

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO: Housing Portfolio Holder OCTOBER 2008
AUTHOR/S: Stephen Hills Corporate Manager - Affordable Homes

AIREY REFURBISHMENT PROJECT

Purpose

1. To seek clarification on the decision made by the Portfolio Holder on 4th September 2006. The external conditions required by the original decision have not transpired and a fresh decision is therefore required.
2. This is not a key decision but has implications for a key area of Council work

Background

3. The Council owns 27 Airey homes of a non-traditional build design. These dwellings do not meet current standards and need to be refurbished
4. A decision was taken by the Portfolio Holder on 4/9/06 to commence a pilot project on 12 Airey properties. A sum of £900,000 would be spent on completing the works
5. The pilot was to sell six of the refurbished properties for shared ownership and recycle the money raised to fund the refurbishment of some of the remaining Airey homes. If successful the principle was to be extended so that the refurbishment and sale of 15 shared ownership properties would cross fund the refurbishment of the remaining 14 rented properties.

Considerations

6. The decision to proceed with the part shared ownership pilot was subject to the Government rules on treatment of receipts being changed to allow for the retention of 100% of the capital receipts. This change has not happened and the original decision cannot therefore be followed.
7. This lack of change in the financial regulations means that the sale of shared ownership properties will no longer be able to fund all of the refurbishment required for the remaining Airey properties.
8. The Portfolio Holders decision went on to say that if the shared ownership pilot could not be followed then those properties should be considered for market sale instead. However, the report to the Portfolio Holder also noted that the market sale of the Airey homes was not favoured, as this would remove affordable homes from villages.
9. The properties originally identified for the pilot have had to be changed as some have been bought by their current tenants under the Right to Buy while in others the existing tenants do not want the work to be carried out. This leaves only five properties that can be offered for sale. The pilot is currently progressing as follows:

Figure 1 Locations of pilot project

Location	Number of units	Shared Ownership	Rented
Teversham	6	2	4
Sawston	3	2	1
Elsworth	1	1	0
Fulbourn	3	0	3
Total	13	5	8

Options.

Option A

10. To proceed with the refurbishment programme for the 13 Airey homes with five homes for sale on the open market instead of shared ownership.

Pros

- The sale of these homes could generate funds to refurbish another four Airey properties as follows:

Figure 2 Market Sale Option (estimates)

Market sales	5
Rented homes	8
	£000s
Refurbishment costs @£85K pp	1,105
Gross Capital receipts @£200K	1,000
Pooled receipts 75% of 'surplus'	431
Net Receipts	569
Net cost	495
Budget	900
Sum carried forward	405
Number of further refurbishment supported	4 to 5

Cons

- This would lead to the loss of affordable homes within South Cambridgeshire villages.
- This option was considered and rejected during the original consultation phase in 2006.
- The current market conditions may make it difficult to sell the homes on the open market.

Option B

11. To proceed with the refurbishment programme for the 12 Airey homes but to retain all of them as homes to rent from the Council.

Pros

- The homes would be retained as affordable rented homes in villages where there is high demand for family homes.
- This option would not rely upon the housing market and is easy to project manage.

Cons

- There would be no recycling of funds to put towards the refurbishment of the other Airey properties.

Option C

12. To proceed with the pilot to sell homes as shared ownership.

Pros

- The inclusion of equity share homes introduces a different mix to the neighbourhoods which currently have mainly a mix of owner occupied homes and Council homes to rent.
- The owners would be required to pay the Council an apportioned rent for the property but there would be no repairing obligations on the Council.
- The shared owners would have the right to 'staircase up' in the future to buy up to a 100% share in the property and provide the Council with a further capital receipt at this time.
- The capital receipts could be recycled to refurbish further Airey properties as follows:

Figure 3 Shared Ownership Option (estimates)

	30%	50%
Shared ownership sales	5	5
Rented homes	8	8
	£000s	£000s
Refurbishment costs @£85K pp	1,105	1,105
Gross Capital receipts @£200K	300	500
Pooled receipts 75% of 'surplus'	0	56
Net Receipts	300	443
Net cost	805	662
Budget	900	900
Sum carried forward	95	238
Number of further refurbishment supported	1	2 to 3

Cons

- There would be a loss of affordable rented homes in the villages at a time when there is high demand for rented family homes.
- The numbers are too small to have an impact on the tenure mix of the villages. In Elsworth (where there is one Airey property) there are very few rented homes whereas a small scheme, of shared ownership properties have recently been completed.
- The right for people to buy 100% share in the future could result in the future loss of these homes as affordable housing.
- The specialist capacity to market and sell these homes cannot be provided in house and will need to come from partner agency. In particular the need to identify potential households who fit both the financial criteria as well as meeting housing need criteria is best carried out by Key Homes East who acts as the local agents for all shared ownership schemes in South Cambridgeshire. Whilst priority is given those people from their pool of applicants that have a local connection this cannot be guaranteed.
- Even with assistance of Key Homes East the current market conditions will make it difficult to sell the homes. Housing associations operating in South Cambridgeshire are reporting significant problems in selling shared ownership homes at present and many are considering turning the priorities over to rented units.

13. Whichever option is adopted the plans for the refurbishment of the remaining Airey properties would need to be the subject of a separate options paper as there are currently insufficient capital funds to complete all the work required even if some were

to be recycled. This options paper would be best held back until the Housing Futures ballot has been held.

. Implications

14. Financial	The capital sum has been set aside for the first phase of the Airey homes project. The retention of the first phase homes as rented homes under option B would mean there is no further money to put toward the remainder of the Airey homes.
Legal	None
Staffing	None
Risk Management	There is a risk that shared ownership and market homes would be difficult to sell in the current market conditions.
Equal Opportunities	None

Consultations

15. None. The recommendations of this report do not alter the findings of the original consultation carried out in 2006 but seeks clarification on the implementation of the 2006 Portfolio Holders decision.

Effect on Corporate Objectives and Service Priorities

16.	Work in partnership to manage growth to benefit everyone in South Cambridgeshire now and in the future
	None
	Deliver high quality services that represent best value and are accessible to all our community
	The retention of affordable homes within their villages (option B & C) more directly meets the needs of those on the Council's waiting list than market sale (option A)
	Enhance quality of life and build a sustainable South Cambridgeshire where everyone is proud to live and work
	None

Recommendations

17. That the pilot project to sell five homes as shared ownership properties continues with the revised list of properties in Figure 1.
18. That if any of the shared ownership properties remain unsold after six months of going onto the market that they be let as rented homes as part of the Councils housing stock.
19. That a separate options appraisal for the remaining Airey properties be brought to the Portfolio Holder in July 2009.

Background Papers: The decision notice of the Portfolio Holder for Housing on
4/9/06

Contact Officer:

Stephen Hills
Corporate Manager Affordable Homes 01954 713412