

SUBJECT:	USK, LOW-COST HOME OWNERSHIP FUTURE USE
MEETING:	CABINET
DATE:	6th MARCH 2024
DIVISION/WARDS	
AFFECTED:	USK & ADJOINING WARDS

1. PURPOSE

- 1.1 To consider the repurchase of a Low-Cost Home Ownership (LCHO) property in Usk following receipt of the owner's intent to sell.

2. RECOMMENDATIONS

- 2.1 To re-purchase the property using Low-Cost Home Ownership capital funds and Home Finder Loan funds and retain in the Council's ownership on a temporary basis to provide temporary accommodation for a homeless family.
- 2.2 To agree to a programme of improvement works.
- 2.3 To approve a draw on LCHO capital receipts reserve of £209,442.92 to create a capital budget for the re-purchase of the property and refurbishment works.

3. KEY ISSUES

- 3.1 In 1989/90 eleven properties were constructed in Usk under a 'Build for Sale' scheme. This scheme had its own individual Welsh Office consent dated 7th March 1990 and was known as the 'Monmouthshire Model'. The scheme is a low-cost home ownership scheme, and the houses are arranged in three terraces consisting of one terrace of three dwellings and two terraces of four dwellings. The Council provides an equity loan (usually 30% but can be up to 50% if funding is available) of the purchase price. The purchaser funds the balance through a conventional mortgage and savings. No interest is paid on the loan, but when the loan is repaid the amount repayable will be the same agreed percentage of the value of the property at the time.

The Secretary of State for Wales agreed that the houses were to be sold to person's resident within the community of Usk and the immediate adjoining communities of Llanbadoc, Gwehelog Fawr and Llantrissant Fawr.

- 3.2 The LCHO Scheme Usk Policy & Procedure, May 2013 (**Appendix One**), indicates that a Cabinet decision was taken to enable the Council to repurchase the property. There is a pre-emption on the property that requires the seller to inform the Council of their intent to sell. The Council has two months to inform the vendor of their intent to purchase the property otherwise the property can be sold on the open market. The preference is for these properties to remain as low-cost home ownership and be sold onto a suitable household in housing need, however if a suitable applicant cannot be identified the Council can opt to re-purchase and retain. A precedent for this action was already set when the Council re-purchased a property at the same scheme in 2017 and another property in 2023.
- 3.3 The property is a two-bedroom mid-terraced house located in Usk. The property is in good condition, minor improvement works are required including redecoration throughout; flooring; garden fencing and external redecoration. Improvements to the energy efficiency of the property include a new boiler, loft insulation and PV panels with battery storage. The option to install an air source heat pump has also been costed, however this is not recommended due to the substantial installation cost. An indicative schedule of works has been provided in **Appendix Two**, the works are estimated at £27,650.

- 3.4 The owners of the property gave notice of their intent to sell the property on 8th December 2023, which they own on a 70/30 basis. The property has been valued at £240,000 by the Council's Estates department, meaning that the owners' 70% equity share is worth £168,000. The property has been marketed on Monmouthshire Homesearch, 12 applicants expressed an interest in the property, however, none were able to pass the financial assessment or meet the rural local connection criteria.
- 3.5 It is recommended that the Council re-purchases the property to provide temporary accommodation for a small family. Levels of homelessness continue to be a major concern for the Council, the use of bed and breakfast accommodation is extensive at present with gross expenditure of approximately £1.865m forecast for 23/24. As of December 2023, there were 185 households in temporary accommodation, including 49 households in bed and breakfast accommodation. The Council is seeing an increase in the number of families at risk of homelessness, there is a lack of suitable, self-contained accommodation for families within the Council's provision of temporary accommodation. A Cabinet decision was taken and ratified by Council on 3rd March 2022 to establish £2m borrowing headroom to enable specific property acquisition and remodelling to alleviate homelessness.
- 3.6 The LCHO and Home Finder Loan were historic schemes that provided an equity share loan to support households to access home ownership. A charge was placed on the properties meaning the loan must be repaid when the property is sold. There are £209,442.92 available within these budgets, however this includes estimated works costs for the recently purchased property.

4. EQUALITY AND FUTURE GENERATIONS EVALUATION (INCLUDES SOCIAL JUSTICE, SAFEGUARDING AND CORPORATE PARENTING):

- 4.1 The following is an overview of the evaluation, a more detailed breakdown can be found at **Appendix Three**: There are no negative impacts associated with the proposal, in fact there are significant positive impacts especially around health and wellbeing goals by contributing to a "healthier Wales" and a "more equal Wales". The proposal meets the sustainability goal by its contribution to the following principles "Balancing short term need with long term and planning for the future".

5. OPTIONS APPRAISAL

- 5.1 The following options are available:

Option	Benefit	Risk	Comment
<p>Option 1: The recommended option is to agree to re-purchase the property to provide temporary accommodation to a homeless household.</p>	<p>The property will provide an affordable unit of accommodation.</p> <p>There will be a rental income for the Council.</p> <p>The Council will retain control of the future use of this property. The property can be re-sold on as LCHO in the future when the demand arises.</p>	<p>There will be an impact on staff resources required to manage the accommodation including dealing with repairs and maintenance and any anti-social behaviour.</p> <p>This does not meet the principles of the scheme; however, this use would be on a temporary basis.</p> <p>The Council would be liable for the cost of the re-purchase of the</p>	<p>There is a high demand for affordable accommodation throughout Monmouthshire, this allows a unit of affordable accommodation to remain within the Council's control.</p> <p>This use would be on a temporary basis, for a period of approximately 5-10 years.</p>

Option	Benefit	Risk	Comment
	The schedule of works includes measures to improve the energy efficiency of the property.	property including purchase costs e.g. Land Transaction Tax, Land Registry etc. These can be funded through the LCHO capital and Home Finder Loans budget (currently £209,442.92 available, however this may reduce if works required at the recently purchased property come in higher than projected).	
Option 3: To allow the owner to sell on the open market	There is no financial or resource risk to the council. The Council would be repaid the full value of the 30% equity loan.	The Council would lose the control of this property and would have no influence over future sales of the property.	This does not meet the policy & procedure.

6. REASONS

- 6.1 The Council is required to comply with the Policy and Procedure updated May 2013 (see **Appendix One**).
- 6.2 Increasing sustainable accommodation options are actions of the Council's Rapid Rehousing Transition Plan.

7. RESOURCE IMPLICATIONS

- 7.1 A capital budget will need to be created for the re-purchase of the property and refurbishment works, through a draw on LCHO capital receipts. Any shortfall in funding can be met through the existing £2m borrowing headroom budget previously approved and ratified by Council on 3rd March 2022.
- 7.2 Cost modelling has been provided in **Appendix Four**, this predicts an annual surplus to the Council based on the use as temporary accommodation of approximately £3,889 per year.
- 7.3 The Housing Options Team would be required to manage the property.

8. **CONSULTEES:** Housing & Communities Manager, Finance Manager, Legal Assistant, Head of Landlord and Commercial Services, Head of Finance, Communities and Place DMT.

9. **BACKGROUND PAPERS:** LCHO Scheme Usk Policy and Procedure, May 2013

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Appendix One – Policy and Procedure



LCHO Scheme Usk
Policy and Procedure.

Appendix Two – Indicative Refurbishment Specification and Costs

Usk - Provisional Improvement Costs

	Qty		Rate	Cost
Hallway & landing				
Internal fire door (30 mins) to boiler cupboard	1	no.	221.82	£250.00
Redecorate / paint	1	item	500	£500.00
TOTAL				£750.00
Lounge (4.04m x 3.98m)				
Redecorate / paint inc skirting board	1	no.	500	£200.00
Staircase carpet	15	sqm	35	£600.00
TOTAL				£800.00
Kitchen 3.36m x 2.84m				
Internal fire door (30mins)	1	no.	221.82	£250.00
Redecorate / paint	1	no.	188.69	£200.00
Repair worktops/units	1	item	2000	£2,000.00
TOTAL				£2,450.00
Storage Cupboard (2.80m x 0.98m)				
Paint walls & door	1	no.	300	£300.00
TOTAL				£300.00
Garden				
Front fencing	10	sqm	50	£1,000.00
TOTAL				£1,000.00
Bedroom 1 (4.04m x 4m max)				
Carpet	12	sqm	35	£500.00
Redecorate inc door, wardrobe doors & skirting board	1	item	500	£500.00
TOTAL				£1,000.00
Bedroom 2 (3.36m x 2.07m)				
Carpet	7	sqm	35	£400.00
Redecorate inc door & skirting board	1	item	400	£400.00
TOTAL				£800.00
Bathroom (2.34m X 1.79m)				
Clean/re-grout tiles	4	sqm	0	£150.00
Replace shower if required	1	no.	500	£500.00
Redecorate (inc door) & replace toilet seat	1	item	500	£500.00
TOTAL				£1,150.00

Cloak room	Qty	Rate	Cost
Redecorate, resealing (inc door) & replace toilet seat	1 item	500	£500.00
TOTAL			£500.00
Other	Qty	Rate	Cost
Install PV panels (3-3.5kw system with battery storage)	1 item	8000	£8,000.00
Roof insulation (35 sqm)	1 item	1500	£2,000.00
Fixed wire test	1 item	1000	£1,100.00
Drain CCTV survey (Drainrod)	1 item	310	£500.00
Drains cleaned (Drainrod)	1 item	192	£300.00
Replace boiler	1 item	3000	£3,000.00
Repaint external render	1 item	2500	£2,500.00
Damp treatment	1 item	500	£500.00
TOTAL			£17,900.00
GRAND TOTAL			£27,650.00
Install heat pump system	1 item	25000	£25,000.00
Replace boiler	1 item	3000	-£3,000.00
GRAND TOTAL inc. air source heat pump			£49,650.00

Appendix Three – Integrated Impact Assessment



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Appendix Four – Cost Modelling Usk

Initial Cost	
Purchase Price:	£168,000.00
Purchase costs (surveys, land registry)	£1,150.00
Land transaction tax	£11,700.00
Initial refurb works	£27,650.00
LCHO budget	-£209,442.92
Net cost:	-£942.92

Annual Cost	
Mortgage/Borrowing Costs	N/A
Management & maintenance	£3,000.00
Void Loss Rent	£418.86
Arrears	£418.86
Utilities, CT and Legal	£400.00
Safety - Gas, Electric, EPC	£250.00
Safety - Fire testing	N/A
Furniture	N/A
Total	£4,487.72
Rental Income	-£8,377.20
Service Charge Income	N/A
Client Recharge	N/A
Total	-£8,377.20
Grand Total	-£3,889.48