



Leicester  
City Council

## APPENDIX A

SCRUTINY TASK GROUP

14 OCTOBER 2008

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### STRATEGIC ASSESSMENT OF THE ROLE OF HOMECOME

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#### REPORT OF THE CORPORATE DIRECTOR OF ADULTS AND HOUSING

#### 1. WHAT IS HOMECOME/COUNCIL CONTROL AND INFLUENCE

1.1 HomeCome is a company set up by the Council in 2004 to create new affordable housing. HomeCome offers a decent home for people on the Council's Housing Register, who are unable to obtain a Council or RSL home in the near future, within housing benefit rents, that are lower than the private sector. It currently owns 132 homes and leases 12.

1.2 HomeCome is a not-for-profit limited company owned by its members. It must apply its profits for affordable housing in Leicester and for the well being of Leicester. The current members of HomeCome are the City Council and Leicestershire Chamber of Commerce and David Brazier. The City Council has 49% voting rights. HomeCome is managed by a Board of Directors comprising Ian Harkness (Chair), Councillor Hanif Aqbany, Chris Cronogue, Jaffa Kapasi, John Townsend and Martin Traynor. 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. The current payment from HomeCome to the HRA is £140k.

HomeCome pays for a Company Secretary and services of an Acquisition Manager. The Company Secretary is appointed by the Directors.

The Council's Chief Financial Officer and Internal Audit has previously done assessments of HomeCome.

1.3 The Council can influence/determine the future of HomeCome in four ways:-

- a) as a Member with 49% ownership. It, therefore, needs the support of one other member to change the constitution. Directors are appointed by members.
- b) nomination of one Director

- c) by provision of capital funding.
- d) through the terms of the affordable rent grant agreement.

1.4 The Affordable Rent Grant agreements which apply to all properties owned by HomeCome mean:-

- a) the Council has a stake in the property (an indexed linked equity charge)
- b) HomeCome cannot sell properties without Council permission.
- c) HomeCome is required to report on its business to Council.

In addition, the grant agreement secures that HomeCome must take all its tenants from the Council's Housing Register.

## **2. HOW HOMECOME CONTRIBUTES TO ACHIEVING THE COUNCIL'S HOUSING AIMS**

2.1 Leicester's Housing Strategy, and recent work for Vision 25 for Leicester identifies the following housing priorities: to bring public and private sector housing up to the Decent Homes Standard, to provide more Affordable Homes, to reduce the number of Empty Homes, to provide homes and support for vulnerable groups and improve home energy efficiency.

### **Affordable Housing**

2.2 The Government defines affordable housing as homes provided to those whose needs are not met by the market. There are two types of affordable housing: **social rented**, i.e., from a Council or Housing Association and **intermediate**. Intermediate can be for rent or sale, but must be below market cost, and available for future households. HomeCome is therefore recognised as providing **Intermediate Affordable Housing**, because its rents are within Housing Benefit levels and lower than market rents. 88% of HomeCome tenants receive Housing Benefits. Its rent is affordable because the Council pays HomeCome an Affordable Rent Grant.

2.3 The Housing Needs Survey identified the need for an additional 1,181 per annum, to deal with the backlog of need in the City within 5 years and provide for predicted new households, taking into account the loss from right to buy and demolitions.

2.4 Over the last four years the City Council has enabled provision, on average of 217 affordable homes per year of which HomeCome provided an average of 32, i.e., 15% of provision. For the next two years, 07/08 and 08/09 there are, respectively 140 and 143 affordable homes in the pipeline and there is no capital programme provision for future acquisition by HomeCome. (Note that in 09/10 a significant increase in provision is predicted from pipeline schemes, potentially up to 500+). Although nationally Government is making more money available for

Affordable Housing, access to sites makes it difficult to increase provision in Leicester. There are peaks and troughs in sites and schemes becoming developable. The shortfall in the next two years is going to cause problems for those in housing need.

- 2.5 The Council could potentially receive £2.4m in commuted sums from housing developers over the next 3 years. However, there is no guarantee these private schemes will go ahead. These sums must be used to provide affordable housing and the Council could use them to fund Affordable Rent Grants to an RSL or HomeCome (or any organisation which could provide affordable homes). The predicted output for the next two years includes an assumption that the commuted sums will be invested either with an RSL or HomeCome, to create about 10 homes. These commuted sums are expected towards the end of 2008/09.

#### Conclusion

- 2.6 HomeCome has contributed 15% of new affordable housing in the City over the last 4 years. The next two years will show a significant drop in new affordable housing provision from all sources, including the investment of potential commuted sums. Loss of capital programme investment in HomeCome contributes to this.

#### Size of Homes

- 2.7 The Housing Need Survey identified a shortfall in 1, 2 and particularly 4 bedroom homes. An analysis of the Housing Register of those in 'priority need' (over 195 points), show that those needing a 1, 2 or 3 bedroom house have a high likelihood of being rehoused within 1 year if they are prepared to consider any part of Leicester. Those needing a 4 bedroom house have a 1 in 4 likelihood and for those needing 5 bedroom plus, very little likelihood.
- 2.8 There are 685 households on the Register awaiting 4 bedroom or larger homes. HomeCome has been particularly successful in acquiring 4 bedroom and larger homes and now owns 57, which is 47% of all the new affordable large family homes provided in the last four years.
- 2.9 Last year 58 large families were rehoused from the Housing Register, of which HomeCome provided 40% (23 homes) of all new social lettings to this group.

#### Conclusion

- 2.10 HomeCome has made a significant contribution to housing large families, a group that the Council cannot readily help.

#### Allocation Policy and Management

- 2.11 The City Council nominates tenants from the Housing Register in accordance with its Allocation Policy, and in the same way as it makes nominations to Housing Associations. The characteristics of tenants housed should therefore be the same as those who get Council or RSL lets, subject to the size and location of the dwellings offered. HomeCome provides 100% nominations in perpetuity, RSL's are required to provide 100% nominations of new properties and 50% thereafter. In practice some RSLs give the City 100% nominations.
- 2.12 Households who are statutory homeless can refuse an offer from HomeCome and do not lose their homeless points. A few applicants will wait for a Council offer because they want the Right to Buy. There has been no difficulty, however, in finding tenants for HomeCome.
- 2.13 Management is provided by the Council's Landlord Services and the same policies for rent arrears, tenancy management and anti-social behaviour are applied. Three tenants have been evicted (two for anti social behaviour and one for rent arrears). The full day to day repair service is available. HomeCome pays for all these services.
- 2.14 Ethnic breakdown of tenants is:

	<b>HEMOCOME %</b>	<b>CITY COUNCIL %</b>
Asian	9.6	9.4
Black	24.0	6.0
White	41.6	51.2
Mixed & Chinese	4.0	1.0
Other	4.0	2.0
Not given/unknown	16.8	30.4

### Conclusion

The homes are managed and maintained by the City Council to the same standards as Council housing. There is a higher proportion of black and ethnic minority tenants than in Council housing, but the number of tenants is relatively very small (130 compared to 22,625) and tenancies are more recent.

### Decent Homes

- 2.15 It is policy to bring all Council homes up to Decent Homes Standard by 2010 and to continue to tackle the 9,000 private sector homes that are below that standard.
- 2.16 One of the original reasons for setting up HomeCome was to acquire those Council houses where work costing over £10,000 was required, in order to fund the Decent Homes Programme.
- 2.17 In practice, HomeCome has acquired most of its stock from the private sector, acquiring only 18 from the Council.
- 2.18 All HomeCome homes are brought up to Decent Homes standards with the aid of a Council Affordable Rent Grant. Most private properties acquired by HomeCome are below the standard when acquired. Of 892 private sector homes which were brought up to standard by the Council in 05/07 (2 years), 10% of these were done by HomeCome.

#### Conclusion

- 2.19 HomeCome contributes to bringing private housing up to Decent Homes standard.

#### **Prevention of Homelessness/Supporting Vulnerable Tenants**

- 2.20 By providing homes only to those nominated by the Council from the Housing Register, HomeCome is helping to house homeless families and those at risk of homelessness. In 2006/07, HomeCome provided 53 lets, RSL's provided 389 and the City Council 1,519.
- 2.21 Increasingly, Housing Options refer homeless and potentially homeless families to the private rented sector, offering advice to both tenants and landlords, and rent deposits. However, the private sector uses Assured Shorthold Tenancies, which can be ended every 6 months, so the private rented sector does create homelessness. By contrast although HomeCome uses AST's they only evict families for breach of tenancy conditions.
- 2.22 It has also provided tenancies to people with disabilities for whom the Council has care duties.

#### Conclusion

- 2.23 By providing a steady flow of affordable tenancies HomeCome is helping to house homeless families and those at risk of homelessness, and reducing some of the care costs met by the Council.

#### **Empty Homes**

- 2.24 There are currently over 1,400 privately owned homes that have stood empty for more than 18 months. The Empty Homes Team has brought back into use over 450 properties over the last 3 years, and uses a range of incentives to owners. HomeCome has helped in two ways. In a small number of cases the Council has acquired property under Compulsory Purchase Power. HomeCome has acquired four out of 15. Often these properties require too much work or are too expensive for HomeCome and, therefore, auctioned.
- 2.25 An estimated 25-30% of the houses that HomeCome bought on the open market were repossessions and were therefore empty at time of purchase. The length of time they were vacant is not recorded. In all probability, they would have been sold anyway as the vendor in such cases is keen to sell.
- 2.26 HomeCome has set up a scheme called Improve to Let – in support of the Council’s Empty Homes Strategy. It leases empty homes in the private sector, improves them and then rents at Local Housing Allowance rent. The Council refers tenants to these houses.

#### Conclusion

- 2.27 HomeCome has only been able to acquire four Compulsory Purchased properties from the Council. The new Improve to Let scheme could be very helpful, but it is too early to see the extent of empty home owners’ response.

#### **Cost of HomeCome Homes/Cost to City Council**

- 2.28 Properties are financed with an Affordable Rent Grant (ARG) from the Council and a loan taken out by HomeCome. The Council takes a second charge on each property which covers the additional amount of grant. The Council has set a limit on the ARG of 75% of the property value and all properties have been purchased within this framework. The average grant for 3 beds and less is £52k and £66k for 4 beds). This shows a continuing improvement over previous years where the capital cost to the Council for HomeCome to acquire each home has reduced.

To date the Council has invested £8.15m in HomeCome.

- 2.29 By contrast, Housing Association properties funded by the Housing Corporation have required average grant of £56k for 2/3 bedroom home and £75k for a 4 bedroom home. Housing Association homes will be newly built to modern standards and at level 3 of sustainable homes. HomeCome are to Decent Homes standard, which will have a lower level of energy efficiency and may have either a modernised bathroom or kitchen, not necessarily both. HomeCome properties may be to higher space standards for historical reasons.
- 2.30 The Council can and does fund Housing Associations with Affordable Rent Grant (ARG). In 2008/09 Housing Capital Programme contribute to the Backlands

Batch 1 Scheme, which will bring 7 derelict HRA sites back into use and provide 42 homes. The Council is contributing free land and an average of £16,000 grant per property. The homes will be to sustainable code level. EMHA and the Housing Corporation are contributing large amounts of grant aid.

### Conclusion

- 2.31 HomeCome is giving good value for money, roughly comparable to Housing Association new build for 2/3 bedroom homes and cheaper for 4 bedroom, but for a refurbished house, not new build.
- 2.32 The Council can make much smaller grant contributions per property to enable some marginal Housing Corporation/Housing Association funded schemes to go ahead where there are other benefits from doing so, e.g., dealing with backland sites. However, there will be only limited opportunities each year to do so, and the Council foregoes a potential receipt for the land.

### **Change of Tenure of existing stock**

- 2.33 For many years Housing Associations acquired private sector homes and refurbished for letting. This supported the Renewal Strategy (private sector decent homes), the Empty Homes Strategy (including buying properties that the Council had compulsorily purchased), and created social rented homes in inner city areas that were largely owner occupied.
- 2.34 The Housing Corporation no longer funds purchase for refurbishment. HomeCome is therefore the only agency doing this work. However, while it is helping create decent homes, its cost constraints mean that it has not been able to support Empty Homes work to any degree.
- 2.35 HomeCome acquisitions are on Council estates and often former Right to Buy. HomeCome has not been able to acquire properties in inner city areas where there is very high demand (particularly from ethnic minorities) and limited social rented stock.
- 2.36 Housing Associations are finding it increasingly difficult to acquire land to build on. 80% of Leicester proposed Growth Point dwellings will be built on private sites, which means more affordable housing will have to be secured through the planning system, so future levels of new affordable housing are uncertain. Changing the tenure of existing stock could become a more important and reliable supply.

### Conclusion

- 2.37 HomeCome is the only agency providing Intermediate Affordable Housing by changing the tenure of existing stock, albeit in areas with high proportions of

social rented housing. With the right to buy continuing to deplete Council stock and limited land availability in the City, changing tenure of existing stock makes a useful contribution to the supply of affordable housing.

### **NewBuild**

- 2.38 Attempts have been made to find a way for HomeCome to provide new build homes. When Backlands Site Batch 1 was tendered, developers were invited to submit a price for building homes for sale to HomeCome. There were no bids. More recently the same invitation to bid was made in the disposal of Hamelin Road/Queensmead sites in Braunstone. Bids were received which offered to build for HomeCome but they were not the overall best tenders.

### **Conclusion**

- 2.39 To date, a mechanism that allows HomeCome to buy new build homes has not been found.

### **Procurement Time**

- 2.40 Because HomeCome buys existing stock it can react quickly when funds are made available, subject to market conditions. By contrast RSL's have long lead in times, typically at least 2 years and often much longer, from scheme identification to delivery.

### **Conclusion**

- 2.41 If the affordable housing shortfall predicted over the next two years is to be addressed then HomeCome is in a position to help, but requires subsidy.

### **HomeCome as an aid to Council Redevelopment Schemes**

- 2.42 The Council currently leases 11 homes to HomeCome that are awaiting redevelopment.

### **Conclusion**

- 2.43 This is a useful service to the Council, providing short term homes and income to the Housing Revenue Account from properties that would otherwise be empty.

## **3. FINANCIAL, LEGAL AND OTHER IMPLICATIONS**

### **3.1. Financial Implications : Rod Pearson**

There are no direct financial implications arising from this report.



### 3.2 **Legal Implications: Joanna Bunting**

These are contained in the body of the report. ARG is designed to benefit tenants through the provision of affordable rents and homes to the decent homes standard. The principal power the Council is using is s2 Local Government Act 2000 (well being powers) HomeCome is not a controlled or regulated company and is not subject to group accounting as part of the Councils accounts. HomeCome is a private company limited by guarantee, and is not able to make a distribution to its members.

### 3.3 **Other Implications**

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

## 4. **BACKGROUND PAPERS – LOCAL GOVERNMENT ACT 1972**

Report of the Corporate Director of Adults and Housing :  
HomeCome Annual Report 14.02.08 to Overview & Scrutiny Management Board.

## 5. **CONSULTATIONS**

HomeCome.

## 6. **REPORT AUTHOR**

Ann Branson – Service Director, Housing Renewal, Options and Development  
Tel: 0116 2526802.