

BROMSGROVE LOW COST HOUSING SCHEME

Relevant Portfolio Holder	Kit Taylor
Portfolio Holder Consulted	Yes
Relevant Head of Service	Judith Willis
Wards Affected	All
Ward Councillor Consulted	
Non-Key Decision	

1. SUMMARY OF PROPOSALS

- 1.1 Bromsgrove District Council launched a low cost housing scheme approximately 27 years ago. Through this scheme the Council currently holds a 30% share in each of 110 properties.
- 1.2 The Council's 30% share in the property does not generate any income. The homeowner does not pay any "rent" in respect of the 30% share.
- 1.3 No provision was made for the properties to remain affordable housing in perpetuity. The expectation was that homeowners would at some point in the future purchase the remaining 30% from the Council and this expectation has been realised in 113 cases. Homeowners are able at any time to request a valuation and purchase the Council's 30% share at market value.
- 1.4 If a homeowner wishes to sell his property he is required to notify the Council and offer his 70% share to a Council nominee. The 70% share is sold to the nominee (or on the open market if there is no nominee), with the Council retaining its 30% share.
- 1.5 The scheme occasionally assists a household in need which fulfils the criteria but this is becoming increasingly rare. The Council no longer maintains a waiting list for applicants requesting this form of low cost housing due to the low turnover of properties.
- 1.6 This report suggests that on disposal of these properties by the current homeowners the Council's 30% share should also be sold, generating a capital receipt for the Council and bringing the scheme to an end in respect of the sold properties.
- 1.7 For Information had this alteration been implemented in this current financial year the Council would have received approximately £100,000 capital return from sales during 2016/17

2. RECOMMENDATIONS

the Committee is asked to RESOLVE that;

- 2.1 As and when these properties are offered for sale, so far as possible the Council's share should also be sold.
- 2.2 That any Capital receipt be ring-fenced to provide funding to assist the Council in meeting its Strategic Purpose "Help me find somewhere to live in my locality"

3. KEY ISSUES

Financial Implications

- 3.1 Any fees relating to the sale would be taken from the capital receipt.

Legal Implications

- 3.2 The Council is not able to force sale of 100% of the property rather than 70%. It is however expected that most homeowners will be happy for their properties to be sold without any Council restrictions as this potentially provides a wider market for sale.
- 3.3 Legal input (and thus costs) for sale of the Council share will be greater than consenting to the transfer of the homeowner's share. These increased costs will however to an extent be balanced by the savings associated with the discontinuance of the scheme in respect of the sold properties.

Service / Operational Implications

- 3.3 The current Low Cost Scheme has been running for approximately 25 years. The original objectives of the scheme were to ensure these properties were allocated to those clients who were unable to purchase on the open market. New products such as shared ownership and low cost discounted sale now cater for this market also.
- 3.4 The original scheme design means that the Council has limited control over who purchases these properties. There is no affordability criteria and no mechanism to check if the purchaser would be able to afford to purchase on the open market. If we are unable to nominate a purchaser there is again no criteria over who buys the property when marketed on the open market.
- 3.5 The current procedure is that a valuation is carried out, a price is agreed with the seller for the value of the 70% and the property is

placed on Home Choice Plus for a period of two weeks. If no interest is received then the owner can then market their 70% via an estate agent.

- 3.6 Officers are proposing that when a property comes up for sale a valuation is still carried out to ascertain any added value by owners improvements. This is because the Council cannot gain any benefit from improvements it has not made a financial contribution towards. The Council then allows the vendor to market the property (100%) through an estate agent. At the point of sale the vendor uses the proceeds sale to purchase the 30% share from the Council and is thus able to transfer the property (100%) to the purchaser free from any restrictions. This will enable the Council to receive the Capital receipt.
- 3.7 The scheme has already been brought to the attention of the Overview & Scrutiny Board - Finance Working Group who are concerned that there is a large asset (worth approximately 4 million pounds) that does not contribute to the income of the Council but does cost the Council to administer. The working group are considering any action they may want to take separately from this report.

Customer / Equalities and Diversity Implications

- 3.8 It is only proposed that this approach is adopted in respect of owners who have approached the Council to sell their property.

4. RISK MANAGEMENT

- 4.1 Loss of an affordable housing unit that will not be replaced unless the resulting capital receipt is ring-fenced for new affordable housing.

5. APPENDICES

6. BACKGROUND PAPERS

7. KEY

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