

**REPORT TO: HOUSING, DUNDEE CONTRACT SERVICES AND ENVIRONMENT SERVICES COMMITTEE
10 DECEMBER, 2007**

REPORT ON: OPTIONS TO INCREASE THE SUPPLY OF ACCESSIBLE COUNCIL HOUSING

REPORT BY: DIRECTOR OF HOUSING

REPORT NO.: 624-2007

1. PURPOSE OF REPORT

1.1. The report outlines proposals to increase the supply of accessible Council houses through the purchase of suitable properties on the open market and the development of a new build Council house building programme.

2. RECOMMENDATIONS

It is recommended that Committee agree to:

- 2.1. Include targets for increasing the supply of accessible Council housing in the Local Housing Strategy.
- 2.2. The Director of Economic Development purchasing, subject to survey and financial conditions, property available on the open market that is either suitable or adaptable to meet the needs of disabled people.
- 2.3. Include provisions in the HRA Budgets 2008/2009, and thereafter, for funding this programme.
- 2.4. Realise capital funding to support this programme. The Council will offer for sale on the open market properties from its stock which become void and are the sole remaining property in a block of three or more properties.
- 2.5. Redirect £200 K. per annum currently allocated for major adaptations (which will not be spent because properties are not suitable) to service prudential borrowing to acquire new properties to full wheelchair accessible standards.
- 2.6. Investigate further options for funding and/or procuring the new build programme in light of the Scottish Government Discussion Paper on the future of housing in Scotland.

3. FINANCIAL IMPLICATIONS

- 3.1. A full option appraisal, on the new build aspect of the programme, has been carried out which gives a positive net present value from the options of building 40 fully wheelchair accessible and 95 mainstream properties within three years.
- 3.2. The receipts from selling a Council house on the open market as per the terms of this report will be re-utilised within the Housing Revenue Account (HRA) to finance the Council housing programme.

- 3.3. The proposal will result in an increase in the HRA borrowing requirement which will vary depending on numbers of houses acquired.
- 3.4. Dundee City Council's project appraisal guidance will be considered for all new build and/or purchase options if applicable.

4. **SUSTAINABILITY POLICY IMPLICATIONS**

- 4.1. Providing new build house (both fully wheelchair accessible and mainstream) will result in an improved environment which will contribute to the following objective of the sustainability policy:

'Adopt sustainable practices in the design, construction and maintenance of Council buildings and infrastructure, and encourage environmental quality, promote leisure and access opportunities and encourage healthy living'.

5. **EQUAL OPPORTUNITIES IMPLICATIONS**

- 5.1. This proposal will assist in achieving equality of access to quality housing.

6. **MAIN TEXT**

6.1. **Housing Supply Issues**

- 6.1.1. In association with partner Housing Associations the Council maintains a waiting list for those persons who have been assessed as requiring disabled adapted housing.
- 6.1.2. Despite best efforts in adapting suitable existing housing and encouraging partners to build new adapted housing, the combined waiting lists continue to grow placing considerable pressure on providers and causing undesirable stress to applicants.
- 6.1.3. While having set aside resources to adapt existing Council houses, the Council is unable to meet targets because adaptable houses are not available. Houses which could be adapted are often located in areas where topographical and access issues render it pointless to convert the property.
- 6.1.4. One of the main reasons for this difficulty in supply is that many of the house types suitable for adaptation are the most popular council houses and have been sold under Right to Buy legislation.
- 6.1.5. Turnover within existing Council houses is insufficient to meet needs; consequently waiting list applicants wait a long time to be offered their preferred house which matches their household needs.
- 6.1.6. As at 30th October 2007 there were 56 people on the waiting list having been assessed as needing fully adapted wheelchair housing. However, during 2006/2007 only 22 adapted properties became available for let by either the Council or Housing Associations. There is therefore a gap in provision with regard to expressed needs and it is anticipated that the waiting list will continue to grow.

7. **HOUSE PURCHASE OPTION**

- 7.1. An option to alleviate some of the supply difficulties around accessible housing is to purchase houses that were previously adapted or suitable for adaptation from the open market.
- 7.2. Occasionally, such houses become available for re-sale on the open market and if purchased by the Council could provide an opportunity to enhance the supply of disabled adapted housing. Successful purchase will require the Council to act quickly to acquire the property hence the proposal to authorise the Director of Economic Development to purchase suitable properties subject to conditions.
- 7.3. The conditions for purchase are the:
- (i) Property must be available for outright purchase and have a valid and marketable title.
 - (ii) Property must be subject to survey and be in acceptable condition.
 - (iii) Property must be suitably adapted or capable of being adapted for disabled residents.
 - (iv) Property should be located in an area in demand by potential tenants. If possible, prospective tenants should be identified before purchase.
 - (v) Property should be obtained at a fair price reflecting market value, as assessed by the Director of Economic Development.
 - (vi) Costs can be met from Housing budgets without any adverse effect on the HRA.
 - (vii) Proposed purchases will be subject to Dundee City Council's project appraisal procedures and will be assessed value for money, where required, by the Head of Finance.
 - (viii) Property should have a useful rental life of at least 30 years and the prospects for continued rental over that period should be high.
- 7.4. If all above conditions can be met the Director of Housing will seek to purchase and report each purchase retrospectively to Committee if successful. A further report will be submitted once five properties have been purchased to advise Committee of the success or otherwise of this project.
- 7.5. In the future, if these houses are not required for disabled people they will be sold on the market to realise at least the original purchase price.
- 7.6. If market conditions allow the Director of Housing will seek to purchase houses this financial year.
- 7.7. As is normal in the disposal of Housing Revenue Account assets the appropriate Ministerial consents will be obtained.

8. **NEW BUILD OPTION**

8.1. **Mixed Tenure Issues**

- 8.1.1. Right to Buy has led to the creation of mixed tenure estates with the incidence of owner occupation and/or buy-to-let increasing.
- 8.1.2. A fundamental challenge in mixed tenure properties is that of repair and maintenance. As long as the Council still has an interest in a block (i.e. there is at least one house still in Council ownership), the Council is obliged to bring that entire property to the SHQS with regard to elements of a common nature to that property.
- 8.1.3. In the case of repair works the Council can instruct and recharge owners for their share, but this is administratively time consuming and complicated, involving several Council Departments. Owners often query prices and/or the quality of work adding further to administration of the process.
- 8.1.4. In the case of improvement works, such as installation of a controlled entry system which is part of the SHQS, work cannot proceed without the expressed consent of all owners. Where any one owner refuses the work cannot proceed.
- 8.1.5. Whilst grants are available to assist owners in repairing, maintaining or improving their properties they have substantially declined at a time when home ownership has expanded greatly.
- 8.1.6. Trying to engage owners in former public sector housing estates in housing led improvement and/or repair programme has proven difficult. Consequently, for non-essential works, blocks with non Council owned properties have been deferred from the Capital Programme. This means that Council tenants in these blocks do not enjoy the conditions enjoyed by their neighbours in fully tenanted blocks.
- 8.1.7. Unwillingness of owners to participate in common repair and improvement works is threatening the achievement of the SHQS Delivery Plan target.

9. **PROPOSALS**

- 9.1. The following proposals offer an opportunity to meet housing need in Dundee by building over a hundred new, quality council houses. Forty of these will be built to full wheelchair standard. The remainder will be barrier free to meet changing needs, particularly of families and ambulant disabled people. The mainstream units will help alleviate the waiting lists and, in particular, pressured areas. The Council will have control over the specification and type to suit local requirements. The new build programme offers opportunities to provide highly energy efficient houses, helping to address fuel poverty in the City. This proposal can be funded by realising capital assets as detailed below.
- 9.2. There are 313 Council owned blocks where there is only one Council house left. By offering for sale on the open market properties that become void and are the sole remaining Council owned property in a block of three or more, sufficient resources could be realised to build over 100 houses.

There are fundamental differences between RTB and sale of vacant properties.¹

Right To Buy (RTB)	Sale of Vacant Properties
RTB purchasers are usually older residents who have been able to afford the discounted value but not have a high enough income or capital to adequately maintain or carry out major repairs.	The sale of vacant property is about attracting new middle-income households who are able to afford a full mortgage.
A significant number of former RTB properties quickly move to the private rented sector, are often poorly managed and have adverse consequences for the estate.	It allows the landlord to choose which properties should be offered for sale.
RTB involves selling property with discounts of up to 70% so the proceeds raised are far lower than from the sale of vacant property.	The full market value is obtained.

- 9.3. Once the last Council owned property in a block is sold, the Council has no obligation to repair or improve that property.
- 9.4. If there is only one Council owned property in a block remaining, there may be certain personal reasons for the sitting tenant not to apply to purchase it under the RTB. However, any new tenant may well apply to buy and the Council would only receive a discounted value for it.
- 9.5. Rather than wait for this to happen, it is recommended that the Council proactively market such properties on the open market. The difference in the receipt generated can be substantial, as the following table shows:

Street	Highest RTB Council Receipt £	Highest Private Sale of Same or Similar Property £	% Increase
Abbotsford Place	16,200	115,000	710%
Arbroath Road	16,917	100,000	591%
Ashbank Road	21,000	107,000	510%
Blackness Avenue	19,500	100,000	513%
Pentland Crescent	25,500	101,155	397%

- 9.6. At the present time, sales of the last Council owned house in a block happen about ten times per year. However, as more and more Council houses are sold this incidence will increase.
- 9.7. It is recommended that as soon as the last tenant in a block of three or more terminates their tenancy then that property is withdrawn from the letting pool, and the house is marketed and sold on the open market for the highest price.
- 9.8. The proceeds from such sales will fund new build accommodation for rent.

¹ *Rebalancing communities by mixing tenures on social housing estates (2003)* Joseph Rowntree Foundation Findings 523.

- 9.9. If the full proposals of this report are agreed there will be a net gain in the number of properties available to the letting pool for those on the Council waiting list and those requiring wheelchair accessible housing.
- 9.10. The financial assumptions detailed in 10.5 below allow potentially for 135 houses to be built by selling 110 flats.
- 9.11. 135 new houses would be built over a three year period. 95 barrier free houses would be let through the Lettings Centre (i.e. homeless, redevelopment, general needs etc) and 40 would be built to full wheelchair accessible standard to be let through the Special Needs Team.

10. **OTHER CONSIDERATIONS**

- 10.1. A further report will be brought to Committee on land availability for the new build programme. It is anticipated that the new housing would be built on small sites across the city. Sources of information on these sites will be the asset register being compiled by Economic Development as well as Housing records on shops, other properties, garage sites etc.
- 10.2. In order to obtain the maximum receipt for the council houses being sold it is anticipated there may be a cost to bring the properties up to a marketable standard. The amount required will vary, but based on costs for kitchen and bathroom upgrading in the capital programme, the sum of £6,000 has been allowed, which included marketing costs.
- 10.3. Rent loss will be mitigated by a reduction in the cost of administering mutual repairs plus a reduction to the HRA in budgets associated with achieving the common repair elements of the Scottish Housing Quality Standard (SHQS) in such properties. There will be a net rent gain from building more new houses than the number sold.
- 10.4. Current Right to Buy legislation protects new build and newly acquired property from discounted sale.
- 10.5. In order to fund the new build programme the following assumptions have been used:
- Rental income is based on rent at £80/week (52 weeks basis which is £86.67 on a 48 week basis)
 - Interest rate used is 5.9%
 - Debt write off period 30 years
 - An income and expenditure account has been done which shows no deficit burden
 - The average selling price will be £100,000
 - The receipts write off period is 5 years
 - New build cost per mainstream house ($80.4\text{m}^2 \times £1,220/\text{m}^2$) is £98,000 + £16,900 per house for fees and land costs giving a total of £114,900
 - New build cost per fully wheelchair accessible house would be an additional 5% on the cost per m^2 giving a total of £132,900
 - Total number of new build houses would be 135, comprising 40 fully wheelchair accessible plus 95 mainstream
 - Total number of sales would be 110

- 10.6. Currently there is £200 K. per annum within the budget for major adaptations to properties to make them wheelchair accessible. Unfortunately it is proving impossible to spend this money as the properties are not suitable for adaptation. This money could be used to service debt of £2 M. to build 20 new houses built to fully wheelchair accessible standard, with an additional 20 funded through borrowing.
- 10.7. The Scottish Government issued a paper in October 2007 entitled *Firm Foundations: The Future of Housing in Scotland - A Discussion Document*. The paper proposes an end of RTB for new build Council (and Housing Association) housing, although certain categories of tenants may have their rights protected (e.g. re-housing due to demolition or refurbishment). This is an incentive for new build.
- 10.8. The Scottish Government Discussion Document suggests there may be incentives for new council house building by awarding subsidies on a competitive basis to those local authorities that can demonstrate the most effective and efficient use of their borrowing capacity to meet social housing needs in their area.

11. **CONCLUSIONS**

- 11.1. Increasing, unmet demand for housing for disabled people requires action to alleviate the problem. This report outlines two options of (a) purchasing suitable property, and (b) realising capital assets to finance a new build programme. Together, these options provide an opportunity to create a speedy resolution to some needy applicants' requirements as well as increasing the availability of good quality Council houses.

12. **CONSULTATION**

- 12.1. The Chief Executive, Depute Chief Executive (Support Services), Depute Chief Executive (Finance), Head of Finance, Assistant Chief Executive (Community Planning), Director of Planning & Transportation and the Dundee Federation of Tenants Association have been consulted and are in agreement with the contents of this report.

13. **BACKGROUND PAPERS**

- 13.1. None

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28th November 2007