

“The Future of Social Housing in Preston”



**Report by the Task and Finish Group appointed by the Overview
and Scrutiny Advisory Panel**

December 2015 - August 2016

Contents	Page
Chair's Foreword and Acknowledgements	2
Recommendations	3
Background / Aims of the study	4
Social Housing – The Basics	4 – 6
Housing and Planning Bill	6 - 7
Spending Review and Autumn Statement 2015	7 – 9
Interview: Places for People – 3 March 2016	9 – 12
Interview: Adactus – 2 June 2016	12 – 13
Presentation by the Homes and Communities Agency – Starter Homes: 5 July 2016	13 - 14
Interview with Cabinet Member for Planning, Health and Regulation	14
House of Lords Economic Affairs Select Committee - Building More Homes	15
Conclusions	15
Corporate Management Team Commentary	16
Appendices	
Appendix A – Scoping Document	17
Appendix B – web links: Presentation by Places for People Presentations on Starter Homes 5 th July 2016 House of Lords Economic Affairs Select Committee publication: “Building More Homes” – 15 July 2016 Smith Institute publication: “Devo Housing: The Emerging Agenda” Minutes of meetings – 16.12.15, 3.3.16, and 18.8.16	18

Chair's Foreword and Acknowledgements

This is the first study that I have chaired within the new Task and Finish group format and we were conscious that the study should have more councillor involvement. We started the study in December 2015 with a presentation from Mike Molyneux, Head of Planning Policy and Housing Strategy at Preston City Council.

Our second meeting took place at Places for People Headquarters in Bamber Bridge and was addressed by Pat Egan their Managing Director of Homes. I took notes at the presentation which are included in this report.

We then had an informal meeting with Karen Wilford and Garnet Fazackerley of Adactus Housing. We were conscious to take on board the new Task & Finish Group format so only four Councillors attended the meeting with agreement that we feed information back to the members that were not present. Member Services did not attend the meeting and I again took notes that are included in this report.

Some of the Group also attended a presentation from the Homes and Communities Agency, along with Cabinet and members of the Planning Committee.

This Work Plan Study was suggested for review by our fellow councillors and has proved to be very informative. It has offered an insight into the Future of Social Housing in our City and steered us to the recommendations contained in the report.

I would like to take this opportunity to thank all officers and agencies that have helped and contributed to this Work Plan Study and also fellow Members of the Group for their involvement.

Councillor Nicholas Pomfret

The members who contributed to this study were:

Councillor Pomfret (Chair)

Councillor Crompton (Vice Chair)

Councillor Corker

Councillor Dewhurst

Councillor Mullen

Councillor Seddon

Councillor Mrs Whittam

Recommendations

That Cabinet:

1. Continues to work with Housing Associations, other registered providers of social housing and the Northern Housing Consortium to identify and work collaboratively on means of ensuring that a full range of housing is provided to meet the needs of all the population, including the elderly and disabled.
2. Endorses the conclusions and recommendations of the House of Lords Economic Affairs Select Committee on Building More Homes as set out in the report published 15th July 2016.
3. Recognises Social Housing as having a significant role to play as part of a wide range of housing stock enabling the needs of all sections of the community to be met.
4. Notes with concern recent changes in the provision of social housing, particularly the impact of year on year reductions in rents by registered social providers, which will have a detrimental impact on the ability of those in greatest need to access housing.
5. Liaise with Lancashire County Council and other public sector bodies to identify a portfolio of land for social housing provision for use by registered social landlords.

1.1. Background / Aims of this study

The background to this study arose from government proposals to introduce reforms which will affect social housing and Registered Social Landlords.

Members decided that they wanted to focus on the following key questions:

What are the implications for the changes in regulations?

How will they affect current housing stock?

How will they affect the future supply / investment in new homes?

1.2 Evidence Gathering

The Task and Finish Group received a presentation from Mike Molyneux, Head of Planning Policy and Housing Strategy on 16 December 2016 giving detailed information about current national planning policy, various categories of housing, Registered Social Landlords and the government's proposals. This is detailed in paragraphs 2, 3 and 4 below.

The Group decided to interview two Registered Social Landlords (RSLs) in the Preston area - Places for People and Adactus, in order to obtain their perspective on the government's proposals and the future of social housing.

1.3 Role of the City Council

The City Council, as Preston's Planning Authority will be affected by changes to government policy in relation to social housing provision and provision of affordable housing within new housing developments.

2.0 Social Housing – The Basics

2.1 What is Social Rented Housing?

Social Rented Housing is provided by local authorities, registered providers or anyone else by agreement with the local authority or Homes and Communities Agency.

A rent level is fixed according to a formula set by the government.

Applying the formula to Preston (for a two bed property), the indexed social rent 2015/16 is £89.65 per week.

2.2 What are Registered Social Landlords?

Registered Social Landlords (RSLs) are registered providers of social rented housing such as housing associations. The main RSLs in Preston and the surrounding area are:

Community Gateway Association

Adactus

Places for People

Methodist Action

Great Places

Progress Housing Group

2.3 Affordable Rented Housing

Affordable Rented Housing is let by local authorities or registered providers of social housing to households who are eligible for social rented housing. It is subject to rent controls that require a rent of no more than 80% of the local market rent (including any service charges). In practice affordable rent is 80% of the local market rent.

The average affordable rent in Preston is £116 per week (£464 per calendar month).

2.4 Intermediate Housing

Intermediate Housing is homes for sale and rent provided at a cost above social rent, but below market levels subject to the criteria in the Affordable Housing definition. It can include shared equity (shared ownership and equity loans), other low cost homes for sale and intermediate rent, but not affordable rented housing.

Typical sales values:

- Open market value £150,000
- Discounted as affordable house (-33%) £100,500
- 5% deposit £5,025
- Typical mortgage cost at 4%: £509pcm

2.5 Intermediate Housing - Shared ownership

This is provided through Housing Associations via the government's 'Help to Buy' scheme (Preston's local agent is Plumlife which covers Lancashire and the North West). The purchaser buys a proportion of the property (between 25% and 75% of the value) and rents the rest from a Housing Association.

The qualifying criteria and conditions for shared ownership are:

- Household earnings of £60,000 p.a. or less
- First time buyer
- Purchaser has to be renting from a Council or Housing Association
- Can staircase i.e. buy more of the house as and when they can afford to
- Once the buyer owns 100% they can sell, but for first 21 years must give the Housing Association first refusal. If the buyer still only owns a proportion, the Housing Association has the right to find a new buyer.

2.6 'Preston Model' for Shared Ownership

In Preston there is a discount of up to 33% of the open market value for shared ownership housing. The house is purchased at the discounted price and the Council takes a second charge, registered as a land charge on the property.

If the property is sold in the future, it is sold either at the discounted price with the second charge remaining on the property or if sold at open market value, the Council is entitled to recover the discount from sale proceeds to put back into funding future affordable housing.

3.0 Housing and Planning Bill

In December 2016 when the work plan study commenced, the proposed Bill had already had its first and second reading and an amended Bill published on 11 December 2016. (The Bill subsequently received Royal Assent on 12 May 2016).

The government reforms are as follows:

- ***Housing and Planning Bill (now the Housing and Planning Act 2016)***
- ***Spending Review and Autumn statement***
- ***Consultation on National Planning Policy***

3.1 What is a Starter Home?

A Starter Home is a new build dwelling available for purchase by first time buyers under the age of 40 (and any other characteristics specified by the regulations). It is sold at a discount of at least 20% of the market value (less than the price cap of £250,000) and subject to any restrictions on sale or letting specified in regulations.

3.2 Starter Homes – Planning Authority Obligations

The Planning Authority must carry out relevant planning functions with a view to promoting supply of starter homes. The Regulations may provide that a

LPA may only grant planning permission for residential development if the starter homes requirement is met. This is likely to require a S106 agreement to provide a certain number of starter homes or to pay a sum to provide starter homes.

The LPA will have to produce publicly available reports on how it has carried out its functions in relation to starter homes. The Secretary of State is empowered to make a compliance direction if he or she is not satisfied that LPA has carried out its duties.

3.3 Starter Homes – Implications

The provision of starter homes raised a number of questions:

- Will a developer provide starter homes required by statute and also agree to provide affordable housing?
- Can affordable housing units be starter homes? Provisions of the Bill make no mention of local connection – but now consultation on reform of National Planning Policy
- Will the LPA be able to specify the proportion of housing on a site that comprises starter homes? The Bill implies this and accompanying notes indicate the Secretary of State will specify this in the regulations.

Update – June 2016

The Secretary of State is introducing regulations that will set out the details of how starter homes will be delivered, which should address these questions. However, at present these have not been produced.

3.4 Right to Buy

The Right to Buy is to be extended to Housing Association Tenants. Prior to the introduction of the Bill this was extended to Housing Associations on a voluntary agreement basis, which provided a power to the Secretary of State to provide a grant cover the discount.

The likely implication of extending the Right to Buy is that registered providers will move towards providing intermediate housing for sale rather than rented property.

4.0 Spending Review and Autumn Statement 2015

4.1 House building – facts and figures

- 400,000 affordable housing starts by 2020-21

- 200,000 will be starter homes sold at a discount of 20% compared with market housing
- £2.3bn to support delivery of 60,000 – remainder to be delivered through reform of planning system
- 135,000 Help to Buy shared ownership
- 10,000 homes for tenants enabling them to save a deposit while they rent
- 50,000 affordable homes from existing commitments
- 8,000 specialist homes for the elderly and those with special needs

4.2 **House building - Implications**

The majority of schemes are aimed at home ownership.

Help to Buy shared ownership is:

- Open to all households earning less (outside London) than £80,000 p.a. and £90,000 in London – not much of a differential
- Restrictions such as local authorities' ability to set additional eligibility criteria will be relaxed or removed

4.3. **Extension of Right to Buy to Housing Association Tenants**

The 'Right to Buy' is to be extended to Housing Association Tenants.

There is a Pilot scheme being delivered by 5 Housing Associations:

- Riverside – Merseyside + Halton
- L & Q – parts of London
- Saffron Housing – South Norfolk
- Sovereign – parts of Oxfordshire
- Thames Valley Housing - parts of Surrey

4.4.1 **Consultation on proposed changes to National Planning Policy**

The proposals seek to broaden the definition of affordable housing, to expand the range of low cost housing opportunities for those aspiring to own their new home; and support the delivery of starter homes.

4.5 **Definition of affordable housing**

The current affordable housing definition includes some low cost home ownership models, such as shared ownership and shared equity, provided that they are subject to 'in perpetuity' restrictions or the subsidy is recycled for alternative affordable housing provision. This limits the current availability of home ownership options for households whose needs are not met by the market.

Update – June 2016 (following introduction of the new Housing and Planning Act)

The Housing and Planning Act (S159) inserts a new Affordable Housing definition into the Town and Country Planning Act 1990. Affordable Housing is defined as being for people whose needs are not adequately served by the commercial housing market and now includes Starter Homes (as defined by the Act).

Whilst not specifically stated this infers that sub-market housing products such as discount market sale and rent to buy will be formally recognised as Affordable Housing. The definition was first proposed within the Government's "National Planning Policy: consultation on proposed changes" in December 2015. It expands the definition in Annex 2 of the National Planning Policy Framework (NPPF).

At present, therefore, and until regulations are introduced, there are in effect two definitions of Affordable Housing: in the Housing and Planning Act 2016 and in the NPPF. Until secondary legislation is passed the NPPF Annex 2 definition will continue to take supremacy in the application of policy. However, it has to be expected that regulations will be brought out in the near future so the SPD requirement will have to be widened to include Starter Homes plus any other changes.

4.6 Starter Homes

A strong presumption in favour of Starter Homes will apply:

- on vacant or underused land currently allocated for employment, commercial and community uses;
- in rural locations; and
- on previously developed land within the Green Belt

In order for Councils to retain such land for employment and commercial purposes, they will need to have compelling and up-to date evidence to justify why such employment land should be preserved.

5.0 Interview with Registered Social Landlord – Places for People

The Task and Finish Group conducted an interview with the Managing Director, Homes, Mr Pat Egan, Places for People on 3 March 2016 at his site offices in Bamber Bridge. He gave a presentation on the background to his organisation and outlining housing sector trends over the last few decades.

He identified a number of key issues and challenges arising from the proposed changes to government policy.

5.1 Places for People in Preston

Nationally Places for People are responsible for 50,000 properties across the country of which 3,119 are in the Preston area. This included 1867 general needs rented (i.e. traditional social housing) and 302 'Right to Buy' units. Other types of properties included sheltered / supported units, homeless units and market rented properties.

5.2 Previous and Current Housing Trends

Mr Egan identified the following general housing trends in the context of economic austerity and current government policy:-

- Decline in no. people purchasing properties with a mortgage (probably due to the sizeable deposits now expected by lenders)
- Demand for social housing is very high – demand outstripping supply. In Preston there is a 10% stock turnover.
- Decline in public funding for social housing – there are now no grants available for 100% social rented housing, only for shared ownership or help to buy properties
- Decline in renting social housing and an increase in private rented housing due to the trends above
- Despite the government spending cuts, expenditure on housing benefit is actually increasing

5.3 Government Spending on Social Housing

Mr Egan stressed the impact of government policy on RSLs and particularly the 1% cut in rental income per year for the next four years. He explained that ongoing yearly budgets have been set on a formula of inflation plus 1%. As an example, if inflation has been averaging 0.2% over recent years a raise in rent of 1.2% would have been expected and budgets worked out accordingly. This means that Housing Associations will not only face a 1% per year cut but will also a shortfall of a further 1.2% per year. This would equate to an 8.8% black hole over the said 4 year period and Places for People were planning their budget accordingly.

5.4 Right to Buy

Mr Egan indicated that the Right to Buy (RTB) is available to people who have been tenants for at least ten years and monies from RTB will be used to build new housing. A question was asked regarding a 20 year tenant moving into a new build property and applying for the new right to buy. It was pointed out

that after the discount, the Housing Association would be selling the house to the tenant for less than it cost to build, and if no Government funding was forthcoming, the right to buy receipt would not cover the cost of the build.

Mr Egan emphasised that PfP's aims would be to keep eligible tenants in their existing properties and this would encourage them to purchase their long term home under Right to Buy.

5.5 The Future of Social Housing?

Places for People have diversified over the years from just social housing landlords to 'Place Making' on what they term 'strategic sites' i.e. rather than just housing development, they offered a comprehensive package to enhance an area such as providing employment and leisure facilities as well as running leisure centres on behalf of local authorities.

They are also an energy provider and eventually aim to be in a strong position to compete with the 'big six'.

Mr Egan was asked about the possibility of buying up older properties and refurbishing them to make them energy efficient which is something Methodist Action is doing. Mr Egan stressed that ultimately this is a funding issue and some properties are high maintenance, but low equity. He agreed to provide any information the association still held about self-build eco properties.

5.6 Places for People and Preston – Strategic Sites

Members enquired as to PfP's interest in strategic sites in Preston. Mr Egan stressed that any schemes would have to be financially viable and that there are no current plans. However, PfP were open to discussion and would consider anything put forward. It was agreed that it would be advantageous to have regular contact with Preston City Council and Mr Egan said he would provide contact details of Mr John Wright, Key Development Manager.

5.7 How can Preston City Council assist Housing Associations?

Mr Egan made some general points in relation to how PCC could assist housing associations:

- local authorities could make the planning process easier
- social housing should be more inclusive of working people so there is a mixed, balanced community – review of nomination agreements
- Joint working to increase digital engagement with customers

5.8 Finally, Mr Egan agreed to inform PCC when the next meeting of the Social Value Board was being held to improve dialogue between partner organisations.

6.0 Interview with Adactus – 2 June 2016

6.1 Councillors Pomfret, Seddon, Mrs Whittam and Mullen conducted an interview with representatives from Adactus Housing, Karen Wilford and Garnet Fazackerley at the town hall on 2 June 2016.

6.2 Background and current position

Adactus was a Leigh based Housing Association that was formed 14 years ago and predominantly provide social rented housing, but also deliver build to sell schemes, shared ownership and homeless hostels.

Adactus currently have 13,000 properties and have a Board that is made up of a mixture of professionals, local Councillors and Tenants. Their housing stocks are mainly concentrated around Greater Manchester and Chorley but they have had housing stock in Preston for 14 years where they currently have a portfolio of 200 properties.

6.3 Plans for the future

Adactus have a large development programme and plan to build or acquire five to six hundred units per annum. This will include the ongoing Preston schemes in Lune Street and the old Tetrad site off New Hall Lane and will increase their stock in Preston to 300 units. They also have a H.C.A. Grant in the pipe line for a new build Extra Care scheme earmarked for Preston, (New Hall Lane area), that is currently on hold due to changes in government legislation and has now been put back to 2019.

6.4 Questions by Members

The Sub Group raised key issues with Adactus representatives and they responded as follows:

- The government's **1% rental income reduction** each year for RSLs:

Adactus is currently in a strong financial situation and will be continuing with its current short term program despite the 1% P/A cut. However they will be reviewing the long term future of schemes because of the impact that the cuts will have on schemes going forward after 2018.

- The new **Right to Buy** that is now being rolled out by the Government to all Housing Associations/RSLs:

This should not have a significant impact as Adactus already have a “Right to Acquire” scheme. This involves building houses specifically to sell and the profits from the sales are used to build more affordable rented properties. Adactus is currently involved in various types of development and is working with 13 different local authorities to meet their targets of units per annum.

- **Private developments having an element of affordable housing:**

Any developments over ten properties need a proportion of affordable housing within the scheme but this could have an adverse effect on new starter homes schemes.

Since its conception Adactus has also been involved in shared ownership and it was pointed out that ideally, the part of the plan was that ownership by the resident should staircase up until the resident owns 100% of the property. However, in reality most residents only seem to achieve around 30% of the ownership.

7.0 Presentation by the Homes and Communities Agency – Starter Homes – 5 July 2016

The Chair of the Task and Finish Group attended a presentation by Stuart Sage from the Homes and Communities Agency regarding Starter Homes. Mike Molyneux, Head of Planning Policy and Housing Strategy also attended and gave a presentation updating councillors as to the current position.

7.1 Feedback at the meeting 18 August 2016

The Chair was pleased to report that one of his key concerns regarding the lack of replacement social housing stock arising from the Right to Buy scheme, had been addressed because it was explained that the Government required RSLs to build a new property for every one sold under Right to Buy and funding was being provided for this.

Mike Molyneux gave a summary of the key points from / arising from the presentation:

- Preston City Council have entered a bid to the Homes and Communities Agency in order to deliver sites for Starter Homes
- There is some scepticism about Starter homes from developers, perceived lack of benefits compared to intermediate housing sites. In Preston the model is up to 33% discount for intermediate housing; but starter homes are only 20% off the market rate.
- Concern that since the EU Referendum there appeared to be a slowdown in the completion rates of existing sites and a decline in enquiries regarding affordable housing. It is not clear at present whether this is a

temporary slowdown, nor whether it is simply seasonal rather than related to any other economic factors.

- PCC to identify RSLs looking to develop – e.g. CGA are looking for development sites

8.0 Interview with Cabinet Member for Planning, Health and Regulation – 18 August 2016

Councillor Swindells informed the Task and Finish Group that he had been to a House of Commons event on 19 July 2016 in relation to 'Devo Housing'. He talked about a particularly interesting 'Rent to Buy' scheme being pursued by Liverpool to fund 10,000 homes at a cost of £1m by utilising local government pension schemes, company pension schemes and foreign investors.

He indicated that the Lancashire Combined Authority Strategic Housing Group would be meeting in September as it would be asking for a Lancashire 'Devo Housing' deal and hoping to attract investment in a similar way.

He then provided a link to the online publication by the Smith Institute, entitled "Devo Housing: The Emerging Agenda".

Councillor Swindells referred to the government policy on Starter Homes. He explained that banks only keep lending to developers as long as homes are selling; if there are 10 properties left unsold, banks are unwilling to lend again and this impacts on Preston's 5 year housing supply.

He also referred to a report coming to Cabinet in the near future on a community funding scheme in partnership with Registered Social Landlords which intends to tackle empty homes in Preston.

He highlighted that new legislation requires Registered Social Landlords to build and replace properties sold under 'Right to Buy' (and that government funding has been provided), however the issue is availability of land. He quoted figures from internet indicating that many more houses had been sold under RTB than had been built to replace them. It was suggested that it would be interesting to discover the figures for Preston RSLs when they are published.*

(*The figures are expected to be published at the end of September. This information could be provided to the Overview and Scrutiny Management Committee as part of its monitoring role on the outcomes of work plan studies).

9.0 House of Lords Economic Affairs Select Committee report - Building More Homes

Mike Molyneux, Head of Planning Policy and Housing Strategy, provided members with the 'House of Lords Economic Affairs Select Committee report - Building More Homes' which was published on 15 July 2015.

He highlighted a number of conclusions and recommendations made by the Committee as follows:

- The private sector is unable to meet housing demand alone and, therefore, local authorities need to play a greater role in house building
- Local authorities and housing associations should be incentivised to build homes through a range of mechanisms, including taking a larger role in land assembly through compulsory purchase but can only do so if adequately resourced
- Surplus government land should be used for housing which maximises community value. Government departments and agencies should be required to dispose of it quickly to allow house building to start.
- Planning is not a barrier to housing delivery with a significant number of planning permissions granted for houses which weren't built.
- A land value tax is a fair way to capture land value uplift and fund infrastructure

The Task and Finish Group, when considering its recommendations, agreed to endorse the conclusions and recommendations of this report.

10.0 Conclusions

This study was set up to explore the implications for the changes in housing and planning regulations, how they will affect current housing stock and how they will affect the future supply and investment in new homes.

The evidence provided to the Task and Finish Group shows that the government's policy is to reduce social housing stock and the changes reflect this. Representations made by the RSLs indicated that it would affect investment in social housing which has led to diversification by these organisations.

The Task and Finish Group felt strongly that, in light of the impact of government policy, the Council ought to support social housing and explore ways of working in partnership with Registered Social Landlords to identify suitable sites. It was noted that a significant number of land holdings in the Preston area are owned by Lancashire County Council.

11.0 Corporate Management Team Commentary

CMT welcomes the Study and the recommendations made by the Task and Finish Group.

Appendix A

The Future of Social Housing in Preston – Scoping Document

The government is proposing to introduce reforms which will affect Registered Social landlords. The scope for this piece of work is:

- What are the implications for the changes in regulations?
- How will they affect the current stock?
- How will they affect the future supply/ investment in new homes?

Key background information

- Briefing note on the current reform programme
- Impact of reform programme in City Deal

Key people to hear from

- CEO/Finance director of an RSL

External Visit

None

Lead Officer

Mike Molyneux, Planning Policy Team

Panel size

9 (Ratio 5:3:1:1)

Time estimate

2/3 meetings

Resources

Member Services

Target Audience

MPs, Ministers

Management Team comment

The proposed Bill will be published in the autumn, members could undertake this work in a timely manner so that they can input their views before the Bill becomes law. Panel need to consider potential impact, local plan and 5 year supply

Appendix B

Web Links to supporting evidence:

[Presentation by Places for People](#)

[Presentation by the Homes and Communities Agency on Starter Homes, 5 July 2016](#)

[Starter Homes presentation by Mike Molyneux, Head of Planning Policy and Housing Strategy, 5 July 2016](#)

[House of Lords Economic Affairs Select Committee publication: “Building More Homes”](#)

[Smith Institute publication: “Devo Housing: The Emerging Agenda”](#)

Minutes of Meetings:

[Minutes 16 December 2016](#)

[Minutes 3 March 2016](#)

[Minutes 18 August 2016](#)

Response by Cabinet – 28 September 2016

Minute CA43

Summary

Councillor Pomfret, Chair of the Task and Finish Group presented the work plan study report on 'The Future of Social Housing in Preston'. The findings and recommendations of the Task and Finish Group were presented to Cabinet. The report was well received and the Task and Finish Group were congratulated on their report and recommendations presented. It was agreed that the subject was a difficult area to tackle particularly with limited resources. The suggestion that affordable housing commitments received from developers be used to bring empty homes back into use was being considered and looked at and also use of pension funds to invest in properties for social rented accommodation.

Decision Taken

That Cabinet endorsed the report and the findings and recommendations.