currently:

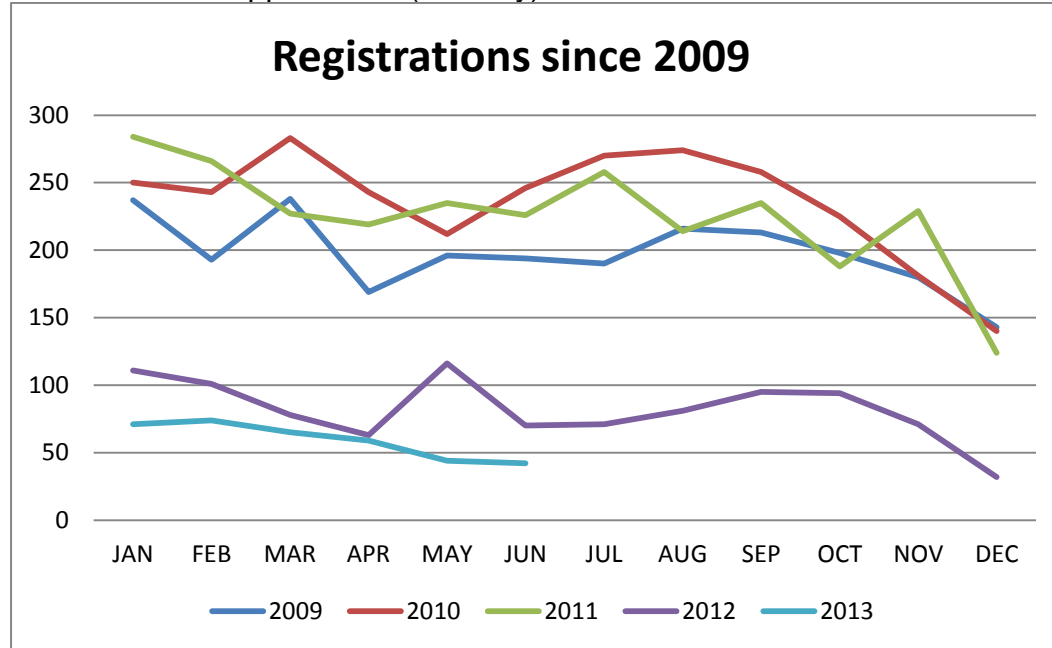
- 44% needed help with claiming what they were entitled to
- 35% needed to amend their claim for HB
- 29% needed support to live independently
- 27% needed more space in their existing property
- 26% needed help to find somewhere to live
- 24% needed help with relationships with their family
- 24% needed help to access employment, education or voluntary work
- 24% need help finding more 'accessible' accommodation
- 23% needed help with managing their finances
- 19 % had issues with antisocial behaviour in their area
- 19% needed help finding cheaper accommodation
- 18% needed help with disrepair in their current property

The results suggest that a lot of customers want to move because they have a problem within their community or their existing property is unsuitable. It might be possible therefore to avoid some of that demand if the Council could ensure that housing in the area was more 'suitable' or problems within the community were resolved.

## Number on the Waiting List

Households on the waiting list: 2643 on register (of which 1423 are in reasonable preference).

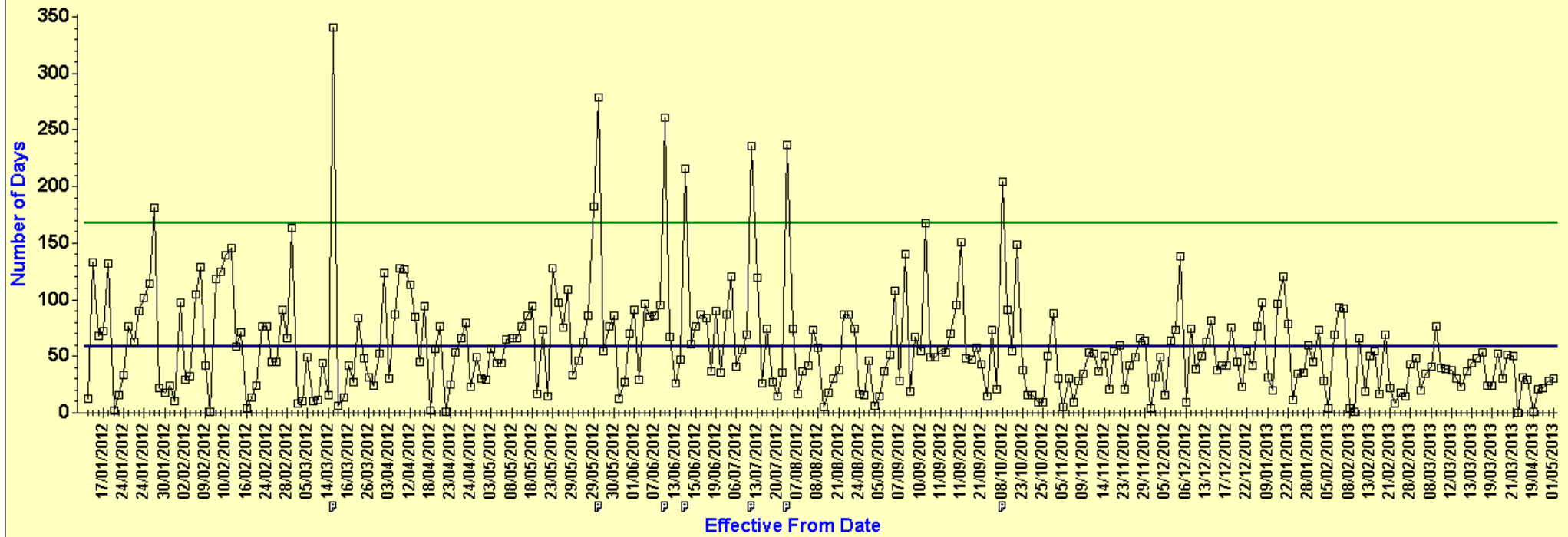
Table1 –No. of applications (monthly)



## Homelessness Approaches

Year	Homelessness Acceptances	Homelessness Preventions
2008/09	78	240
2009/10	15	293
2010/11	27	217
2011/12	43	189
2012/13	71	216
<b>TOTAL</b>	<b>234</b>	<b>1155</b>

**End to End Time, Priority Housing - RBC - Jan 12 to May 13**



Start 03/01/2012  
 U.C.L. =167.3  
 Mean =59.0  
 L.C.L. =n/a



## The likely cost of building council housing and other options to increase stock

### 1. Council House Building

If the Council considered pursuing the option to deliver new council housing it is likely that a Development Agency Service would be required. The development agent would be responsible for the provision of all development and project management services and the provision of all professional building services, including, but not exclusively, architectural, employer's agency, quantity surveying, cost consulting, planning supervision, engineering and surveying, and procure contractors to construct the properties. In order to assist in the possibility of achieving future grant provision for the Council from the Homes & Communities Agency (HCA) the Development Agent should also seek development partner status for the Council from the HCA

For estimated delivery costs officers have discussed expected development costs with RSL partners. Without completing a full development appraisal costs can only be estimated. Using cost information obtained on a previous developments currently being completed it is expected that costs would be in the region of £2,000m<sup>2</sup> or below.

The Council would look to provide dwellings to meet the identified need with minimum space standards as below, meet lifetime homes standards and provide dwellings that meet code level 5 or 6 of the code of sustainable homes. Achieving this level has an impact of the delivery costs but officers consider it important to provide properties that are sustainable in the long term.

Property Type	Unit Area (m <sup>2</sup> )	Build cost ( £2,000 x m <sup>2</sup> )
2 bedroom, 4 person house	70 - 75m <sup>2</sup>	£140,000 - £150,000
3 bedroom, 5 person house	82 - 85m <sup>2</sup>	£164,000 - £170,000
4 bedroom, 7 person house	108 - 115m <sup>2</sup>	£216,000 - £230,000
1 bedroom, 2 person bungalow	45 - 50m <sup>2</sup>	£94,500 - £105,000 (£2,100 x m <sup>2</sup> )
2 bedroom, 4 person bungalow	70 - 75m <sup>2</sup>	£147,000 - £157,500 (£2,100 x m <sup>2</sup> )
1 bedroom, 2 person flat	45 - 50m <sup>2</sup>	£90,000 - £100,000
2 bedroom, 4 person flat	70 - 75m <sup>2</sup>	£140,000 - £150,000

Having considered the land identified in the table on appendix 2 and possible provision the estimated build cost is £11m. This equates to £132,895 per property delivered.

Given the issues raised regarding the HRA finances and the associated risks and with work required to create a long term plan officers consider that currently the risks outweigh the benefits of the Council building new properties in the short term.

There are a number of options that can be taken up by the Council to increase the amount of stock available in Redditch, without impacting in a significant way on the HRA.

1. The Council purchases existing homes and adds them to its stock

In recent months the Council has seen an increase in approaches from owner occupiers who have purchased through the RTB and are now wishing to sell their property. As part of the RTB legislation they must approach the Council to see if they are interested in buying the property back if they decide to sell within 10 years of their purchase.

In the past 12 months 8 householders have approached the Council asking if the Council wishes to purchase their property. Working with Property Services, Legal Services and Housing Capital the Council has agreed the re-purchase of 3 properties at the cost of £312,000 (£104k average) in total, the further 5 properties are currently being inspected and valuations carried out. Members had agreed a budget to buy back properties, with the HRA financing changes the Council is now in a position to increase this budget.

The report on each of the properties show that these are all good assets and will increase the housing stock with minimum costs to the Council to bring them up to the Councils housing stock standard.

Currently the purchasing of existing suitable properties provides better value for money than the Council building new properties.

2. The Council sells or gifts land to an RSL to build housing association properties

Previously the Council has utilised its land assets by disposing of these at either discounted or nil value to RSL's to deliver new affordable housing. The Council in return receives nominations rights to the properties for applicants off the Council's waiting list.

This requires the Council to lose the assets at below market value and reduce the capital income to the Council. The Council is currently working with Redditch Co-op Homes to deliver an affordable housing scheme on Hewell Road Swimming Baths site.

The National Affordable Homes Programme 2015/18 has recently been announced by the Homes & Community Agency for the delivery of affordable homes from 2015. Registered Providers are required to submit

development programme bids by April 2014. Funding decisions will be made by July 2014 to enable work on site from April 2015.

Officers will be working with our partners to ensure the maximum Affordable Homes Programme funding can be achieved for the Borough.

### 3. The Council enters into leasing arrangements with housing providers

Working with the Private Sector the Council could enter into leasing arrangements with Landlords to enable the Council to manage and house people into private rented accommodation. This will require the Council to enter in leasing arrangements typically 5 years on a property, which guarantees the landlords income over that period.

Even though the private rented sector has increased, it is still lower than the Worcestershire average. Housing Options also utilise the private rented sector for the prevention of homelessness and this option could cause issues as landlords may rather go through leasing arrangements therefore reducing the number of stock available for homeless prevention and not increase affordable housing levels.

### 4. The Council introduces a cash incentive scheme/ Home Ownership Grants for council tenants

The Council has previously undertaken a cash incentive scheme. This requires that the Council offers Council Tenants an amount of funding to purchase a property on the open market and return their Council house back for re-letting. This will require a capital investment to provide any increase in the affordable housing. This will enable the Council to assist people into home ownership and assist people on the waiting list. In the current housing market there is limited availability of mortgages over 75% of the value of the house. Should the Council look at this option with a ceiling purchase limit of £150,000, would require a grant of a maximum of £37,500 to provide up to 25% of the purchase price.

To assist 10 tenants into home ownership would require £375,000 capital investment.

### 5. The Council introduces a shared equity scheme

Similar to the above scheme the Council could assist any customers who are eligible to purchase a property on the open market through a shared equity scheme. The Council could provide an assistance of up to 25% of a maximum purchase price. Through land registry the Council would hold a charge against the property for the percentage amount given and require this to be paid back on sale/transfer of the property at the same percentage value of the open market sale price obtained in the future.

For example if the Council provided assistance at 25% of a property purchased for £100,000 the assistance would be £25,000. Should this

property be sold later on for £120,000 the Council's would expect £30,000 to be paid back.

6. The Council becomes a syndicated partner for the Government Mortgage Rescue Scheme (MRS) and Introduces its own Mortgage Rescue Scheme

With the increase of customers approaching Housing Options with housing being repossessed due to their mortgage not being paid, Officers would like Members to urgently consider the Council becoming a syndicated partner for the Government Mortgage Rescue Scheme.

MRS is a key element to prevent repossessions and avoid homelessness. It is an option available to eligible households in financial difficulties when all other alternative avenues to avoid repossession have been explored. It is about enabling people to stay in their homes.

From November 2009 there has been 25 successful mortgage rescue cases completed in the Borough. The scheme helps homeowners facing repossession and homelessness to sell their home to a housing provider, who, in turn, rents the same property back to them. In recent weeks the syndication agent for our area WM Housing Group has advised the Council that three households facing homelessness in Redditch have been turned down for rescue on the basis that they did not fit in within their portfolio. The three properties are former Right to Buy properties.

WM Housing Group has already reached the threshold of their own financial limits and is no longer considering purchasing properties directly. WM Housing advised that with this in mind they had tried to find a registered provider working in Redditch that might agree to acquire the additional properties but they had not managed to find one.

It has been confirmed by the Homes & Communities Agency that the Council can become a syndicated partner and benefit from grant funding in undertaking MRS cases.

### **Principles of the Mortgage Rescue Scheme (MRS)**

- The scheme is only available to families and people who are vulnerable, at risk, or elderly (or those households local authorities would have a duty to house under homelessness legislation)
- Access to Mortgage Rescue is via local authorities who undertake the initial assessment of eligibility of households for the scheme prior to referring them to participating housing providers.
- A case is considered as a 'referral' when an application has been made to the LA, assessed as eligible by the LA, has been formally referred to the provider and the provider has accepted the referral.
- Once a provider has received a case as a referral, they are able to refuse a referral if the LA has not supplied the necessary information for the provider to process the case.

- Following referral and initial assessment by the Provider, the final decision on whether or not a case proceeds rests with the Provider.
- There are two options: Shared Equity or Government Mortgage to Rent (GMtR), although the former has been used less frequently as households accessing the Mortgage Rescue Scheme do so once all other options are exhausted.
- 47% grant is provided to purchase the properties under the GMtR option; and 73% grant towards the cost of the equity Loan for the equity share option.
- There is an also grant towards the cost of repairs for GMtR properties to bring them up to Decent Homes Standards. The grant rate is 47% of the total cost of repairs, up to a maximum of £20,000 i.e. maximum grant paid would be 47% of £20,000.
- Grant rates are subject to review and participating Providers will be informed of any changes in the grant rate in due course.
- The Provider also receives a 10% “haircut” on GMtR properties and 3% on Shared Equity which is the applicant’s commitment to the scheme (in lieu of equity) net of the vendor’s solicitor’s fee.
- From May 09, the Scheme has been available to applicants who have up to 120% negative equity (and on a case by case basis more depending on what can be negotiated with lenders).
- There is an administration fee of £4,500 payable for completed cases to the RP undertaking the process and administration work prior to offer (usually the MRS Agent leading a Syndicate).

### **Benefits of MRS for the Council**

- The Council purchase GMtR properties using its own resources or borrowing to cover 53% of 90% (100% minus the “haircut” of 10%) of the prevailing market value, established by a Home Buyers Survey undertaken by a Royal Institute of Chartered Surveyors (RICS) accredited surveyor.
- The property is brought up to Decent Homes Standard (DHS) as part of the process – this requires an investment by the owning RP of 53% of the actual repair costs (these are variable depending on the condition of the property at the point of GMtR, examples of completed cases can be found in the Orbit Group Financial Appraisal Model).
- Rent is set on an Affordable Rent basis – i.e. up to a maximum of 80% of the prevailing local market rent – using an Assured Shorthold Tenancy
- There is a tenant in situ and it is likely that some households will need additional support, such as on-going access to money advice, to sustain their tenancy.
- The tenant is guaranteed an initial 3 years in the property on the AST (however if the RP would prefer to issue an Assured Tenancy at this stage this is acceptable) but is able to stay in the property in perpetuity as long as they continue to pay their rent (usual rules apply regarding the management of rent arrears). At the end of the 3 years, the RP can decide whether to maintain the Assured

Shorthold Tenancy or switch to an Assured Tenancy, on which they would be able to continue to charge an affordable rent.

- If at some point in the future the household decides to move out of the property, the RP is able to sell the property on the open market if this fits their property portfolio management strategy, retaining the grant as RCGF for investment in other business activities (within the rules of the grant regime and the prevailing RCGF framework).

Under the terms of the current Mortgage Rescue Scheme syndicated partners can claim up to 47% grant towards the cost of purchasing properties at risk of repossession if the households occupying them meet the schemes criteria and the value of the property is not too high. The Council is eligible to be the syndicated partner and purchase the property back by working with WM Housing Group.

Unfortunately the Government Mortgage Rescue Scheme is due to finish on 31 March 2014. Beyond this date there will no longer be any Government grant available to support Mortgage Rescue. If no alternative option is found the Council is likely to be burdened with housing an additional 7 Homeless Households per year based on previous year's figures.

In order to become a syndicated partner and fund the MRS, officers propose that up to £400,000 of HRA reserves be approved for cases agreed for the scheme in 2013/14.

Officers will also bring a report to members on the possibility of providing a Mortgage Rescue Scheme for 2014 onwards.

### **Conclusions**

1. That the Council notes whilst the current financial position around the HRA is a positive one, there are various risks and unknowns in the business plan which suggest now is not the right time to use the reserves to fund the building of Council housing. In the medium term, the Council may wish to review this position.
2. That the Council notes there are various other options available to increase housing stock in the short to medium term, which make use of the finances available through the HRA without having a significant impact upon it. Officers will examine these options in more detail and report further on them to enable the Council to determine which options it wishes to prioritise or develop locally.
3. The Council becomes a syndicated partner for the Government Mortgage Rescue Scheme, to enable it to prevent eligible households becoming homeless as a result of repossession, and reviews it's role in preventing repossessions in Redditch when the Mortgage Rescue Scheme ends in April 2014.