# Salisbury District Council's Housing Service

Housing Task Group Meeting

1st August 2008

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# Aims and Objectives

- Salisbury District Council is the only council landlord in Wiltshire. The council manages 5,400 tenanted dwellings and around 400 leasehold properties. In partnership with tenants, leaseholders and other stakeholders, our objective is to ensure that the landlord service in Salisbury continues to provide excellent housing services, be accessible and responsive to changing needs, as well as being efficient and providing value for money

# Composition of Housing Stock

- The council owns a number of different types of properties. Our properties fall in to the following categories:

- Of the 5,396 properties owned by the council, 12.5% homes are of non traditional construction (i.e. pre cast reinforced concrete) and there are 501 sheltered housing units.

| Property Type | Number |
|---|---|
| Pre 1945 houses | 686 |
| House 1945 - 1964 | 738 |
| Post 1965 houses | 399 |
| Non trads | 674 |
| Low Rise | 1064 |
| Medium Rise | 616 |
| Bungalows | 1219 |
| Total | 5396 |

# Recent History

- 1989 – stock transfer ballot -74% of tenants vote to stay with the council
- 1998 – Proposal to transfer stock to Local Housing company fails to get Ministers approval prior to ballot
- 1999 – Council becomes debt free. Large investment in housing stock inc double glazing and central heating to all properties full modernisation of pre war stock and insulation and cladding to PRC stock
- 2005 - option appraisal recommends stock transfer
- 2006 - stock transfer ballot – 72% vote in favour of staying with the council – main reasons given
  - “Better the devil you know”
  - Quality of service provided by the council
  - Mistrust of Housing Associations

# What is a Housing Revenue Account (HRA)

- The Housing Revenue Account (HRA) is the council’s landlord account, and is ‘ring fenced’ for this purpose. Income to the HRA is mostly generated by the rents and service charges paid by tenants and leaseholders, while expenditure is on the management and maintenance of the council’s housing stock.
- Capital works on the housing stock are not necessarily ring fenced, it is possible to allocate part of the Councils capital pot, but at the moment the only capital investment in the stock is effectively income from the HRA and is therefore ring fenced.

# HRA Business Plan Update - Introduction

- The Housing Revenue Account Business Plan is a strategic planning document produced to assist the officers and members of the council, working together with tenants and leaseholders, in the management and maintenance of the council housing stock over the next thirty years. It demonstrates how the council intends to resource and achieve the government's Decent Homes Standard target by 2010 and sets service standards.

- Since the stock transfer ballot result in November 2006 the Council has been working, via a cross party HRA Business Plan Project Board towards producing a new 30 year HRA Business Plan addressing the projected revenue deficits caused, primarily,  by negative subsidy of around a third of our rental income (£6.7m).

- Negative subsidy is where money from councils the government considers to be better off than a perceived norm is redistributed to councils that are considered to be not so well off.

- This only exists for Councils and does not apply to Housing Associations. It was the major reason stock transfer was recommended following the option appraisal

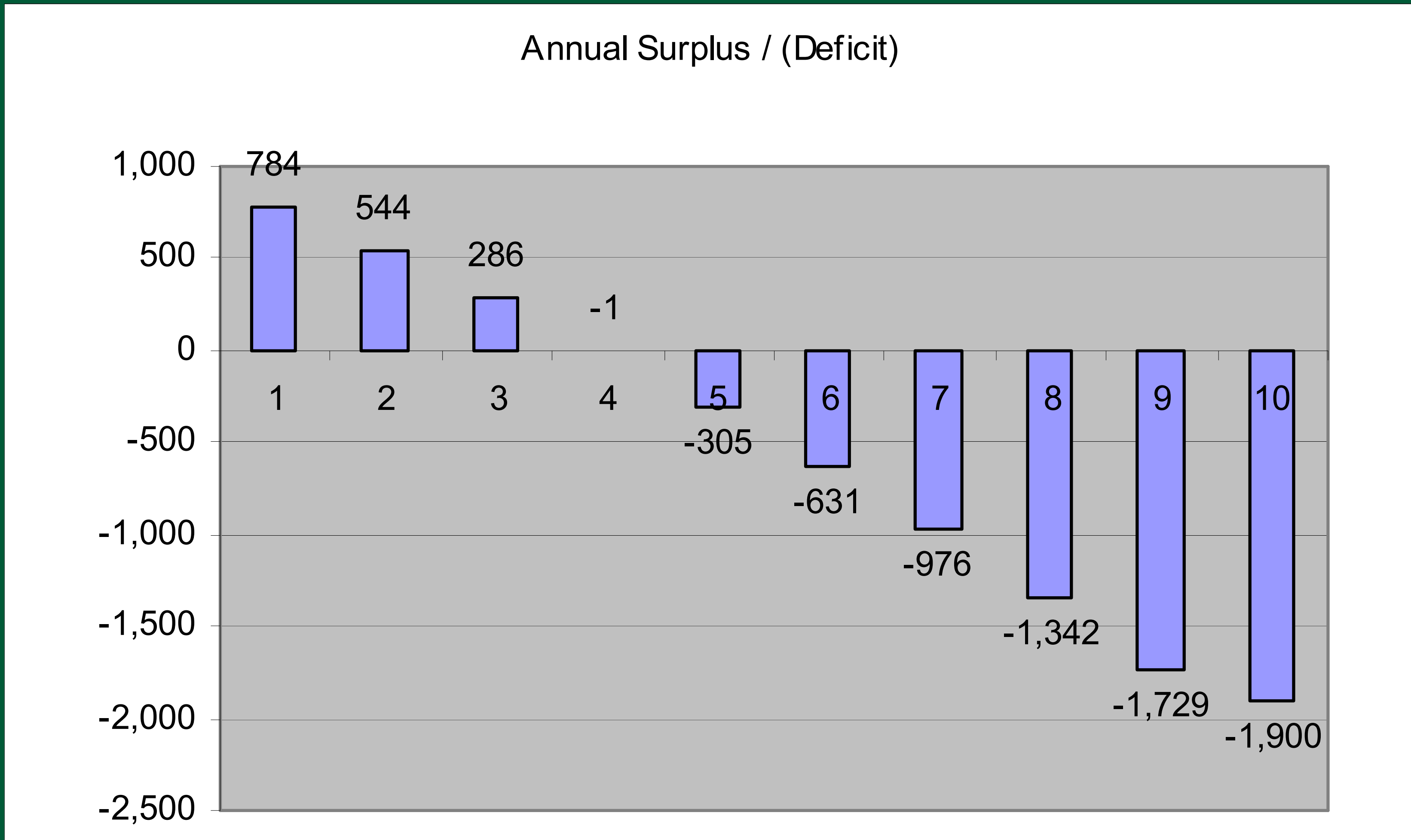
# HRA Business Plan Update - Introduction

- A number of measures, the most significant of which was a staff restructure and an increase in garage rents, have been introduced and have improved the revenue position by more than £250,00 per annum.

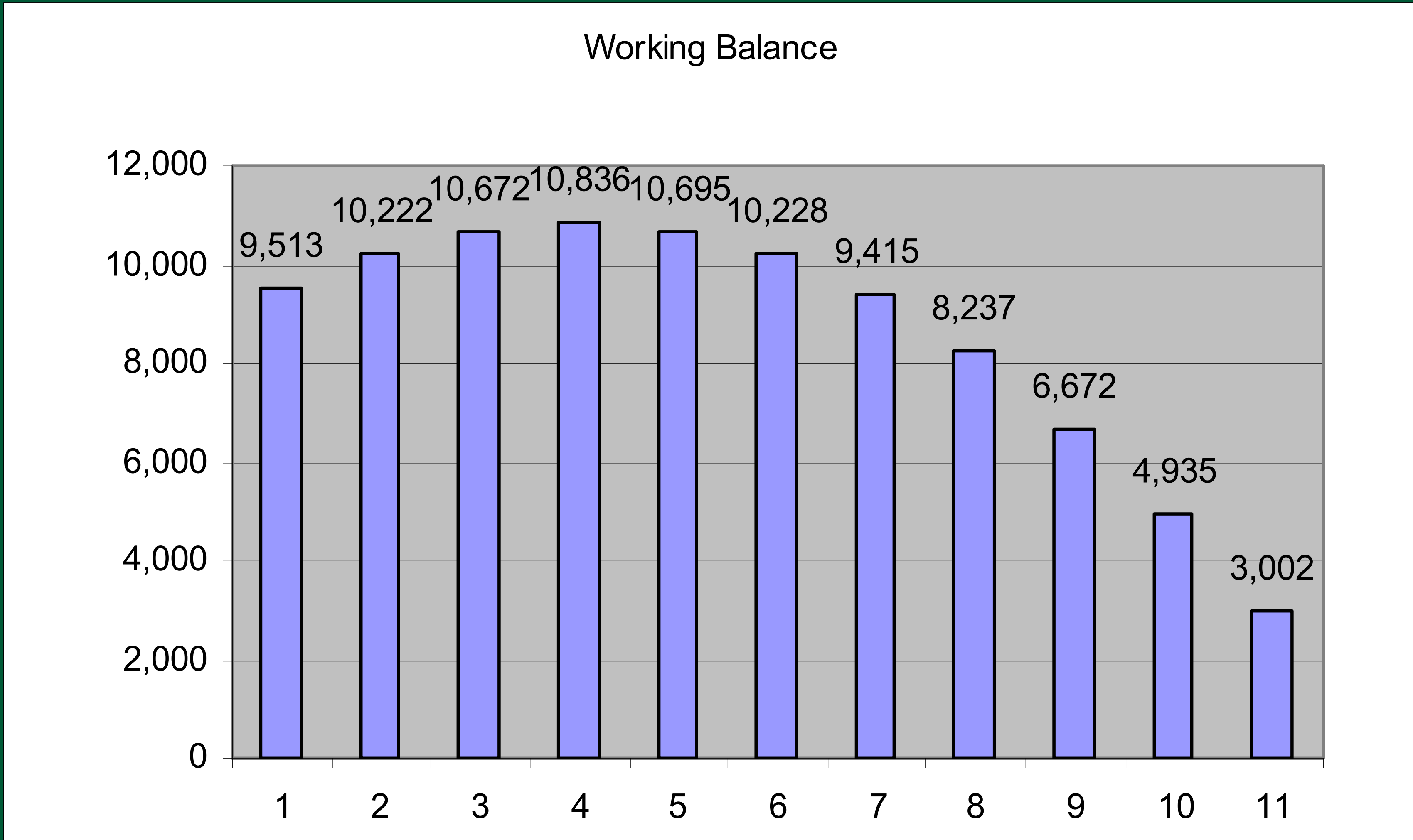
- These measures, coupled with a change in the rent restructuring calculation for 2008/09, has meant that the point at which the HRA makes in year deficits has moved on from 2009/10 to 2011/12 with HRA balances peaking in year 2010/11 at £10.8m

- The HRA will use up all its surplus by year 2019/20

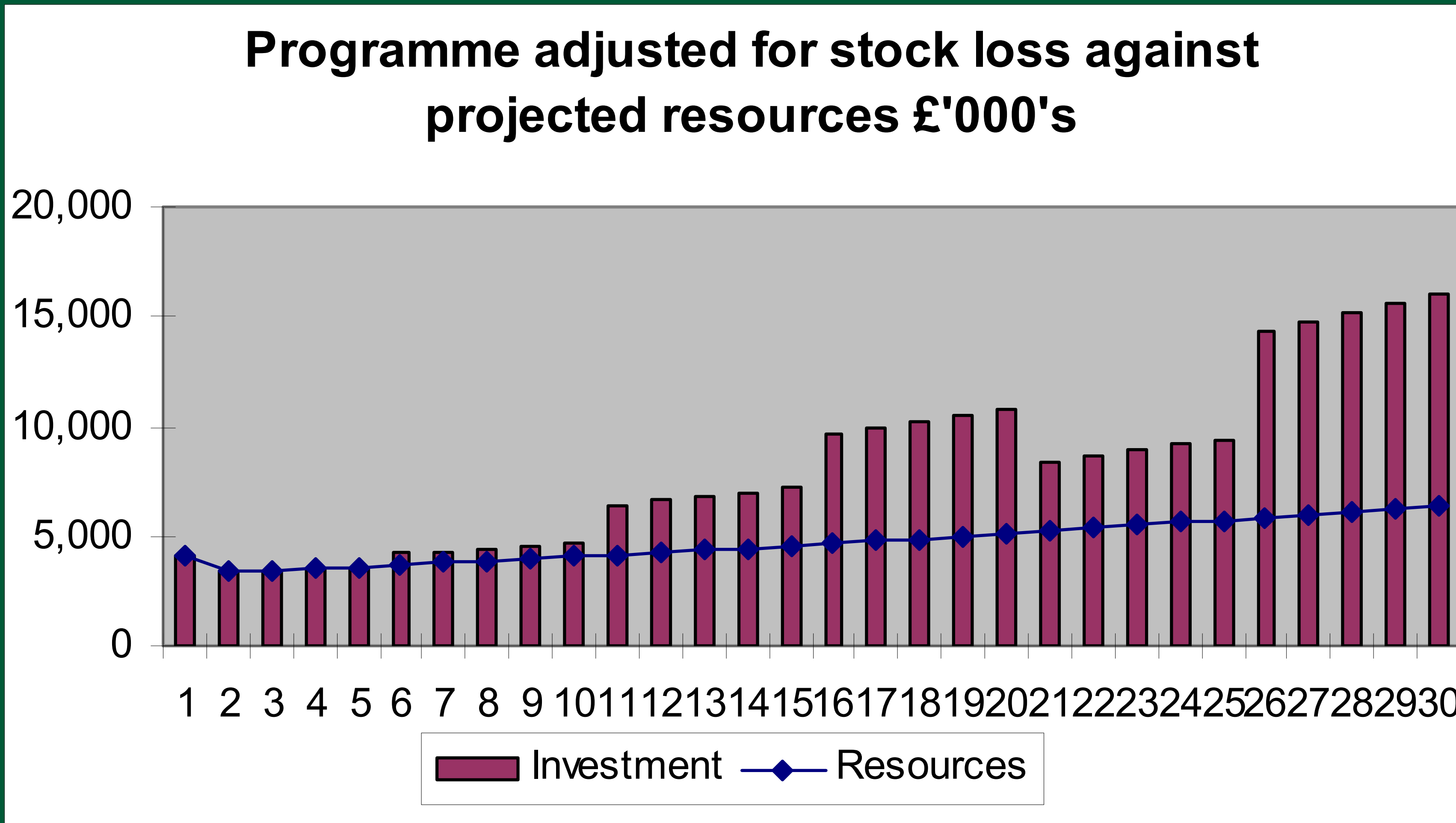
# March 2008 HRA Revenue Surpluses/ Deficits



# March 2008 HRA Balances



# Capital Investment Gap



# Capital Investment Gap

| | Year 1-5 | Year 1-10 | Year 1-20 | Year 1-30 |
|---|---|---|---|---|
| Investment | 18,056 | 40,267 | 125,554 | 245,800 |
| MRA | 18,056 | 37,392 | 83,518 | 141,658 |
| Revenue Surpluses | 0 | 0 | 0 | 0 |
| Total | 18,056 | 37,392 | 83,518 | 141,658 |
| Investment Gap | 0 | -2,875 | -42,036 | -104,142 |

# HRA Business Plan update

- On current assumptions, to balance the HRA over 30 years will require efficiencies of £300k per year from 2012/13 equivalent to 3% per annum or cost freeze i.e. no inflation on budgets.

- On the capital side the housing stock will meet the governments Decent Home Standard by 2010 as is required and maintain it for some years afterwards but the Decent Homes Standard does not cover all investment requirements and it is predicted that resources will fall short of the investment required from 2013/14

- However there is a national review of the HRA being undertaken by DCLG at the moment which will include rent restructuring, the distribution of resources (the HRA nationally is in surplus) and is looking at the self funding of HRA's i.e. being taken out of the subsidy system.

- We are not alone. 59 Councils met on 25/4 to lobby government on the "tax on tenants"

# Special Purpose Vehicle (SPV)

- Given the pressures within the Business Plan we were keen to understand the potential :
  - To use existing assets such as housing, other buildings and land, in a more proactive way to better meet housing needs, and
  - For building new local authority housing in a local housing company

- Furthermore our challenging LAA targets for affordable housing in Wiltshire require all avenues to be explored to ensure those targets are met

# SPV

- In order to meet the national affordable housing agenda, government legislation, about to be introduced, is encouraging greater flexibility in the provision of new affordable housing including providing councils with the opportunity to provide affordable housing on it's own land outside of the Housing Revenue Account.

- The main driver for this is the land available to local authorities (estimated up to 60,000 nationally) which the government wishes to see developed with new housing, and council's may be more willing to transfer their land to a company at which it has an interest rather than transfer land at sub-market value to housing associations although this new initiative is to supplement ,rather than replace, housing association development.

# SPV

- Building within the HRA has significant disadvantages:
  - Remain constrained by negative subsidy
  - 75% pooling rules apply to Right to Buy sale receipts
  - Social Housing Grant is not available

- Therefore preferred option is to set up a Local Housing Company (LHC) with 100% council ownership, with a non executive board of directors drawn from senior members, management and other professional people. Advantages are:
  - Flexible rents policy (outside rent restructuring)
  - No Right to Buy
  - Economies of scale on management of properties

# SPV

- A number of pilots have been developing this model and typically they have been looking at in-fill and garage sites on HRA land and the redevelopment of defective, high cost or otherwise redundant housing, although this does not preclude the use of any local authority owned land.

- A number of such areas have been identified in Salisbury as potential for modelling but it might be useful to identify land in other areas to test the model fully.

# SPV – How could it be financed

- Social or sub-market rents are insufficient to build new homes and require an up front grant element initially
- Could apply for Social Housing Grant but usually require track record so pilots have looked at :
  - Capital pot
  - Section 106 commuted sums from developers
  - Cross subsidisation from the sale of some properties on the open market or shared ownership
- Last of these most favourable as it keeps up front capital resources to a minimum whilst generating future rental schemes to support further developments. Illustration shows with 60:40 :market sale scheme with no borrowing, up front resources £1.4m, and rental stream £1.5m by year 10
- HRA review may also result in future funding becoming available.

# SPV - Conclusions

- Could take advantage of favourable policy environment
- LHC could be established almost immediately
- Initial scoping suggests that initial up front resources can be minimised through cross subsidisation and future rental streams could finance further development in future years
- Potential sites for modelling and development appraisal are available but land in other parts of the County would be useful