CABINET

Affordable Homes in Oldham

Portfolio Holder: Cllr Hibbert - Housing, Regeneration & Transport
Report Author: Cllr Colin McLaren (Chair of Overview and Scrutiny)
Date: 26th March 2012

What the issue is:
The Affordable Homes Task and Finish group was set up to look at “New ways of developing affordable homes in view of changing funding” This report details the findings of the Task and Finish Group and makes recommendations for consideration of the:
- Capital Investment Programme Board – 19th December 2011
- Overview and Scrutiny Management Board – 10th January 2012
- Leadership – 13th March 2012
- Cabinet – 26th March 2012

Requirement from Cabinet:
This report invites Cabinet to consider the recommendations of the Overview and Scrutiny Management Board of Affordable Homes Task and Finish Group. To be monitored and reviewed in 6 months.

How to be actioned:
- ✔ Report author attending
- □ Discussion item
- □ Presentation
- □ Workshop
- □ Circulate offline to Leadership for information
**Affordable Homes Task & Finish Group**

**Name of officer/Member: Councillor Colin McLaren**

**Date 10\(^{th}\) January 2012**

**Location to go here TBC**

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**A  PURPOSE OF THE REPORT**

The Affordable Homes Task and Finish group was set up top look at “New ways of developing affordable homes in view of changing funding”. The Affordable Homes Task and Finish group was set up top look at “New ways of developing affordable homes in view of changing funding” This report details the findings of the Task and Finish Group and makes recommendations for consideration of the:

- Capital Investment Programme Board – 19\(^{th}\) December 2011
- Overview and Scrutiny Management Board – 10\(^{th}\) January 2012
- Leadership –12\(^{th}\) March 2012
- Cabinet – 26\(^{th}\) March 2012

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**B  SUMMARY**

The Overview and Scrutiny management Board established a Task and Finish Group to consider and agree its terms of reference and agree a list of potential witnesses and organisations to invite to present information to the Group. The group was supported by the Head of Housing Strategy from the Economy, Places & Skills, in the capacity of advisor and assisted the members of the Task and Finish Group with pulling together a list of witnesses and suggested questions for the members to put to witnesses.

The terms of reference, and where appropriate, makes recommendations for improvements’.

**Short term**

- The Council needs to consider how best it can support future delivery.
- It is important for the Council to help deliver on its existing commitments and maximise investment.
- The Council should explore the use of its land and/or enabling role to support development, by identifying and supplying land to support affordable housing.
- To look at how Registered Providers are using Affordable Rent and their own funding to reinvest in new supply of affordable housing

**Medium/long term**

- To look at how Registered Providers will supplement Homes & Communities Agency funding with other sources of revenue, including use of the new Affordable Rent product.
- Council would need to review its zoning arrangements with housing providers by December 2011 and be clear with housing providers what its expectations are
- To ensure that investment in Oldham is kept, linking housing development with the development of local business’s, giving a
choice of housing to encourage people to stay in Oldham and ensuring that there links to other investment opportunities i.e. metrolink

- Provision of choice of family housing, for rent and affordable housing for sale
- Ensuring development of new homes and support local employment skills and opportunities
- Seek social cohesion through development and re-establish communities – the wider Implications and infrastructure.
- Work with AGMA to explore Local Authority mortgages
- Introduction and Background

The overall aims and outcomes was to:

- Improved access to new affordable housing in Oldham.
- Investment in neighbourhoods, construction activity and jobs.
- Looking at a range of products, such as ability of tenant to convert to ownership
- At the end of an Affordable Rent tenancy, providers and their tenant may choose to convert it to shared ownership
- Would need to look at the Commercial Growth, look to get people to work and live in Oldham, housing is a need to accommodate.
- Work more closely with Housing developers and Central Government
- Work with all Registered Providers, Developers and the Housing & Communities Agency
- Look at the infrastructure – shops, community facilities, developing community areas and encourage social cohesion
- Encourage tenants to consider downsizing, where appropriate
- Look at how it will feed into the Capital budget process

Background

Earlier this year, the Government announced their intention to restructure the financing of new affordable homes development. The emphasis is to move away from the existing approach where grant funding through the National Affordable Housing Programme covered a significant proportion of development cost of new social rented housing.

Through it's new Affordable Homes Programme 2011-15, the Government has radically changed how affordable housing will be delivered and set a national target of 150,000 new affordable homes by 2015. There will be reduced levels of grant and a greater emphasis given to Registered Providers (previously known as housing associations) to borrow more against future rents to support delivery of new homes.

Almost 150 housing associations, local authorities, house builders and other providers are set to deliver 80,000 new affordable homes as the Homes and Communities Agency confirmed successful organisations and area-based allocations for its Affordable Homes programme

The £1.8bn investment programme, launched in February, will deliver more homes than anticipated for ‘Affordable Rent’ and ‘Affordable home ownership due to the quality and quantity of offers made by providers, helping the government to exceed its ambition to deliver 150,000 new affordable homes during the 2011-2015 spending
period. It is now anticipated that up to 170,000 new affordable homes will be delivered over that period. Subject to the signing of contracts with each of the 146 partners listed, investment will be split between each of the HCA’s six operating areas, with London on track for 27 per cent of the total number of homes, an ambition of the HCA’s Framework document. Within the North West, funding for 9,311 homes was approved comprising £188 Million or 10.7 % of all national funding.

Of the 80,000 new homes expected to be delivered through the programme, 29 per cent will be larger family-sized homes with three or more bedrooms; almost 10 per cent will be supported housing and 9 per cent will be homes in rural areas.

The Affordable Homes Task and Finish group was set up in September 2011. The task and finish group have been working on a number of recommendations to put forward to the Capital Investment Programme Board (CIPB) and to Leadership to inform the Council’s policies.

The membership of the Affordable Homes Task and Finish Group:

- Cllr McLaren (Chair)
- Cllr Malik
- Cllr Ur-Rehman
- Cllr McCann
- Cllr Roughley
- Cllr Holley

The Affordable Homes Task and Finish group met with a variety of witnesses to receive information, a summary of all who attended and the subject areas that they represented is outlined in the table below:

<table>
<thead>
<tr>
<th>Who</th>
<th>Subject area</th>
<th>Date attended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Martin Davies</td>
<td>Regenda – Housing and Regeneration organisation (RP) – views from an RP</td>
<td>20th September 2011</td>
</tr>
<tr>
<td>Tom Merrills</td>
<td>Keepmoat Homes - Developer</td>
<td>20th September 2011</td>
</tr>
<tr>
<td>Diane Goodwin</td>
<td>Representative from Homes &amp; Communities Agency</td>
<td>20th September 2011</td>
</tr>
<tr>
<td>Paul McGrath &amp; Adele Hayes</td>
<td>Planning &amp; Policy (OMBC)</td>
<td>10th October 2011</td>
</tr>
<tr>
<td>Mark Reynolds</td>
<td>Strategic Housing (OMBC)</td>
<td>10th October 2011</td>
</tr>
<tr>
<td>Bruce Penhale</td>
<td>Cohesion (OMBC)</td>
<td>10th October 2011</td>
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<tr>
<td>Cllr Hibbert</td>
<td>Portfolio holder for Housing, Regeneration &amp; Transport</td>
<td>20th October 2011</td>
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<tr>
<td>Zillur Rahman</td>
<td>Allocations (OMBC)</td>
<td>14th November 2011</td>
</tr>
<tr>
<td>Andy Cooper</td>
<td>Housing Revenue Account – Finance Manager (OMBC)</td>
<td>Sent via email 21st November 2011</td>
</tr>
</tbody>
</table>

The Council has an excellent track record of working with housing providers and in the last three years 322 new affordable homes were completed. Although, there will still be
new affordable homes built in Oldham through existing commitments, such as the Gateways to Oldham PFI scheme and existing schemes currently on site such as at Borough Mill Triangle, Spencer Street and St Mary’s, the Council needs to consider how best it can support future delivery.

The Council need to consider the impact that the changes will have on the following:

- Our ability to continue to provide new affordable housing
- New tenants of existing social rented housing who may face higher rents to help fund the provision of new affordable housing
- The relationship with housing association partners and other Registered Providers

Research was undertaken on areas outlined below to inform the members of the Task and Finish Group:

- Affordable Homes Programme 2011-15
- Had any scrutiny being undertaken (Bradford Council in 2009)
- Prudential Borrowing
- Local Authority Mortgage Schemes (LAMS)
- Empty Homes Toolkit
- Oldham Credit union
- How Right to Buy currently works in Oldham
- Community Right to Build
- Oldham Bond Scheme

Affordability

Although declining house prices have helped with the issue of affordability of housing, this has been counterbalanced by the tightening of lending criteria by the financial institutions. The housing market over the last few years has been about the mortgage market continuing to recover in a very different post-credit crunch environment. Affordability ratios (income to house price) for the lower end of the market (lower house price quartile) are 4.61. (compared to 4.9 for the sub region as a whole).

Many mortgages require up to a deposit of 25%, this still means that a first time buyer would be required to raise a deposit of over £12,000. The median full time earnings in Oldham in 2009 was £21,497.

<table>
<thead>
<tr>
<th>Lower Quartile House Prices Oct 2011</th>
<th>The full time median earnings were £22,095 giving a ratio of.</th>
<th>Ratio of lower quartile house price to lower quartile earnings (£16,931) Oct 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oldham</td>
<td>81.280</td>
<td>3.67</td>
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</table>

Overcrowding

There are nearly a thousand households (838) waiting for 3 bedroom family accommodation, with a further 224 households needing four bedrooms. 95 households need 5 or more bedroom accommodation.

Summary of Questions and Key issues

What are the changes for developer and providers since the Government introduced the affordable homes programme?

- Significant changes for RP’s as grants are slashed
• RP’s now have to look at how funded – with what available – look at bridging the gap
• Own funding arrangements will run out probably by 2015 and need to look at the long-term sustainability
• One of the main issues is usually obtaining land and if did not obtain the capital cant get the land,
• This will have an impact on neighbourhood planning in particular when they have to write their own plans and housing would need to be encouraged.

What are the development priorities for Oldham and what is the need?

• Mixed need for housing, large families need 4/5 bedrooms
• Homes built to good quality standard, secure parking, within means of affordability
• Banks don’t want to lend, it is a major struggle for 1st time buyers to get on the property ladder as they require a large deposit and looking at approximately 25% of the sale price
• How can we work more with the land vehicles as not much differences in rent, land have a low value.
• Duel process working with providers and developers and can deliver value for money on contract.
• Demonstrate value of site/cost of site especially in light of decent homes funding being finished, need to look at long term repair needs

What evidence is there that demonstrates the need for affordable housing within the borough?

• Whilst house prices in Oldham are some of the lowest within Greater Manchester, they are not affordable for many Oldham residents given the low wages.
• This is exacerbated by the levels of deposit required to secure a mortgage and the fact that many residents cannot afford to save sufficient money.
• The borough has an unbalanced housing market with low proportions of detached properties and very high proportions of terraced properties (the highest in Greater Manchester). This means that the current supply of housing, including that which is affordable, is of the wrong type.
• There are particular issues with levels of overcrowding within the borough (7% of housing stock in 2001 (Census)).
• The worst affected areas are East and West Oldham and it is generally greater for the BME communities. This places increased pressure on the need for more family homes.
In relation to the future housing market the population changes forecast will increase the demand for all tenure of housing, particularly the need for large affordable family housing and supported accommodation, for example:

- The population of the borough is forecast to rise to between 224,400 and 239,000 from 2008 to 2026;
- The proportion of residents of retirement age or above will rise by between 26% and 31%; and
- Those from BME communities are also forecast to rise from 1 in 6 households now to almost 1 in 4 by 2022.

What are the future planning issues in relation to affordable housing and how will they impact upon the provision and deliverability of affordable housing within the borough?

- The current changes to the Planning system may impact on the provision and deliverability of affordable housing within the borough, having an adverse effect and impact in certain circumstances.
- The draft National Planning Policy Framework (NPPF) removes the national minimum site threshold for the provision of affordable housing. The current threshold set out in current national policy (PPS3) is 15 dwellings and above. This is what is applied in the Core Strategy Policy 10.
- It continues to emphasise the need deliver a wide choice of quality homes and widen opportunities for home ownership, requiring LPAs to (where they have identified affordable housing is required) to set policies for meeting this need on site, unless off-site provision or a financial contribution of broadly equivalent value can be robustly justified and the agreed approach contributes to the objective of creating mixed and balanced communities.
- From 1 April 2014 the Community Infrastructure Levy (CIL) will become the main mechanism through which developer contributions will be sought to pay for additional, extended or improved (physical, social and green) infrastructure to support future growth and development.
- The ability to seek planning obligations will be much more restrictive and must relate to the application site.

What opportunities does the Localism Bill offer for the way we manage access to our affordable housing to rent?

- The Localism Bill will enable Council's to have a lot more discretion on how they use their allocations policies to determine who is offered social rented property.
- Through homelessness a number of things considered, what they bring to a community, how long have they previously lived in the area etc, can discharge the duty and would allocate through private landlord, the same applies to Asylum seekers/refugees.
Update on how the Council's housing register operates and number on the list

- There are around 7,200 people on the waiting on the housing register, of this there are 4,000 people who need 1 bedroom accommodation.
- Approximately 1,600 are in need and the others are considered not in the priority bands.
- There are 900 waiting for 2 bedroom properties, 230 waiting for 3 bedroom properties and 90 waiting for 5 bedroom properties
- There are around 30 properties advertised a week and can receive over 100 applicants
- There is 1 register and a 1 form approach which is filled in and shared with all providers and currently work with 7, and looking to develop a toolkit for other providers to join which should be ready for April 2012

C RECOMMENDATIONS

1. With the increasing housing demand, the Council and its partners need to ensure effective use of the 770 estimated new affordable homes due to be built over the next four years.

2. The Affordable Homes task and finish group support the Council's existing policy to require on site provision of affordable housing on applications of more than 15 homes. It is recognised that, with the need for housing schemes to be economically viable, there should be flexibility in where there is a strong case, as per our current policy.

3. The Council should release appropriate sites to suitable partners seeking to develop housing schemes that include a significant amount of affordable housing.

4. It has been recognised that levels of housing affordability differ across the Borough and home ownership due to low income levels, isn't an option as this is out of reach for many residents.

5. The Affordable Homes task and finish group support the development and best use of affordable housing where practicable in Oldham, examples of some of the schemes are:
   - The Council’s award winning Downsizing Scheme has freed up over 200 family homes. The Affordable Homes Task and Finish Group propose that this should be further promoted and extended to ensure all housing providers come on board and make it more attractive to tenants.
   - The Affordable Homes task and finish group welcomes the opportunity in the Localism Bill for Councils to discharge their Homelessness responsibilities, through a suitable alternative in the private rented sector. Aksa in their role as Oldham’s Social Letting Agency, need to ensure that they play a crucial role in allocating access to good quality private rented housing for those in need. The Council and our partners should actively support the promotion of the Social Letting Agency.
   - The Affordable Homes task and finish group welcomes the establishment of a Common Allocations register to improve access to affordable homes for rent. It is recommended that all Oldham housing providers should make use of this 1 register approach and the related "Toolkit" which has been developed for providers who are looking to join.
6. The Council needs to encourage choice, with higher value homes for sale as well as more affordable homes for rent.

7. It is considered that one of the barriers to first time buyers accessing home ownership is the high (often 25%) deposit required. The Affordable Homes task and finish group would welcome and support the development of a Local Authority Mortgage Scheme (LAM’s) which will be aimed at those who can sustain payments, but don’t have immediate funds for the deposit. We recognise that this would assist our local housing market.

8. The Affordable Homes task and finish group would recommend that tenants are encouraged to use the “Credit Union” to promote savings which may help support young people to access the property market, as a tenant or as a first time buyer. Such an approach may also help to ensure that the Credit Union takes a more prominent role within the financial sector in Oldham.

9. The Affordable Homes task and finish group strongly support bringing “Empty Homes” back into use. This should be the responsibility of all housing providers, private landlords, the Council and the managing agent, Aksa, and we would strongly support bids in the Empty homes programme 2012-15.

10. The Affordable Homes task and finish group would like the Council and its partners to consider most effective and efficient use of adapted affordable housing stock through the development of the disabled access register. The group would recommend that properties are let to suitable tenants which best meet their needs.

11. Most of Oldham’s best quality family social homes have already been sold under the “Right to Buy” (RTB). Therefore it is considered that the proposed discounts for RTB should not be increased (as per Government proposals) as it is envisaged that this would not help our tenants and may well encourage them into debt.

12. The Affordable Homes task and finish group would wish to encourage all of our partners to take every opportunity to engage young people on apprenticeships in order to improve skill base and the long-term economic viability of Oldham.

13. The Affordable Homes task and finish group recognises the importance of planning and developing good quality housing in the context of wider infrastructure and facilities, such as schools and local amenities.

14. The Affordable Homes task and finish group recognise that, as part of any development, wider infrastructure and creation of wider opportunities should be built within the programme.

15. That this report is submitted to the following to consider the recommendations that are being put forward:
   • Capital Investment Programme Board – 19th December 2011
   • Overview and Scrutiny Management Board – 10th January 2012
   • Leadership March 2012
   • Cabinet March 2012

16. That the recommendations be monitored and reviewed 6 months from approval at Cabinet in via a developed action plan with areas identified and persons responsible

D CONSULTATION UNDERTAKEN
Non required
G  COMMENTS RECEIVED FROM CAPITAL INVESTMENT PROGRAMME BOARD
Cllr Ur-Rehman attended for this item and outlined the recommendations relevant to CIPB and the comments outlined below were made:
  • Suggested that an officer from planning for school places should be included in the group, due to the knock on effect on schools.
  • Suggested there should be some links with Development Control when planning applications are submitted.
  • Suggested there should also be links with the asset management programme.

H  IMPACT ON COMMUNITY STRATEGY & COMMUNITY COHESION
N/A

I  IMPACT ON EQUALITIES
N/A

J  APPENDICES