

Leicester
City Council

WARDS AFFECTED
All Wards

FORWARD TIMETABLE OF CONSULTATION AND MEETINGS:
SCRUTINY
CABINET

11 JANUARY 2007
15 JANUARY 2007

HOMECOME ANNUAL REPORT

Report of the Corporate Director of Adults & Housing

1. Purpose of Report

1.1 To advise on the outcomes for the Council being achieved with HomeCome.

2. Summary

2.1 HomeCome is a company set up by the Council in 2004 to create new affordable housing. The audited accounts for the last year are appended and show a surplus of £50k (last year £5k) before one off legal costs.

2.2 The company currently provides homes for 81 families who would otherwise be in temporary accommodation with the consequential adverse effects on their well-being, particularly in the case of their children. Had the Council not created these 81 homes and all the tenants were in bed and breakfast the annual cost to the Council would be £2m.

2.3 HomeCome owns or is in the process of buying 98 homes, of which 47% are 4 beds and above, being the only landlord nationally, of comparable size, with such a high proportion of large family properties. All properties are let to people nominated from the Council's Housing Register and the current years rental income is estimated at around half a million.

2.4 Properties are financed with an Affordable Rent Grant (ARG) from the Council and a loan taken out by HomeCome. The Council has set a limit on the ARG of 75% of the property value and all properties have been purchased within this framework with an average ARG of £60k per property (£70k for large properties and £54k for 3 beds and less).

3. Recommendations

3.1 It is recommended that the success in providing extra affordable homes by HomeCome is welcomed and subject to approval of the report on the Housing Capital Programme, the Council's continued support be maintained.

4. Financial Implications (Rod Pearson Ext 7108)

4.1 The Council have provided grants to HomeCome which are less than 75% of the property value, and represent an index linked charge on each property. The Council provides funding to HomeCome beyond the Affordable Rent Grant (ARG) for a period until a loan is obtained by HomeCome and passed on to the Council. HomeCome pay the Council interest on this temporary finance.

4.2 The Council provides management and maintenance services under contract to HomeCome which are charged at full cost.

5. Legal Implications

5.1 Affordable rent grant is designed to benefit prospective tenants who would not otherwise be able to afford a decent home. ARG (and indeed the provision of services to HomeCome) is authorized under "well being powers".

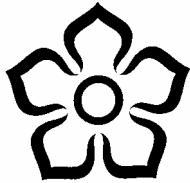
5.2 Affordable rent grant is designed to benefit prospective tenants who would not otherwise be able to afford a decent home. ARG (and indeed the provision of services to HomeCome) is authorized under "well being powers".

6. Report Author/Officer to contact:

Mike Forrester
Corporate Director of Adults & Housing

DECISION STATUS

Key Decision	Yes
Reason	Significant effect on communities living or working in more than one ward
Appeared in Forward Plan	Yes
Executive or Council Decision	Executive (Cabinet)



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SUPPORTING INFORMATION

1. Report

Background

- 1.1 Cabinet, at its meeting on 1 March 2004, approved the creation of a new company to create new affordable housing. That company is called HomeCome.
- 1.2 HomeCome is a not-for-profit limited company owned by its members. The members of HomeCome are the City Council, Leicester Federation of Tenants Associations and Leicestershire Chamber of Commerce. The City Council has 49% voting rights.
- 1.3 HomeCome is managed by a Board of Directors comprising Ian Harkness (Chair), Councillor Paul Smith, Chris Cronogue, Jaffa Kapasi, John Townsend and Martin Traynor. Representatives of all political groups on the Council are invited to attend Board meetings.
- 1.4 HomeCome has no staff or premises and the work is undertaken through contractors. The main contractor is the City Council providing letting, rent collection and repairs and maintenance services.

Property Purchase

- 1.5 Cabinet agreed that new affordable housing would be created by HomeCome and the Council's Housing Capital Programme made available £3.0m in 2005/06, £2.75m in 2006/07 and £1.75m in 2007/08.

1.6 The property analysis is as follows:

	No.	%	Weekly Rent £
2 bed	9	9	88
3 bed	43	44	88
4 bed	39	40	105
5 bed	5	5	121
5/6 bed	1	1	132
6 bed	1	1	132
TOTAL	98	100	

Lettings

- 1.7 HomeCome has a tenancy agreement for a 6 months Assured Shorthold Tenancy which will continue indefinitely until notice is given by the tenant or the tenant breaches the agreement. Tenants are nominated to HomeCome from the Council's Housing Register.
- 1.8 HomeCome has currently 81 properties let, all at weekly rents which have been approved for Housing Benefit.
- 1.9 Although a HomeCome tenancy is on paper less secure than a Council tenancy, has no Right to Buy and has a higher rent, there has been no difficulty in finding tenants from the Housing Register for HomeCome properties.

Council Control

- 1.10 Although the Council must avoid legal control of HomeCome to avoid HomeCome's loans counting as the Council's capital expenditure – it does have means to protect its interests.
- 1.11 HomeCome depends on Council funding to purchase properties. The legal agreement between the Council and HomeCome for the Affordable Rent Grant gives the Council an equity charge in each property purchased with Council grant equal to the grant and indexed. Clearly the value of the Council's equity charge in HomeCome will rise and fall according to property values.
- 1.12 Also, the Council does have control over the nomination of one Director.
- 1.13 The Council owns 49% of the Company and needs the support of one other member to change the constitution or Board of Directors.

2. Other Implications

OTHER IMPLICATIONS	YES/NO	Paragraph Within Supporting information	References
Equal Opportunities	No		
Policy	No		
Sustainable and Environmental	No		
Crime and Disorder	No		
Human Rights Act	No		
Elderly/People on Low Income	Yes	1.7 to 1.9	

3. Background Papers – Local Government Act 1972

None

4. Consultations

None

5. Report Author

Mike Forrester

Corporate Director of Adults & Housing

APPENDIX A

**HomeCome Limited
Profit and Loss Account
For the Year to 31st August 2006**

	Year to 31st August 2006 £	18 Months to 31st August 2005 £
Income	255,715	49,140
Property Costs	115,965	23,670
Gross Profit	139,750	25,470
Administrative expenses	4,619	10,702
Other operating income	-	10,000
Operating Profit	135,131	24,768
Interest receivable and similar income	2,070	469
Interest payable and similar charges	86,971	19,706
	50,230	5,531
Exceptional item: Legal and professional fees	38,241	11,750
	11,989	(6,219)
Profit/(loss) on ordinary activities before taxation	11,989	(6,219)
Tax on profit/(loss) on ordinary activities	460	-
	11,529	(6,219)
Loss for the financial year/period carried forward	(6,219)	-
Profit/(loss) for the financial year/period carried forward	5,310	(6,219)