



CABINET REPORT

Report Title	TRANSFER OF VOID HRA PROPERTIES TO NOTTINGHAM COMMUNITY HOUSING ASSOCIATION
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AGENDA STATUS: PUBLIC

Cabinet Meeting Date:	5 th November 2007
Key Decision:	YES
Listed on Forward Plan:	YES
Within Policy:	NO
Policy Document:	NO
Directorate:	People, Performance & Regeneration
Accountable Cabinet Member:	Councillor Richard Church/Councillor Sally Beardsworth
Ward(s)	New Duston, Spencer, Weston, Kingsley

1. Purpose

- 1.1 Nottingham Community Housing Association (NCHA) has been allocated Housing Corporation National Affordable Housing Programme (NAHP) funding for the purpose of refurbishing six properties in the Borough. This allocation, which was supported by NBC officers, was granted on the basis that the properties would be transferred to NCHA by the Council at less than market value in return for nomination rights. Five void properties have been identified that require substantial works to bring them up to lettable standards. The reduction in the number of properties results in a reduction in the number of bed spaces from 30 to 26, the Housing Corporation are aware of this and the allocation of NAHP funding will be reduced accordingly. It is proposed that these properties are transferred to NCHA at less than market value in return for nomination rights. The Council will receive 100% nominations on the first lets and 75% thereafter for homeless families and others on the Housing Register.

2. Recommendations

- 2.1 That approval is given to transfer the five properties to NCHA for a total of £75,000 in return for nomination rights of 100% for the first lettings and 75% thereafter for homeless families and those on the Council's Housing Register.

3. Issues and Choices

Report Background

- 3.1 NCHA supported by NBC received an allocation from the Housing Corporation for 2006/08 to refurbish six properties on the basis that these would be transferred to them at less than market value in return for nomination rights. The following five Housing Revenue Account (HRA) properties have been identified as being suitable for transfer. These are long term voids as they require substantial works to bring them up to lettable standards: -

- 4, Eastfield Road
- 40, Merthyr Road
- 144, Kingsley Road
- 15, St Peter's Gardens
- 16, St Peter's Gardens

- 3.2 Estimates prepared during 2006 by the Council for the refurbishment of these properties was £155,000 (approx). The works proposed in these estimates would bring the properties up to lettable standard, but not up to Decent Homes Standard in all cases. It had been previously agreed at an internal meeting that it would not be an effective use of funds to spend this amount of Council resources to refurbish just five properties, when it would be possible to bring many more properties up to Decent Homes standard with the same amount of funding. NCHA would invest more than this to bring the properties up to Housing Corporation Scheme Development Standards. The NCHA total estimated cost of the refurbishment is £304,900.

- 3.3 The original proposal supported by NBC was for the properties to be transferred at nil value to the Housing Association. Through negotiation with the NCHA a transfer sum of £75,000 has been agreed. Due to the high cost of refurbishment NCHA cannot pay more than £75,000 in total for the properties, as this would make the scheme unviable.

- 3.4 If NCHA does not commence the refurbishment works by December 2007 they will lose the Housing Corporation funding of approximately £220,000.

Issues

- 3.5 The sale of these properties at market value would result in a 75% of the net receipt being pooled to the Government. The Council will receive 25% of the capital receipt (i.e. 25% of £515k = £128.75k).
- 3.6 Capital resources to refurbish the properties could be accessed through unsupported (prudential) borrowing. The cost of borrowing £155,000 would be approximately £9,000 per annum in interest. (There is no requirement to repay principal in the form of MRP (Minimum Revenue Provision) on HRA borrowing

although it is recommended that provision be made). Prudential borrowing on £220k would cost the revenue account approximately £13,200 per annum.

- 3.7 Rental income from the properties would bring in approx £18,700 per annum assuming full occupancy, some of which would offset the costs of borrowing.
- 3.8 It had previously been agreed that it would not be cost effective to refurbish these particular properties due to the amount of funding required to bring them up to decent home standard. This money could be more effectively spent on other properties requiring less work.
- 3.9 NBC would retain nomination rights to the properties, providing much needed housing for vulnerable people and others on the Council's Housing Register.
- 3.10 NCHA has an allocation of £220,000 (approx) Housing Corporation grant to refurbish these properties. However this will be lost unless the refurbishment works have commenced by December 2007.
- 3.11 The Council is committed to working with Housing Association partners to achieve affordable housing. The Council has recently entered into a protocol agreement with the Housing Corporation one of the objectives of which is to optimise the contribution of Borough land/assets for affordable housing. The Housing Corporation are therefore keen to see this project progressed.

Choices (Options)

3.12 The available options are as follows: -

- Option 1: Retain ownership of the properties and do not invest capital works on them. This would result in them remaining empty, with a consequent failure to maximise the use of the assets to the benefit of local residents. Furthermore there would be the loss of Housing Corporation grant investment towards void properties in the Borough. There would be a cost in that the properties would continue to require inspections and repairs to ensure that Health and Safety standards are maintained. There would be a risk of further decline and loss of value. The estimated annual current cost to the HRA of Option 1 is £4,200.
- Option 2: To transfer the properties to NCHA for the sum of £75k which would in addition lever in Housing Corporation grant investment to bring the properties up to a standard above Decent Homes. The Council would retain nomination rights of 100% for the first lettings and 75% thereafter for homeless families and those on the Council's Housing Register. Financially the Council would receive a one off useable capital receipt of £75,000 but would lose the potential net annual income of £5,000 that retention and investment would bring.
- Option 3: Retain ownership of the properties and invest. Undertake unsupported (prudential) borrowing to finance the refurbishment of the properties up to decent homes standard, approximately £155k. This option would generate an estimated annual income of £5,000 assuming 98%

occupancy. This option takes into account the costs of maintaining the dwellings at their invested condition but takes no account of future major repairs of failed components. There is also a risk if this option is pursued that the properties could be sold under Right to Buy legislation.

- 1.13 Although financially the difference between the options appears marginal, due to programming issues Option 2 would provide the quickest outcome for bringing the properties back into use. This would result in five properties being brought up to Decent Homes Standard and used to house homeless families or applicants on the Housing Register.

4. Implications (including financial implications)

- 4.1 Policy
None

- 4.2 Resources and Risk
The work involved in transferring the properties would be carried out by existing staff and within existing budgets.

- 4.3 Legal
The proposed transfer will fall under the relevant General Consent issued by the Secretary of State under section 25 of the Local Government Act 1988.

- 4.4 Equality
Transferring the properties to NCHA does not have any direct equality or diversity implications.

- 4.5 Consultees (Internal and External)
Housing Services – in agreement with Option 2

Asset Management – the Criteria for exceptional disposal of NBC property for non commercial use at less than market value is that the discount should be at least matched by the funds being injected externally. However ultimate discretion remains with Members.

- 4.6 How the Proposals deliver Priority Outcomes
Will help deliver Corporate Policy 2 – to deliver an excellent housing service and provide affordable housing for those in need

Links to Housing Improvement Plan Objective 11 – We will work effectively with our stakeholders and partners to maximise service outcomes for customers

- 4.7 Other Implications
NBC has recently (July 07) entered into a protocol arrangement with the Housing Corporation one of the objectives of which is to optimise the contribution of Borough land/assets for affordable housing. The transfer of these properties to NCHA would support this objective and the Council's strategic enabling role.

5. Background Papers

5.1 Housing Corporation protocol

Yvonne Faulkner, Principal Housing Strategy and Enabling Officer, extn: 8802

CABINET REPORT

SIGNATORIES

Report Title	NAME OF REPORT AS IT IS TO APPEAR ON THE AGENDA
Date Of Call-Over	DD / MM / YYYY

Following Call-Over and subsequent approval by Management Board, signatures are required for all Key Decisions before submitting final versions to Meetings Services.

Name	Signature	Date	Ext.
Monitoring Officer or Deputy			
Section 151 Officer or Deputy			