

SUPPORTING NEW HOUSING INITIATIVES AND OPPORTUNITIES
REPORT OF DEPUTY CHIEF EXECUTIVE (COMMUNITY DIRECTION)

WARDS AFFECTED: ALL WARDS

1. **PURPOSE OF REPORT**

To advise Members of a range of exciting opportunities and initiatives for improving services and supporting the provision of new and improved affordable housing in the Borough.

2. **RECOMMENDATION**

The Council:

- a) Approves the Council Housing Investment Strategy and Business Plan summarised in Section 4 of the report and detailed in Appendix 1.
- b) Note and endorse the information summarised in Section 5 and detailed in Appendix 2 regarding the affordable rent evidence base.
- c) Approve the Council's approach (as recommended by Planning Committee) to the negotiations on affordable rent products with developers summarised in Section 5 and detailed in Appendix 3 of this report.
- d) Support the principles of the Council's affordable housing delivery plan summarised in Section 6 in this report and detailed in Appendix 4.
- e) Welcome and acknowledge the achievement of the private sector housing team in securing an Empty Property Grant award of £522,120 by the Homes and Communities Agency and agree a supplementary expenditure and income budget for this amount summarised in Section 7(detailed in Appendix 5).
- f) Acknowledge the work undertaken by the Housing Options team to prevent homelessness, which has contributed to the award of a grant for £50,015 for the prevention of homelessness due to mortgage arrears and agree a supplementary income and expenditure budget for this amount as summarised in Section 8 (detailed in Appendix 6).

3. **BACKGROUND TO THE REPORT**

3.1 The Council's overarching Housing Strategy, adopted in 2010, sets out the key housing priorities for the Council. These are:

- Better balanced housing markets
- Improved housing conditions and
- Community cohesion.

3.2 Unlike any time in the recent past the council has an opportunity to positively drive forward housing initiatives which will impact on these priorities. These opportunities have arisen through a number of legislative changes and also through the performance of Officers within the housing service, who have accessed funding streams to enable proactive work to take place.

- 3.3 The Localism Act introduced a new regime for stock retaining authorities to fund their council housing. The National Planning Policy Framework and Affordable Homes Programme 2011-15 introduced a new affordable housing product called an affordable rent property. Alongside these changes, Officers took advantage of a bidding opportunity to the Homes and Community Agency for funding to develop our work around empty homes in the private sector and the performance of the Housing Options Team resulted in an additional award of funding to prevent homelessness due to mortgage arrears. In addition, the council's ambition to be a provider of affordable housing has been developed through considering imaginative ways to use commuted sums.
- 3.4 This report provides details on a number of these initiatives:
- Council Housing Investment Strategy and Business Plan.
 - Affordable rent evidence base and affordable rent policy.
 - Affordable housing delivery plan.
 - Empty property grant award
 - Homelessness grant award.
- 3.5 There are clear overlaps between a number of these initiatives, not least with the opportunities for the council to increase the supply of affordable housing through new build and acquisition, supported by HRA self financing and the use of commuted sums and the work around bringing empty properties back into use.
- 3.5 A summary for each initiative is provided below, with full details contained in the attached appendices. A flow chart is included in Appendix 7 illustrating how these fit with the Housing Strategy priorities.
- 3.6 At the Scrutiny Commission meeting on the 24th May 2012, the report was discussed in detail. A number of recommendations were made which will all be incorporated into the work streams associated with the individual pieces of work.

4. COUNCIL HOUSING INVESTMENT STRATEGY AND BUSINESS PLAN

- 4.1 The Localism Act introduced a new funding regime for council housing, allowing landlords to retain the rents received from their tenants and to plan for investment into the future. The opportunities afforded by self financing have not been available to council landlords before and present a platform for the council housing service to positively contribute to the corporate objectives of the council, and to make a real difference to the lives of people within our communities.
- 4.2 The Council Housing Investment Strategy and Business Plan (Appendix 1) sets out the key aims for the council housing service:
- Continue to invest in existing stock to maintain good quality homes.
 - Invest in new build schemes/acquire affordable housing to increase the amount of affordable housing available to meet housing need.
 - Refurbishment/regeneration of stock which no longer meets needs.
 - Environmental improvements to estates to ensure they are clean and safe.
 - Invest in service delivery.
 - Develop and maintain effective engagement with tenants.
- 4.4 The plan covers the medium term and will be refreshed annually. Key pieces of work during 2012/13 will inform the refresh in 2013/14, including:
- Validating our stock condition information.
 - Completing viability studies of sheltered schemes.

- Consult with tenants on their priorities for the future investment in the housing stock and the opportunities afforded by self financing.
 - Undertake service reviews to identify whether pressures on delivery are appropriately resourced.
- 4.5 Once this work has been completed members will be in a position to make decisions on the future investment priorities of the service.

5 AFFORDABLE RENT EVIDENCE BASE AND AFFORDABLE RENT POLICY

- 5.1 The affordable rent product was introduced as part of the Affordable Homes Programme 2011 – 15. It allows Registered Providers to charge up to 80% of the market rent in an area on both new build, and in some instances, conversion of existing properties.
- 5.2 In order to inform the council's approach to affordable rent products when negotiating with developers, work was commissioned, along with four other District councils in Leicestershire to examine the evidence base and recommend a suitable mix of rented properties for new affordable housing developments (Appendix 2).
- 5.3 Following on from the evidence base, the recommended approach to the negotiation of affordable rent within a housing development will be on a site by site basis, taking into account:
- i. The non-discretionary use of affordable rent where grant under the Affordable Homes Programme 2011 – 15 is part of the financial package on site;
 - ii. the need for affordable rent set out in the evidence base from the project to establish the need for affordable rent ;
 - iii. the contribution affordable rent makes to increasing the viability of a site;
 - iv. The requirement for Registered Providers to meet the agreed package of affordable rent units in their contract with the Homes and Communities Agency.

Full detail on this approach can be found in Appendix 3.

6. AFFORDABLE HOUSING DELIVERY PLAN

- 6.1 The council has ambitions to build on its recent success of becoming a developer of affordable housing and increasing its stock of properties. This ambition links with the opportunities afforded by HRA Self Financing to increase affordable housing either through new build or through acquisition, and with the development of a private sector leasing scheme (see section 7).
- 6.2 The report in Appendix 4 details the council's approach to the use of commuted sums to maximize the number of affordable properties provided, including the legal basis for the use of commuted sums. The priority for the use of commuted sums is recommended to be:
- Investing in regeneration.
 - Contributing to new build schemes.
 - Purchase of affordable housing on section 106 sites.
- 6.3 The council will contribute to increasing affordable housing in the Borough by:
- Building new affordable homes.
 - Setting up a private sector leasing scheme.
 - Use of Council owned sites to develop affordable homes at nil land value.
 - Working with development partners to acquire stock on section 106 sites.

7. **EMPTY HOMES GRANT**

- 7.1 There are currently 1324 empty residential properties within Hinckley and Bosworth, of which 391 are classed as long term empty properties. These properties cause a blight for local neighbourhoods and are a wasted resource in terms of meeting housing needs.
- 7.2 An opportunity became available through the Homes and Communities Agency to bid for funding for work around Empty homes. Officers were successful in securing £522,120 to bring 40 long term empty homes into use over the 3 year period of the funding. Details of this can be found in Appendix 5.
- 7.3 The funding will allow for the set up of a Private Sector Leasing scheme which will assist with the opportunity for the acquisition of properties for affordable housing supported through HRA self financing and the use of commuted sums detailed above.

8 **HOMELESS GRANT FOR THE PREVENTION OF HOMELESSNESS DUE TO MORTGAGE ARREARS**

- 8.1 The Council's Housing Options team has seen an increase of 180% (415 – 1,162 cases) in people approaching for housing advice and assistance between 2004/05 to 2011/12. A key part of the Housing Options service is to prevent homelessness whenever possible. The team has been extremely successful in this, exceeding the target for the number of cases of homelessness prevented in 2011/12 by 114, with 606 cases prevented.
- 8.2 The council has been awarded a grant of £50,015 from the government for the prevention of homelessness caused by mortgage arrears. The award of the grant is an acknowledgment of the difficulties being faced by households in the current economic climate and is linked to the performance of the team in preventing mortgage arrears repossessions – the council were awarded a higher grant than any other authority in the county of Leicestershire.
- 8.3 See Appendix 6 for further details.

9. **FINANCIAL IMPLICATIONS (CB)**

The financial implications for the majority of this report are contained within Appendices 2 to 6.

With regard to the Council Housing Investment Strategy and Business Plan 2012 – 2017 detailed in appendix 1, the financial information contained within the plan has been compiled by CIH Consultancy. This has been based in part on the financial plan already calculated for the HRA Subsidy Buyout exercise which was approved at Council on the 23rd February 2012. The business plan ensures that the Council's policy of a minimum HRA balance of £600,000 is maintained over its duration.

10. **LEGAL IMPLICATIONS (AB)**

- 10.1 Part 7 Chapter 3 of the Localism Act 2011 provides the legislative background for the changes to Housing Finance detailed in this report by the abolition of the Housing Revenue Account Subsidy.
- 10.2 Appendices 2-6 are discrete reports dealing with The Affordable Rent Evidence Base, Affordable Rent, The Affordable Housing Delivery Plan, the Empty Property Grant and Homelessness Grant Allocation respectively and each report has separate legal implications.

11. **CORPORATE PLAN IMPLICATIONS**

Contributes to decent, well managed and affordable homes, safe and healthier Borough, strong and distinctive communities, cleaner and greener neighbourhoods and thriving economy.

12. **CONSULTATION**

Consultation undertaken with individual reports contained in the appendices.

TAP have been consulted on the Council Investment Strategy and Business Plan Priorities within the plan will be consulted on during 2012/13.

13. **RISK IMPLICATIONS**

Individual risks contained in the appendices.

14. **KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS**

Individual implications contained in the appendices.

HRA Investment Strategy and Business Plan impacts on all communities, including rural in a positive way and supports more vulnerable members of the community who are in housing need.

15. **CORPORATE IMPLICATIONS**

By submitting this report, the report author has taken the following into account:

- Community Safety implications
- Environmental implications
- ICT implications
- Asset Management implications
- Human Resources implications
- Planning Implications
- Voluntary Sector

Background papers:

Contact Officer: Sharon Stacey/Valerie Bunting.
Executive Member: Councillors David Cope and Stuart Bray

Appendix 1

Hinckley and Bosworth Borough Council Council Housing Investment Strategy and Business Plan 2012 - 2017

1. Introduction

1.1 The Council's overarching Housing Strategy adopted in 2010, sets out the housing priorities which support the corporate aims of:

- Cleaner and greener neighbourhoods
- Thriving economy
- Safer and healthier neighbourhoods
- Strong and distinctive communities
- Decent well managed affordable housing

The Housing Strategy priorities are:

- Better balanced housing markets;
- Improved housing conditions: and
- Community cohesion.

1.2 This Council Housing Investment Strategy and Business Plan supports these priorities and embraces the new era for Council housing. This will be a plan for investment, with Council housing becoming centre stage for the Council in helping us to deliver our vision to make Hinckley and Bosworth 'A Borough to be proud of'. This Strategy provides the context and direction for future Council investment in improving and developing its housing stock and neighbourhoods. This will be further shaped and informed by initiatives such as validating the house condition information and consultation with tenants and stakeholders over the next year. This plan covers the medium term and will be refreshed annually.

The key aims of the Strategy are:-

- Continue to invest in existing stock to maintain good quality homes
- Invest in new build schemes/acquire affordable housing to increase the amount of affordable housing available.
- Refurbishment/regeneration of stock which no longer meets needs.
- Environmental improvements to estates to ensure they are clean and safe.
- Invest in service delivery
- Develop and maintain effective engagement with tenants

This plan covers the medium term and will be refreshed annually.

Overview

The former system for Council housing finance was a national system in which Councils such as Hinckley and Bosworth had to pay surplus rent into a national housing pot so that other Councils which were deemed to have more 'need' could be subsidised. In 2011, we paid nearly £4.1m of our rents into the pot (about 38%). As our rents go up, the amount we pay over would have continued to go up. The former system was universally unpopular, was under-funded (it did not let us keep enough of our own rent income to maintain and improve our homes to the standard we need to) but above all, we were not able to plan effectively as the government had constantly changed the rules in terms of how much money we had.

From April 2012, this system was abolished, and was replaced by a new 'self financing' system. In making this change, the government has recognised that the current system is under-funded and made an assumption that we will be able to spend more. The government has worked out that our housing stock would be able to support £71.9m of debt – this is known as the value of the stock based on future rents and future costs. This is good news but the government is also acting to control borrowing by capping our borrowing at the opening debt level. For historical reasons, we actually started the new system with slightly lower debt (£70.2m).

We already have an assumed amount of Subsidy Capital Financing Requirement (SCFR) debt of £4.2m. This means that, in return for a one-off payment to the government of £67.7m (£71.9m less £4.2m), we will in future be able to keep all of our rents locally and spend them on our homes and services.

We paid this amount to government at the end of March 2012 and borrowed to fund this payment. The interest payments on the new borrowing are less than the rent we are paying to government and this allows us to increase the amount we spend on our homes to the level we need to give them a long term and secure future.

Because we are no longer linked to a national system, we have to prepare our own long term plan. The standard period is for 30 years although we will continually refine and update the plan as time moves on.

We have prepared a financial model to support the business plan which starts at April 2012 and runs over 30 years. We have made assumptions about how the plan will start and the way income and expenditure will develop over the long term. Details of the assumptions and outputs from the modelling are critical to this business plan and there is a detailed section setting out what we have assumed and what the key risks are.

This Council Housing Investment Strategy and Business Plan for Hinckley and Bosworth's Council housing therefore:

- Summarises the main plans for Council housing for the first year in detail as we complete the current investment programme - within the context of a sustainable 30 year plan
- Confirms our plans for providing Council housing services
- Summarises the work we have done to assess how we will manage our stock (and other assets) into the future and the work we will be undertaking to consult on the long term plan (our Asset Management plan) and future priorities during 2012

The Investment Strategy and Business Plan is based on a detailed financial model which forms the basis of all the future funding for Council housing.

Council housing current position: our stock and services

We deliver housing services to our 3,389 tenanted properties and 101 leaseholders through the Council's housing management and repairs service.

We provide a housing management and repairs service which covers the following:

- Allocation of Council housing through Choice Based Lettings.
- ASB/estate management.
- Rents and arrears.
- Older persons services
- Responsive repairs
- Major repairs programme.
- Tenant involvement.

Achievements

The housing and repairs service is continually striving to improve and develop. Some recent successes include:

- Local offers were agreed by April 2011 following extensive consultation with tenants.
- Overall satisfaction rates with the Council is 93%.
- Delivered first new build scheme for many years.
- Completed major programmes of repairs such as electrics, central heating, kitchen programmes.
- Our repairs service is comprehensive and focused on meeting the day to day demands of tenants who need repairs within their homes. We now provide responsive and void property works directly and, as a result, expect to save over £300,000 a year through efficient working practices.
- Our stock has been well maintained in the past and we were able to retain our stock and meet the decent homes standard set by government by 2010.
- In 2011/12 we re-let 194 general needs properties and 54 sheltered housing properties.
- In 2011/12 the average re-let time for general needs properties is 18 days and the average re-let time for sheltered housing properties is 83 days. The overall average re-let time was 32 days.
- The level of rent collected was 98.32%
- A joint Council/police ASB IT case management system was introduced which improves information sharing between the two agencies.
- Scheme audits in sheltered accommodation have resulted in improvements to schemes requested by tenants.

Future service challenges

Self financing provides an opportunity to invest in services and to address some of the following challenges:

- As the Council housing stock gets older, major repairs works will be required to continue to meet and exceed the decent homes standard.
- There are some properties and areas of estates which are in need of regeneration or redevelopment, in particular sheltered schemes.
- Housing needs in the borough are on the increase. The Council's housing register has increased from 1029 applicants in March 2009 to over 1585 in March 2012, a 54% increase, and the current economic and public sector financial difficulties are adding pressure to our waiting lists.
- Welfare reform will impact on both people requiring Council housing and our own tenants who may face difficulties financially.

- The service will need to respond to the emerging Troubled Family agenda to ensure it supports the services around families.
- Additional investment may be needed in front line services to ensure that we are managing the increasing complex needs of our tenants.

In setting out this business plan, we aim to protect our current services, improve their effectiveness and invest in key areas in order to deliver a long term programme of repairs, maintenance and service delivery which will sustain homes well into the future.

The current service is therefore the starting point for this business plan and we will continue to thoroughly review our services and investment programmes in the next year so that we develop a comprehensive plan for improvements from 2013 onwards.

Governance and Tenant Empowerment

The regulation of social housing services is operated through the Homes and Communities Agency (HCA) (formerly the separate Tenant Services Authority). The aim is to develop 'co-regulation' between the Council, tenants and the HCA. There is a requirement to establish a Tenant Scrutiny Panel which will scrutinise services and assist in setting the priorities for Council housing services.

During the past two years tenant involvement has gone from strength to strength with more tenants becoming involved in a number of different ways. The Council and tenants are on their way to developing tenant scrutiny, which will play a key role on directing the future of the service.

The Council currently sets its strategies and plans for housing through consultation with tenants and through discussions with the Tenants Advisory Panel. Recommendations are made to the Executive and Council on key housing issues.

The Executive will continue to be the effective governance forum for the HRA business plan going forward and receive updates and approve changes and developments as required, following consultation with TAP. Once Tenant Scrutiny is established, a decision will be made on the tenant contribution to governance and develop a partnership approach to the delivery of the business plan going forward.

During the next 12 months consultation will take place with both tenants and potential future tenants on priorities for the service and investment. This consultation will help to inform decisions made on investment opportunities afforded by the new financial regime.

One major opportunity in this plan is for Council housing to play a more central role in the delivery of the Council's overall corporate objectives. These are set out in Section 1.

Funding our Housing Services in this Investment Strategy and Business plan

We currently spend £2m a year on managing Council housing and £2.4m on day to day repairs and maintenance and a further £1million on programmes of major works.

Our plan provides for a continuation of this level of service expenditure, with inflation, over the lifetime of the plan.

Our service standards and improvement plans are contained within the local offers agreed with tenants. The main headlines are:

- Tenant involvement – the Council will give tenants the opportunity to become involved.
- Home – the Council will provide and maintain good quality homes.
- Tenancy – tenancies must be allocated and managed fairly.

- Neighbourhood – Tenant’s communities should be clean and safe.

We have already delivered efficiencies within the housing and repairs service, for example:

- We have a number of successful shared services such as ICT, internal audit, legal, Older Persons services and will continue to pursue opportunities as they arise.
- For housing repairs, we have recently brought in-house the delivery of responsive maintenance service. The service is now delivered at a lower cost than the previous arrangement and additional funds have been put aside for service enhancements.

Any future savings in the housing and repairs service will be reserved for reinvestment via the capital programme within this business plan. The stock condition survey and the latest asset management information will provide a better understanding of the needs of our stock, this coupled with future management costs matched against income will provide a holistic picture for each property and enable strategic investment decisions to be made in discussion with our Tenants.

Asset Management Plan

The Council’s Housing Stock currently meets the Decent Homes Standard; this is as a result of comprehensive repair and maintenance programmes being implemented.

In order for us to maximise the opportunities of self-financing we need to firstly fully understand the needs of the stock going forward. We had a stock condition survey undertaken in 2006/07. The historic track record of investment held by our information systems has shown that a low level of investment is required in the future compared to our peers and compared to the level of funding provided for in the self-financing settlement. To ensure that the current assessment is accurate, we have asked for the property information that we hold to be validated and additional stock condition surveys will be carried out during 2012/13.

This survey will assess the condition of all the elements in each of our property types and set out a financial profile (capital profile) over a 30 year period. The survey covers all the major cost elements such as kitchens, windows and doors, heating systems and roofs, as well as all the smaller elements in the properties. The total needs will be reviewed and for the purposes of planning have been estimated at a prudent benchmark level of £27k per property over 30 years. We will update the business plan following completion of the review and any savings made will be set aside for re-investment into our housing priorities.

Therefore, the capital profile that we are working to and which is included in this business plan represents our best estimate of the investment needs of the existing stock in its current format and further work is in hand to refine this over the coming months.

A significant factor informing this plan is that we are likely to need to increase the annual programme of investment and refurbishment in our stock. We will be able to afford this investment and will ensure that value for money housing and repairs services continue to be provided.

We will use our detailed asset data to ensure that we set aside sufficient resources from our rents into the Major Repairs Reserve (technically operated through a charge for depreciation)

The outcomes of the detailed asset analysis work will begin to become available over the coming months. In common with many authorities, we are taking the time to analyse in detail what needs to happen to our stock over the long term and what our options are. The outcomes of this work will be subject to detailed evaluation and consultation during the remainder of 2012. and from which we will develop an Asset Management Plan.

The main themes within the Asset Management Plan will be threefold.

1. What standards we will maintain our stock to (for example, specification for kitchens and bathrooms) agreed with tenants.
2. Classification of properties into those which will:
 - Maintain and improve
 - Invest further to improve energy efficiency
 - Regenerate and/or redevelop
 - Remodel or change in other ways (e.g. conversions).
3. We will also seek opportunities to build our own new homes on plots of land, redeveloped garage sites and other options as they become available. A number of delivery options are being developed which will make use of both headroom within the HRA and other funding streams, such as commuted sums.

In the meantime, we will continue to deliver the current capital programme in 2012-13. The main priorities within this programme are:

- Kitchens;
- Boiler Replacements;
- Adaptations
- High standard void properties
- Roofing
- Electrics
- Major structural works

Subject to the detailed review work identified above, we expect the programme from 2013 to continue further with these priorities as well as adding new programme areas which are likely to include improving communal areas, damp proofing, improving sheltered schemes, renewable energy efficiency initiatives, thermal insulation, bathrooms, utilising space from underused gardens/bin stores/garage sites and acquisition of affordable housing.

Options and priorities

We will be able to deliver more investment for Council housing in the new system. The sources of additional funding are quite complex but can be summarised in the following way.

Firstly, the government has recognised that Council housing has been under-funded for decades and included a big increase in allowance for major repairs factored into the debt settlement. The onus is therefore on the Council to ensure that we have plans to effectively maintain the stock as will no longer be able to go back to government and ask for more money. The increase will enable our programme to increase.

Secondly, we will keep rent income from all future rent increases rather than returning a large proportion to government. This will mean that, providing we keep control of our costs, we will generate revenues which we will be able to reinvest. These revenues are dependent on us sticking to the government's rent convergence policies. We will set aside these resources into a regeneration reserve for future investment and develop plans in the Asset Management Plan.

Thirdly, we will have around £1.7m borrowing headroom within the government's borrowing cap. We will need to pay the interest on any additional borrowing but we might use this to make investment happen quickly. Generally, we will review the options for drawing down additional borrowing in the context of our overall plan for investment.

Fourthly, if we deliver any additional efficiencies, we will be able to reinvest these back into the service or the stock. This should act as a powerful incentive for us to deliver savings so we can deliver more of what our tenants need.

Therefore, we have additional resources to deploy and over the coming months we will be engaging with members and tenants to prioritise this investment. This will broadly be in three areas:

- the services we provide;
- our existing stock; and
- wider regeneration and development activity.
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Actions during 2012/13

In order to inform the HRA Investment Strategy and Business Plan onwards the following work will be carried out during 2012/13.

- We will validate our stock condition information in order that we know the investment programmes required to maintain the condition of the stock over 30 years.
- We will carry out viability studies of sheltered schemes so that we understand their future viability and can make decisions on their future (refurbishment/redesign/re-designation)
- We will consult with tenants on their priorities for the future investment in the housing stock and use of the opportunities afforded by self financing.
- We will consult with applicants on the Housing Register to establish their views as potential future tenants/customers.
- We will carry out service reviews to identify whether pressures on delivery are appropriately resourced.

Once this work has been completed members will be able to make decisions on the future investment priorities and long term strategic direction of the service.

Risks and challenges

The main risks that we have identified as affecting our ability to deliver the plan over the long term along with risk management strategies against these are set out at Annexe 3. A summary of the financial sensitivity of the plan is also set out in the next sections.

Financial strategy and planning

We have prepared a financial model which includes all the income and expenditure for revenue and capital associated with Council housing from 2012 for 30 years. The 30 year dimension is critical in terms of being able to demonstrate that we are able to manage and maintain the homes and assets that we have now. Annexe 1 lists the main assumptions in detail.

We have nine principles and policies upon which our baseline plan is constructed:

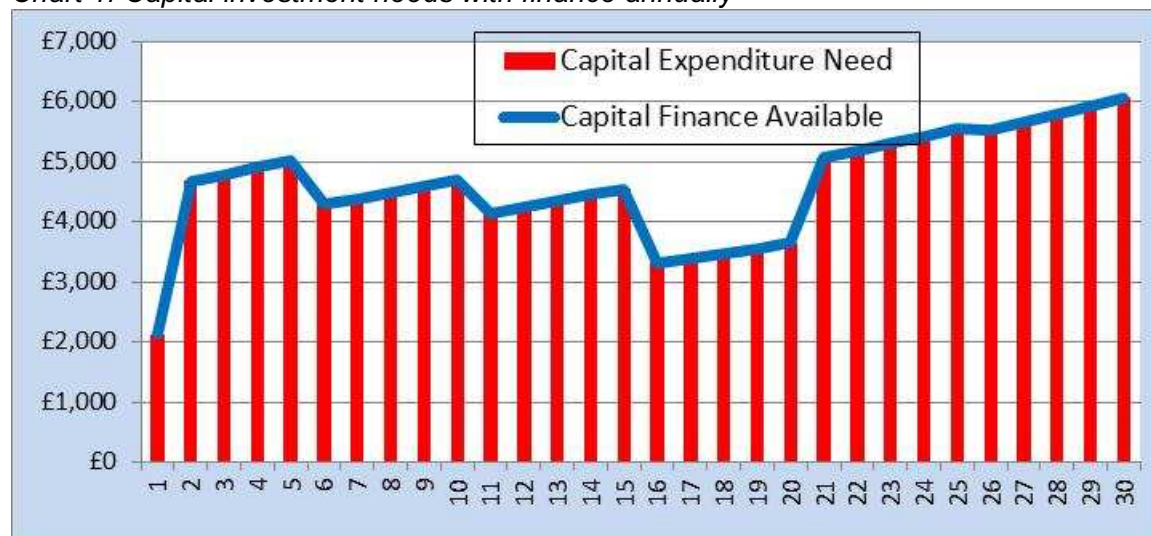
1. We have taken out a mix of funding for the settlement payment which gives us some predictability around interest rates but gives us flexibility for refinancing as the plan develops over time (for example if we want to increase investment in regeneration or new build); precise loan mixes were considered in the context of our overall Treasury Management strategy.

2. We will maintain and manage debt (rather than repay it) over the long term. Although it may be that repayment in the short to medium term may be considered if it is beneficial when considered within the treasury management strategy, when balancing investment returns and borrowing rates.
3. We will raise rents to meet convergence targets by 2016 (or as soon after as possible), including re-letting properties at target rents.
4. We will continue to invest in service delivery at current levels but look for efficiencies and investment opportunities to provide greater effectiveness and service improvements.
5. We will complete our existing capital programme for 2012/13.
6. We will increase investment from 2013 in the current stock in line with the needs of the existing stock. We will operate a depreciation policy in line with CIPFA guidance which covers the individual components within the stock.
7. We will establish a reserve for regeneration and new build with a commitment to placing any unspent resources into this reserve; in the first 5 years, we are planning for £10m to be set aside in this reserve for future investment in regeneration and new build.
8. Our minimum working balance for the HRA is £600k.
9. We will develop options for additional investment of reserves and revenues taking into account information about the stock, long term asset needs and the opportunities for investment set out in this business plan. We will not draw down any additional borrowing until we have completed this review.

In showing how well financed the plan is, we have set out three charts below which describe the revenue, capital and debt position for the baseline business plan. Taken together, these represent a sustainable long term plan for the existing stock and asset base. Tables setting out the 5 year planning timeframe are included at Annexe 2.

Our capital expenditure plans over the long term

Chart 1: Capital investment needs with finance annually



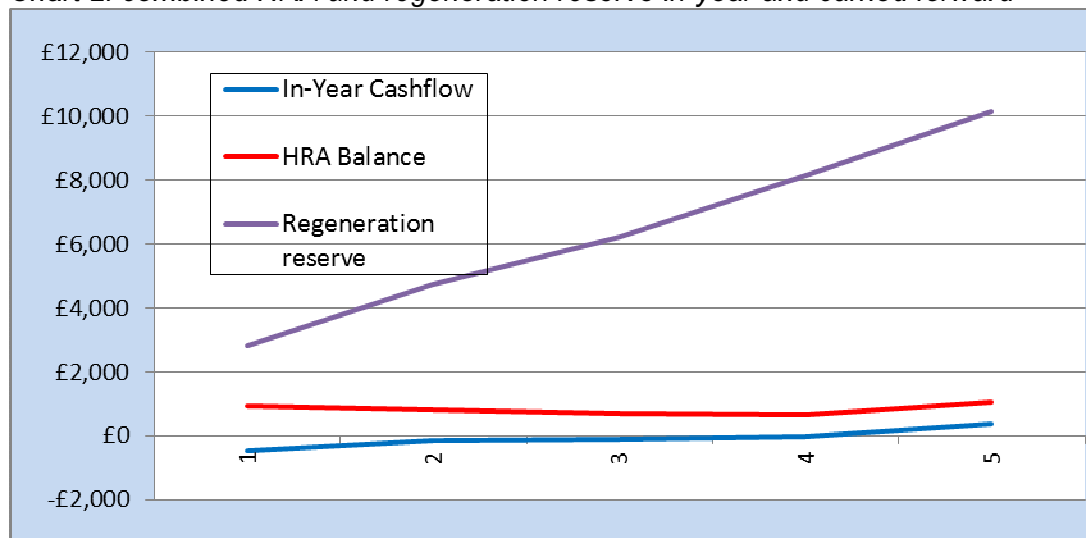
The headlines are:

- The capital programme needs can be financed from existing resources without any need for additional borrowing.

- The capital programme is based on investment needs of £27k per unit over the 30 year plan equivalent to the funding provided in the settlement. The total need and profile of spend is being reviewed over the coming months to give greater certainty around investment potential.

Our revenue forecast over the medium term

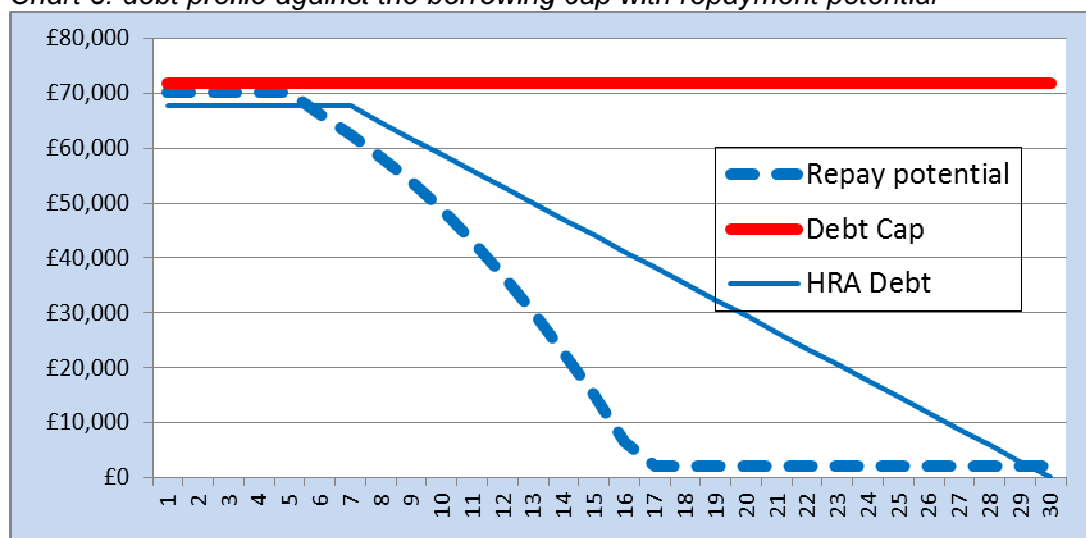
Chart 2: combined HRA and regeneration reserve in-year and carried forward



The main headline is that we are planning to build a reserve of £10m in the next 5 years in addition to the HRA working balance of £600k. This reserve will be set aside for regeneration and new build. This is a significant resource and we will develop and consult on plans for investment within 2012.

The debt profile over the long term

Chart 3: debt profile against the borrowing cap with repayment potential



The main headlines are:

- We will manage our debt in line with our business need. We have set out a treasury position that enables us to build reserves in the early years of the plan with a phased potential repayment.
- This will provide maximum future flexibility to either repay or reinvest in the business depending on the needs and priorities at the time.

Sensitivities

Taken together, the 3 charts above show how our business plan is sustainable over 30 years. There are risks to the delivery of the plan which might have an impact on the financial performance and investment potential over the long term. In order to demonstrate the possible effect of these risks, the table below shows the impact of a series of changes to assumptions on the amount of resources we can invest and the way in which we can cover debt payments.

Table 1: schedule of the impact of risks and sensitivities

	Reserves at yr 10 £m	Debt coverage year
Baseline	10.8	17 years
RTB sales 15pa (not 6)	10.8	17 years
Inflation 3.5% not 2.5%	10.8	19 years
Expenditure inflation 1% higher than rent inflation	10,8	22 years

The table shows that our plan is resilient to change. We have fixed our borrowing rates and allowed for additional provision for bad debts. The effects of the new Government policy on Right to Buy will need to be examined further in light of the additional discounts but a modest increase will not affect the plan. The biggest effect would be felt from high cost inflation when compared to rent inflation. This will be reviewed through standard financial management procedures.

Annexe 1: schedule of key financial assumptions

The table below details the main financial assumptions that we have made in preparing the financial plan which support this business plan.

Description	Short term (2012-13)	Medium-long term (2014/2017 onwards)
Basis for settlement – listing the key components and funding elements	Opening debt at settlement £70.2m against cap of £71.9m	Long term cap £71.9m
Property changes over the plan	3,389 properties 1.4.2012 with 6 annual RTB	Rising to 8 RTB per annum
Economic – inflation and interest rates	2.5% core inflation, 3% rent inflation, interest rates start at 3.05%	2.5% core inflation, 3% rent inflation, interest rates stable at 5% long term
Rents – convergence rate and RPI assumptions	£67.07 rising average 5.5% to convergence complete in 2016	3% long term rent increases
Arrears and bad debts	0.42% of rents in year 1 rising to 1.00% in year 2 due to Universal Credit	0.85% of rents long term
Management costs	£2.0m rising with inflation at 2.5%	Inflation long term at 2.5%
Repairs costs	£2.4m rising with inflation at 2.5%	Inflation long term at 2.5%
Capital profile	Existing programme £2.1m 2012-13	£91.2m over 30 years based on existing stock moving with 2.5% inflation
Assumptions of efficiencies being delivered	All inflationary pressures above main inflation absorbed	All inflationary pressures above main inflation absorbed
Depreciation assumptions re dwellings and non dwellings	£891 per property	£891 per property
Use of capital resources (RTB receipts etc) and explanation for basis	RTB receipts retained by the general fund	RTB receipts retained by the general fund

Annexe 2

Tables setting out the 5 year revenue and capital financial plans for the HRA

REVENUE

Year	2012-13	2013-14	2014-15	2015-16	2016-17
£'000	1	2	3	4	5
INCOME:					
Rental Income	11,809	12,492	13,188	13,900	14,564
Void Losses	-236	-250	-264	-278	-291
Non-Dwelling Income	72	74	76	78	80
Grants & Other Income	16	16	16	16	16
Total Income	11,661	12,332	13,017	13,715	14,368
EXPENDITURE:					
General Management	-1,422	-1,457	-1,494	-1,531	-1,570
Special Management	-593	-608	-623	-639	-655
Other Management	-23	-24	-24	-25	-26
Bad Debt Provision	-50	-125	-112	-118	-124
Responsive & Cyclical Repairs	-2,424	-2,484	-2,546	-2,610	-2,675
Total Revenue Expenditure	-4,512	-4,699	-4,800	-4,923	-5,049
Interest Paid & Administration	-2,143	-2,168	-2,168	-2,219	-2,219
Interest Received	32	76	123	194	295
Depreciation	-3,019	-3,094	-3,172	-3,251	-3,332
Net Operating Income	2,020	2,447	3,000	3,516	4,062
Contribution to reserves	-2,482	-1,903	-1,503	-1,903	-2,003
Revenue Contribution to Capital	0	-682	-1,612	-1,646	-1,680
Total Appropriations	-2,482	-2,585	-3,115	-3,549	-3,683
ANNUAL CASHFLOW	-462	-138	-115	-33	379
Opening HRA Balance	1,406	944	806	691	658
Closing HRA Balance	944	806	691	658	1,037
<i>Other HRA Reserve Balance</i>	2,834	4,734	6,234	8,134	10,134

CAPITAL

Year	2012-13	2013-14	2014-15	2015-16	2016-17
£'000	1	2	3	4	5
EXPENDITURE:					
Planned Capital Expenditure	1,766	3,936	4,030	4,125	4,221
Disabled adaptations	357	390	400	410	420
Procurement Fees		346	354	363	371
Total Capital Expenditure	2,123	4,673	4,784	4,897	5,013
FUNDING:					
Major Repairs Reserve	2,123	3,990	3,172	3,251	3,332
Revenue Contributions	0	682	1,612	1,646	1,680
Total Capital Funding	2,123	4,673	4,784	4,897	5,013
Major Repairs Reserve Bal:	896	0	0	0	0

Annexe 3: Risk management

Risks have been classified into the following headings:

Description	Impact	Probability	Mitigation and residual risk
Insufficient knowledge of current stock causes unknown liabilities	Critical	Significant	Increase surveys, external validation of asset database -> reduce likelihood to Low
Cost inflation is higher than income inflation	Critical	Low	Effective budget and financial control -> reduce impact to Marginal
Interest rates rise	Marginal	Significant	Flexible approach to debt funding giving opportunities to refinance -> reduce impact to Low
Right to Buy levels increase	Marginal	Significant	Depends on take up of new government policy on discount; managing costs to the number of properties held and protection for HRA debt held on additional properties sold -> reduce impact to Low (but impact on availability of housing)
Restriction on housing benefits; introduction of Universal Credit	Critical	High	intensive management and services to vulnerable tenants -> reduce likelihood to Significant/Low
Government revisits the settlement	Critical	Very Low	No action by the Council but investment of available resources could reduce scale of impact.
Rent increases are not implemented in accordance with government expectations	Critical	Very Low	Council policy towards raising rents to convergence included in this plan

Appendix 2

REPORT OF DEPUTY CHIEF EXECUTIVE (COMMUNITY DIRECTION) **RE: AFFORDABLE RENT EVIDENCE BASE**

1. **PURPOSE OF REPORT**

To inform Members of the results of work commissioned to establish the evidence base for affordable rent in the Borough. This paper is linked to the report "Affordable Rents" in appendix 3 which uses this evidence base to consider the use of affordable rent in the Borough.

2. **RECOMMENDATION**

That Members note the information provided in this report and its usefulness in informing policy in respect of the provision of affordable housing in the Borough.

3. **BACKGROUND TO THE REPORT**

- 3.1 The Council's approach to affordable housing is set out in Policy 15 of the Core Strategy (the Council's Local Plan), with further detail outlined in the Council's adopted Affordable Housing Supplementary Planning Document.
- 3.2 At present Policy 15 of the Core Strategy identifies only social rented and intermediate housing as being able to provide the requirement for affordable housing within the Borough. The proportions of social rented and intermediate housing in the Core Strategy were informed by evidence set out in the Strategic Housing Market Assessment.
- 3.3 Affordable rent was introduced as part of the Affordable Homes Programme 2011 – 15. It allows Registered Providers to charge up to 80% of the market rent in an area on both new build, and, in some instances, conversions of existing dwellings. Development partners with the Homes and Communities Agency have signed a contract with the Homes and Communities Agency to deliver an agreed number of affordable rented properties during the programme.
- 3.4 The National Planning Policy Framework now gives a definition of affordable housing which includes social rented, affordable rented and intermediate housing. This is consistent with amendments to Planning Policy 3 (now revoked by the implementation of the NPPF) which brought affordable rent into the affordable housing portfolio.
- 3.5 The difficulty for the Council in considering affordable rent is determining how it contributes to meeting the needs of people who cannot access housing through the open market. To this end, five of the district councils in Leicestershire (Blaby District Council, Harborough District Council, Charnwood Borough Council, North West Leicestershire District Council and Hinckley and Bosworth Borough Council) commissioned BLine Housing

Information Ltd to examine the evidence base and recommend a suitable mix of rented properties for new affordable housing developments.

- 3.6 The work builds on the evidence base and methodology used in the Strategic Housing Market Assessment, and also considers evidence from the Council's housing register to identify current applicants who may be suitable for affordable rent properties.

4. **RESULTS OF THE EVIDENCE BASE.**

- 4.1 The final report "Establishing the need for provision of Affordable Rent housing in Hinckley and Bosworth" profiled the need and demand for affordable housing in the Borough and the impact of affordable rent across housing sub markets in the Borough.

- 4.2 The main findings of the report are as follows:

- That the Borough can support the provision of affordable rent in the Borough – the report suggests that overall the proportions of rented property should be 60% social rented; 40% affordable rented.
- This figure represents all lettings, and therefore includes both new build properties and re-lets of existing stock;
- The report also looks at sub markets within the Borough and shows that there are variations in the level of affordability across the Borough, and that therefore the more expensive sub markets may not support as high a level of affordable rent than the least expensive areas.
- Considering 6 sub markets, the proportions of affordable rent to meet the profile of housing need range from 59% in Barwell, Bagworth, Brookside and Earl Shilton to 24% in Twycross.
- The report also marks a difference in affordable rent levels according to the property type. One bedroomed properties show little difference between social rents and affordable rents, whilst there are differences of up to £68 per week for 4 bedroomed houses and up to £35 per week for 3 bedroomed houses.
- Affordable rents have to "have regard to" the Local Housing Allowance (LHA), and in practice, Registered Providers are not charging rents higher than the LHA. Again, this level affects the larger properties most, and indicative rents provided by Registered Providers have shown a "cap" on 4 bedroomed properties at the LHA rate.
- Whilst there is concern that the higher affordable rents could provide a disincentive to work, the report points out that working people on low incomes, who qualify for housing benefit, will not be adversely affected by affordable rent, since the contribution they have to make towards their rent will not be affected by a higher rental charge. The impact is only felt when a household no longer qualifies for Housing Benefit. The higher the rent, the more households can earn without losing their entitlement to Housing Benefit.
- This does have an impact for the local authority since it means that where households cannot afford the higher rents, the Housing Benefit bill will rise to cover them.
- The affordable rent properties could meet a need for people on low incomes by providing an alternative to the private rented sector. The local

authority is allowed to change its allocations policy to prioritise applicants in work, should they so wish.

- The average number of re-lets in the Borough is 280 per year. If all these properties were let at affordable rent, it would generate enough additional capital borrowing to support approximately 40 additional affordable units per year. However, the new units would not have to be provided in the Borough but would support the Registered Providers overall building programme.

The findings of this report will be applied to applications on a site by site basis when assessing the provision of affordable housing requires as part of the development in order to make it acceptable.

5. **FINANCIAL IMPLICATIONS [CB]**

Contained within the body of the report.

6. **LEGAL IMPLICATIONS [EP]**

6.1 By utilising the findings of this report as an evidence base to inform the Affordable Housing Policy the Council would be meeting the obligations of paragraph 50 of the NPPF to;

- Planning for a mix of housing based on current future demographic trends, market trends and the needs of different group in the community
- Identifying the size type tenure and range of housing requires in particular locations, reflecting local demand; and
- Where it is identified that affordable housing is needed, set policies for meeting this on site. Such policies should be sufficiently flexible to take account of changing market conditions over time.

6.2 In addition the Council would comply with paragraph 47 of the NPPF which requires authorities to use their evidence base to ensure that their Local Plan meets the full, objectively assessed needs for market and affordable housing in the housing market area.

7. **CORPORATE PLAN IMPLICATIONS**

7.1 The consideration of Affordable Rent and Discounted Sale housing supports the following aims of the Corporate Plan 2009 – 2014:

- Strong and distinctive communities
- Decent, well managed & affordable housing

8. **CONSULTATION**

There is no requirement for consultation on the evidence base.

9. **RISK IMPLICATIONS**

It is the Council's policy to proactively identify and manage significant risks which may prevent delivery of business objectives.

It is not possible to eliminate or manage all risks all of the time and risks will remain which have not been identified. However, it is the officer's opinion based on the information available, that the significant risks associated with this decision / project have been identified, assessed and that controls are in place to manage them effectively.

The following significant risks associated with this report / decisions were identified from this assessment:

Management of significant (Net Red) Risks

Risk Description	Mitigating actions	Owner
Affordable rent levels are above the Local Housing Allowance and therefore too high for housing benefit applicants	Include that rent will not be above local housing allowance in section 106 agreement.	Valerie Bunting
Affordable rent will be out of the reach of people in work.	Monitoring of the bids on Choice Based Lettings to identify whether certain groups are not bidding for these properties.	Valerie Bunting
Affordable rents will not be affordable in areas of high market rents	Identify through the evidence base whether there are sub markets where affordable rents will fail to meet the needs of low income groups.	Valerie Bunting

10. **KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS**

This report is concerned with ensuring that a supply of affordable housing is available in the Borough for people who cannot meet their needs through the open market. As rural areas of the Borough tend to be more expensive than the urban core, care must be taken to ensure the continued affordability of housing in rural areas.

11. **CORPORATE IMPLICATIONS**

By submitting this report, the report author has taken the following into account:

- Community Safety implications – None identified
- Environmental implications – None identified
- ICT implications – None identified
- Asset Management implications – None identified
- Human Resources implications – None identified

- Planning Implications – Contained within the report.
 - Voluntary Sector – None identified
-

Background papers: Establishing the Need for Provision of Affordable Rent Housing in Hinckley and Bosworth – report by Bline Housing Information Services.

Contact Officer: Valerie Bunting x5612

Executive Member: Councillor Stuart Bray

Appendix 3

REPORT OF DEPUTY CHIEF EXECUTIVE (COMMUNITY DIRECTION) **RE: AFFORDABLE RENT**

1. PURPOSE OF REPORT

- To inform Members of the use of affordable rent as part of the affordable housing provision in the Borough, in particular:
- To link the use of affordable rent to the findings of the Affordable Rent Evidence Base;
- To set the approach for negotiating affordable housing with developers.

2. RECOMMENDATION

- 2.1 That Members agree the negotiation of affordable rent within a housing development on a site by site basis taking into account:
- i. The non-discretionary use of affordable rent where grant under the Affordable Homes Programme 2011 – 15 is part of the financial package on site;
 - ii. the need for affordable rent set out in the evidence base from the project to establish the need for affordable rent ;
 - iii. the contribution affordable rent makes to increasing the viability of a site;
 - iv. The requirement for Registered Providers to meet the agreed package of affordable rent units in their contract with the Homes and Communities Agency.

3. BACKGROUND TO THE REPORT

- 3.1 The Council's approach to affordable housing is set out in Policy 15 of the Core Strategy, with further detail outlined in the Affordable Housing Supplementary Planning Document.
- 3.2 At present Policy 15 of the Core Strategy identifies only social rented and intermediate housing as being able to provide the requirement for affordable housing within the Borough. Affordable rent was introduced as part of the Affordable Homes Programme 2011 – 15. Development partners with the Homes and Communities Agency have signed a contract with the Homes and Communities Agency to deliver an agreed number of affordable rented properties during the programme.

Planning Policy Statement 3 was amended in June 2011 to include Affordable Rent as an affordable housing product. PPS3 has now been revoked with the implementation of the National Planning Policy Framework, however the change in definition has been carried through in to the National Planning Policy Framework, where the definition of affordable housing is set out in the Glossary in Annex 2 of this report as follows:

“Affordable housing: Social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market.

Eligibility is determined with regard to local incomes and local house prices. Affordable housing should include provisions to remain at an affordable price for future eligible households or for the subsidy to be recycled for alternative affordable housing provision.

Social rented housing is owned by local authorities and private registered providers (as defined in section 80 of the Housing and Regeneration Act 2008), for which guideline target rents are determined through the national rent regime. It may also be owned by other persons and provided under equivalent rental arrangements to the above, as agreed with the local authority or with the Homes and Communities Agency.

Affordable rented housing is let by local authorities or private registered providers of social housing to households who are eligible for social rented housing. Affordable Rent is subject to rent controls that require a rent of no more than 80% of the local market rent (including service charges, where applicable). Intermediate housing is homes for sale and rent provided at a cost above social rent, but below market levels subject to the criteria in the Affordable Housing definition above. These can include shared equity (shared ownership and equity loans), other low cost homes for sale and intermediate rent, but not affordable rented housing.

Homes that do not meet the above definition of affordable housing, such as “low cost market” housing, may not be considered as affordable housing for planning purposes.”

- 3.3 A report was submitted to Planning Committee on 16 August 2011, outlining affordable rent as a new product. At Members request, a workshop was held for Members on the 27 February 2012 outlining the changes taking place in affordable housing, with specific regard to affordable rent.
- 3.4 A further report was submitted to Planning Committee on 6 February 2012 regarding the use of affordable rent. Members endorsed the negotiation approach as set out in the recommendations of this report.

4. **AFFORDABLE RENT.**

- 4.1 Whilst affordable rent properties are classed as an affordable housing product, they operate under different rule to those governing social rents. Affordable rents:
- Can be charged at up to 80% of the full market rent in an area;
 - Cannot be lower than the target rent charged for social rents;
 - Registered providers should have regard to the Local Housing Allowance when setting the rent.
 - As the rent is set by reference to local market rents, there will be variations in affordable rent levels, based on the different sub markets in the Borough.

- 4.2 Affordable rent tenancies will be subject to nomination agreements with the local authority, and advertised through the Choice Based Lettings process.
- 4.3 The Homes and Communities Agency have introduced affordable rents with the intention that the increased borrowing capacity from charging higher rents will be used by the Registered Provider to increase provision of affordable housing on new sites.
- 4.4 Where a site would not be viable delivering the full rented requirement as social rented dwellings, affordable rent can help the site viability as the higher rent would mean the Registered Social Landlords could offer a higher purchase price per unit to developers. This would meet with the Homes and Communities Agency's aim of supporting delivery of new housing as it would deliver new housing which would otherwise not be provided.

4.4 **Impact of affordable rent on housing need in the Borough**

The Council commissioned BLine Housing Information Ltd to develop an evidence base to support the considered use of affordable rents in the Borough. The findings of this report indicated that the Council could sustain a proportion of rented properties as affordable rent. The suggested percentage of affordable rent overall was 42% of all lettings.

- 4.5 The report did however give consideration to the different sub markets within the Borough and therefore a case by case approach to negotiating affordable rent would allow:
- Consideration of whether 80% of market rents would be affordable in the areas of the Borough with high market rents.
 - The overall numbers of affordable rent properties in a settlement taking into account conversions of properties on re-let
 - The number of applicants on the Housing Register for that settlement who may be suitable for affordable rented accommodation.
 - Analysis of the house types offered for affordable housing on site and whether particular dwelling types would become unaffordable at 80% of market rents.

5. **FINANCIAL IMPLICATIONS [CB]**

None arising directly from this report.

6. **LEGAL IMPLICATIONS [EP]**

The NPPF, at paragraph 50, requires authorities to deliver a wide choice of high quality homes, widen opportunities for home ownership and create sustainable, inclusive and mixed communities through:

- Planning for a mix of housing based on current future demographic trends, market trends and the needs of different group in the community
- Identifying the size type tenure and range of housing requires in particular locations, reflecting local demand; and

- Where it is identified that affordable housing is needed, set policies for meeting this on site. Such policies should be sufficiently flexible to take account of changing market conditions over time.

By adopting the approach recommended by this report the Council would be meeting the obligations above.

7. CORPORATE PLAN IMPLICATIONS

The consideration of Affordable Rent and Discounted Sale housing supports the following aims of the Corporate Plan 2009 – 2014:

- Strong and distinctive communities
- Decent, well managed & affordable housing

8. CONSULTATION

Consultation has taken previously with Officers from Planning Policy, Development Control and Housing at the introduction of affordable rent.

9. RISK IMPLICATIONS

It is the Council's policy to proactively identify and manage significant risks which may prevent delivery of business objectives.

It is not possible to eliminate or manage all risks all of the time and risks will remain which have not been identified. However, it is the officer's opinion based on the information available, that the significant risks associated with this decision / project have been identified, assessed and that controls are in place to manage them effectively.

The following significant risks associated with this report / decisions were identified from this assessment:

Management of significant (Net Red) Risks

Risk Description	Mitigating actions	Owner
Affordable rent levels are above the Local Housing Allowance and therefore too high for housing benefit applicants	Include that rent will not be above local housing allowance in section 106 agreement.	Valerie Bunting
Affordable rent will be out of the reach of people in work.	Monitoring of the bids on Choice Based Lettings to identify whether certain groups are not bidding for these properties.	Valerie Bunting
Affordable rents will not be affordable in areas of high market rents	Identify through the evidence base whether there are sub markets where affordable rents will fail to meet the needs of	Valerie Bunting

Management of significant (Net Red) Risks
low income groups.

10. **KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS**

This report is concerned with ensuring that a supply of affordable housing is available in the Borough for people who cannot meet their needs through the open market. As rural areas of the Borough tend to be more expensive than the urban core, care must be taken to ensure the continued affordability of housing in rural areas.

11. **CORPORATE IMPLICATIONS**

By submitting this report, the report author has taken the following into account: [if you require assistance in assessing these implications, please contact the person noted in parenthesis beside the item]

- Community Safety implications – None identified
- Environmental implications – None identified
- ICT implications – None identified
- Asset Management implications – None identified
- Human Resources implications – None identified
- Planning Implications – Contained within the report.
- Voluntary Sector – None identified

Background papers:

Contact Officer: Valerie Bunting x5612

Executive Member: Councillor Stuart Bray.

Appendix 4

REPORT OF DEPUTY CHIEF EXECUTIVE (COMMUNITY DIRECTION) **RE: AFFORDABLE HOUSING DELIVERY PLAN.**

1. **PURPOSE OF REPORT**

The purpose of this report is:

- To inform Members of the overall approach to a proposed Affordable Housing Delivery Plan;
- To advise Members of the preferred options to support the delivery plan.

2. **RECOMMENDATION**

That Members support the affordable housing delivery plan as set out in this report.

3. **BACKGROUND TO THE REPORT**

- 3.1 Affordable housing has traditionally been delivered in the Borough by way of section 106 agreements, where the developer sells the affordable housing to a Registered Social Landlord. The policies set out in Core Strategy Policy 15: Affordable Housing and Policy 17: Rural Needs, guide the developer on the number, mix and tenure of dwellings to be supplied for affordable housing on site.
- 3.2 There are new factors which affect the way that affordable housing is delivered. Economic conditions have slowed the supply of new build dwellings, and have in many cases affected the developers' ability to deliver affordable housing to policy requirements and maintain the viability of the site.
- 3.3 Alongside these issues, the Government has introduced new freedoms through the Localism Act which open up opportunities for Local Authorities to develop and manage new affordable housing. These two issues mean that delivery of affordable housing needs to be more flexible and innovative to maximise the opportunities to deliver affordable housing in a restrictive market.
- 3.4 With this in mind, the Council has developed an Affordable Housing Delivery Plan, to outline how it will make use of the opportunities to maximise the delivery of affordable housing, and to shape delivery to meet the need in the Borough.

4. **THE AFFORDABLE HOUSING DELIVERY PLAN.**

- 4.1 The principles of the delivery plan are outlined below.

Priorities for use of commuted sums for Affordable Housing Delivery.

- 4.2 The principle of accepting commuted sums is established in the Affordable Housing Supplementary Planning Document Key Policy Principle AH7 which states:

“The Council’s over-riding priority is to have affordable housing provided on-site as the easiest way of ensuring mixed and balanced communities at the outset and only in exceptional circumstances and where it can be robustly justified can off-site provision or commuted sums be acceptable. Acceptance of commuted sums is at the Council’s discretion. Where the Council decides to accept commuted sums, they will be calculated using the formula set out below.”

- 4.3 There are constraints which will affect the Council’s ability to use commuted sums. In relation to commuted sums for Affordable Housing the National Planning Policy Framework, paragraph 50, requires Local Planning Authorities:

“To deliver a wide choice of high quality homes, widen opportunities for home ownership and create sustainable, inclusive and mixed communities, local authorities should:

... where they have identified that affordable housing is needed, set policies for meeting this need on site, unless off-site provision or a financial contribution of broadly equivalent value can be robustly justified (for example to improve or make more effective use of the existing housing stock) and the agreed approach contributes to the objective of creating mixed and balanced communities. Such policies should be sufficiently flexible to take account of changing market conditions over time. “

- 4.4 In addition, the Community Infrastructure Levy Regulations 2010 state that any obligation requested in order to make a development acceptable in planning terms must satisfy three tests (reg. 122):

1. necessary to make the development acceptable in planning terms
2. directly related to the development
3. fairly and reasonably related in scale and kind to the development

Any obligation to be placed on a developer to pay a commuted sum in lieu of on-site provision would therefore need to meet the above tests in order to be capable of being requested.

- 4.5 Where the Council considers it appropriate to accept commuted sums and the above requirements have been met, the objective is to maximize the number of new affordable houses provided elsewhere. The priority for use of commuted sums is therefore:

- i. **Investing in regeneration** where a relatively small investment will increase the affordable housing offer. This includes bringing empty homes into use, improving flats over shops, and buy back of Council housing lost through Right to Buy.

- ii. **Contributing to new build schemes** where an injection of relatively small amounts of money will increase the supply of new affordable housing – for example, where the Council has donated land at nil value for provision of affordable housing.
- iii. Use of commuted sums to **purchase affordable housing** on alternative section 106 sites, either direct purchase by the Council or by passing funds over to other Registered Providers.

Delivery options.

- 4.6 Hinckley and Bosworth Borough Council is a Registered Provider with the Homes and Communities Agency and has the opportunity to develop new Council housing. The Delivery Plan acknowledges the commitment to new Council housing delivery and the role that officers has to contribute to in house provision of new stock. The feasibility of in-house provision will be explored and reported on further.
- 4.7 The Council will contribute to increasing affordable housing in the Borough by:
 - i. Building new affordable homes.
 - ii. Setting up a Private Sector Leasing scheme. This will allow the Council to fulfill a lease and repair scheme to facilitate the empty homes programme, and to offer a management and repair scheme to private landlords in return for the properties being let to people on the Housing Register.
 - iii. Achieving economies of scale in new affordable housing delivery by use of Council owned sites to develop affordable homes at a nil land value. Sites will be prioritised according to the needs analysis set out by the Asset Management Strategy Group and noted in the Corporate Implications in section 11.
 - iv. Working with development partners to acquire stock on section 106 sites.

5. **FINANCIAL IMPLICATIONS [CB]**

None arising directly from the report. However, any proposals to provide affordable housing which require Council expenditure, regardless of how these schemes are funded, will need to be approved in line with financial regulations.

6. **LEGAL IMPLICATIONS (EP)**

- 6.1 The use of commuted sums will need to be assessed on a site by site basis and be robustly justified in relation to:

1 The request for a commuted sum in lieu of on-site provision

- 2 The level of sum requested
- 2 The intended application of the commuted sum

- 6.2 In addition to being robustly justified, commuted sums should only be requested where the “agreed approach contributes to the objective of creating mixed and balanced communities” (paragraph 50 NPPF)
- 6.3 This is made clear within both the NPPF and our policy. In providing a robust justification the authority will need to be able to produce evidence assessing the impact of the development in question, stating how the sums will mitigate that impact justifying the three points above.
- 6.4 At paragraph 7.10 of the Affordable Housing Supplementary Planning Document it states that commuted sums will be applied within a 3 mile radius of the development. This was inserted into policy following guidance from the Homes and Community Agency; however there is no legal basis for this blanket application of an area. Any area over which any commuted sum is to be applied must be robustly justified by reference to the development it arises from.
- 6.5 In addition to the above any request for a commuted sum must meet the tests within regulation 122 of the Community Infrastructure Regulations 2010.
- 6.6 Regulation 123 of the Community Infrastructure Regulations 2010, which limits the ability to pool contributions as of 6 April 2014, does not apply to affordable housing contributions, for which there is no limit on pooling.
- 6.7 The National Policy Framework (NPPF) came in to force on the 27th March 2012 with immediate effect. At paragraph 214 the documents states:

“For 12 months from the day of this publication, decision-takers may continue to give full weight to the relevant policies adopted since 2004 even if there is a limited degree of conflict with this Framework.”
- 6.8 All the Council policies referenced within this report fall within this category but as yet have not been assessed in light of the NPPF for conflict. If they are found to have more than a limited degree of conflict with the NPPF once assessed the weight attributable to them in determining any planning application will be limited. This would therefore the sole policy with any significant weight to be considered would be the NPPF.

7. **CORPORATE PLAN IMPLICATIONS**

The consideration of Affordable Rent and Discounted Sale housing supports the following aims of the Corporate Plan 2009 – 2014:

- Strong and distinctive communities
- Decent, well managed & affordable housing

8. **CONSULTATION**

No formal consultation has taken place, but officers from planning, housing, legal services and finance have been consulted on, and assisted in the preparation of this paper.

9. **RISK IMPLICATIONS**

It is the Council's policy to proactively identify and manage significant risks which may prevent delivery of business objectives.

It is not possible to eliminate or manage all risks all of the time and risks will remain which have not been identified. However, it is the officer's opinion based on the information available, that the significant risks associated with this decision / project have been identified, assessed and that controls are in place to manage them effectively.

The following significant risks associated with this report / decisions were identified from this assessment:

Management of significant (Net Red) Risks

Risk Description	Mitigating actions	Owner
Committed sums are accepted but not spent	Plan of priorities to use commuted sums prior to the legal agreement being signed.	Valerie Bunting
The Council is unable to develop new affordable housing	Financial planning and forecasting to ensure funds are available to achieve the target in the delivery plan.	Valerie Bunting
Land cannot be released to be used for affordable housing	Evaluation of alternative ways of increasing affordable housing supply	Valerie Bunting

10. **KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS**

This report is concerned with ensuring that a supply of affordable housing is available in the Borough for people who cannot meet their needs through the open market. It considers the implications for people on a low income, and those living in rural areas.

11. **CORPORATE IMPLICATIONS**

By submitting this report, the report author has taken the following into account: [if you require assistance in assessing these implications, please contact the person noted in parenthesis beside the item]

- Community Safety implications – None identified

- Environmental implications – None identified
 - ICT implications – None identified
 - Asset Management implications – The Asset Management Strategy Group met on the 23rd February 2012 and as a part of the agenda discussed underutilised land disposal. A number of sites were identified and Members agreed to progress them to a point of disposal. This may be a private developer or for HBBC to provide land for social housing. The cross party group agreed that officers should base the disposal of each site on social housing need and a full report on each plot once the process had been completed. It should also be noted that the Authorities Capital Strategy relies on capital receipts from its land sales to support the future capital programme and Members of the Asset Management Strategy Group were clear that underutilised sites could only be released for social housing if a robust needs analysis supported disposal for this purpose. A financial review on any decisions regarding disposal of HBBC sites will need to be carried out alongside each needs analysis in order to support any recommendations made by officers. It should also be noted that a key requirement for Members is also how any sites for social housing developments are to be brought forward to delivery in order to identify any likely risks and which party are likely to carry them HBBC or social housing developers.
 - Human Resources implications – None identified
 - Planning Implications – Contained within the report.
 - Voluntary Sector – None identified
-

Contact Officer: Valerie Bunting x5612

Executive Member: Councillor Stuart Bray.

REPORT OF DEPUTY CHIEF EXECUTIVE (COMMUNITY DIRECTION) **RE: EMPTY PROPERTY GRANT.**

1. PURPOSE OF REPORT

- 1.1 To advise members on the award of grant of £522,120 from the Homes and Communities Agency to assist in bringing empty homes into use and to seek endorsement for a supplementary income and expenditure budget for this amount.

2. RECOMMENDATION

That members:

- (i) Welcomes and acknowledge the achievement of the private sector housing team in securing an Empty Property Grant award of £522,120 by the Homes and Communities Agency.
- (ii) Agree a supplementary income and expenditure budget of £522,120.

3. BACKGROUND TO THE REPORT

- 3.1 As part of the Affordable Housing Programme 2011 – 15, the Homes and Communities Agency (HCA) invited bids for work around empty homes. The intention is to target long term empty homes that will not come back into use without intervention. The funding is to be used to bring empty homes and other types of property (for example commercial buildings) into use as affordable housing. Property which is currently being used as social housing is not eligible for funding. A condition of the funding is that properties will be let as affordable rent.
- 3.2 There are currently 1324 empty residential properties within Hinckley & Bosworth of those 391 are classed as long term empty properties.

4. ALLOCATION OF FUNDING TO HINCKLEY AND BOSWORTH BOROUGH COUNCIL

- 4.1 Hinckley and Bosworth Borough Council has successfully bid for empty homes funding. The Council has been awarded £522,120 to bring 40 empty homes back into use over the period of the project.
- 4.2 The bid round was greatly over subscribed, and for this reason the Council did not get all the funding it bid for, but received approximately 53% of the total bid. This is an ambitious programme for the Council, and is the highest grant to be awarded to a local authority in Leicester and Leicestershire.

5. **PRIVATE SECTOR LEASING**

5.1 The Council's bid included the setting up of a Private Sector Leasing scheme, to be run by the Council. The benefits of this are:

- The scheme can manage all the empty homes brought back into use under the lease and repair programme;
- The Council can offer private landlords a management and repair service if they allow the properties to be let to people from the Council's waiting list;
- The Council can use properties in the Private Sector Leasing Scheme to discharge its duties to people who are owed a duty under the Homelessness Act 1996.

5.2 A further report will be forthcoming on the detail of the private sector leasing scheme. The Homes and Community Agency are yet to provide the detail of the grant.

6. **FINANCIAL IMPLICATIONS (CB)**

The creation of both an income and expenditure budget for £522,120 will have no net effect on the Council's finances. However, as referenced above a further report is needed regarding how the Private Sector Leasing scheme will operate for which the financial implications will need to be evaluated. These could potentially include capital leasing costs. Other issues that could arise relate to the conditions that may be attached to how this funding can be used, or the circumstances which would result in it having to be returned. Details have yet to be provided by the HCA.

7. **LEGAL IMPLICATIONS (AB)**

The private sector leasing scheme will involve private Landlords leasing their properties to the Council who will then sub-let those properties to tenants. Leases will need to be drafted for each of the properties.

8. **CORPORATE PLAN IMPLICATIONS**

The consideration of Affordable Rent supports the following aims of the Corporate Plan 2009 – 2014:

- Strong and distinctive communities
- Decent, well managed & affordable housing

9. **CONSULTATION**

None required at this stage.

10. **RISK IMPLICATIONS**

Management of significant (Net Red) Risks

Risk Description	Mitigating actions	Owner
Failure to meet the required	Careful targeting	of Private

number of empty homes back suitable properties to bring Sector
into use may result in back into use Housing
withdrawal of funding Team

11. **KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS**

The establishment of a Private Sector Leasing scheme widens the choices and opportunities for people on the housing register. Empty homes can exist in all areas of the Borough and therefore may bring homes in rural areas back into use.

12. **CORPORATE IMPLICATIONS**

By submitting this report, the report author has taken the following into account: [if you require assistance in assessing these implications, please contact the person noted in parenthesis beside the item]

- Community Safety implications – None identified
- Environmental implications – None identified
- ICT implications – None identified
- Asset Management implications – None identified
- Human Resources implications – Appointment of a Private Sector Housing Officer required to grow and manage the scheme.
- Planning Implications – None identified.
- Voluntary Sector – None identified

Background papers:

Contact Officer:

Executive Member: Michael Mullaney

Appendix 6

HOMELESSNESS GRANT ALLOCATION REPORT OF CHIEF OFFICER (HOUSNG, COMMUNITY SAFETY AND PARTNERSHIPS)

WARDS AFFECTED: ALL

1. PURPOSE OF REPORT

To advise Members of the receipt of a government grant of £50,015 for prevention of homelessness due to mortgage arrears, and to seek endorsement for a supplementary income and expenditure budget for this amount.

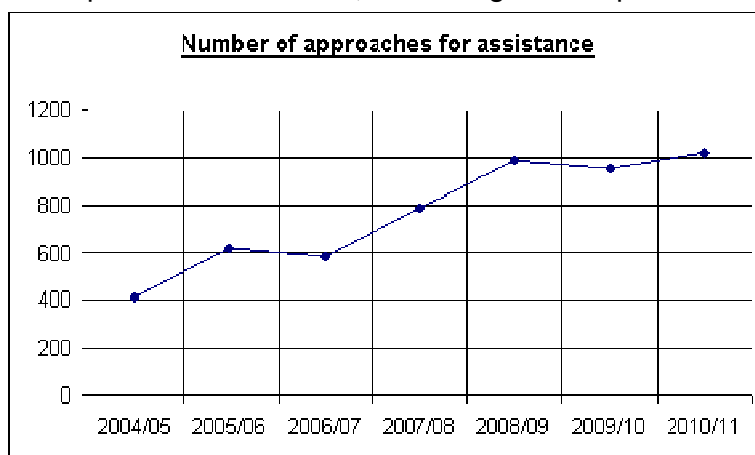
2. RECOMMENDATION

That members-

- (i) Acknowledge the work undertaken by the Housing Options team to prevent homelessness, which has contributed to the award of a grant for £50,015 for the prevention of homelessness due to mortgage arrears.
- (ii) Agree a supplementary income and expenditure budget of £50,015.

3. BACKGROUND TO THE REPORT

- 3.1 Our Housing Options team provides advice and assistance to people experiencing housing difficulties and provides a full homeless service to those people whose homelessness cannot be prevented.
- 3.2 The emphasis of the team is to take a proactive approach to preventing homelessness wherever possible. Customers are seen as early as possible before their situation reaches crisis point and a range of realistic options are presented to the customers in order that they can make informed choices.
- 3.3 The tables below show the increase in the number of people approaching the service for assistance, the number of people in temporary accommodation and the numbers of cases where homelessness has been prevented. Members will note that although approaches have increased considerably (180% increase from 2004/05 to 2011/12) the numbers in temporary accommodation have decreased and the numbers of cases prevented increased, illustrating that a spend to save approach is successful.



3.4

Year (April to March)	Number of approaches for assistance	Numbers in temporary accommodation provided by the Council as at the last Day of December of each year	Number of cases prevented
2004/05	415	30	Not recorded at this stage
2005/06	618	37	Not recorded at this stage
2006/07	580	33	143
2007/08	788	21	341
2008/09	983	5	435
2009/10	950	14	448
2010/11	1014	15	511
2011/2012	1162	5	606.

There are a number of methods used by Officers to prevent homelessness, including assisting people to find alternative accommodation and providing advocacy, mediation and negotiation support to enable people to remain in their existing accommodation. Prevention ensures that the impact of homelessness on people, in particular children, is minimised and the costs of providing temporary accommodation have reduced considerably.

3.5 In terms of mortgage arrears, the Council received funding through the mortgage rescue scheme to assist people experiencing problems with paying their mortgage. Through the scheme 16 families have been assisted in remaining in their homes in the past 3 years – this is the highest number of any District in Leicestershire.

3.6 Due to our performance in the use of mortgage rescue, and the demand within the Borough, the Council have been awarded £50,015 specifically to prevent homelessness through mortgage arrears. This is more than any other District within the County by a considerable amount and is a reflection of the positive work undertaken by the Housing Options team. This funding will be used to continue with the mortgage rescue scheme and will allow for additional help such as paying off small mortgage arrears as a loan, as an interim measure, giving the mortgagee time to seek professional debt advice and get their finances on track, it could be used to top up mortgage payments for a period of time to allow for a change of circumstances or for the house to be sold. The maximum assistance offered to one family would be £5,000.

4. **FINANCIAL IMPLICATIONS (TO)**

The £50,015 grant has been recognised as income in April 2012. There is, however, no budget for either the income or expenditure. Finance Procedure Rules require that Council approve a Supplementary Budget in excess of £50,000. We are therefore seeking Council approval to create a matching income and expenditure budget, both for £50,015, for 2012/13.

5. **LEGAL IMPLICATIONS (AB)**

Any mortgage assistance loans are secured against the property of the applicant to protect the Council's interests.

6. **CORPORATE PLAN IMPLICATIONS**

Contributes to strong and distinctive communities and a safer and healthier borough.

7. **CONSULTATION**

None

8. **RISK IMPLICATIONS**

Management of significant (Net Red) Risks		
Risk Description	Mitigating actions	Owner
Funding isn't allocated to homelessness prevention work, restricting the ability of Officer's to work proactively with customers.	Ensure importance of work is recognised in terms of the beneficial impact on customers of preventing homelessness.	Sharon Stacey

9. **KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS**

The use of homelessness prevention funding for mortgage arrears has a positive impact on vulnerable people and for those living in rural areas. It means that home owners can remain in their own homes and not face the disruption of temporary accommodation away from their communities, changes to children's schools, employment etc. This is particularly beneficial to customers in rural areas, where temporary accommodation is not available.

10. **CORPORATE IMPLICATIONS**

By submitting this report, the report author has taken the following into account:

- Community Safety implications - none
- Environmental implications - none
- ICT implications - none
- Asset Management implications - none
- Human Resources implications - none
- Planning Implications - none
- Voluntary Sector - none

Background papers: [List any background information or insert 'none']

Contact Officer: Sharon Stacey, Chief Officer (Housing, Community Safety and Partnerships), ext 5636

Executive Member: Michael Mullaney

Appendix 7

