



Leicester
City Council

WARDS AFFECTED
All Wards

FORWARD TIMETABLE OF CONSULTATION AND MEETINGS:

Overview and Scrutiny
Cabinet

30th July 2009
3rd August 2009

Response to the Recession - Housing

1. Purpose of Report

1.1 This report recognises the effects of the recession on Leicester's housing market and considers potential interventions relating to the provision of mortgages by local authorities and also other actions to support the housing market.

2. Background

2.1 This report to Cabinet is in response to the concern that the recession will have a major effect on the housing market and in particular the impact on people in terms of their ability to access the housing market. The report describes positive actions that are already underway to mitigate the effects of the recession on the housing market and considers potential actions relating to local authorities as a provider of mortgages.

3. Recommendations

3.1 Cabinet members are asked to note the report.

4. Report

4.1 Council Actions in support of the Housing Market

4.1.1 The Council currently addresses local housing pressures through its support for affordable housing and the delivery of housing growth more generally. Examples of current actions include:

- Housing and Planning officers supporting developers to access the National Homes and Communities Agency (HCA) 'Kick Start' Housing Delivery initiative to enable housing sites to commence where they have stalled due to the recession. This has resulted in five sites being submitted by developers for funding to the HCA. A decision is awaited from the HCA.
- Using the HCA new 'Challenge Fund' to bid for funds to build new housing on Council owned sites. A first phase bid by the Council is being assembled with an aim of potentially building up 91 houses. Bids are to be submitted by 31st July.
- The allocation of New Growth Point Funds, through our sub – regional partnership structures, to priority housing growth areas; thereby providing key infrastructure to support new housing development. The BUSM housing site on Ross Walk, Belgrave for

instance has received an allocation of £2 million pounds to enable the development of 119 affordable homes.

- Actively bidding into Government Private Finance Initiatives to develop affordable housing and infrastructure. A bid has been made for £144m PFI credits focused on the provision of 600 units for general needs (480) and extra care (120) on city council owned land in Beaumont Leys, New Parks, Eyres Monsell and Braunstone Fields.

4.2 Local Authorities as a Provider of Mortgages to those in Housing Need.

4.2.1 As a response to the collapse of the banking sector as a provider of mortgages and loans local authorities have looked again at evaluating what is possible within existing legal frameworks of local authority finance, exploring whether it is possible to use existing, longstanding legal powers for Councils to act as a mortgage providers.

4.2.2 In consideration of whether Leicester City Council should pursue a similar approach, it should be considered that:

- The potential scale of local authority intervention in mortgages provision would inevitably be small in comparison to the overall market – which annually, in Leicester, is in the region of £600m to £800m.
- The case for possible Council involvement in residential mortgages is diminishing in the face of improvements in the housing market. Mortgages are starting to become more readily available for credit worthy borrowers, as evidenced by the reappearance of 90% mortgages.
- Even if the Council confined itself to making loans to credit worthy borrowers there would be a risk of defaults. Arrears, even if these did not lead to a default, would lead to a cost to the general fund by way of a bad debt provision. Revenue costs would also arise from the need for the Council to repay its loans faster than the borrower repaid its loans to us (this arises from a problem with legislation). In short it would be difficult to predict the revenue cost.
- There is also a risk that the Council could become a lender of last resort, and as such would need to be prepared to suffer bad debt.

4.2.3 For the reasons set out above it is not considered that the council should provide mortgages but that this position should be kept under review in the context of emerging housing market trends.

5. Financial, Legal and Other Implications

Finance and legal input is included within the paper.

OTHER IMPLICATIONS	YES/NO	Paragraph Within the report	References
Equal Opportunities	Yes	Refs to ensuring the availability of affordable housing in the report	
Policy	Yes	Throughout report	
Sustainable and Environmental	No		
Crime and Disorder	No		

Human Rights Act	No	
Elderly/People on Low Income	Yes	Ref to PFI scheme and affordable housing in the report

6. Background Papers – Local Government Act 1972

7. Consultations

Service Directors – January / February/May 2009
 Cabinet Lead (3rd June)
 Enterprise and Skills Priority Board 17th June 2009
 Cabinet Briefing – 14th July

8. Report Author

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Key Decision	No
Reason	N/A
Appeared in Forward Plan	N/A
Executive or Council Decision	Executive (Cabinet)