Report considered by Cabinet – 19 April 2005

HOUSING STRATEGY - "FIT FOR PURPOSE" RATING

Accountable Cabinet Member: Councillor I Henderson
Contact Officer: Paul Gibson Housing Policy & Development Officer
Tel 01908-253109.

1. **Purpose**

1.1 To advise Members that the Government Office for the South East (GOSE) has given the Housing Strategy a “Fit for Purpose” rating and to adopt the Housing Strategy accordingly.

2. **Recommendations**

2.1 That the Council be recommended to adopt the Housing Strategy for the period April 2005–March 2008 (Annex B).

3. **Issues and Choices**

3.1 Members will recall that following a public consultation exercise in Summer 2004, Cabinet approved a Draft Housing Strategy in November 2004. The Strategy was sent to the GOSE. Subsequently, GOSE requested a number of changes to the Strategy to make sure that the document met the “Fit For Purpose” criteria. On 8 March 2005 GOSE confirmed that the Council’s Housing Strategy is “Fit for Purpose”. It also confirmed that the Council will not need to submit a Housing Strategy update for at least 3 years.

3.2 The changes that have been made to the document since the Cabinet approval in November 2004 are set out in Annex A to this report. The main changes are a re-written Section 7: Analysis of Options and two new Appendices: Appendix K (dealing with Gypsies and Travellers in order to meet our new duties under the Housing Act 2004) and the Appendix L (Glossary of Terms).
3.3 The Issues & Choices are simply, that as GOSE has granted a “Fit for Purpose” rating, it may be unwise for the Council not to adopt the Strategy as a key policy document. Also, the document approved by Cabinet in November 2004 does not differ markedly from the current document in terms of its strategic policies or direction. The document simply shows minor changes needed as time progressed or additional information that GOSE requested. However, because there have been some changes, it was felt that before it could be presented as a policy document to full Council the revised document needed to go back to Cabinet first. It is therefore recommended that the Council adopt the current Strategy document set out in Annex B of this report. (Note: due to the size of the document, this has been printed as a separate document to the agenda).

4. Implications

4.1 Policy

The Strategy demonstrates that the Council is in a difficult financial position. It does not have sufficient resources to meet all of the identified housing needs. Also, the Council is currently carrying out further work that will inform the next Housing Strategy Update & subsequent Strategies. Some examples of this work are:

(a) An Options Appraisal (in line with Government requirements) for the future of the Council’s own housing stock;

(b) A Private Sector Stock Condition Survey to ascertain the level of homes in the Private Sector that do not meet the Decent Homes Standard or the Fitness Standard (this will be carried out in Autumn 2004 and will be submitted to GOSE as an additional document to assist us in achieving “fit for purpose”. The results will be report to Cabinet at a later date)

(c) A new Housing Needs Study

4.2 The “Fit for Purpose” rating is the Government’s endorsement that the Council’s Strategy is sound and well placed to meet the challenges ahead.

4.3 Resources

The Strategy shows that with our Landlord Service, the Council can expect to meet the Government’s minimum Decent Homes Standard by December 2010. The costs are estimated to be £58m and our estimated income will be just under £79m. However, given that the Housing Vision set out in the Strategy is to provide well maintained, comfortable homes it is more appropriate to try and meet the “Decent Homes plus” level. The drawback with trying to meet this standard is that Table 13 on page 33 shows that we would need to spend around £219m – given that our estimated income is around £79m this leaves a considerable shortfall.

With the Enabling Service, Table 14 on page 35 shows that the likely cost of dealing with housing problems in the private sector amount to around £39m
over the period 2004-05 to 2010-11. However, our projected income is only around £6m over the same period.

With regards to the new affordable homes that Milton Keynes needs, Table 17 on page 37 shows that the total Social Housing Grant needed to deliver the new homes by 2010 could be as high as £112m. This is based on the findings of the Housing Needs Study Update 2003, which identified that most of the affordable housing needed should be low-cost home ownership tenures. However, the Housing Needs Study Update 2003 was based on house prices as at October 2002; given the rise in house prices since then (as shown on page 23) these assumptions may not still hold true. Secondly, the Government typically only makes around £3m a year available for new housing in Milton Keynes, which would then leave a large shortfall.

Clearly the Council will need to find other ways to fund the shortfalls or scale back the level of housing activity, which it wishes to undertake. The Government requires local authorities to carry out an Options Appraisal to look at the Governments preferred options of funding these shortfalls (These preferred options are Retention using existing resources, Arms-Length Management, Private Finance Initiative, Stock Transfer, or a mix of these options). This work is currently underway.

The Stock Options Appraisal has looked at the viability of borrowing under the new ‘prudential framework’ (for example, if we used surpluses in the Housing Revenue Account to pay back the amount that is borrowed, this will result in those surpluses disappearing). However the advice from Price Waterhouse was that this was not a very good option for Milton Keynes Council.

Also, following discussions with the Housing Corporation (around the Government’s Growth Agenda) its current investment level of around £6m per year may rise to around £10-£12m per year, which will enable Registered Social Landlords to provide the new affordable homes that are needed. Another way forward would be to rely on more “nil grant” schemes.

These shortfalls have important implications for the Council. They also have important implications for the forthcoming Council’s Stock Options Appraisal process and the Medium Term Planning process. The Head of Housing Strategy and Needs leads the Medium Term Plan process.

4.4 Legal

Section 87 of The Local Government Act 2003 requires the Council to prepare a Housing Strategy. The new Housing Act 2004 requires us to assess the housing needs of Gypsies and Travellers and make provision in the Local Plan.

Background Papers: None