

RESOURCES AND SERVICES OVERVIEW AND SCRUTINY COMMITTEE

1ST FEBRUARY 2021

REPORT OF ASSISTANT DIRECTOR FOR HOUSING & ENVIRONMENT

A.2 Housing Update

(Report prepared by *Tim Clarke*)

PURPOSE OF THE REPORT

The report has been prepared to update the committee and inform discussion on a number of housing matters.

BACKGROUND

The committee have requested a report in order to facilitate discussion on the following agenda item:

To examine the intended Housing Acquisition Strategy – to assess right to buy numbers, values, type and age of housing and impact on the risk appetite for Council house building. Plus to consider the progress deliberations around a Pension Provider providing a lease-back housing development.

The meeting will also examine the use of Community Infrastructure Levy/section 106 funds to provide facilities/services and infrastructure.

In addition the report will also provide an update on the council housing void position.

The Council's Housing Strategy 2020-2025 "*Delivering Homes to Meet the Needs of Local People*" was adopted by Full Council on 15th September 2020. The strategy sets out the vision of the Council in respect of housing delivery and paved the way for a number of other strategies including the Homelessness and Rough Sleeping Strategy, the Financial Assistance Policy for Private Sector Housing and the Housing Acquisition and Development Strategy. Other new or revised strategies will follow.

All of these documents are designed to compliment and support one another and ultimately achieve the strategic objectives set out in the Council's Corporate Plan and the Housing Strategy. They are all about providing good quality housing for all our residents

DETAILED INFORMATION

The following headings set out the main topics the committee has requested information on:

Housing Acquisition and Development Strategy

The strategy was adopted by Cabinet in October 2020 and sets out a framework around which the council owned housing stock will be increased to achieve a target of 200 additional homes. The strategy is appended to this report for ease of reference.

Right to Buy

When adding to the housing stock held within the Council's Housing Revenue Account (HRA) the impacts of right to buy have to be taken into consideration and factored into the financial planning.

Right to Buy numbers over the last five years are shown in the table below:

Year	Number of properties	Av. Discount (£)	Total discount (£ loss)
2015/16	10	64,288	642,884
2016/17	20	63,460	1,269,190
2017/18	34	60,837	2,668,490
2018/19	10	69,790	697,900
2019/20	14	66,373	929,225
2020/21	8 to date	-	-

The total discount figure is essentially the financial loss to the HRA compared to the market value of the properties sold. Sales peaked in 2017/18 and have now returned to a lower level. The addition of newer and more desirable properties to our housing stock could lead to an increase in sales.

The current maximum discount is £84,200 or £112,300 if you live in London.

Houses: Discount starts at 35% when you have been a public sector tenant for three years and the discount remains at 35% until five years spent as a public sector tenant. After year five, the discount goes up by 1% for every year up until a maximum of 70% or £84,200 across England (excluding London) whichever is the lower.

Flats: Discounts start at 50% for three years as a public sector tenant and remain at 50% until five years spent as a public tenant. After year five, the discount goes up by 2% for every year until a maximum of 70% or £84,200

Cost floor rule

Discount can be reduced by the 'cost floor' rule. This may apply if the property has recently been purchased or built by a landlord or they have spent money on repairing or maintaining it. Discount could be reduced to nil if the cost floor is more than the value.

The cost floor period for council properties is either 10 year period prior to receipt of the RTB application form or 15 years if the home was built or acquired by the Council after 2 April 2012

This means that a house bought through right to buy after year 15 could subject the HRA to a loss of over £80k.

Extending the cost floor to 30 years would alleviate this risk and put the Council onto a much lower risk position. Officers have discussed this with representatives from MHCLG however it requires a change of government policy and legislation so for now all decisions around acquisitions and development have to be taken on the basis of the current 15 year

cost floor.

Leaseback Housing Development

Leaseback is a means by which housing can be developed using funding from an institutional investor. The housing is then leased to the Council who manage it for the lease term, typically 40 years in the case of houses. At the end of the lease term the housing usually transfers into the ownership of the Council. During the lease term the management and maintenance costs are covered by the rental income, with the surplus rental income being passed on to the investor.

The Council is engaged in ongoing discussions with an institutional investor with a particular focus on providing housing in Jaywick Sands but also considering options elsewhere in the district. Whilst favourable because the arrangement would provide a significant number of rental properties without exposing the Council to financial risk, there are a number of legal considerations to be understood. The investor needs to also understand the build and acquisition costs which present a significant challenge in Jaywick Sands and the weekly rent needs to be set at a level that is attractive to renters.

Officers will continue to explore this option and bring a report forward to Cabinet if and when a suitable arrangement has been developed.

Section 106 Funding

The amount of s106 funding for affordable housing provision, often referred to as an *off site* contribution, awarded to the Council is reported as part of the quarterly budget report. In Quarter 2, £1.7M was available. This funding will be used to fund housing acquisition and development in order to achieve the Council's 200 additional home target.

Housing Voids

Housing voids have increased over the last year or so to a point where the Quarter 2 financial reporting showed a figure of 4% financial loss. Given the COVID-19 pandemic an increase in void properties is to some extent to be expected and is something that all landlords will have experienced. All but urgent lettings were suspended between April and mid-June 2020. General working restrictions both in respect of office based allocations staff and repair and maintenance contractors have meant a slower turnaround and allocation process has been in place since.

There has not been an increase in properties being handed back during the pandemic and rent collection levels have remained very good in the circumstances.

Currently there are 108 void properties, equating to 3.5% of the total housing stock. 42 of those properties are ready to let with 15 of those being offered to prospective tenants during the week commencing 18th January. The target is to reduce this total number to around 62 which is 2% of the stock. Officers believe this is possible and have been working on measures to improve the housing allocations process for several months. These measures will include new allocations and housing register software that will streamline processes and move them away from the current paper based processes.

An officer working group has been set up with the first meeting held on 20th January. The group will be standardising data collection across the allocations and repairs teams and will be improving communication and certain processes that collectively will enable void

times to be reduced. In April a new term maintenance contract will commence, placing all void repair works with one contractor that will be subject to performance targets and financial penalties where turnaround times are not met.

Due to small outbreaks of COVID-19 in some sheltered schemes and the challenges in managing those outbreaks there will not be any new allocations of sheltered housing until it is safer to do so.

RECOMMENDATION

That the Committee determines whether it has any comments or recommendations it wishes to put forward to the relevant Portfolio Holder or Cabinet.