

EXECUTIVE COMMITTEE

17th January 2017

COUNCIL HOUSING GROWTH PROGRAMME

Relevant Portfolio Holder	Councillor Mark Shurmer
Portfolio Holder Consulted	Yes
Relevant Head of Service	Liz Tompkin / Judith Willis
Wards Affected	All
Ward Councillor Consulted	No

1. SUMMARY OF PROPOSALS

- 1.1 The Executive Committee resolved on the 12 January 2016 that officers bring back to the Executive Committee a report setting out the available options in light of the implications on the Housing Revenue Account (HRA), such options to include, amongst others, further details in relation to the Council's previously successful Mortgage Rescue and Buy Back Schemes.
- 1.2 This report identifies a number of options for the Council to take in increasing the housing stock of the Council and to mitigate against the impacts of changes to the HRA and meet affordable housing need in the Borough.
- 1.3 Currently the Council increases its stock through the 'buy back' scheme and the Mortgage Rescue scheme. These schemes only deliver a limited numbers of properties to the HRA.
- 1.4 The Council currently has significant resources in its HRA capital reserve and these resources provide an opportunity for the Council to add to its housing stock generating rental income, increase the Council Tax base and new homes bonus.
- 1.5 The options to increase housing stock identified by Officers are set out in the report.
- 1.6 The Councils HRA business plan identifies an initial programme of 109 units required by the end of 2018/19 and then a programme of 13 units per year from 2019/20.
- 1.7 The Council has a small number of sites in Auxerre Avenue, Clifton Close, Loxley Close and Fladbury Close that have been declared surplus that could be used for new HRA stock but more land will be required to meet the identified programme and an evaluation of Council owned land will be required.

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- 1.8 This report seeks the approval from members to develop a Council Housing Growth programme through the delivery of commissioning new build housing and other measures outlined in Appendix 1.

2. RECOMMENDATIONS

The Committee is asked to RECOMMEND that

- 2.1 The capital budget agreed for 'Buy back' and Mortgage Rescue Scheme be named the Council Housing Growth Programme and increased to £12.5m for a 3 year period and used for the following options
- To purchase properties;
 - Commission the construction of new HRA stock
 - Purchase units from developers through S106 bidding;
 - Purchase properties "off plan" on developments
 - regenerate existing housing stock
 - purchase stock from other Registered Providers
 - buy backs and mortgage rescue schemes

Subject to the Council agreeing the recommendation at 2.1 above, the Committee is asked to RESOLVE that;

- 2.2 The strategic approach (Appendix 1) be approved and the Council undertakes a Council Housing Growth Programme implementing all the following options :
- Purchasing properties;
 - commissioning the construction of housing stock
 - purchasing units from developers through S106 bidding;
 - purchasing properties "off plan" on developments;
 - regenerating existing housing stock;
 - purchasing stock from other Registered Providers;
 - buy backs and mortgage rescue schemes
- 2.3 All financial and development appraisals proposed for the construction of new stock be taken through the Executive Committee for approval;
- 2.4 Authority be delegated to the Head of Housing, following consultation with the Portfolio Holder for Housing, to appoint the necessary delivery agents for commissioning the construction of new HRA stock from the Council Housing Growth Programme budget.

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- 2.5 Officers to explore the merits of developing a housing company/development body as part of our housing growth approach**

3. KEY ISSUES

Financial Implications

- 3.1** The HRA Business Plan has been reviewed and presented to members on the 12 January 16 and approved by Council on 25 January 2016. The Table below shows the funding approved by Council for the 'buy back' and mortgage rescue scheme.

£m	Capital Receipts	Capital reserve	Total
2016/17	0.316	0.736	1.052
2017/18	0.319	0.745	1.064
TOTAL	0.635	1.481	2.116

- 3.3** The table below shows the current maintained receipts and the date these must be used by or returned to central government to include interest payments. These receipts must be used to replace the sales with either new build, buy back of properties or purchase on the open market (new stock).

RTB retained receipt	Capital Reserve	Total	Date by	Cumulative Spend
£245,300	£572,367	£817,667	31/03/2017	
£137,202	£320,137	£457,339	30/06/2017	£1,275,006
£162,406	£378,948	£541,354	30/09/2017	£1,816,360
£23,022	£53,719	£76,741	31/03/2018	£1,893,101
£64,083	£149,526	£213,609	30/09/2018	£2,106,710
£267,418	£623,974	£891,392	31/12/2018	£2,998,102
£374,761	£874,442	£1,249,203	31/03/2019	£4,247,304
£390,270	£910,631	£1,300,901	30/06/2019	£5,548,205
£425,628	£993,132	£1,418,760	30/09/2019	£6,966,965

- 3.4** Officers have estimated the number of properties each year that are required to meet the revised HRA Business Plan. The costing in the

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table below relates the estimated cost of building new houses to meet this number.

£m	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25
New Stock Numbers	15	47	47	13	13	13	13	13	13
Funding (£m)									
Capital Reserve	1.2	3.7	3.8	1.0	1.1	1.1	1.1	1.1	1.2
Capital Receipts	0.5	1.6	1.6	0.5	0.5	0.5	0.5	0.5	0.5
Total	1.7	5.3	5.4	1.5	1.6	1.6	1.6	1.6	1.7

- 3.5 There are currently sufficient uncommitted HRA capital resources available without impacting upon other housing investment priorities to fund this programme and without the need for prudential borrowing at this time for a Council Housing Growth Programme.
- 3.6 Approval is therefore sought to create a 3 year Council Housing Growth Programme to include the 'Buy Back' and MRS scheme and £12.5m should be set aside from the HRA capital reserve and capital receipts.
- 3.7 Any money spent on obtaining stock for the HRA will be protected by the cost floor rule if a tenant submits a Right to Buy application for the property. This rule will be in force for a 15 year period from the date the Council obtains the property.

Legal Implications

- 3.7 The Housing Act 1985 Part II section 9 permits a local authority to build/acquire new housing.
- 3.8 Sites may be required to be appropriated under s.122 of the Local Government Act 1972 or s.232 of the Town and Country Planning Act 1990.
- 3.9 If the report is approved, there will be some additions to the delegations to the Head of Housing to implement the programme. Most of the functions involved are already covered in the existing

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scheme of delegation as part of managing the housing service and the exceptions are set out in the recommendations to the Committee.

Service / Operational Implications

- 3.9 The Councils HRA business plan identifies an initial programme of 109 units required by the end of 2018/19 and then a programme of 13 units per year from 2019/20.
- 3.10 Currently the Council only has the 'Buy Back' and Mortgage Rescue scheme to acquire new units of accommodation and this does not provide the numbers that have been identified.
- 3.11 In order to achieve the increase in stock officers have completed a strategic response (Appendix 1) and have identified a number of options that members may consider appropriate for the Council to undertake. These are as follows:
- Purchase properties
 - Commissioning the construction of new HRA stock
 - Purchase units from developers through s.106 bidding
 - Purchase properties 'off plan' on developments
 - Regeneration of existing stock
 - Purchase stock from other Registered Providers
 - Buy backs and Mortgage Rescue scheme
- 3.12 Officer proposed that all options should be undertaken in increasing HRA stock to ensure proposed numbers are achieved.
- 3.13 The delivery of a Council Housing Growth programme will provide a key delivery mechanism in meeting a number of the Council's strategic priorities, primarily:-
- Help me find somewhere to live in my locality
 - Help me live my life independently (incl health and activity)
 - Help me to be financially independent (including education & skills)
- 3.14 There is significant housing need in the Borough with the Strategic Housing Market Assessment identifying a net annual need of over 250 units per year. Officers will also look at the opportunity to deliver specialised housing to enable people to remain independent. The table below shows that there is need for all sizes of properties and officers will consider these demands when considering proposals.

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Total households on the housing waiting list at 1st April 2016	1402
Households requiring 1 bedroom	869
Households requiring 2 bedrooms	292
Households requiring 3 bedrooms	157
Households requiring more than 3 bedrooms	84

Customer / Equalities and Diversity Implications

- 3.15 Increasing the Council's housing stock will assist in the provision of affordable housing in the Borough to meet housing need.
- 3.16 In commissioning the construction of new HRA stock the Council will be able to provide housing that can meet specific needs for adapted properties.

4. RISK MANAGEMENT

- 4.1 There are a number of risks to implementing the Council Housing Growth Programme which are in the table below:

Risks	Mitigation
Tenants request Right to Buy properties obtained under this programme	• Currently the properties would come under the cost floor rule. Under the cost floor rule, the discount must not reduce the price below what has been spent on building, buying, repairing or maintaining it. • The cost floor period is 15 years as the properties will be built or acquired by the Council after 2 April 2012.
Failure to spend capital receipts	• Undertake regular monitoring and reporting to Housing Advisory Panel • Implements all options of the Council housing Growth Programme
Impact on housing market of buying properties	• Ensure only used when required and when properties are naturally on the open market. • Do not promote as an option for sellers

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Planning approval not achieved on sites	• Appointment of experienced development agents working with the Asset Management Group to recommend solutions • Ensure robust consideration of development appraisals in the first instance
Risks associated with using consultants	• Ensure that the appointment of both the Development Agent (and its consultants) and, subsequently, contractors are robust, and include an appropriate element of assessment of the parties' ability to undertake the roles and their quality. • Ensure that the Council's risks are minimised through the legal agreements. • Ensure Evaluation Criteria at PQQ and Tender Stage are comprehensive, with key factors weighted appropriately • Ensure that the Development Agent and consultants have sufficient Professional Indemnity Insurance.
Overspend for House Building Programme	• Include sufficient provision for contingencies • Ensure effective project management arrangements, to include identification of potential overspends early • Report to Housing Advisory Panel quarterly on progress (works and costs)

5. APPENDICES

Appendix 1 – Strategic approach to the Housing Revenue Account and future Council Housing Growth

6. BACKGROUND PAPERS

Executive Committee Report 12 January 2016 - Housing Revenue Account, rent and capital 2016-17

7. KEY

HRA – Housing Revenue Account
MRS – Mortgage Rescue Scheme

AUTHOR OF REPORT

REDDITCH BOROUGH COUNCIL

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