

**NOTE OF A MEETING OF THE COUNCIL HOUSING SCRUTINY TASK GROUP
HELD AT THE TOWN HALL, NELSON
ON WEDNESDAY 13TH FEBRUARY, 2019**

PRESENT –

Councillors

*Nadeem Ahmed
M. Foxley
P. Foxley*

*A. Mahmood
C. Wakeford
D. Whalley*

Also in attendance

Councillor P. McCormick

Officers in attendance

*Dean Langton
Julie Whittaker
Wayne Forrest
Lynne Rowland*

*Chief Executive
Housing, Health and Economic Development Services Manager
Housing Needs Manager
Committee Administrator*

(Apologies for absence were received from Councillors M. Goulthorp, A. R. Greaves, D. Whipp and P. White.)

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1. APPOINTMENT OF CHAIRMAN

AGREED

That Councillor David Whalley be appointed Chairman of the Task Group for the municipal year 2018/2019.

2. APPOINTMENT OF VICE-CHAIRMAN

AGREED

That Councillor Nadeem Ahmed be appointed Vice-Chairman of the Task Group for the municipal year 2018/2019.

3. DECLARATION OF INTERESTS

Members were reminded of the legal requirements concerning the declaration of interests.

4. TERMS OF REFERENCE

The Group discussed the terms of reference as set out on the agenda.

AGREED

That the terms of reference as set out on the agenda be agreed.

5.

BUILDING COUNCIL HOUSING IN PENDLE

The Council Housing Scrutiny Task Group had been established following a Council resolution to investigate the desirability and practicalities of building new council housing in the Borough to complement existing and new provision by housing associations. This had been as a result of a Government announcement that restrictions on council borrowing to build new council housing were being lifted or eased.

To assist with the review the Housing, Health and Economic Development Services Manager submitted a report for consideration. The report provided background information on the 2006 transfer of the Council's housing stock to a Registered Social Landlord (RSL), following an extensive 'Stock Options' programme.

Additional information was also provided on the reasons for the stock transfer, including the regime of financing at that time. It was explained that significant investment had been required to meet the Decent Homes Standard. The rules had allowed a RSL to borrow to fund any improvements, whereas the Council could not. However, it was noted that the financial regime with regard to council housing had changed since then.

Key facts were also provided within the report with regard to Government policy and the financial and management issues to be considered. These included –

Demand

Statistics as at 1st April 2018 showed that the highest demand was for those households requiring a one bedroom property. This figure reflected the Group's perception of the demand for one bedroom properties, who felt that this particularly applied to the needs of the older generation.

Development Viability

It was acknowledged that it could be difficult to make housing development schemes viable. The Council was not in a position to subsidise cheap housing and many schemes did not make a significant return. However, there were various options that could be tried, but these were not without risk. These included –

- Putting Council owned land in at zero value so that there were no land costs (it should be noted that this may still not be sufficient to make the scheme viable and, in any event, the Council had limited suitable land assets to facilitate this)
- Putting brownfield sites funding into schemes (again, this is a finite resource)
- Prudential borrowing which would be at a lower cost than commercial rates (there was no longer a borrowing cap for building council housing)
- Grants from Homes England

Rental Income/Housing Benefit

The Group was advised that it may not be possible to generate the level of rent sufficient to meet the cost of building/managing etc. new properties as the Council would have to abide by rules set out in relation to the levels of rent that could be charged.

With social rented housing this would be guideline target rents determined through the national rent regime. The rent controls relating to affordable rented housing required a rent of no more

than 80% of the local market rent (including service charges, where applicable).

The Group also discussed the risks associated with those tenants claiming Housing Benefit (HB) or Universal Credit (UC) and issues of changeable national policy.

Housing Management

It was acknowledged that in order to successfully manage any new council housing additional resources would be required. At present, the Council did not have the resources or skills in-house as, following the stock transfer, all Council staff associated with the management of the stock transferred to the new RSL.

The scale of any proposals would also need to be considered as developments would be easier to manage if in a condensed area.

The Group was advised that, if any properties were built using a grant from Homes England, these would need to be managed by a Registered Provider. The Council could apply to become a Registered Provider through a process which takes at least 12 months. An alternative would be to procure an existing Registered Provider to manage properties on the Council's behalf.

The Group was told of a long-standing trend within social housing management, whereby housing associations grew/partnered, in order to achieve sufficient economy of scale to deliver these functions at an affordable level in relation to rental income. It would therefore be expected that the Council would also need to build/procure a sufficiently large number of properties quickly, in order to achieve such sustainability, if the Council was to manage its own stock.

Lettings Policy

Members were made aware that, although not currently a stock holder, the Council still had to have and publish an allocations policy and ensure that properties were let according to that policy.

At present, this was delivered via the B-with-us choice-based lettings partnership which encompassed five local authorities across Pennine Lancashire and sixteen Registered Providers. Whilst the Council could decide to leave the partnership and set its own allocations policy in relation to any new properties, the Group was advised that there were considerable financial efficiencies and advantages in remaining part of this partnership.

Providers were able to offer fixed term tenancies if they wished, although they retained the right to offer lifetime tenancies.

Right to Buy

A key issue for consideration was that of Right to Buy where, in certain circumstances, a tenant could have the Right to Buy the property at a considerable discount. It was reported that presently, the maximum discount was £80,900. This would increase each year in April, in line with the Consumer Price Index (CPI). Different rules applied for houses and flats, and these were detailed in the report.

The Right to Buy option would be available to a secure or flexible tenant, subject to eligibility

requirements and could also apply to a tenant who had a secure council tenancy and was living in their home at the time it was transferred during the stock transfer process. If they subsequently moved into a newly built Pendle Council property this Right would transfer with them.

The sale of houses at this significantly reduced rate could leave the Council with little to reinvest in a replacement dwelling in addition to paying off a substantial loan, without an asset bringing in rental income. This could therefore result in a considerable cost to the Council and loss of newly built properties.

Establishing a Housing Revenue Account (HRA)

It was reported that a Housing Revenue Account (HRA) would be required once the Council owned 200 or more homes. Although the Council had previously operated an HRA, there had been radical changes to the housing finance system since then. With the introduction of a self-financing HRA system, the Council would be reliant on its own rent income to provide and manage council housing. As the Government continued to set policy on housing rents this would create an unstable position.

Other Delivery Options

It was recognised that, although the Council no longer developed or provided council houses there were existing Registered Providers that were currently developing properties in Pendle. These included Together Housing, Peter Birtwistle Trust and Calico. Discussions had also been held with other Providers who were looking at potential sites and work was ongoing in a bid to find suitable sites for bungalows and apartments.

A new Joint Venture (PEARL Together Ltd) had also recently been established with Barnfield and Together Housing with the aim of developing 500 houses over five years with plans that many of these would be affordable housing. One benefit to this was the Strategic Partner status recently secured by Together Housing, through which they had access to a higher level of grant which could be used flexibly to deliver affordable housing.

The Group accepted that there were a number of advantages to the way in which social and affordable rented housing was currently being delivered by Registered Providers and acknowledged that there could be significant risk should the Council decide to start building Council housing again. However, it was agreed that further evidence should be sought prior to making any recommendations to the Policy and Resources Committee and Council.

6. EVIDENCE

The Group was asked to consider who to invite to future meetings to provide evidence.

AGREED

That representatives of local housing associations and housing campaign groups be invited to provide evidence to a future meeting of the Task Group.

CHAIRMAN _____