

**2 September 2020**

<b>Report of</b>	<b>Assistant Director of Place and Client Services</b>	<b>Author</b>	<b>Tina Hinson</b> ☎ <b>506903</b>
<b>Title</b>	<b>Increasing the supply of affordable housing – 100 new Council homes</b>		
<b>Wards affected</b>	All		

## **1. Executive Summary**

- 1.1 This report recommends that the Council increase the supply of affordable housing by investing £22 million to purchase 100 former council homes. This significant investment would bring Colchester Borough Council's total commitment to acquiring new homes to over £50 million. This investment is in addition to the Council's 5-year new council house building programme.
- 1.2 The Council would pay for the project using housing revenue account borrowing and right to buy receipts. The Council would complete any required repairs and refurbishment of the properties ready for letting to Colchester households. As part of the Council's response to the Climate Emergency, the Council would make improvements to the homes to make them significantly more energy efficient and reduce impact on the environment.
- 1.3 The project has an ambitious timeline to deliver all the homes by 31 March 2022.
- 1.4 The 100 new Council homes would make a significant contribution to meeting the housing needs of Colchester's residents who need affordable, rented, secure and decent homes.

## **2. Recommended Decision**

- 2.1 To approve the addition to the HRA capital programme for the acquisition of approximately 100 local homes at market rates.
- 2.2 To approve the granting of up to £2million of retained right to buy receipts to use towards the acquisition of the 100 homes.
- 2.3 To agree to make financial provision in the Housing Revenue Account (HRA) capital programme for 2020/21 and 2021/22, up to £22 million to enable the purchase of the 100 homes. The £22 million will include the £2 million approved at Cabinet in July 2020.
- 2.4 To agree to make financial provision in the HRA revenue estimates for 2020/21 and 2021/22 up to £150k for the associated revenue costs of purchasing the 100 homes.
- 2.5 To agree to amend the General Fund capital programme to reflect that these acquisitions are now being undertaken in the HRA.
- 2.6 To delegate authority to the Portfolio Holder for Housing for the award of the contract to carry out work to bring the properties up to a lettable standard and carry out the energy efficiency work.

### **3. Reason for Recommended Decision**

- 3.1 There are currently just under 3,000 households on the Council's Housing Register seeking affordable housing. There are also 170 households who have experienced homelessness in temporary accommodation waiting for a permanent home to become available. The Council continues to seek new and innovative ways to increase the supply of affordable housing and provide good quality, affordable and stable homes for Colchester's residents who are in housing need.
- 3.2 In January 2020 Cabinet approved a new innovative approach to increasing the supply of affordable housing. Due to the acute financial pressures that the Council is experiencing as a result of the global health pandemic, the Council has had to review all of its operations and planned projects. Having carefully considered the benefits, risks and financial implications of the 100 Homes Project in the context of the Council's overall strategic priorities, Colchester Borough Council's Cabinet did not feel it could proceed with this project at this time in the General Fund.
- 3.3 With the reduction in the interest rate charged on Council borrowing in the Housing Revenue Account (HRA) by the Public Works Loan Board, the HRA can afford to undertake the 100 acquisitions through use of Right-to-Buy (RTB) receipts and prudential borrowing.
- 3.4 The timeline for purchasing the 100 homes is ambitious. Once acquired the properties will be repaired, brought up to a good standard and have significant investment in environmental and sustainability improvements to ensure that the Council responds to its Climate emergency commitments. So that the project can be delivered on time and properties repaired and let as quickly as possible, delegated authority to award the contract for this work is requested, in the event that Cabinet meeting timetables would lead to a delay in the award and jeopardise the delivery of the project..

### **4. Alternative Options**

- 4.1 The Council could do nothing, however as detailed in Section 5 below, with rising homelessness pressures resulting in reduced lifetime outcomes for the affected households and the financial impact for the Council, this is not considered a realistic option.

## 5. Background Information

- 5.1 Even before the global health pandemic, the need for secure, decent affordable housing in Colchester was well documented in our Housing and Homelessness Strategies and the accompanying evidence base. Figure 1 below demonstrates that even with a number of innovative projects and schemes to increase the supply of affordable housing, acceptances under the Homeless Reduction Act 2017 rose in 2019-2020 following two years where they decreased.

*Figure 1: Number of homeless households the Council has a duty to provide homes for*



Source: 2016/2017 and 2017/2018 - DCLG P1E  
2018/2019 and 2019/2020 - MHCLG H-CLIC statistical returns

- 5.2 Predictions of the impact of COVID-19 on the demand for Colchester's Homelessness and Housing services are difficult to make with any true certainty. COVID-19 is a true pandemic, affecting the whole interdependent world economy at the same time. The resumption of normal economic activity will probably take many months and for some sectors even longer. There are several complex variables which will impact on what happens going forward and these include, but are not limited to:
- The connecting set of support mechanisms that either augment income (welfare benefits, the furlough scheme, increase in local housing allowance rates) or that reduce living costs while people cannot work (3-month mortgage payment holiday) and when these end and/or whether they are extended.
  - Interventions to stimulate the development of new homes (deregulation of the planning system, reducing stamp duty, extending Help to Buy), the impact they have and whether there are further interventions.
  - The resumption of court action for evictions in the rented sector in August 2020 and how quickly the courts can deal with the backlog of cases.
  - The impact of recession, how long it will last, how quickly the economy recovers and whether there are interventions to prevent mortgage/rental reposessions. The latest bank of England (August 2020) predictions are that unemployment rates could double to 7.9% by the end of 2020. The UK is in its 'largest recession on record,' the Office for National Statistics (ONS) has said, after GDP figures released in August showed a record 20.4% contraction in quarter 2 of 2020/2021.
- 5.3 Given that demand for affordable housing was increasing before the pandemic, it is unlikely that this will fall following the pandemic.

- 5.4 The Council has an ambitious housebuilding programme to help meet local housing need, as set out in the July 2020 Cabinet Report “Housing Revenue Account financial model and new council housebuilding project updates” [New Council Housebuilding Programme](#). As set out in paragraph 3.2 above, the 100 Homes General Fund project is not proceeding at this time. This project would have complimented the Council’s new build programme and delivered homes at speed. This report sets out how 100 new affordable Council homes can be delivered using the Council’s Housing Revenue Account (HRA). These additional Council homes will see a significant increase, at pace, to the Council’s current housing stock of 5,898 homes.
- 5.5 Colchester Borough Council has a proven track record of delivering acquisition projects. The following acquisition projects have previously been approved by Cabinet:

*Figure 2: Approved acquisition projects*

Project description	Approved length of programme	Budget
16 homes for temporary accommodation (General Fund)	1 year (2018/2019)	£2.9million
Minimum of 30 homes for general needs (HRA)	5 years (2019/20 onwards)	£6 million (per annum)
10-15 homes for general needs (HRA)	2020/21	£2 million

- 5.6 The proposed acquisitions project would build on this previous success and deliver:
- 100 new council homes.
  - All new homes would be truly affordable to local people and let at social rent levels (typically 60% of market rents).
  - Focus on purchasing former local authority homes as these fit with the Council’s asset management strategy, are of a good design and build and are in areas where our arm’s length management company, Colchester Borough Homes already manage our stock on our behalf.
  - 100 homes which have had significant investment in environmental and sustainability improvements to reduce fuel poverty and ensure that the Council responds to its Climate emergency commitments.
  - Managed by Colchester Borough Homes.
  - Be let through our choice-based lettings system, Gateway to Homechoice and reserved for Colchester households.
- 5.7 The proposed size and type of property which will be acquired is set out in Figure 3 below. Within the acquisitions programme, properties will also be identified which are suitable for adaptation to make them suitable for wheelchair users and those with restricted mobility.

*Figure 3 Proposed size and type of homes to be purchased*

Property Type	Number
One bed flat	16
Two bed flat	36
Three bed house	45
Four bed house	3
Total	100

- 5.8 The intention is to deliver the acquisitions project by 31<sup>st</sup> March 2022. Whilst this is an ambitious timeline, by working in partnership with Colchester Borough Homes, there is experience and a proven track record of delivery between the Council and CBH of

delivery on time and within budget. If the supply of former council homes is not sufficient then other properties can be considered that meet the agreed standards and quality specification and are in geographical locations where the Council already owns homes.

- 5.9 The report to Cabinet on 8 July referred to in paragraph 5.4, set out HRA capacity to borrow to enable the delivery of new affordable homes. As set out in that report, given the very low Public Works Loan Board rates currently available for HRA borrowing, additional properties broadly pay for themselves over a 30 year period as additional rental income received pays for additional management and maintenance, along with repayment of borrowing costs, based on a number of assumptions. Increasing our HRA stock is clearly a long-term investment, and in fact extends far beyond the duration of the 30-year Business Plan. The 30-year HRA financial model is reviewed annually as part of the HRA Budget Setting process. The cost of purchasing, repairing and improving 100 new Council homes is estimated to be £22 million. More detail is set out in Section 9.
- 5.10 Alignment with existing acquisitions programme - Following the Cabinet decision on 8 July 2020 to increase the acquisitions programme by £2million in 2020/2021, it makes sense to include these 10 properties and the associated funding in the 100 new Council homes acquisitions programme.
- 5.11 Contribution to Covid-19 Recovery Plan – The purchase of 100 homes will have a positive impact on the local economy and contribute to economic recovery, following the global health pandemic. The repairs and improvements to bring homes up to a lettable standard will provide work to contractors as well as keeping supply chains going. The property purchases involve local estate agents and solicitors, generating a fee income for them. The property purchases will also keep the housing market moving in Colchester, creating a series of purchase and sale transactions, which will also contribute to recovery.

## **6. Equality, Diversity and Human Rights implications**

- 6.1 The 100 new Council homes proposed in this report will increase the availability of affordable housing in the borough. An Equality Impact Assessment (EIA) has been carried out and is regularly updated for the provision of new and additional affordable housing. The assessment did not show any specific areas of concern or that those with protected characteristics would be unfairly disadvantaged. Please see link to the EIA below:  
[Equality Impact Assessment](#)
- 6.2 It is not considered that the approval of the proposals contained in this report involves a breach of human rights.

## **7. Strategic Plan References**

- 7.1 The 100 new Council homes project will help to achieve the following goals from the Council's Strategic Plan 2018 - 2021:

Wellbeing - Making Colchester an even better place to live and supporting those who need most help:

- Create new social housing by building Council homes and supporting Registered Providers
- Target support to the most disadvantaged residents and communities.

## **8. Publicity Considerations**

- 8.1 There will be opportunities to publicise the progress of the purchase of the homes and the number of families with children and single people who are housed in decent, secure and affordable homes.

## **9. Financial implications**

### **9.1 Capital Implications**

The cost of purchasing 100 homes in the HRA is estimated to be £22million. This includes works costs to bring them up to a lettable standard, conveyancing and valuation fees. This can be funded from a combination of HRA borrowing and retained 1-4-1 Right to Buy receipts. It is proposed to use the same level of RTB receipts assumed when 100 Homes was being proposed as a General Fund project. This project would require £2m of RTB receipts, with the balance of £20million coming from new HRA borrowing (this borrowing will include the £2million of HRA borrowing approved at Cabinet on 8 July).

- 9.2 It should be noted that the Capital Programme agreed by Cabinet on 29 January 2020 included provision of £20million for the 100 homes project in the General Fund. As set out in this report, this programme of acquisitions is in effect now being switched to the HRA, and therefore if agreed, the General Fund capital programme will be reduced to reflect this.

### **9.3 Revenue Implications**

In order to successfully implement the acquisitions project will require £150k of costs to complete condition surveys, systems support capacity and managing the acquisitions process. These costs are one off for the lifetime of the project. For additional revenue costs that fall into 2020/21 it is proposed that they be met from existing budgets and/or a use of HRA balances, and those that fall into 2021/22 be included in that year's budget setting process.

- 9.4 As set out in this report, given the very low Public Works Loan Board rates currently available for HRA borrowing, additional properties broadly pay for themselves over a 30 year period as additional rental income received pays for additional management and maintenance, along with repayment of borrowing costs, based on a number of assumptions.

## **10. Health, Wellbeing and Community Safety Implications**

- 10.1 The effects of living in unsuitable or poor housing on a person's health and well-being are well documented. Increasing the supply of affordable housing will contribute towards meeting local housing needs and improving the housing conditions of households in Colchester. Households will benefit from a secure affordable home which is in good condition and well managed. Tenants will have the support of Colchester Borough Homes housing management and tenancy support services. The 100 Homes project will also contribute to making neighbourhoods safe places to live. Colchester Borough Homes, who will manage the properties, are well placed to contribute to positive community safety outcomes for residents and already participate in local partnerships to achieve this.

## **11. Standard References**

- 11.1 There are no particular references to consultation or health and safety implications.

## 12. Risk Management Implications

12.1 The key financial risks are covered in section 9 above.

12.2 The additional, non-financial risks are:

- Not acquiring the homes within the agreed timescale and not improving the outcomes for approximately 100 households. This is mitigated by including provision to ensure the programme is adequately resourced with suitable project and property staff. There is already proven success at acquiring homes through previous acquisition projects and a robust process has been established. As set out earlier, if there is an insufficient supply of former Council homes, then homes which meet the Council's agreed specification and location requirements will be sought.
- There is an increase in property prices – the programme can be flexed to acquire the maximum number of properties within the available budget. The Council is in a strong position as a purchaser in that it is effectively a cash-buyer, chain free and offers more certainty of purchase than other buyers. The Council also has a proven track record with all local estate agents.

## 13. Environmental and Sustainability Implications

13.1 The 100 Council homes project will have a positive impact on the environment and sustainability. In particular, across the three sustainability and environmental themes, the 100 Council homes project will have a positive impact on each one as set out below.

13.2 The economic objective – affordable housing will be made available in the right places and at the right time and at a cost that those on low incomes can afford.

The social objective – the 100 Council homes project will support strong, vibrant and healthy communities, by ensuring that a sufficient number and range of homes can be provided to meet the needs of present and future generations.

The environmental objective – the 100 Council homes project will see improvement works carried out to properties which improve the fabric of the home and improve energy efficiency therefore assisting with mitigating and adapting to climate change, including moving to a low carbon economy. All the 100 homes purchased will receive works to improve their energy performance certificate (EPC) rating to an average of B, with the Council investing an extra £1million to achieve this. An EPC measures the energy efficiency of a property on a scale of A-G. The current average EPC rating in the Council's housing stock is C. EPC ratings for Essex local authority's council housing stock are shown below.

**Figure 4 Energy Performance Certificate ratings - Essex local authorities with council housing stock**

LA name	2014-15	2015-16	2016-17	2017-18	2018-19
Basildon	D	C	D	D	C
Brentwood	C	C	C	D	D
Castle Point	G	F	F	F	F
<b>Colchester</b>	<b>C</b>	<b>C</b>	<b>C</b>	<b>C</b>	<b>C</b>
Epping Forest	D	C	C	C	C
Harlow	D	D	C	C	C
Tendring	C	C	C	C	C
Uttlesford	C	D	D	D	D

The investment by the Council will ensure the 100 homes have less impact on the environment; reduce CO2 emissions and will improve the overall energy efficiency of the homes.