

EPPING FOREST DISTRICT COUNCIL**MINUTES OF THE AFFORDABLE HOUSING SUB GROUP MEETING****held on 26th November 2009****in the Conference Room, Civic Offices, Epping**

Present:

Councillor Mrs R Brookes
Councillor Mrs A Grigg
Councillor Mrs J Lea
Councillor S Murray
Councillor D Stallan
A Hall
P Maddock

1. Appointment of Chairman

Councillor Mrs A Grigg nominated Councillor Mrs R Brookes, seconded by Councillor S Murray, to be the Chairman for the meeting. This was agreed.

2. Apologies for Absence

Councillor K Chana.

3. Reason for Establishing the Sub Group

Councillor Mrs R Brookes, who suggested to the Housing Scrutiny Panel that the Affordable Housing Sub Group be formed, explained the reasons for her suggestion.

She commented that, apart from ward constituency business, housing was the issue that had made the biggest impression on her since joining the Council. She was particularly struck by the information provided at the Housing Strategy Conference during the year and, in particular, the fact that average property prices in the District are around 11 times the average earnings for the District. She had also noted the high number of expressions of interest made by housing applicants for vacant properties, through the Home Options Choice Based Letting Scheme. She had wondered whether, at this time of low interest rates, more affordable housing - in the form of social rented housing and intermediate housing - could be provided by the Council.

4. Increasing the Provision of Affordable Housing

The Sub Group received and considered a detailed report from the Director of Housing setting out some suggestions for increasing the provision of affordable housing within the District.

The report referred to the requirements of the East of England Plan (Regional Spatial Strategy) which, although requiring the provision of 3,500 additional homes within the District by 2021, after taking into account those properties that had already been built and had received planning permission, just 361 new homes needed to be provided by 2021. Assuming 40% of these would be provided as

affordable housing, the Council would only need to identify sufficient land to provide just 145 new affordable homes between April 2009 and 2021. This excludes the additional homes required by the East of England Plan in the District to contribute towards the growth of Harlow.

The report went on to explain the need for affordable housing and it was noted that, compared to the need for 4,700 affordable homes assessed by the recently completed Strategic Housing Market Assessment, just 2,640 new affordable homes were likely to be provided by 2026, resulting in a projected shortfall of 2,060 affordable homes.

The report identified that the ability to increase the amount of affordable housing in the District was constrained by three main issues, namely, the provision of land, the provision of grant and Members' priorities.

The report also gave details of the number of affordable homes that had been completed over the previous three years and the current forecast of 107 affordable homes being provided in 2009/10. It was noted that a further 11 developments had either detailed or outline planning permission, which would provide an additional 362 affordable homes. There was also a further seven sites in the District for which active consideration was currently being given by developers for their development, which could provide up to an estimated 172 homes.

The Sub Group noted that, at its meeting held on 16th November 2009, the Council's Cabinet had approved its Capital Strategy for 2009/2010, for which it had been agreed to raise the ranking of "Meeting Housing Need" to the highest of 7 Key Capital priorities. However, the Sub Group also noted that, of the £53M being spent by the Council on capital projects up to 2013/14, only £554,000 (1%) had been allocated to fund new affordable housing initiatives.

The Sub Group also noted that there was limited scope within the Council's Capital Programme to divert funding from other projects. Therefore, if any additional funding was made available for affordable housing initiatives, it would be necessary to increase the Council's Capital Programme, funded from capital receipts. The Sub Group also noted that the Council was currently benefitting from the revenue income generated by the investments of its capital receipts, which would reduce if capital receipts were utilised.

In his report, the Director of Housing set out a number of suggestions for increasing the amount of affordable housing within the District. He referred to the budget provision of £350,000 made available by the Cabinet for an Open Market Shared Ownership Scheme. The Sub Group noted that although Moat Housing Group was no longer interested in working with the Council on such a scheme, the Director of Housing had recently made contact with Orbit Housing Group, which is the Homebuy Agent for another part of the Country, to ask if, in principle, Orbit would be interested in working with the Council on a similar scheme. A response was awaited. On discussion, the Sub Group concluded to recommend that the budget provision should be retained within the Capital Programme, but that no increase in the budget should be sought in view of the current uncertainty of a provider.

The Sub Group considered the current position with the Council's Home Ownership Grants Scheme, whereby the Cabinet had made budget provision of £170,000 available in both 2008/9 and 2009/10 for the provision of 5 Home Ownership Grants in each year. The Grants enable secure tenants to purchase a property on the open market and to give vacant possession of their Council property on the day of completion, which can then be let to a housing applicant from the Council's Housing Register.

The Sub Group considered whether or not it should recommend the continuation of the Scheme in 2010/11. The Sub Group concluded that it felt the Scheme should continue, since it assisted both first time buyers and applicants on the Council's Housing Register. However, in view of the relatively high interest shown in the grants by tenants, the Sub Group felt that there may be benefits in reducing the individual amount of grant from £34,000 to £28,000, which would enable 6 grants to be provided within the budget of £170,000, instead of 5 grants.

The Assistant Director of Finance and ICT (Accountancy) explained that the Cabinet undertakes a full review of the Capital Programme in the Autumn of each year. However, he explained that the Capital Programme could be updated at any time during the year, and the Sub Group agreed to recommend that budget provision of £170,000 be made for the provision of Home Ownership Grants in 2010/11.

The Sub Group then noted that 7 difficult-to-let Council-owned garage sites had been identified as potentially having development potential. Home Housing had undertaken an initial feasibility study on behalf of the Council to assess the potential number of affordable homes that could be provided, which had established that around 40 homes could be provided, subject to planning permission. The Sub Group also noted that a desktop exercise had identified a further 43 difficult-to let-garage sites which were currently being assessed by the Director of Housing for their development potential.

The Sub Group supported the principle of undertaking more detailed feasibility studies of these sites to assess the development potential further, and that a report on the exercise should be presented to a future meeting of the Cabinet. However, the members of the Sub Group made it clear that they could neither support nor oppose proposals for any individual locations, since not only did they not know the sites, such a declaration could fetter their discretion if such sites proceeded to a planning application.

The Sub Group then noted that the Cabinet was considering an initiative to set up a local housing company to purchase a number of properties on the open market, and to then let them at market rents, with a loan from the Council.

The Sub Group noted that the Council was currently awaiting detailed specialist legal advice on the proposal, following which the Cabinet would consider a report of the Housing Portfolio Holder on whether or not to proceed with such an arrangement. The Sub Group noted that, although this initiative would not provide any additional affordable housing, the purchased properties would be let to homeless applicants and other housing applicants on the Council Housing Register.

The Sub Group then gave consideration to whether or not a recommendation should be made for the Council to make provision within the Capital Programme for the provision of grants to one of the Council's Preferred RSL Partners to purchase properties off the open market and to then let them to housing applicants at affordable rents. The Sub Group agreed to recommend that budget provision of £375,000 be made within the Capital Programme, to fund the purchase of around 5 or 6 two or three bedroomed houses within the District. The Sub Group agreed the recommendation of the Director of Housing that a tendering exercise should be undertaken amongst the Council's Preferred RSL Partners to select an RSL that could provide the best value for money.

The Sub Group then considered whether or not members of the Sub Group themselves had any other suggestions for increasing the amount of affordable

housing within the District, but concluded that they did not have any further suggestions.

Consideration was then given by the Sub Group to a suggestion from the Director of Housing that it prioritises the funding requests being proposed by the Sub Group. However, the Sub Group concluded that, because each of the proposals were so different, and assisted either first time buyers and/or housing applicants, it was not possible for it to rank the proposals.

Recommendations to the Housing Scrutiny Panel

- (1) That the £350,000 budget provision already agreed by the Cabinet to invest in an Open Market Shared Ownership Scheme be retained within the Capital Programme;
- (2) That the Director of Housing contacts other Homebuy agents to discuss the possibility of an existing Homebuy Agent working with the Council to operate either:-
 - (a) the scheme previously proposed in partnership with Moat Housing, already agreed by the Cabinet; or
 - (b) an alternate scheme, similar to the Government's MyChoiceHomebuy Scheme, but with the Council undertaking the role of the Homes and Communities Agency; and
 - (c) that a further report be provided to the Cabinet setting out the outcome of discussions with the Homebuy Agents;
- (3) That the Home Ownership Grant Scheme be continued into 2010/11, to fund a further six Home Ownership Grants of £28,000 each (instead of the current amount of £34,000 each) and;
 - (a) That budget provision of £170,000 be made within the Capital Programme for 2010/11;
 - (b) That the existing Selection Criteria for applicants previously agreed by the Housing Portfolio Holder continues to be used; and
 - (c) That, in the first instance, all those unsuccessful applicants for the Home Ownership Grant Scheme in 2009/10 be contacted, to see if they are still interested in receiving a grant;
- (4) That, once the desk-top exercise has been completed to assess the development potential of difficult-to-let garage sites with vacancies in excess of 20% (and no waiting list), more detailed development appraisals be undertaken to assess their development potential further – and the number of homes that could be provided;
- (5) That a report on the outcome of these development appraisals be presented to a future meeting of the Cabinet, with a view to authorising that planning permission be sought for each of the sites so that those sites obtaining planning permission could be developed to provide additional affordable housing;
- (6) That the current position with the proposal of the Cabinet that the Council sets up a Local Housing Company - to which it would provide loans for the

Company to purchase properties on the open market to let at market rents, (subject to the properties being let to nominees of the Council on the Housing Register) - be noted;

- (7) That budget provision of £375,000 be made within the Capital Programme for 2010/11 to fund the provision of Local Authority Social Housing Grant to one of the Council's Preferred RSL Partners to fund the purchase of 5/7 two and/or three bedroomed houses off the open market to let at affordable rents;
- (8) That the Preferred RSL Partner to purchase these open market properties be selected through a competitive tendering exercise; and
- (9) That the proposals above requiring capital budget provision be not prioritised in a ranked order.

5. New Social House-Building by the Council

The Sub Group considered a detailed report from the Director of Housing on the possibility, in principle, of the Council undertaking a modest house-building programme.

The report gave a background to the subject, and referred to new financial regulations that had been introduced by the Government allowing local authorities to retain all of the rental income received from newly-built properties and any capital receipts received from the sale of such newly-built properties.

The report set out a number of reasons why it may be beneficial for the Council to develop affordable homes itself on its own land, although it was noted that this would not increase the overall amount of affordable housing within the District.

It was also noted that the Homes and Communities Agency (HCA) had held two bidding rounds to date, inviting local authorities to bid for capital funding totaling over £300M. The report explained that, in order to access grant from the HCA, a local authority must become an Investment Partner of the HCA and must also pass a "pre-qualification" process.

The report set out a proposal whereby the Council would appoint a housing association to act as Development Agent, in return for a fee (expected to be between 1% - 3% of the works costs), to provide a full development service on behalf of the Council. The report set out a number of advantages with this proposed approach.

The report also referred to the number of difficult-to-let garage sites across the District, discussed under the previous agenda item, and that it was these sites that the Council could consider developing itself.

The report set out a number of issues and implications, including the effect of the Government's proposed HRA reforms, the availability of capital receipts, the importance of development appraisals being undertaken, the limited staff resources required, and an indicative timescale. The report also identified and commented on the key risks, covering:-

- Actual costs being higher than estimated
- Abortive costs
- The effect of changes in Government Policy
- Dealing with poor performance by, or disputes with, the Development Agent

- Dealing with poor performance by, or disputes with, the consultants or contractor
- Contractor insolvency

However, the Director of Housing then referred to an Addendum Report, which was tabled at the meeting, which set out the outcome of an investigation by the Assistant Director of Finance and ICT (Accountancy) into the effects and implications of obtaining a loan through “Prudential Borrowing” to fund new house-building. The Assistant Director of Finance explained that, under Prudential Borrowing rules, the Council is allowed to borrow for capital purposes, on the basis that it is able to make the interest payments from its ongoing revenue budget.

The Assistant Director of Finance explained the implications in detail. The main issue related to the Council’s Capital Financing Requirement (CFR), which is defined as a measure of the Council’s need to borrow to finance capital expenditure. The net effect of the implications on the Council’s Capital Financing Requirement was that, at present, any proposal to borrow money to building new Council properties would be detrimental to the General Fund. At the present time, it was estimated that if the Council borrowed £2M, it would result in an estimated cost to the General Fund of around £106,000 per annum. In simple terms, although the Housing Revenue Account would receive the rental income from the properties, the cost of the loan would have to be borne by the General Fund.

The Director of Housing explained that, at its meeting held on 24th November 2009, the Tenants and Leaseholders Federation had considered the report to the Affordable Housing Sub Group, and also had the benefit of the financial information provided by the Assistant Director of Finance.

After discussion on the report and recommendations, the Sub Group agreed with all of the views of the Federation (which it had asked the Sub Group to take into account) and agreed that the Federation’s recommendations should form the basis of the Sub Group’s recommendations to the Housing Scrutiny Panel.

Recommendations to the Housing Scrutiny Panel

- (a) That, subject to (b) below, in principle, the Council should recommence a programme of new social house-building;
- (b) However, in view of the financial difficulties such a programme would currently have on the Council’s General Fund, such a programme should not be undertaken until the detrimental financial effect on the Council’s General Fund either no longer exists or is only minimal; and
- (c) That the Council should explain this financial difficulty to both the Government’s Minister of State for Housing and the Local Government Association (LGA) to ask them if, in view of the Government’s previous commitment to remove any obstacles that stop councils from building new Council homes, the Government and the LGA could assist to overcome the problem relating to the Council’s Capital Financing Requirement.

6. Suggestions from Sub Group Members on other ways to increase the provision of affordable housing

The Sub Group had no further suggestions to make.

7. Reporting Arrangements to the Housing Scrutiny Panel

It was agreed that the Director of Housing should produce, on behalf of the Sub Group, a report to the Housing Scrutiny Panel including the information provided in his reports to the Sub Group and the Sub Group's recommendations.

It was agreed that the Chairman of the Sub Group should present the report to the Housing Scrutiny Panel, with a proposal that the Housing Scrutiny Panel recommends on to the Cabinet, with the Chairman of the Scrutiny Panel presenting the report at the Cabinet meeting.

8. Any Other Business

There was none.

9. Need for Future Meetings

It was agreed the Sub Group had completed the task set for it by the Housing Scrutiny Panel and that there was no need for any future meetings.

The meeting ended at 7.10 pm.