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1. CHAIRS FOREWORD



Councillor
Dennis Edgerley
Chorley Council



Councillor
John Collins
Preston City Council



Councillor
Colin Coulton
South Ribble Borough
Council

For several years now the three Central Lancashire District Councils have been concerned about access to affordable housing - both rented and for purchase.

In 2008, following workshops hosted by IDeA at Worden Hall, Leyland, the three Councils agreed to a joint scrutiny inquiry into this area emphasizing the importance of the topic. The economic situation and its impact on the housing market has, if anything, made the topic even more important.

The review has not been without challenges - the changing situation in the housing market, the changing remit of the Housing Corporation and conflicting timetable demands on each Council. Whilst these have slowed the progress we believe the recommendations contained in this report add real value. Indeed, many of the recommendations in here are being picked up by the Councils' Executive Cabinets even before the inquiry is completed.

The Group have now completed the Inquiry and the recommendations will be forwarded to the relevant bodies of each Council for approval.

May we take this opportunity, on behalf of the Group, to thank all those who took part in this Inquiry.

2. EXECUTIVE SUMMARY

Background

The delivery of new affordable homes to meet local needs and the needs of a growing and expanding community is a major concern within Central Lancashire, for all three local authorities (Chorley, Preston and South Ribble).

The area has been identified through a number of studies such as The Central Lancashire Housing Market. Consequently work is ongoing on the delivery of a single Local Development Framework (or LDF) to deliver the spatial aspect of the future plans and requirements for the area. Housing and Planning Teams have also been working together across the market to look at issues such as stock condition, housing needs and the requirement for housing related support and supported housing.

Since the concept of the joint scrutiny panel was mooted in late 2007 there have been significant changes in the central Lancashire housing market with transactions levels significantly reduced, particularly terraced and semi-detached owners unable to sell and property prices reducing. If the housing markets continued to decline this will in some cases result in increased numbers of homeowners falling into negative equity.

Objectives

Central Lancashire has a shortage of affordable housing. It is important that members are clear as to what barriers there are in delivering affordable homes and what each Council can do to overcome them.

There are many benefits of joint working from the housing and planning perspective although it was an acknowledged risk that expectations would be raised beyond the capacity to deliver.

Group Membership

Chorley Council: Councillors Dennis Edgerley, Laura Lennox and Alan Cain. Reserve Marie Gray.
Preston City Council: Councillors John Collins, Carl Crompton and David Hammond. Reserve: Councillor Danny Gallagher.
South Ribble Borough Council: Councillors Colin Coulton, Rene Blow and Jim Hothersall.

Officer Support

Chorley Council: Zoe Whiteside (Strategic Housing Manager), Ian Aldred (Housing Enabling Manager), Stephen Lamb (Planning Officer), Jane Meek (Corporate Director (Business)) and Ruth Rimmington (Democratic and Member Services Officer).

Preston City Council: Peter Kuit (Director of Development), Mary McBride (Head of Housing Strategy and Enabling), Mike Molyneux (Planning Policy Officer) and Steven Dugdale (Scrutiny Support Manager).

South Ribble Borough Council: John Dalton (Head of Planning and Housing), Jan Bennett (Housing Manager), Helen Hockenhill (Planning Manager) and Louise Benney (Acting Scrutiny Manager)

Meetings

The meeting papers of the Group can be found on the Chorley Council's website: <http://www.chorley.gov.uk/scrutiny>.

Contribution of Evidence

The Group would like to thank all those who have provided evidence and contributed to the Inquiry.

Financial Implications

The financial implications of the recommendations are outlined in the action list appended to this report.

3. METHOD OF INVESTIGATION

Evidence

The Group received and considered several reports and documents, these included:

- Comparison of Information/Share Good Practise
- Maximising Housing Corporation Grant (prefaced by a better appreciation of the Finances
- Social Rented as against Shared Ownership
- Land Availability
- Terraced Properties
- Layout and Design Issues

Witnesses

Vicky Carroll and Louise Marsden (Contour Housing)

Bernie Keenan (New Progress Housing)

John Ambrose (Primrose Holdings)

Cath Whelan (Funding Finders)

4. FINDINGS AND RECOMMENDATIONS

Objective 1: Comparison of Information/Share Good Practice.

The Members considered a report prepared by South Ribble Council's Housing officers...

Affordable housing includes social rented and intermediate housing, provided to specified eligible households whose needs are not met by the market. Affordable housing should meet the needs of eligible households including availability at a cost low enough for them to afford it and determined with regard to local incomes and house prices.

This definition originates from Planning Policies and really is more appropriate when discussing new development of properties. The definition does not totally encompass existing affordable housing made available to rent or buy.

Existing affordable housing made available is very much dependant on "turnover" i.e. the tenant leaving the property and it becoming available for re-occupation.

The critical mass of this "churn" depends on the number of social rented housing in each area and the report illustrated this point with Preston having 10,079 dwellings (16.88% of all stock), South Ribble 3642 (7.7% of all stock) and Chorley 4843 (10.89% of stock).

While Prestons' stock is substantially higher than both Chorley's' or South Ribbles it is below the national average of 18%.

Approximately one in ten properties become available each year but this will have diminished in 2008/9 as the credit crunch has hit home and people are unable or unwilling to move on.



Recommendations:

1. The report be considered at individual Scrutiny Committees and Cabinet/Council.
2. The Group meet six months after the recommendations have been adopted to review progress made.

Objective 2: Maximising Housing Corporation Grant

South Ribble Council's Planning officers presented a report...

The full report can be accessed at item 6 via the following link:
<http://democracy.chorley.gov.uk/ieListDocuments.aspx?CId=575&MId=2063&Ver=4>



The Task Group discussed a number of related issues including the different types of subsidies, housing corporation standards and the need to maximise the use of empty properties by work with registered social landlords.

Personal subsidy can be provided by:

- Tax relief on mortgage payments
- Discounted mortgage payments
- Renting where some of the rent can be set aside to help pay for deposit
- Tenants Incentive schemes
- Home Ownership Incentive schemes (First Steps Grant Scheme)
- Deferred Mortgage payments (via developers or finance companies)
- Developer incentives such as paying deposit required
- Equity share/shared ownership schemes (part rent part buy)

Bricks and mortar subsidy can be provided by:

- Central Government Grant (via Housing Corporation/Homes and Communities Agency)
- Local Authorities in the form of land or direct grant
- Developers, as a requirement of Planning Obligations (Section 106 agreements) or as a side agreement (providing either land to an RSL or properties at a discounted price)
- Land gifted by owner

Other subsidies, in some (rare) cases can come from organisations such as English Partnerships (who will become part of the Homes and Communities Agency after 1 December 2008), and also local authorities using council tax revenue from second homes.

A detailed discussion ensued around the current economic climate and what effect this was and could have on the housing market. There was a need to make more use of empty properties and it was felt that discussions should take place between Housing Associations, Local Authorities and Registered Social Landlords to find some way of relaxing standards therefore allowing surplus stock to become social housing. Whilst it was accepted that it was important for social housing to meet agreed standards, albeit higher than those recommended by the local authority, it was felt that need was a higher priority and the implementation of the standards could be achieved over a deferred period.

Recommendations:

Several recommendations were made following discussions with Registered Social Landlords and others. These can be viewed on page 14 of this report.

Objective 3 Social Rented as against Shared Ownership

The Task Group received a report from Chorley Council's Strategic Housing officers. The full report can be accessed at item 7 via the following link:

<http://democracy.chorley.gov.uk/ieListDocuments.aspx?CId=575&MId=2063&Ver=4>



The result of the credit crunch in the UK, has been falling house building rates, Increased demand for affordable housing demonstrated by increased numbers on local authorities housing waiting lists and an increase in the number of households being repossessed.

In terms of the existing provision within the three local authorities' affordable housing policies, all Central Lancashire authorities require an overall affordable housing requirement of 20%, yet the levels of tenure split varied slightly. Both South Ribble and Chorley currently sought 70% social rented housing and 30% intermediate housing, whilst Preston sought 82% social rented housing and 18% intermediate housing.

The Task Group discussed in detail the information around the benefits and pitfalls of moderating the affordable tenure split to be nearer the 50/50 split. Reference was also made to the Central Lancashire Strategic Housing Market Assessment which will provide primary data about the housing needs of households in Lancashire.

The group also discussed in detail the stigma which is sometimes attached to social housing and the requirement for the re-education of the public to go some way towards breaking down this barrier.

Recommendations:

3. A 50/50 split for affordable housing not be adopted in the interim period and each authority in Central Lancashire continue to utilise existing policy tenure splits until an analysis of the Housing Needs Survey has been carried out. A higher provision of social rented housing would be preferred.
4. Publicity promoting the concept of social housing and the wider benefits to the community giving a positive example, such as enabling young people to access housing in their local area.

Objective 4 Land Availability

The Group considered a report prepared by Chorley Council's Planning officers. The full report can be accessed at item 5 via the following link:

<http://democracy.chorley.gov.uk/ieListDocuments.aspx?CId=575&MId=2001&Ver=4>



Opportunities to deliver affordable housing in rural areas tend to be more limited than in urban areas as less development typically takes place in these areas. Therefore, national planning policy in Planning Policy Statement 3 (PPS3) on Housing states that where viable and practical Local Planning Authorities should consider allocating and releasing sites solely for affordable housing. A rural exception site policy is advocated, which enables small sites that would not normally be used for housing to be used specifically for affordable housing in small rural communities.

Preferred Option PCS9 in the Preferred Core Strategy relates to the delivery of affordable housing in Central Lancashire and it refers to rural exception sites. It states that a percentage requirement (for affordable housing) at or near 30% will be sought in rural areas on sites in or adjoining villages with appropriate services, although on all exception sites including those in the Green Belt the requirement will be 100%.

The rural exception policy approach in the Preferred Core Strategy builds upon the policy approaches in the three current Local Plans for Central Lancashire, which all have policies that allow affordable housing in rural areas on small sites that would not normally be used for housing purposes, providing strict criteria are met.

The Preferred Core Strategy does not provide any detailed criteria relating to how the rural exception policy would work in practice. However, existing policies in the Chorley, South Ribble and Preston Local Plans all have strict criteria that need to be met before planning permission is granted for affordable housing on a rural exception site. Both the Chorley and South Ribble policies emphasise that affordable housing development in rural areas should preferably take place within rural settlement boundaries themselves, where there is better access to shops, services and public transport links, and that development should only take place on exception sites if affordable housing need cannot be met in any other way. Therefore, current policies do not encourage the development of exception sites, as their development runs contrary to policies designed to protect the Green Belt and other areas of countryside. Exception sites may also be poorly located and peripheral to village shops and services.

Policies in all three Local Plans also emphasise that any affordable housing development on an exceptions site should be to meet demonstrable local housing needs, rather than general Borough-wide affordable housing needs.

In Chorley a project is underway to consider whether affordable housing can be delivered on any suitable Council owned land and any other parcels of land owned or acquired by an RSL partner. The project does not have a specific rural focus, but will consider parcels of Council owned land throughout the Borough. Many of these parcels will be within settlements (for example underused garage sites), so would not constitute rural exception sites, but any sites that are identified as being suitable that are in rural areas would help to provide much needed rural affordable housing. This project is currently underway.

In South Ribble specific work has not been undertaken to identify whether there are any Council owned sites in rural areas that could be used for affordable housing, but it is considered doubtful that there are any council owned sites that would be suitable. However, an affordable housing scheme has recently been completed on Lancashire County Council land at the Greenacres in Hutton and there are two affordable housing schemes proposed on privately owned land in Coupe Green and one on a privately owned rural exception site in Salmesbury.

In Preston specific work has not been undertaken to assess whether there are any suitable council owned sites that would be suitable for affordable housing in the rural areas, although some similar work has been undertaken in the urban area, where most of the Council owned land is located. It is not considered very likely that suitable Council owned sites will be found in the rural areas.

Members and officers discussed sites within their authorities area, including small pockets of land, garage sites and flats. Market forces in the rental and housing market and local resistance to social housing scheme were also considered. It was noted that in some rural areas there might be some farm outbuildings that could be utilised.

The use of a bond scheme and working with housing benefit officers to pay benefits to land lords direct were discussed. Members advised that some estate agents won't accept bonds and people struggle with charges levied by estate agents.

Recommendations:

5. All authorities be requested to identify land for potential affordable housing and to call for land specifically for smaller sites for affordable housing from private owners.
6. The Joint Local Development Framework team be requested to produce a map showing those sites identified for affordable housing to highlight any sites adjacent between two authorities that could be merged.
7. In addition to the Central Lancashire Councils other bodies, like the Police, PCT, Fire Service, Registered Social Landlords, English Partnership, Churches and Parish Councils and should be approached regarding land that could be brought forward for affordable housing on rural exception sites.
8. To investigate any flexibility in the Local Development Plan for each Authority to encourage rural exception sites where there is demonstrable housing need and broaden the local needs area around settlements and beyond specific villages without harming the green belt.
9. For each Authority to investigate how they can stimulate the local housing market and assist first time buyers. This could be through the provision of a local authority mortgage or assistance with a deposit.
10. To promote and advocate the bonds scheme with lettings agents and landlords and publicise new legislation regarding deposits / bonds.
11. To promote the provision of additional affordable housing with parish councils (and area committees where they exist) by keeping them informed at an early stage and the public generally through communication mechanisms used by each Authority.

Objective 5 Terraced Properties

The Task Group considered a report from Preston City Council's Housing officers on the issues of affordability within the Private Sector in Central Lancashire with particular emphasis on empty homes; terraced properties; section 106 and commuted sums, and housing market influences. The full report can be accessed at item 5 via the following link:

<http://democracy.chorley.gov.uk/ieListDocuments.aspx?CId=575&MId=2270&Ver=4>



Empty Homes

Members noted that the report indicated a significant number of empty properties across all three authorities, of which over 2,000 are classed as "long term empties" having been empty for longer than six months. It was further noted that Council tax records across all three authorities do not hold information on property types and as a result officers were unable to pin point the types of empty properties unless the property had been physically inspected and this would have an enormous resource implication.

The Preston Empty Homes Officer, based in Strategic Housing, has created an empty properties database and as each property is identified base information including type will be entered on to the system, including ward level, so issues across the city can be clearly mapped. Members were advised that in South Ribble and Chorley responsibility lies out with Strategic Housing and that neither authority at this moment in time has sufficient resources to tackle the issue of empty properties to the same degree. The Preston Empty Homes Strategy will be published in April 2009. Chorley Council will be publishing an empty homes strategy later this year and South Ribble were currently updating theirs.

Additional information on the complexities of the Empty Homes Management Orders process was supplied to members who noted the onerous processes and the legal and Financial undertakings involved in the process.

Terrace properties & Decency Standards

Members noted that the Private Sector Stock Condition Survey undertaken jointly by Preston and South Ribble in 2007 identified a number of issues relating to terraced properties in both areas. Chorley Borough are currently commissioning a similar study to report in 2009 which will report in December 2009 or January 2010. Their Neighbourhood Services currently report that there are no major housing standards issues other than in the private rented sector and it is anticipated that the report will identify non-decency issues for future action.

In Preston there are approximately 17562 terraced properties, of which approximately 12,000 are Victorian. The City undertook a significant clearance programme of the worst properties during the 60's and early 70's. The remaining properties have benefited from significant improvements either privately or through grant assistance with rewiring, plumbing, kitchens, bathrooms, energy efficiency measures and extensions. A number of construction issues still remain to be tackled in terms of lack of proper foundations, damp courses and energy efficiency measures.

In South Ribble there is a significant proportion of terraced properties below the Decent Homes Standard, brought about in part by owners being asset rich but cash poor and therefore unable to

fund the required improvements. The Bamber bridge area is particularly blighted by this scenario and lower property values.

It was noted that whilst each authority is working towards achieving the decent homes targets (PS7) it must be borne in mind that each year additional properties will drop into this category through age of state of repair especially in the current financial downturn when homeowners may not have the financial resources available to invest in properties..

Section 106 And Commuted Sums

It was noted that there had been significant discussion regarding both S106 money from developers and commuted sums. Since the brief was written last year the credit crunch had developed into a full recession with many developments not now proceeding. As a result of this *some* officers cannot anticipate any payments from developers in either of these categories in the foreseeable future. It was further noted that once the housing market improves developers may wish to review these processes and may be reluctant to enter into such financially binding agreements.

Members noted that across all three authorities, the principle behind these funding streams was to utilise this money to provide additional social rented homes not provide further assistance to private sector homes

Recommendations:

12. Council publications be utilised to promote the availability of debt advice, with the strong message to those experiencing financial hardship to contact advisors and lenders as appropriate at an early stage.
13. Where one isn't in place, councils give consideration to implementation of a Housing Authority Leasing Scheme.
14. Councils continue to investigate the possible use of Empty Dwelling Management Orders. Respective Chief Executives write to Communities and Local Government, the local MPs and the Government requesting that they review the Empty Dwelling Management Orders process with a view to changing the legislation and that the Minister for Housing and Planning also receives copy correspondence.
15. The empty homes function be placed within Strategic Housing.
16. The three authorities produce an Empty Homes Register based on a consistent approach, recording, if possible, the number of bedrooms.

Objective 6 Layout and Design Issues

Preston City Council's Planning Officers presented a report which addressed the issues of standards, "pepper potting" and sustainability levels. The full report can be accessed at item 4 via the following link:

<http://democracy.chorley.gov.uk/ieListDocuments.aspx?CId=575&MId=2298&Ver=4>



This was set against the context of Planning Policy Statement 3 and the definitions in that document relating to affordable housing, social rented housing and intermediate affordable housing. Local Planning Authorities are able to set requirements for affordable housing, but any such policy has to pass three tests – it has to be based on up to date evidence of need; it has to provide housing that complies with the definitions set out in PPS3; and provision has to be economically viable.

In terms of space standards, England and Wales are the only countries in Europe where there are no minimum space standards set out in regulations, which in turn is reflected in newly built private housing here providing the smallest space standards in Europe. Another factor is that the UK private housing market focuses much more on numbers of bedrooms rather than overall area.

The Task Group was reminded of the former Parker Morris Standards which formed the basis for new towns and council housing in the 60's and 70's. Currently, in order to receive public subsidy for affordable housing in the form of Social Housing Grant it is necessary for developments to meet minimum standards as set out in the Housing Corporation's Design and Quality Standards. There is no requirement for affordable housing that is grant free to adhere to these standards. The three core performance standards relate to the internal environment, sustainability and the external environment.

The Homes and Communities Agency came into being in December 2008 by merging the Housing Corporation, English Partnerships and elements of the Department for Communities and Local Government. Inherited policies and standards will continue, with a view to harmonised standards being in place by April 2011.

"Pepper potting" is commonly defined as the dispersal of affordable housing units within residential developments to promote mixed communities and minimise social exclusion. The overriding purpose is to ensure that affordable housing is fully integrated within market housing. There are many examples of pepper potting policies up and down the country, with authorities in the south and south west adopting higher affordable housing requirements than those further north.

Research carried out in 2005 on behalf of the Housing Corporation concluded that around 30% was likely to be the maximum level that could be successfully integrated. The research also identified a number of other key requirements for successful pepper potting, for example if the development is on land in public ownership it is likely to be more successful than on privately owned land. "Tenure-blind" development (where there is no visible difference between affordable housing and the surrounding market housing) is also more likely to lead to successful pepper potting.

National policy on sustainability is set out in the Code for Sustainable Homes, which operates by awarding new homes a star rating from 1 to 6 based on their performance against 9 sustainability criteria, including energy and CO2 emissions, water consumption and pollution. From April 2008 all new social housing must be built to a minimum of Code level 3, which requires dwellings to be at least 25% more energy efficient than building regulations requirements.

The Homes and Communities Agency is to investigate ways in which the provision of energy services on sites throughout their programmes can be delivered in a more cost effective and appropriate manner. This, in turn, may impact on the local policies. Across Central Lancashire the three authorities have all produced various documents/policies on sustainability, covering areas such as use of sustainable energy, waste minimisation and water management.

Recommendations:

17. To lobby Government to amend building regulations in England and Wales to reflect those in Scotland, with a view to ensuring that all new build meets minimum functional space standards to facilitate the transfer of properties to Registered Social Landlords.
18. Investigations be undertaken with the Homes and Communities Agency with a view to differential weighting of the various criteria contained within the Design and Quality Strategy and Standards to allow existing private housing stock being brought into the supply of affordable housing.
19. Local authorities to meet with RSL partners to discuss and agree an acceptable formula for pepper potting affordable housing within developments.
20. The Code for Sustainable Homes be met in full in all new developments.

Discussions with Registered Social Landlords and others



As part of its investigations the Task Group invited a number of interested organisations to attend a meeting to discuss various aspects of affordable housing.

It was clear that in the current economic climate, developers would rather retain their land holdings than build properties for which there was no market.

Contour was also in the position of having unsold stock to dispose of, or convert it to social housing and this was being actively considered by the Homes and Communities Agency as part of the Registered Social Landlords three year programme. This could have the impact of double grant and therefore reducing the available funds for other schemes. The main problem was access to funding for housing associations as Government grant/subsidy was not available at sufficient levels and the ability to cross subsidise internal funding was not practical at the moment.

The availability of monies from section 106 agreements was discussed, but again some officers militated against this being a realistic source of funding in the current circumstances, and as mentioned elsewhere in the report even existing agreements may be re-negotiated to “kick start” some housing developments.

Reference was made to the work of Funding Finders and local Registered Social Landlords may be able to access private sector funding via this company if certain assurance were forthcoming as to its origin.

Local authorities across the northwest are undertaking Strategic Housing Land Availability Assessments in preparation for an improvement in the economic climate and housing market. It is anticipated in the Central Lancashire area this exercise will reveal that the Homes and Communities Agency has significant landholdings formerly owned by English Partnerships as part of the New Town development which, if confirmed, may present future opportunities for provision of new affordable housing.

Locally Strategic Housing officers were having a greater influence over the residential mix of housing developments via the planning process, which could help to increase the provision of affordable housing.

The Task Group discussed the possibility of utilising existing empty properties for social/affordable purposes, but the housing association view was that additional grant funding would be required to make the acquisition of such properties financially attractive. Management of any such properties could also present a challenge and be quite expensive, unless they were all in close proximity.

It was clear that the Homes and Communities Agency **was** pivotal to future development.

Recommendations:

21. The Homes and Communities Agency be invited to discuss matters of mutual interest relating to the provision of additional affordable housing, in particular
 - Increasing grant rates to Registered Social Landlords
 - Relaxing design standards to enable private developments to be acquired for social housing
 - Funding to bring empty properties back into use as social rented units
 - Release of HCA landholdings in Central Lancashire at nil/minimal cost to Registered Social Landlords
22. The above invitation be extended to an appropriate minister in the Department for Communities and Local Government.



A response has been received from HCA

1. Do HCA have any plans to increase grant rates to local RSL's to assist them to provide additional social housing units?

HCA has responded to current housing market conditions in a number of ways including flexing the level of grant paid to our development partners. However given the level of housing need we have been concerned to maintain the momentum of development and have generally expected our development partners to offer something in return in terms of ongoing development. As always with public money we need to be mindful of obtaining value for our investment and we will be keeping this under close review.

2. Will HCA consider lowering the former Housing Corporation Design Standards to permit acquisitions of vacant or incomplete private developments and, if so, to what level will the standards be relaxed?

HCA is committed to high standards and good design and we expect new developments for affordable housing to meet the design and quality standards which requires the code level 3 for new build schemes. However in responding to current market conditions we have recognized that some private sector homes might meet a need for affordable housing and have supported our developer partners to purchase such stock where they confirm it is suitable. In recognition that these developments will not generally have been designed to meet our standards we have indicated that we will consider these on a case by case basis. However we will not consider schemes below an equivalent rating of eco homes good and we expect housing quality indicators (HQL's) particularly that relate to space to be met

3. What role can the HCA play in bringing empty properties back into use as social rented units i.e. funding of acquisitions in line with the old regime of "existing satisfactory"?

The HCA can and does make funding available to bring empty private sector properties back into use for affordable housing purposes. This can be full rehabilitation on an existing satisfactory basis or on a purchase and repair basis which ever is most appropriate. Our funding in this respect is subject to normal HAHP assessment criteria.

4. Will HCA release former English Partnership land holdings in Central Lancashire at nil costs to RSL partners?

As you know HCA is supportive of the use of its assets in pursuit of the Growth Point Agenda in Central Lancashire and you will be aware of the draft statement of intent which is currently in circulation. It is too early at this stage however to comment on how the value of these assets may be brought into play, but I am sure they will be addressed in the discussions around the single conversation with Sub Regional partnerships and the ensuing Local Investment Plans.