

Executive

Housing in Cherwell and the Current Economic Climate

10 January 2011

Report of Head of Housing Services

PURPOSE OF REPORT

- To update the Executive on the progress made in implementing the Affordable Housing and the Recession Action Plan approved by Executive in January 2009
- To advise the Executive on the Government's proposed housing policy changes and housing and welfare benefit reform and its potential impact on the Council's housing function in the current economic climate
- To recommend to Executive a Housing & Current Economic Climate Action Plan to steer the Council through these changes until the new Housing Strategy is in place in April 2012.
- To advise Executive on plans to bring forward a new Cherwell Housing Strategy in 2012 that will respond to the new policy context and financial climate
- To endorse a Cherwell District Council response to the Government consultation "Local Decisions: a fairer future for social housing"

This report is public

Recommendations

The Executive is recommended:

- (1) To note the progress and completion of the Affordable Housing and the Recession Action Plan (Appendix A)
- (2) To endorse a Housing and the Current Economic Climate Action Plan for moving forward (Appendix B)
- (3) To endorse the response to the Government consultation paper (Appendix C)
- (4) To note the current and proposed housing and welfare benefit changes and the potential impact upon the Housing Service (Appendix D)
- (5) To approve the plans to bring forward a Cherwell Housing Strategy and approve the structure for Member involvement in the Housing Strategy Programme Board

Executive Summary

Introduction

- 1.1 The Coalition Government is proposing changes which will affect substantially the provision of housing services and housing related support. To support members in understanding the local impacts of these changes, this report outlines the work that is being proposed to ensure that the Council is able to continue to respond to its Corporate Plan priorities, and deliver housing services within a value for money context.
- 1.2 This report summarises the current issues and relies on a number of appendices to cover the vast detail that is involved:
 - Appendix A – *Affordable Housing and Recession Action Plan Final Report* – this report summarises the pro-active measures the Council has taken over the last two years
 - Appendix B – *Housing in Cherwell and the Current Economic Climate – Action Plan* – this outlines actions being proposed to Executive to pro-actively deal with the current and future challenges
 - Appendix C – *Government Housing Consultation Response to “Local Decisions: a fairer future for social housing”*
 - Appendix D – *A summary of the Housing Benefit Changes* – the remainder of this appendix due to its size has been placed in the Members’ Room, but can also be accessed at the following link <http://www.cherwell.gov.uk/index.cfm?articleid=1834>
- 1.3 The four challenges that have emerged from the housing research undertaken are listed below:
 - Challenge 1 – Continuing to build new homes and ensuring a good supply of affordable homes (supply issue)
 - Challenge 2 – Ensuring Housing Benefit reductions are understood, and applied in the provision of support to customers (affordability issue)
 - Challenge 3 – Improving personal circumstances by maximising access to employment and welfare benefits take up (affordability issue)
 - Challenge 4 – Continue to provide homelessness prevention measures to ensure needs of vulnerable people are addressed (demand issue)

Proposals

- 1.4 To endorse the Housing and the Current Economic Climate Action Plan attached at Appendix B, as a way forward for dealing with housing and the current economic climate
- 1.5 To endorse the proposed response at Appendix C to the Government consultation “Local Decisions: a fairer future for social housing”.
- 1.6 To approve the plans to bring forward a Cherwell Housing Strategy and approve the structure for Member involvement in the Housing Strategy Programme Board

Conclusion

- 1.7 This is a time of major change in the provision of housing and a time of uncertainty for the public. The policy changes are being brought forward during a time of austerity, and we need to make the best possible use of the resources available for the benefit of Cherwell residents and meet Corporate Plan priorities.
- 1.8 There is a danger that during this time of transition, we might see an increase in evictions, with the potential for increases in homelessness and the cost and use of temporary accommodation to return to previous high levels.
- 1.9 We need to provide sustainable communities and respond to the many challenges and opportunities that are presented by Government proposals. We know that Cherwell is a successful Council and this new Action Plan together with the proposed new Housing Strategy will make us “investment ready” for opportunities that will arise through the “Big Society” agenda.
- 1.10 These factors will place increasing pressures on Housing Services, and associated services.

Background Information

- 2.1 The housing sector is set to go through major change and the main drivers for this are the Comprehensive Spending Review (CSR), the housing and welfare benefit changes, the ongoing implications of the recent recession and the emergence of consultation on the Localism Bill.
- 2.2 The Council last undertook a review of housing in relation to the recession in January 2009, when it agreed an eleven-point list for ensuring its housing services were well placed to deal with the challenges that were created by the recession of the time. This Action Plan has been delivered and has ensured that the Council has remained robust, flexible and able to continue delivering customer expectations and corporate priorities. It has also been delivered within a context of value for money savings. (Appendix A refers)
- 2.3 However, given the current new and emerging challenges, the Executive is being asked to consider the evidence available and endorse a further action plan for moving forward. The absence of an action plan, to oversee the necessary preparations, could leave the Council exposed to the higher costs of reacting to homelessness and providing temporary accommodation, and hence undermine the housing services value for money programme that to date has exceeded its targets. (Appendix B refers).
- 2.4 The Coalition Government has outlined its specific housing plans in its housing consultation document “Local Decisions: a fairer future for social housing”. This report provides a proposed Council response to the consultation, and outlines the key changes that have emerged from the consultation. The proposed changes, within a local context, present opportunities as well as risks to the delivery of housing services. (Appendix C refers)

- 2.5 Officers have collated an evidence base and utilised local modelling to examine what impact the changes may have – this work will be ongoing over the next year, but early analysis of the initial research suggests that the key challenges are as follows:
- Challenge 1 – Continuing to build new homes and ensuring a good supply of affordable homes (supply issue)
 - Challenge 2 – Ensuring Housing Benefit reductions are understood, and applied in the provision of support to customers (affordability issue)
 - Challenge 3 – Improving personal circumstances by maximising access to employment and welfare benefits take up (affordability issue)
 - Challenge 4 – Continue to provide homelessness prevention measures to ensure needs of vulnerable people are addressed (demand issue)
- 2.6 These challenges, it is proposed, are the focus of the Council's response to the current financial and economic context. (Appendix D outlines the evidence base)
- 2.7 In parallel with this work, plans to bring forward a new Cherwell Housing Strategy are being proposed. The existing Cherwell Housing Strategy is due to end in March 2011, and its key strategic objectives have been delivered. The new Action Plan proposed in this report would be the main focus of preparations in bringing forward an Executive Report in January 2012.

Background Information – Affordable Housing and Recession Action Plan (January 2009 to December 2010)

- 2.8 In January 2009 the Council approved an Affordable Housing and Recession Action Plan to help steer the District through the recession that the country faced. The report and Action Plan examined the issue of affordable housing from both supply and demand perspectives. An eleven-point action plan was approved and has been monitored quarterly by the Council's RSL partners.
- 2.9 The positive outcomes from the work are noted in Appendix A, but the headline outcomes are as follows:
- The flexible approach adopted by the Council to deal with recession contributed to affordable housing delivery in 2009/10 reaching 199 units – a record in the District. Delivery in 2010/11 is still projected to meet the target of 100 units, whilst delivery in 2011/12 is anticipated to exceed 150 units (subject to funding).
 - The homelessness prevention approach has continued to impact positively on vulnerable households with the use of temporary accommodation now below the Council's target of 33 units. We have diverted resources to prioritise homelessness prevention services undertaking a spend to save approach has produced positive outcomes both financially and for Cherwell's customers
 - The Council became a national pilot for the Mortgage Rescue Scheme and has been acknowledged as a leader in this field
- 2.10 These outcomes have been secured within the context of the Council having delivered value for money Housing Services savings of £760,000 well

exceeding the promised target of £600,000 by £160,000

2.11 Executive is being advised that this action plan is now complete.

Background Information – Housing and the Current Economic Environment Action Plan (2011 onwards)

2.12 There are a number of presenting issues that could contribute towards an emerging housing crisis in Cherwell and unless planned and co-ordinated actions are taken, these will potentially result in an increase in homelessness and use of temporary accommodation. There has been major success in reducing the cost of homelessness, and this work needs to be maintained. These issues include:

Anticipated **increase in demand** for housing and associated housing support due to:

- Reduction and changes in welfare benefits particularly housing benefit
- Lack of jobs and increased unemployment
- Increased action on secondary debts and foreclosure on mortgage arrears
- Changes in grant funding, national and local e.g. Supporting People, CLG & voluntary sector
- Any increase in mortgage interest rates (and this is forecast for next year) will make a considerable difference to levels of arrears for those experiencing problems and will lead to an increase in mortgage repossession and in turn increase in homelessness.

Potential significant **reduction in housing supply** due to:

- Lack of funding and opportunity for new build
- Private sector landlords leaving the sector or refusing tenants in receipt of housing benefit, due to changes and reduction in welfare benefit, particularly housing benefits
- More people moving into the district from more expensive rental areas such as Oxford and West Oxfordshire as they become unaffordable to people in receipt of local housing allowance
- Stagnation of housing market across all tenures, with people, especially first time buyers, unable to get mortgages, home owners unable to sell property, and general uncertainty about the economy and the proposed tenure changes leading to people to stay put in all types of housing

2.13 Therefore, a new Action Plan is being recommended to Executive, which is based on the evidence identified in Appendix D to this report. This Action Plan can be found at Appendix B to this report. However, the main challenges are as follows:

- **Challenge 1 – Continuing to build new homes and ensuring a good supply of affordable homes (supply issue)**

The context for supplying new affordable homes is shifting radically. The type of housing products will change, and public subsidy to new schemes will be reduced. This requires new imaginative ways of working, and ensuring a healthy supply of new build can still be delivered and best use of existing

housing stock so that the Council can fulfil its duties.

The Homes and Communities Agency (HCA) budget has been reduced from £8.4bn to £4.4bn to spend over the next four years. The funding will no longer be regionally allocated. This means we will be in competition with all other Councils to attract funding to affordable housing projects. The scarcity of funding could affect the delivery of new homes, which in turn means that there are fewer opportunities for new households or those with changing needs to move into affordable accommodation, leading to potentially more homelessness applications and an increased need to provide temporary accommodation and more difficulty in moving on for those already in temporary accommodation. This will require increased partnership working, to find the new financially viable means of continuing to secure delivery.

- **Challenge 2 – Ensuring Housing Benefit reductions are understood, and applied in the provision of support to customers (affordability issue)**

Housing benefit cuts are outlined in a separate report at Appendix D. Potential issues identified in the Action Plan include the risk of Local Authorities in more expensive areas commissioning temporary accommodation in Cherwell as a response to welfare reform, and an increase in the number of unregulated 'ad hoc' Houses in Multiple Occupation (HMOs) due to people living together in groups for reasons of affordability

- **Challenge 3 – Improving personal circumstances by maximising access to employment and welfare benefits take up (affordability issue)**

Households' ability to access or pay for their housing in all sectors may be affected by unemployment or changes to the welfare benefits system. Equally, increasing restrictions on eligibility for mortgages including requirement for larger deposits, especially in relation to shared equity/ownership housing and is having a major impact on assisting those in housing need onto the property ladder. The Council will be offering much more intense support to claimants regarding their benefit changes, so they do not become unnecessarily worse off and they are not disincentivised from returning to work.

- **Challenge 4 – Continue to provide homelessness prevention measures to ensure needs of vulnerable people are addressed (demand issue)**

The provision of housing choices for customers includes both supply and demand. This Council has a strong track record on homelessness prevention, hence minimising demand and costs to the Council. The revision of homelessness measures in the context of the supply and affordability issues needs to be undertaken, and vulnerable people need to be supported in securing and maintaining accommodation.

The budget for Supporting People, funding for services for vulnerable people has been reduced. The funding is further threatened since County Council funding has been severely reduced and a lack of ring-fencing for Supporting People funding means that it is vulnerable for diversion to other priority areas provided by the County. It is essential we secure the funding for supported housing to ensure no adverse effects on homelessness.

Background Information – Housing Consultation

2.14 Government is requesting a response from local authorities concerning their plans for future of social housing. This response is due by 19 January 2011. There are eight key areas that are identified in the housing consultation “Local Decisions: a fairer future for social housing”. These are:

- Tenure reform – this includes offering shorter term tenancies in affordable housing, introducing a new (up to) 80% of market rent tenancy known as Affordable Rent, providing flexible tenancies of a minimum of two years and local authorities publishing a strategic policy on tenancies.
- Empty Homes – the Government is proposing using a New Homes Bonus to provide incentive for local authorities to tackle empty homes, and will invest resources in bringing empty homes back into use
- Allocating social housing – the government wants to shorten housing waiting lists (housing registers) and provide power back to local authorities to determine which categories of applicants should qualify. There is a proposal for tenants transferring (between affordable homes) to be taken out of the housing register and deal with directly by housing associations, which we think would adversely affect how local need is met by taking decision making powers on allocations away from local authorities and giving them to Registered Providers.
- Mobility – a nationwide social home swap programme is being proposed, and data sharing will be placed on a statutory basis to ensure housing associations comply with this scheme
- Homelessness – the major shift is allowing the discharging of homelessness duties by using the private sector without requiring the applicant’s agreement. Such an arrangement, which we see as strengthening supply options, would be for a minimum of 12 months. Homelessness prevention is still important to control the demand for such services.
- Overcrowding – the government believes more can be done to help with this issue, an area this Council has already recognised.
- Reform of Social Housing Regulation – this is effectively about the abolition of the Tenant Services Authority (TSA) and the transfer of its functions to the Homes and Communities Agency (HCA), focusing on economic regulation and responding to serious service failures. This is applicable to housing associations in the District. For the Council, we want to have the strongest possible influence when a housing association is not performing well locally.
- Reform of Council housing finance – this is largely not relevant to the Council although as the proposal unfolds we may need to reconsider any implications.

2.15 The draft response is attached at Appendix C for consideration and endorsement of Executive. This should also be seen in the context of the

other factors which influence the provision of housing services and housing related support:

- Cuts made as a result of the Comprehensive Spending Review
- Changes to promote a reduction in the benefit bill, incentivising work and the move towards universal benefits including changes in housing benefit and tax credits
- Factors associated with the economic climate which affect housing services and housing related support such as job losses and fear of unemployment, and stagnation in the construction industry and lack of financial viability on identified sites for new homes

Background Information – Benefit Changes

2.16 Changes in Housing and other welfare reform affect housing opportunities and stability. It is therefore important that the implications for Cherwell are fully considered. This will ensure that local people are “housing ready” in a time when the profile of social housing is going to radically change. The Council’s housing and housing benefit officers have increased their joint working to better understand the changes that have emerged. They impact in a number of ways, and the main issues which will affect Cherwell District Council are as follows:

- Changes in Local Housing Allowance rates affecting Cherwell residents’ ability to pay for housing and creating a potential influx of competitors for rented accommodation previously living in more expensive areas
- Changes in contributions to rent required following a period of unemployment or where adult non-dependents share a home

2.17 The range of housing benefit changes are attached at Appendix D, so Executive can consider the likely implications in the District.

Background Information – Cherwell Housing Strategy

2.18 Whilst the Action Plan in Appendix B would run to March 2012, it is intended that Executive will be presented in January 2012, with a report proposing a final draft of a Cherwell Housing Strategy. A timetable and project plan is under development, and Executive is being asked to consider including three Elected Members onto a Housing Strategy Programme Board to oversee the project. The three portfolio holders we are proposing sit on the Board are based on the themes that have emerged from the scoping to date:

- Portfolio Holder for Planning and Housing (Chair of the Board)
- Portfolio Holder for Performance Management, Improvement and Organisational Development
- Portfolio Holder for Resources and Communication

Background Information – Evidence

2.19 The research and modelling that has been undertaken is included to this

report as Appendix D. Because of the volume of this evidence, the housing benefit changes section only is attached. The remainder of this evidence base is available in the Members Room. It is also available at the following site <http://www.cherwell.gov.uk/index.cfm?articleid=1834>

Key Issues for Consideration/Reasons for Decision and Options

3.1 The key issues being considered in this report are listed below.

Issue 1: Continuing to build new homes and ensuring a good supply of affordable homes (supply issue)

- Ensuring all new housing programme deliver wider outcomes for Cherwell in relation to employment, education, health and thriving communities
- In-depth market research including modeling of tenancy reforms to establish their effect in Cherwell District Council
- Skills development to enable staff to conduct technical and financial negotiations and work towards new ways of funding and delivering affordable housing – for example, Community Land Trusts
- Supporting partners to make the best use of the existing affordable housing stock

Issue 2: Ensuring Housing Benefit reductions are understood, and applied in the provision of support to customers (affordability issue)

- The need to co-ordinate the work of housing services with the benefits team to provide a co-ordinated Cherwell-wide response
- Monitoring and reviewing the response to the changes to maximise the effect of partnership working
- Maintaining our good record in meeting our statutory duties

Issue 3: Improving personal circumstances by maximising access to employment and welfare benefits take up (affordability issue)

- Staying well informed so we can advise applicants
- Linking housing to employment opportunities and work readiness training
- Working to support the end of benefit dependency

Issue 4: Continue to provide homelessness prevention measures to ensure needs of vulnerable people are addressed (demand issue)

- Continuing to use the mortgage arrears tools to maintain our excellent record of sustaining mortgagees in arrears in their homes
- Monitoring market changes to keep partners and residents informed
- Increasing awareness of the services offered so that effective early action can be taken
- Working with partners to assist vulnerable people to sustain tenancies and prevent homelessness

- Negotiating Cherwell District Council's proportionate share of Supporting People funding while working with partners to develop services outside SP funding
- Developing new appropriate supported housing projects

Resources

- 4.1 Although this is a time of economic restraint and cuts in funding we have identified some areas where the strategic use of council funding could be effective in directly saving the council larger amounts; such as with homelessness prevention measures or indirectly, by attracting funding from other bodies such as with pump-priming housing developments.

The following options have been identified. The approach in the recommendations is believed to be the best way forward

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| Option One | Accept the recommendations contained in this report, thereby endorsing the response to Government housing consultation, instructing officers to implement the Housing and Current Economic Climate Action Plan and approving medium term plans to bring forward a new Cherwell Housing Strategy |
| Option Two | Accept the recommendations contained in this report subject to any amendments by Members |
| Option Three | Not to approve plans to bring forward a Cherwell Housing Strategy. This would require new plans being produced for Members, and is not recommended. |

Consultations

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| Cherwell RSL Development Group – the Council's housing association development partners | Our partner Registered Providers have confirmed that they will work with the Council on these issues, and give the Council their full support |
| Homes and Communities Agency | Officers are in regular contact with the HCA, to establish innovative ways of making housing schemes more viable |
| Communities and Local Government | The CLG is in close contact with the Council on homelessness measures |

Implications

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| Financial: | The report highlights the financial risk that the Council faces from the housing related policy and financial changes. To do nothing, is not an option. The Council is well aware of the enormous historical costs of housing customers in temporary accommodation – we must do everything possible to ensure we plan to mitigate from returning to this position. Reducing demand for and |
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increasingly supply of housing is appropriate.

Housing Services' Value for Money savings have totalled £760,000, which has been largely achieved by placing an emphasis on homelessness preventative measures, and the Council's investment in affordable housing and private sector housing.

All budgets are under pressure and the Council must deliver more for less. The current financial position means we cannot risk additional Council costs by not having in place a robust Action Plan to steer through the current challenges, and to prepare for difficult financial challenges. The 2011/12 draft budget will consider this risk and consider a risk provision if appropriate.

Comments checked by Karen Curtin, Head of Finance 01295 221551

Legal:

This report considers pro-actively how the Council can discharge its statutory homelessness duties through a range of supply and demand tools. The report does not propose Council policy or procedure. There are no immediate legal implications arising from this report.

Comments checked by Liz Howlett, Head of Legal and Democratic Services 01295 221686

Risk Management:

It is positive that current financial and policy changes that affect housing are being risk assessed. Issues may subsequently need to be escalated to corporate risk priorities as the proposed Housing and Economic Climate Action Plan is implemented.

Comments checked by Claire Taylor, Community and Corporate Planning Manager 01295 221563

Equalities:

The measures identified in this report will help the most vulnerable Council customers to access and retain appropriate housing. The forthcoming housing strategy will benefit from an Equalities Impact Assessment.

Comments checked by Claire Taylor, Community and Corporate Planning Manager 01295 221563

Data Quality:

There are no data quality implications arising from this report.

Comments checked by Claire Taylor, Community and Corporate Planning Manager Community and Corporate Planning Manager 01295 221563

Environment:

Housing activities play a significant role in environmental objectives. I welcome the view in the draft housing consultation reply that the Council wants to maximise its influence over any poor performing Registered Providers (housing associations).

Comments checked by Ian Davies, Strategic Director Environment and Community 01295 221698

Wards Affected

All wards are affected.

Corporate Plan Themes

Cherwell: A district of opportunity
Cherwell: An accessible, value for money Council

Executive Portfolio

Councillor Michael Gibbard
Portfolio Holder for Planning and Housing

Document Information

Appendix No	Title
Appendix A	Affordable Housing and the Recession – Progress Report to 31 December 2010
Appendix B	Housing in Cherwell and the Current Economic Climate – An Action Plan
Appendix C	Draft response to Government Consultation “Local Decisions: a fairer future for social housing”
Appendix D	Summary of Housing Benefit Changes
Background Papers	
“Local Decisions: a fairer future for social housing” – Government Consultation Affordable Housing and Recession Action Plan – Executive Report, January 2009 Cherwell Homelessness Strategy 2007-11	
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