

**REPORT TO:** Cabinet

**MEETING DATE:** 13 January 2015

**BY:** Depute Chief Executive (Partnerships and Community Services)

**SUBJECT:** Interim Discounted Housing for Sale Model

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## **1 PURPOSE**

- 1.1 To seek approval for an interim Discounted Housing for Sale model which will meet the requirements of the Council's Affordable Housing Policy.

## **2 RECOMMENDATIONS**

- 2.1 Cabinet is asked to approve the proposed interim Discounted Housing For Sale model which will meet the Council's Affordable Housing Policy.
- 2.2 Cabinet is asked to delegate authority to the Interim Head of Development to put in place detailed operational criteria in relation to eligibility and priority in consultation with the Cabinet Member for Environment, as outlined in the report.
- 2.3 Cabinet is asked to note the interim nature of the model, which will be reviewed following conclusion of research which has been commissioned to improve understanding of the need and demand for intermediate tenures in East Lothian.

## **3 BACKGROUND**

- 3.1 A significant level of housing need has been established across East Lothian through the SESplan Housing Need and Demand Assessment (HoNDA). SESplan's supplementary guidance currently shows a land requirement for East Lothian for 10,050 homes from 2009-24 of which land should be made available for 6,250 homes up to 2019 with a further 3,800 homes between 2019-24.
- 3.2 The Council's land use planning policy for Affordable Housing aims to deliver serviced land for affordable housing and the Council is committed

to working with private developers to assist the delivery of both market and affordable housing. The policy requires 25% of sites of 5 or more units to be delivered as affordable housing.

East Lothian Council accept the following categories of tenures as falling within its definition of affordable housing:

Social Rented Housing, Private below Market Cost Rent, Shared Ownership, Shared Equity, Subsidised Low Cost Home Ownership and Unsubsidised Low Cost Home Ownership.

The delivery of affordable housing tenures is realised through a range of mechanisms - from taking serviced land and procuring directly, to buying units 'off the shelf' from developers.

- 3.3 To deliver the numbers of affordable homes which are required in East Lothian, the Council needs to promote a flexible approach to the tenures delivered through its Affordable Housing Policy.
- 3.4 Research has recently been commissioned by the Council to better understand need and demand for intermediate tenures in East Lothian. The key objective of the research is to identify the market which exists for intermediate tenures - Mid Market Rent (MMR) and Low Cost Home Ownership (LCHO) models - in East Lothian as a whole and within the 7 wards. The research will enable the Council to identify and prioritise the delivery of appropriate tenures of affordable housing across different localities in East Lothian and to understand the merit in different mechanisms for delivery. The research will be concluded in early 2015.
- 3.5 Following on from this research, the intention is to develop a Local Investment Framework (LIF) focusing on a 5 year development programme period across the 7 wards.

The intention is that the LIF will become a live document which will be reviewed annually to ensure it reflects ongoing changes over the 5 year development programme period, and fits with other local strategies as well as regional and national strategies.

The Local Investment Framework will inform the Strategic Housing Investment Plan (SHIP) and public sector investment required to deliver affordable housing and infrastructure which will in turn help provide a foundation for discussion with other agencies and stakeholders about how all parties can best support local development aspirations.

## **4 Proposed Interim Model**

- 4.1 The proposed interim Discounted Housing For Sale model would deliver the Affordable Housing Policy's 'Unsubsidised Low Cost Home Ownership' tenure. The model would be administered by the Council and the Section 75 agreements that secure the provision of affordable

housing would secure properties at a discounted price below the open market value which would be offered predominantly to first time buyers on modest incomes. The percentage difference between the discounted price and the open market value price would be secured by a standard security in favour of the Council. The purpose of the standard security is to ensure that the property can remain affordable to future first time buyers with conditions attached to the property. The standard security would be ranked after any granted by the mortgage provider.

- 4.2 Applicants would be eligible and prioritised by criteria, to be determined by the Council, in line with the following principles:

**Eligibility:** First Time Buyers, Second Time Buyers – both within defined income level, applicant’s main and only home, local connection

**Priority:** Existing tenants of social landlords, Applicants on the Council’s Housing Register

- 4.3 The successful applicant would own the property and have full responsibility for repair and maintenance of the property and for any charges associated with the property eg. factoring.

- 4.4 If the successful applicant wishes to sell the property at a later date, the property would then be marketed at the same level of discount which was initially applied and an eligible purchaser found. If an eligible purchaser is not identified then the Council would have first refusal to buy the property.

- 4.6 If the Council did not wish to purchase the property, it would be sold on the open market for the full market value. The Council would then receive the equivalent value of the discount from the open market value which would be reinvested into delivering affordable housing in East Lothian.

**Example**

Initial value	£100,000.00
Discount applied <sup>1</sup>	20%
Value	£80,000.00
Sold at market value 2yrs later	£120,000.00
Initial purchaser receives	£96,000.00
East Lothian Council receives to reinvest	£24,000.00

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<sup>1</sup> The percentage discount will vary on each site

4.7 The interim model will be reviewed in light of the findings of the research referred to in paragraphs 3.4 and 3.5.

## **5 EQUALITIES IMPACT ASSESSMENT**

5.1 An Equalities Impact Assessment was carried out on the Council's Local Housing Strategy and no negative impacts have been found.

## **6 POLICY IMPLICATIONS**

6.1 These houses will assist in delivering one of the Council's core priorities "Provision of Affordable Housing".

## **7 RESOURCE IMPLICATIONS**

7.1 Whilst there are no specific budgetary implications arising from this report, there are a number of financial considerations which we are continuing to explore in more detail, including the year-end 'accounting' treatment of any discounted housing.

7.2 Personnel – Resource will be required from within existing resources to administer the scheme.

7.3 Other – None.

## **8 BACKGROUND PAPERS**

8.1 East Lothian Council Affordable Housing Policy [Affordable Housing - Other Planning Guidance and Information - East Lothian Council](#)

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