



City of Westminster

Cabinet Member Report

Decision Maker:	Cabinet Member for Housing, Regeneration, Business and Economic Development
Date:	12 March 2015
Classification:	For General Release
Title:	City West Homes – Top up funding towards spot acquisitions programme
Wards Affected:	All Wards
Better City, Better Lives Summary:	The delivery of affordable housing through spot acquisitions will provide affordable housing for households in housing need and contribute to mixed and sustainable communities in the City
Key Decision:	No
Financial Summary:	Currently the AHF has uncommitted balances of £33m available to commit to new affordable housing projects. This report recommends applying an additional £1.5m towards the approved purchase of 45 spot acquisitions in the HRA, undertaken by City West Homes.
Report of:	Executive Director of Growth, Planning & Housing

1.0 Executive Summary

- 1.1 In January 2014, the Cabinet Member for Business and Housing approved a funding allocation of £4.5m to be provided to the HRA from the City Council's Affordable Housing Fund (AHF) to part fund the delivery of 45 spot acquisitions through City West Homes and where these properties would be provided as social housing. At that time, it was anticipated that that majority of these properties purchased would be 2bed homes.
- 1.2 The £4.5m AHF allocation was intended to top up an existing HRA allocation of £13.5m previously approved in July 2013 as part of the HRA Business Plan together with just under £1m to be provided from Right To Buy receipts /HRA

disposal proceeds to fund the total costs of acquiring and carrying out works to 45 acquired properties which were anticipated to cost in the region of £19m.

- 1.3 However, as a higher proportion of the properties currently being purchased are family sized homes (3beds +) than was previously anticipated, combined with higher property prices and higher than anticipated works costs, the total projected cost of delivering these 45 properties has now increased to c £20.5m.
- 1.4 Due to these cost increases, it is necessary to increase the current AHF allocation to the HRA from £4.5m to £6m to ensure that 45 property acquisitions can be delivered.

2.0 Recommendation

- 2.1 That the Cabinet Member for Housing, Regeneration, Business and Economic Development agrees to increase the level of Affordable Housing Funds (AHF) to the HRA from £4.5m to £6m, to ensure the delivery of 45 spot acquisitions by City West Homes.

3.0 Reasons for Decision

- 3.1 The allocation of additional Affordable Housing Funds to City West Homes will enable 45 homes to be purchased on the open market for use as affordable housing and these acquisitions will include up of 30 family sized homes.
- 3.2 The purchase of additional affordable homes on the open market will add to the Council's affordable housing stock and will create re-housing opportunities for households impacted by regeneration and consequently assist with the delivery of the Council's Housing Renewal programme.
- 3.3 The purpose of the City Council's Affordable Housing Fund is to deliver additional affordable housing within the City

4.0 Background

In July 2013, the Cabinet Member for Finance and Customer Services and the Cabinet Member for Housing and Property approved the HRA Business Plan and Asset Management Strategy. One of the decisions made was to acquire 45 additional social rented units in 2013/14 and 2014/15, to increase capacity within the stock due to housing renewal decanting needs and increased homelessness pressures. A HRA allocation of £13.5m was approved as part of the HRA Business Plan and Asset Management Strategy towards the cost of acquiring 45 additional social rented units.

- 4.1 In January 2014, the Cabinet Member for Business and Housing agreed an additional top up allocation of £4.5m from the AHF to be provided to the HRA which would be combined with the existing HRA budget of £13.5m plus gap

funding of c. £1m provided from Right to Buy receipts or from receipts from the disposal of non performing HRA assets to secure 45 new social rented homes in the City. This additional AHF allocation of £4.5m was agreed owing to the increasing costs of delivering the programme of 45 acquisitions first agreed in July 2013.

- 4.2 When the Cabinet Member for Business and Housing agreed the top up allocation £4.5m from the AHF in January 2014, it was projected that the total cost of delivering the 45 acquisition inclusive of purchase costs, works costs and on costs would be in the region of £19m. This was based on the assumption that 31 of these 45 projected purchases would be 2bed homes, with the remaining 14 properties being made up of 3 and 4 beds and where the average total cost of delivering each property was anticipated to be £422,000.
- 5.4 Table 1 below summarises the profile of the 45 properties that were originally anticipated to be acquired as set out in the January 2014 Cabinet Member report including the mix of dwelling sizes expected to be acquired , average purchase prices and anticipated average works and on costs per property. The table also shows the funding streams allocated to deliver this programme.

Bed Size	Number of units	Average Purchase Price	Average works & on costs per property	Average total delivery costs	Total Delivery Costs
1 bed	0	N/A	N/A	N/A	N/A
2 bed	31	£350k	£23k	£373.5k	£11,579k
3 bed	10	£450k	£27.5k	£477.5k	£4,775k
4 bed	4	£625k	£33.8k	£658.8k	£2,635k
All units	45	£396.7k	£25.3k	£422k	£18,989k
Allocated Funding Sources at January 2014					
HRA					£13,500k
AHF					£4,500k
RTB receipts/disposal receipts					£1,000k

- 5.5 Of the original 45 properties anticipated to be purchased by 31 March 2015, City West Homes have now completed the purchase of 34 homes with a further 7 exchanged or about to exchange. An additional 3 properties have had offers accepted leaving only 1 property where City West's offer price has yet to be accepted.
- 5.6 Separately, an additional 6 properties have also been purchased by City West as replacements for non performing assets in the HRA which have been disposed of. These replacement properties have been fully funded from the disposal proceeds of non performing HRA assets.
- 5.7 Table 2 summarises the current profile of the 45 acquisition programme where purchases have either completed or have yet to complete.

Bed Size	Number of units	Average Purchase Price	Average works & on costs per property	Average total delivery costs	Total Delivery Costs
1 bed	2	£288k	£36k	£323k	£646k
2 bed	13	£321k	£29k	£350k	£4,551k
3 bed	23	£455k	£37k	£491k	£11,300k
4 bed	7	£518k	£46k	£564k	£3,948k
All units	45	£419	£36k	£454k	£20,445k
Existing allocated Funding Sources					
HRA					£13,500k
AHF					£4,500k
RTB receipts/disposal receipts					£1,000k
Current funding Gap requiring					-£1,457k

- 5.8 The properties being purchased by City West Homes are located across the City but in all cases these are ex-RTB properties, primarily located on the City Council's Estates. Due to the number of ex-RTB family sized homes that have been available for sale during this acquisitions programme, City West Homes has been able to purchase a higher number of family sized homes than originally anticipated.
- 5.9 The purchase of additional affordable homes on the open market will add to the Council's affordable housing stock and will create re-housing opportunities for households impacted by regeneration and consequently assist with the delivery of the Council's Housing Renewal programme. The purchase of additional family sized homes will help the re-housing of overcrowded households.
- 5.10 Table 2, demonstrates that the number of 3 and 4beds being acquired has increased to 30 which is more than double the number of family sized originally reported in the January 2014 Cabinet Member Report as shown in table 1. Therefore, due to the higher number of family sized homes being acquired the average purchase price has increased from £397k to £419k while total average delivery cost per unit has also increased from £422k to £454k, with overall programme costs increasing from £19m to £20.5m.
- 5.11 In order to fund these increased delivery costs it is necessary to increase the Council's AHF contribution from £4.5m to £6m.

6.0 Financial Implications (Draft Comments)

- 6.1 Current balances held in the Council's Affordable Housing Fund are £103m of which £33m are currently uncommitted and available to investment in new affordable housing opportunities.

- 6.2 Increasing the AHF contribution from £4.5m to £6m will increase average the AHF subsidy level per unit from £100K to c. £133K.
- 6.3 This additional £1.5m will help fund the acquisition of an additional 45 social units of housing within the HRA. These units are costing more to acquire, and those being acquired are larger units than originally assumed. As RTB Local Agreement receipts are being applied to part fund these purchases this will constrain the future application of the RTB.

7.0 Legal Implications (Draft Comments)

- 7.1 The Council has a general power to acquire property under section 120 Local Government Act 1985 and a specific power to acquire property for housing purposes under section 17 Housing Act 1985.
- 7.2 The Local authority is not under an explicit duty to acquire property at market value but must have regard to its fiduciary duties to its Council tax payers and its best value duty.
- 7.3 It is a legitimate use of the AHF to use monies for the provision of more affordable homes within the City of Westminster.

7.0 Consultation

- 7.1 All Wards affected

If you have any queries about this Report or wish to inspect any of the Background Papers please contact:

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Background Papers:

Cabinet Member Report July 2013 –“HRA Business Plan and Asset Management Strategy”

Cabinet Member Report January 2014 –“The allocation of Affordable Housing Funding to Westminster Community Homes , Westminster City Council and the Dolphin Square Foundation towards the delivery of new affordable homes”

For completion by the **Cabinet Member** for Housing, Regeneration, Business and Economic Development

Declaration of Interest

I have <no interest to declare / to declare an interest> in respect of this report

Signed: _____ Date: _____

NAME: _____

State nature of interest if any

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(N.B: If you have an interest you should seek advice as to whether it is appropriate to make a decision in relation to this matter)

For the reasons set out above, I agree the recommendation(s) in the report entitled City West Homes – Top up funding towards spot acquisitions programme and reject any alternative options which are referred to but not recommended.

Signed

Cabinet Member for Housing, Regeneration, Business and Economic Development

Date

If you have any additional comment which you would want actioned in connection with your decision you should discuss this with the report author and then set out your comment below before the report and this pro-forma is returned to the Secretariat for processing.

Additional comment:
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If you do not wish to approve the recommendations, or wish to make an alternative decision, it is important that you consult the report author, the Head of Legal and Democratic Services, Strategic Director Finance and Performance and, if there are resources implications, the Strategic Director of Resources (or their representatives) so that (1) you can be made aware of any further relevant considerations that you should take into account before making the decision and (2) your reasons for the decision can be properly identified and recorded, as required by law.

Note to Cabinet Member: Your decision will now be published and copied to the Members of the relevant Policy & Scrutiny Committee. If the decision falls within the criteria for call-in, it will not be implemented until five working days have elapsed from publication to allow the Policy and Scrutiny Committee to decide whether it wishes to call the matter in.