

Decision Session – Executive Member for Housing and Adult Social Services

27 October 2009

Report of the Head of Housing Services

Local Authority Challenge - Building new council houses

Summary

1. This report seeks the support of the Executive Member for a bid to the Homes and Communities Agency for grant to build approximately 18 new family council houses and for the submission of the bid to be delegated to the Director of Housing and Adult Social Services.

Background

2. In response to the national slowdown in housebuilding the government introduced a £1.5 billion programme of incentives through the Homes and Communities Agency to unlock stalled private sector sites and encourage the building of new public sector homes. Included in this was an initial £100 million Local Authority Challenge Fund to build new council homes.
3. The Local Authority Challenge Fund is broadly split 50:50 between social housing grant and cover for prudential borrowing which will be raised by local authorities and serviced by rental income from the properties built. A first bidding round was held in July and allocations have been made to 49 local authorities. The government announced further funding of £180m and has invited local authorities to bid for this with a closing date of 30 October. Successful bids will be announced in December 2009.
4. Following Communities and Local Government's (CLG) recent consultation on the Housing Revenue Account (HRA), it has been agreed that rental income received from homes built through this programme will be outside the current HRA subsidy system. This means that all of the income from rents will be retained by the council and can be used to service the additional prudential borrowing.
5. Local Authorities that bid for funding are expected to produce a simple model that can deliver quickly. This means contributing land at nil value and borrowing prudentially against the future rental stream. The HCA will provide a reciprocal amount of grant funding. Schemes which can achieve an early start on site (and which meet the other criteria outlined) and completed by March 2011 will be prioritised and all homes funded from the second bid round *must* be completed by March 2012.

6. Housing and Adult Social Services are proposing to submit a bid for funding under the scheme.
7. The bid covers the cost of building approximately 18 homes for rent on one site in the Clifton Ward. There is a small proportion of land adjacent to the site where the new homes will be built where it is proposed to provide improved communal facilities which is in the Skelton Rawcliffe & Clifton Without Ward. Details of the site are:
 - Land off Lilbourne Drive. (see annex one for site plan)
8. The site is in the ownership of the Housing Revenue Account (HRA). Historically when the council has utilised its HRA land assets for the development of new affordable housing, this has been through the sale of the land, at a reduced value to a Registered Social Landlord. Given that the council will be the owner of the new homes, the site will remain in the ownership of the council as an asset as well as providing much needed affordable family housing.

Consultation

9. At a meeting on 16th September between the leaders of the three main political groups, Hugh Bayley MP and representatives from the Homes and Community Agency (HCA) the principle of building new council houses was discussed and received all-party support.
10. The suitability and deliverability of the proposed site has been appraised through discussions with Development Control officers. Although these discussions have, of necessity, been based on the *principle* of residential development they give confidence that, notwithstanding unforeseen difficulties, the site is deliverable within the HCA timescales and at a cost which makes the scheme financially viable.
11. Consultation has taken place with the Head of Finance in HASS and with the Head of Corporate Finance regarding the feasibility of meeting prudential borrowing through the rental stream and the level of social housing grant that is needed. Further details of this are given in the implications section of this report.
12. The issues relating to the specific site are being discussed with the relevant Ward Members whose comments will be provided verbally at the meeting.
13. Detailed consultation on the designs / layouts will take place as part of the formal planning process.

Options

14. Option One - The Executive Member supports the council making a bid for HCA funding to develop the site proposed in this report for affordable housing
15. Option Two - The Executive Member does not approve the council submitting a bid to the HCA for grant to enable the building of council houses.

Analysis

16. Option One - Subject to HCA approval this will deliver the largest number of new affordable homes and the first new council housing since the mid 1990's. It will send a strong message to the HCA that the council is committed at the highest level to finding innovative ways of reducing the gap between demand and supply of affordable homes. It will increase the asset base and value of the council's housing stock. Approval of this option will also result in the development of much needed affordable family housing.
17. Option Two - This would be an opportunity missed for the council to increase its council housing asset base and value and to directly provide much needed affordable housing. Whether in due course there will be further funding opportunities for council house building is unknown.

Corporate Priorities

18. The council's corporate strategy clearly identifies providing more affordable homes as a key priority under its Inclusive City theme. This is further emphasised by the choice of National Indicator target 155 (Number of affordable homes delivered) as one of York's Local Area Agreement (LAA) priorities. The delivery of more affordable socially rented housing will also have a positive impact on the council's ability to meet NI156 (Number of people in temporary accommodation), which is also a LAA priority.
19. The development of new council houses will also support the Housing and Adult Social Services Directorate vision, which is:

'to enable people in York to live independent, healthy lives in decent, affordable homes'

Implications

20. The implications arising from this report are:
21. **Financial** - The general principle is that the project needs to clearly demonstrate value for money. It is expected that rental income from any new build properties will cover the council's cost of borrowing and all other running costs. At the time of writing this report the detailed financial implications are still being finalised. Should the proposed scheme not deliver value for money, as assessed by the Head of Finance, it will not progress without further discussion with the Executive Member.
22. **Equalities** - The council has an active waiting list of 2,827 households (Sept 09) with an average of 116 new applications every month. A successful bid for funding and the support of the Executive Member to release this site will enable the council to reduce the gap between affordable housing need/demand and supply.
23. **Information Technology (IT)** - Registration with the HCA to access their Investment Management System has been completed. This is necessary in order to submit any bids for funding.

24. **Property** - The Corporate Landlord has been involved in discussions that have led to the proposal and is supportive of the bid.
25. There are no **Human Resources (HR), Legal, Crime and Disorder, or Other** implications.

Risk Management

26. The risks associated with the proposals in this report are low and score less than 16. In compliance with the Council’s risk management strategy there are no direct risks, although failure to take advantage of this opportunity may risks associated with Option’s 1 or 2 of this report

Recommendations

27. That the Executive Member supports a bid for HCA funding to develop the site proposed in this report for affordable housing. (Option 1)
28. That the Director of Housing and Adult Social Services be given delegated authority to submit the final bid.

REASON: To enable the council to reduce the gap between affordable housing need/demand and supply

Contact Details

Author:	Chief Officer Responsible for the report:		
Paul Landais- Stamp Housing Strategy Manager Housing Services HASS Tel: 4098	Steve Waddington Head of Housing Services Housing Services HASS Tel: 4016		
	Report Approved	<input checked="" type="checkbox"/>	Date 13/10/09
	Bill Hodson Director of Housing and Adult Social Services Tel 01904 554000		
	Report Approved	<input checked="" type="checkbox"/>	Date 13/10/09
Specialist Implications Officer(s) Debbie Mitchell, Head of HASS Finance, Tel: 4161			
Wards Affected: Clifton, Skelton Rawcliffe & Clifton Without Wards			All <input checked="" type="checkbox"/> <i>tick</i>
For further information please contact the author of the report			