



APPENDIX 1

AGENDA ITEM: 5(q)

CABINET: 14 SEPTEMBER 2010

COUNCIL: 20 OCTOBER 2010

Report of: Executive Manager Housing & Property Maintenance Services

Relevant Portfolio Holder: Councillor Mrs V Hopley

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SUBJECT: AFFORDABLE HOUSING

JM/BC/2.937caboun
31 August 2010

Wards affected: Borough wide

1.0 PURPOSE OF THE REPORT

- 1.1 To recommend to Cabinet the introduction of two schemes that aim to assist in meeting affordable housing need in the Borough utilizing funds set aside for this purpose.

2.0 RECOMMENDATIONS TO CABINET

- 2.1 That the Transfer Incentive Scheme (Appendix A) and Cash to Leave Scheme (Appendix B) be approved.
- 2.2 That the existing Affordable Housing Capital Budget of £356,000 for 2010-11 be used to fund these schemes based on the budget details set out in paragraph 14.1.
- 2.3 That the Executive Manager Housing and Property Maintenance Services be authorised to amend the Housing Allocation Policy to allow that an additional bedroom be allowed for those transfer applicants who qualify under the Transfer Incentive Scheme.
- 2.4 That the Executive Manager Housing and Property Maintenance Services be authorised, in consultation with the Housing Portfolio Holder to make minor alterations to these initiatives in order to make them appropriate and relevant.

2.5 That any underspend from the Transfer Incentive Scheme and Cash to Leave Scheme for 2010/2011 be transferred to Reserves for the purposes of continuing to operate the schemes.

3.0 RECOMMENDATION TO COUNCIL

3.1 That a funding adjustment be made whereby the balance of the £140,000 on the Affordable Housing Capital budget be swapped with the existing HRA Revenue Contribution to Capital budget in order to enable the Transfer Incentive Scheme which is revenue in nature to proceed.

4.0 BACKGROUND

4.1 One of the Council's Corporate Priorities is "Improving housing and ensuring that there is affordable housing available for local people". This priority is at the heart of the Councils Housing Strategy Update 2004-2009 and Affordable Housing Strategy 2008 –2013.

4.2 Affordable housing products can range from new build affordable housing, financial products to enable people to buy, products or incentives which enable best use of existing housing stock across all tenures along with other strategic approaches.

4.3 In order to support its affordable housing Corporate Priority, Cabinet set aside funds of £356,000.

4.4 In February 2009, the Affordable Housing Cabinet Panel was established to help shape, monitor and make recommendations to Cabinet in respect of the Councils approach to housing policy and the introduction of any new schemes. The Affordable Housing Cabinet Panels core activity covers:

- Drive forward and monitor the Council's work on developing affordable housing, through its strategic housing role, by ensuring that the local affordable housing policy is conducive to achieving positive affordable housing outcomes
- Ensure appropriate housing need and housing market information is available to support need for affordable housing interventions, including Local Development Framework policy formulation
- Explore delivery mechanisms that will enable maximum benefit of the Affordable Housing Budget and any other funding that is levered in to West Lancashire
- Commission appropriate research to further the affordable housing agenda

5.0 ASSESSING SUITABLE INTERVENTIONS

5.1 In order for the Affordable Housing Cabinet Panel to understand local housing need and potential affordable housing solutions and therefore possible investment options, Fordham Research were commissioned to undertake streams of work covering the areas shown below.

- Housing Need and Demand Study
- Affordable Housing Options
- Affordable Housing Definition Report
- Affordable Housing Viability Study
- Housing Solutions Report

5.2 The Council commission was unique and complex. It has taken longer than anticipated to reach a position where the various strands of work are almost complete, but none the less the substantial amount of work undertaken to date can be used to frame some initial expenditure proposals. Its worth noting that the work streams have strategic links into the work of planning colleagues in relation to Local Development Framework, so due regard has been given to their timetable and emerging changes in relation to Regional Spatial Strategy abolition.

6.0 CURRENT POSITION

6.1 On 16 June 2010 the Affordable Housing Cabinet Panel received a presentation from Fordham Research. The Fordham presentation covered the work stream areas shown at 4.1 and also placed particular emphasis on their Housing Solutions report, which had been specifically produced to show examples of the types of schemes that funds could be invested in, while also considering the cost effectiveness of each approach

6.2 Cost effectiveness is considered against two aspects:

- Its cost in terms of direct public subsidy
- Its cost in terms of Household removed from need (HRN). This is typically different from and less than the direct subsidy cost. The HRN measure examines the net position over the longer term. Thus a short life housing project might provide housing for 5 years at very low cost, but then a newbuild dwelling is required. This can be compared with providing other options including a newbuild dwelling now.

6.3 The direct public subsidy measure is the cost a local authority requires now to fund a specific affordable housing intervention, for example direct public subsidy required to build a 3 bed house to help to meet housing need may be £60,000. On the face of it, that direct public subsidy of £60,000 will remove one household from affordable housing need.

- 6.4 The HRN measure takes account of events in the longer term such as relets and resales in order to compare like with like. For example, referring to the example in paragraph 6.3, the direct public subsidy for the new house at a cost of £60,000 will help meet housing need. Yet if you then consider that the house may be available for 60 years and perhaps is let four times during that period. In simple math terms, each household removed from need (HRN) would have cost £15,000.
- 6.5 The HRN is a more sophisticated measure showing a more realistic cost of each intervention option over the longer term. Any Investment Strategy decisions should take account of both facets of the situation if the best investment choice is to be made.
- 6.6 Fordham Research defined two routes towards helping those in housing need:
- One group of measures is 'need altering'. These include measures such as advice centres, and rent deposit schemes, which do not create a new supply of affordable housing, but may help households with housing problems/ need to meet their housing need without the need to create a new supply. If for example a household in an overcrowded dwelling is able to exchange with one which is under-occupying, in principle there is a mutual gain without any need to create a new unit of supply (such as a new affordable dwelling).
 - The second route is 'supply altering' solutions. This includes the obvious route of building more housing, but can also include repairing defective stock, or converting stock from one tenure to another.
- 6.7 The Housing Solutions Report introduced a range of delivery options and also provided an investment example. The Affordable Housing Cabinet Panel felt that two particular affordable housing products stood out in relation to the cost of removing a household from need and could be implemented reasonably quickly, when compared with other approaches using the funding available. These schemes are the main focus of the remainder of this report. Appendix 3 replicates the investment example.
- Cash To Leave Scheme – an incentive scheme that offers a grant payment to social rented tenants to move into the private rented or owner occupied sectors.
 - Transfer Incentive Scheme – an incentive scheme that offers a grant payment to social rented tenants to downsize.
- 6.8 Both of the approaches do not require new property to be built, can be implemented reasonably quickly and meet housing need by making better use of existing social housing stock and rehouse applicants from our Council Housing Register.

6.9 Following the Fordham presentation on 16th June 2010, the Affordable Housing Cabinet Panel met again on 28th July 2010 and recommended that:

- The Affordable Housing Cabinet Panel recommend to Cabinet that West Lancashire Borough Council invest £140,000 for Downsizing (Transfer Incentive) and £216,000 for Cash to Leave to assist those in need of affordable housing.
- The Executive Manager Housing & Property Maintenance Services investigate how schemes of this nature would operate to suit local circumstances and to recommend a Policy for implementation of these initiatives.

7.0 COUNCIL HOUSING REGISTER AND HOUSING STOCK

7.1 As at 1st April 2010 there were 2438 applicants recorded on our Council Housing Register. A breakdown of property and bedroom requirements is below.

Waiting List	Bedrooms Required
1303	1
757	2
298	3
44	3+
36	Not specified

7.2 As at August 2010, the Council Housing Stock consisted of 6268 dwellings. A breakdown is shown below.

Bedrooms - (totals)	Sheltered	Flats/ Maisonettes	Houses / Bungalows
1 - (1907)	1185	712	10
2 - (1367)	20	821	526
3 - (2587)	21	119	2447
4 - (285)	0	6	279
5 - (83)	0	0	83
Bedsit (39)	39	0	0
	1265	1658	3345

8.0 WHY INTRODUCE THESE SCHEMES

8.1 Transfer Incentive Schemes and Cash to Leave Schemes are used by a number of Councils throughout the Country.

8.2 In the case of Transfer Incentive Schemes they provide a policy approach in which Councils can try to address any accommodation supply and demand

issues by providing incentives to existing under occupying tenants to move to smaller accommodation, that still meets their household needs. At the same time this enables the freeing up of accommodation that is in higher demand so that applicants on the Council waiting list can be re-housed.

8.3 These schemes can also encourage and /or incentivise tenants to move to Council dwellings which are prone to higher void periods, in effect some of our less popular dwelling types. This improves rental income streams and also makes better use of our social housing stock, along with the sustainable community benefits of having property occupied rather than unoccupied for long periods.

8.4 Cash to Leave Schemes achieve the same gain in that they free up existing Council property, although a property in which “to transfer to” is not required as the householder moves out of Council accommodation completely.

9.0 WHAT TYPE OF INCENTIVES

9.1 Most schemes offer cash incentives based on the number of bedrooms released, usually based on a fixed amount per bedroom gained.

9.2 Other schemes offer a hybrid approach that will still pay a cash sum, but will also reduce the pain and worry of moving by dealing with issues covering, replacement/ relaying of carpets, assistance with housing benefit and other forms if required, decorating, removals, disconnection and reconnection of white goods etc – up to a pre-determined value.

9.3 In a West Lancashire setting the Transfer Incentive Scheme is likely to appeal to older households and so it was felt that a hybrid approach would be appropriate.

9.4 An additional cash sum would be paid if the household was eligible and was willing to transfer to Category II schemes.

10.0 OUR ACCOMMODATION SUPPLY AND DEMAND BLOCKAGES

10.1 The Councils Housing Management Team highlight that in terms of bedroom sizes and property type the highest need is for 2 bed houses, followed by 2 plus bed houses. Least demand in terms of property type tends to be amongst general needs flats, sheltered flats and Category II accommodation.

10.2 Any Incentive Schemes that are introduced should be designed to address these supply and demand factors, so as to make better use of our Council Housing Stock and help improve the rate at which we are able to rehouse people from our Council Housing Register.

10.3 The implication of this is that the Transfer Incentive Scheme will need to encourage households currently under occupying Council houses to downsize to flatted accommodation as oppose to a household downsizing

from a 3 bed house to a 2 bed house. If this were taken as an example then, while there would be a gain in a bedroom, the move would not release a 2 bed house where our highest waiting list need is.

11.0 CORE PRINCIPLES FOR EACH SCHEME

11.1 Each scheme will need to be operated in a manner that captures the following core delivery principles:

- Aims to not expose the moving household to a financial situation that could lead to homelessness. In the case of the Cash To Leave scheme, it will only be targeted to existing tenants regarded as being able to purchase their own property and sustain their financial obligations. It will not, at this stage seek to encourage existing tenants to move into the private rented sector, until such time that the implications in respect of Rent Allowance changes are understood.
- Has controls and mechanisms in place to ensure the grant is provided and used as originally intended by the receiving household.
- Will ensure that the dwelling that a household subsequently moves to is appropriate for their household size and mobility requirements.
- Will provide clear eligibility criteria and information to applicants of the scheme as to the process

12.0 EXISTING COUNCIL HOUSING ALLOCATION POLICY

12.1 Our existing Housing Allocation Policy will only allow transfer applicant to move to a property of a bedroom size that meets their existing need.

12.2 In order to make the Transfer Incentive Scheme more appealing and to acknowledge that households are freeing up much needed house type accommodation to move to flatted accommodation, it is proposed that an additional bedroom be allowed for those transfer applicants who qualify under the Transfer Incentive Scheme. For example a couple living in a three-bedroom house, would ordinarily be given an increase in priority to move on our council transfer waiting list, however they would still only be offered a 1-bed dwelling. The proposal would be to allow an additional bedroom above their actual bedroom requirement.

13.0 SUSTAINABILITY IMPLICATIONS/COMMUNITY STRATEGY

13.1 Affordable housing is a corporate priority and as such the development of two schemes that aim to make better use of social housing to meet affordable housing need compliments the Councils and LSP Sustainable Community

Strategy objectives, particularly, *to provide more appropriate and affordable housing to meet the needs of local people.*

14.0 FINANCIAL AND RESOURCE IMPLICATIONS

- 14.1 There is currently £356,000 in the Affordable Housing Capital Scheme. It is proposed that £216,000 of this budget be used to fund the Cash to Leave scheme which is capital in nature. However the Transfer Incentive scheme is revenue in nature, and consequently cannot be funded directly from capital, and requires a funding adjustment to be made to enable it to proceed. Consequently it is proposed that the balance of the £140,000 on the Affordable Housing Capital budget be swapped with the existing HRA Revenue Contribution to Capital budget. This change will provide the revenue funding for the Transfer Incentive Scheme to proceed but will not have any effect on other HRA revenue or capital programmes.
- 14.2 In respect of the Transfer Incentive Scheme since a transfer of more than £50,000 between revenue and capital is required then Council approval will be required.
- 14.3 Initially it is proposed to resource the schemes from existing staffing resources. A Choice Based Lettings Scheme will be introduced from February 2011 and it is unclear the resource implications that will also have on the Voids and Allocations Team staffing resources and may need to recharge the salary of a post to the two schemes.
- 14.4 The size of incentive for each scheme is designed to make the schemes both appealing yet practical in that the size of the incentive offer is reasonable and practical for the schemes purpose.
- 14.5 The incentive referred to in respect of the Cash to Leave Scheme (of up to £20,000 payment towards the purchase of a property) takes account of the range of house prices that exist in West Lancashire area and reflects the changing deposit requirements required by lenders following the changes in the economy in recent times and the impact that has had on how mortgage lenders approach mortgage lending. In the cash of the Cash to Leave scheme, it should be noted that households may wish to apply to the scheme who are not currently under-occupying their Council accommodation and so any property they were to buy would most likely fall into the 2/3 bed house price range.

15.0 LEGAL IMPLICATIONS

- 15.1 The two attached draft policies provide the framework to shape documentation, management and the required processes in order to operate each scheme.

15.2 The Council's Legal Services Section will be instructed to advise on the appropriate legal steps to protect the Council's grant monies to make sure they are spent by the grant recipient properly and in the case of Cash to Leave Scheme, that the Council's right to reclaim any grant money if the property is sold is enforceable.

16.0 REVIEW

16.1 It is proposed that both schemes be evaluated, reviewed and amended where required following 12 months operation from the date of their official launch

17.0 CONCLUSION

17.1. The Transfer Incentive Scheme aims to meet housing need by encouraging the occupation of existing Council housing in a manner that better matches the size of property to the size of household. Under occupation of Council housing is a national issue. Central Government has made announcements about this issue and potential options to improve matters. In the meantime, Social Housing waiting list continues to grow and/or it takes longer for applicants to get re-housed because of the lack of social housing to meet. This scheme aims to address this issue.

17.2 The Cash to Leave Scheme will free up much need Council Housing and also provide an opportunity for those who can afford to buy housing on the open market, with the added assistance of the cash incentive, to get on to the housing ladder.

Background Documents

There are no background documents (as defined in Section 100D(5) of the Local Government Act 1972) to this report

Equality Impact Assessment

There is no evidence from an initial assessment of an adverse impact on equality in relation to the equality target groups. By ensuring more families have access to suitable accommodation the Council is improving the equality and access to affordable housing.

Appendices

Appendix A – Proposed Tenant Incentive Scheme Policy

Appendix B – Proposed Cash to Leave Scheme Policy

Appendix C – Housing Solutions Report – Table Extract