Officer Response to Yarlington Housing Group Request

Contact Details: *Donna.parham@southsomerset.gov.uk or 01935 462225*
Colin.McDonald@southsomerset.gov.uk or 01935 462331

Purpose of the Report

This report outlines the SSDC's officers' viewpoint regarding the use of Preserved Right to Buy receipts.

Recommendations

The need for the Council to take a targeted approach to the allocation of scarce capital resource to support priority affordable housing schemes in South Somerset does not support this blanket proposal and members are recommended to refuse it. This approach is necessary following the Government decision to withdraw grant funding for social or affordable rental schemes.

Public Interest

This report concerns the ability of the district council to deploy funds to improve the housing circumstances of the community – be it through the provision of new affordable housing or the aiding of improvement to existing stock or other initiatives to increase the supply of rented or intermediate housing. It will be of interest to members of the public concerned about the provision of housing for those in need in their local area and of particular interest to any member of the public who is seeking to be rehoused themselves or has a friend or relative registered for housing with the Council and it's Housing Association partners.

Background

The transfer of SSDC's housing stock occurred in March 1999 following a ballot of tenants who were given specific undertakings about the improvement of their homes, bringing concrete system built housing up to a mortgageable standard and future rent increases.

Overall 8,880 properties were transferred, the average receipt for each type of property was as follows:-

- House £8,830
- Flat £3,870
- Shared Ownership £20,496

These average values reflected the backlog of repairs required and in some cases individual properties effectively had a 'dowry' associated with them to cover the full cost of remedy required. The overall amount received also reflected the rights of tenants who had a Preserved Right To Buy (PRTB) for which a formula was agreed allocating any proceeds or liabilities between South Somerset Homes and SSDC on a fair and equitable basis that ensured that neither party was financially disadvantaged

Those tenants who have remained South Somerset Homes / Yarlington tenants continuously since the transfer date retain that PRTB. As part of the overall legal transaction a 'clawback agreement' was agreed. This enabled SSDC to in effect receive a proportion of any uplift in value over a thirty year period. In each sale the tenant is entitled to any discounts as set by the Government, Yarlington receives a compensatory amount for loss of future rental income over the remainder of the original business plan period, and SSDC would receive, or in some cases be charged, the remaining amount.

In the last five years the authority has received the following from the Preserved Right to Buy:-

2011/12 - £0.751 million
2012/13 - £0.982 million
2013/14 - £1.429 million
2014/16 - £1.037 million
2015/16 - £0.927 million

On average the receipt has been £1.025 million per annum.

SSDC does not match these receipts to specific projects as there is no legal requirement to do so. Some examples of capital projects that have been agreed over the last five years are shown below:-

Capital Project	**Allocation £'m**
Private Sector Housing Grants	0.61
Affordable Housing	1.20
Investment in Housing Properties	3.00
Disabled facilities grants	0.23
Grant for Westfield AGP	0.05
Grant for Huish Pool	0.20
Total	**5.29**

As outlined a large proportion of receipts are being utilised for housing and includes the strategy of capital investment in more properties within South Somerset both as a long-term financial investment to fund discretionary community services and also to contribute in meeting housing need alongside our Housing Association partners. SSDC also remains committed to providing capital grant generated through receipts to support the delivery of affordable housing through any RSL partner scheme that delivers in our areas of highest need.

In addition to this SSDC has transferred £1.573 million in land to Housing Associations including Yarlington.

The most important point is that the receipts are being allocated to projects chosen by SSDC. Members attention is drawn to the separate report on the affordable housing programme (agenda item 8) which sets out a seven year profile on the programme and gives some commentary on the performance of Yarlington and other chosen Housing Association partners. Members may wish to note the success rate with which capital grant from the Council has been used to lever in other funding, including new allocations from the HCA and the use of Recycled Capital Grant Funds (RCGF) funds garnered by Housing Association partners in other local authority areas. Equally we have agreed to the transfer of RCGF from South Somerset to other partners – such as endorsing the use of funds Yarlington had realised in South Somerset to save the endangered CLT scheme at Dalwood in East Devon.

In particular the report refers to the lack of funding for homes for rent from the HCA, the imposition of Starter Homes as part of future planning obligations, the inability to seek commuted sums from small scale developments (ten or fewer dwellings) and increased viability issues.

In the current external climate it is imperative that SSDC funds are allocated to the areas and types of projects seen as meeting the highest need. In terms of affordable housing Yarlington can bring forward project proposals to SSDC and apply for grants but those projects must meet those priorities. At present SSDC can chose the higher priority projects, spreading risk and capacity between a range of partner organisations.

It should also be noted that Yarlington have gained an estimated £3.5 million in net proceeds from the sale of individual properties, mostly in rural locations with no visibility on where these funds have been deployed. In the past year these proceeds have exceeded the share of the PRTB receipts to which the Council is legally entitled.

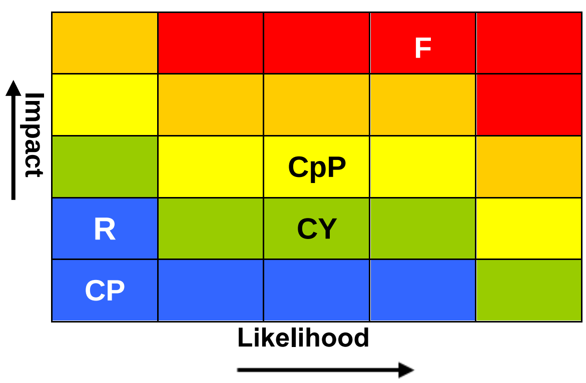
Financial Implications

If members were to agree to amend the contract all future PRTB receipts would remain with Yarlington Housing Group. This would in effect passport a potential £13 million from its own capital programme over the next 13 years. The capital programme and forward strategic financial planning would need to be reviewed as a result and SSDC would need to borrow to fund its own capital programme at an earlier stage than planned and in particular borrow to support high priority affordable housing schemes.

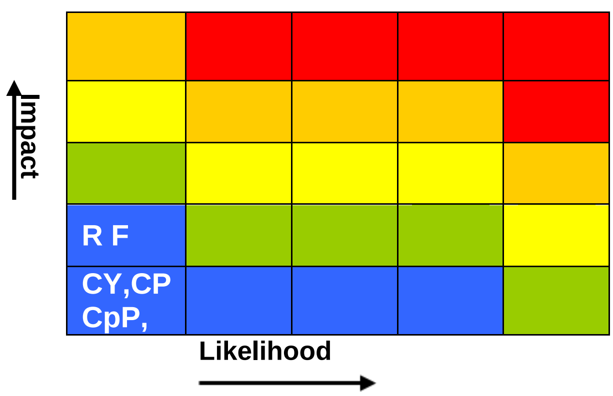
The authority currently has approximately £18 million in capital receipts that are not already committed. A review of future capital requirements carried out last year showed that SSDC had a capital requirement of £21.2 million over the next five years.

Risk Matrix

Risk Profile before officer recommendations



Risk Profile after officer recommendations



Key

Categories	**Colours** *(for further detail please refer to Risk management strategy)*
R = Reputation CpP = Corporate Plan Priorities CP = Community Priorities CY = Capacity F = Financial	Red = High impact and high probability Orange = Major impact and major probability Yellow = Moderate impact and moderate probability Green = Minor impact and minor probability Blue = Insignificant impact and insignificant probability