

**MANAGING AFFORDABLE HOUSING WITHIN THE PROPERTY PORTFOLIO
DEVELOPMENT PROGRAMME**

To: **Assets & Investment Committee**

Meeting Date: **22nd July 2016**

From: **Head of Strategic Assets**

Electoral division(s): **All**

Forward Plan ref: **N/A** *Key decision:* **No**

Purpose: **To advise the Committee on possible property management approaches where the Council, or its Development Company, intends to retain ownership of allocations for affordable housing under s.106 Agreements for housing development of Council-owned sites**

Recommendation: **That the Committee agrees that:-**

a) the Council, or its Development Company, does not become a Registered Provider of Social Housing

b) the Council, or its Development Company employs the services of a Local Housing Authority or an existing Registered Provider to provide a full management service for any Social Housing in its ownership and reviews the position after an appropriate period of operation

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1. BACKGROUND

- 1.1 As the Council's housing development programme progresses, it will bring forward sites with planning permission, which will require s.106 Agreements to be completed with the local planning authority, and which will include provisions for a proportion of the housing to be Social Housing (commonly called affordable housing)
- 1.2 Social Housing is a generic term that can be defined as low cost rental accommodation and low cost home ownership accommodation, where it is:-
 - 1.2.1 made available for rent and the rent is below the market rate, and the accommodation is made available to people whose needs are not adequately served by the commercial housing market; or
 - 1.2.2 the accommodation comprises shared ownership equity percentage or shared ownership trusts made available to people whose needs are not adequately served by the commercial housing market
- 1.3 Generally, Social Housing is either transferred by a developer to the Local Housing Authority, or to a Registered Provider of Social Housing ("RP"), who own and manage the properties. Members to date have confirmed their wish to develop and retain Social Housing within the Council's Property Development Company ("Company")
- 1.4 Social Housing is subject to the Right to Buy provisions of the Housing Acts, providing discounts of 35% and upwards after 3 years' ownership, and this has recently been extended to properties owned by RP's who are not Local Authorities
- 1.5 Although it is not mandatory for an owner of Social Housing to be formally registered, Local Planning Authorities generally require s.106 Agreements to contain provisions which require Social Housing to be managed by RP's. For example, South Cambridgeshire District Council's Special Planning Document on Affordable Housing requires an applicant to demonstrate that the Social Housing will be managed by an RP or equivalent to ensure that affordable housing is managed within the regulatory framework.
- 1.6 Where a landowner does register as a landlord of Social Housing, they are subject to regulation by the Homes and Community Agency ("HCA"), which administers the registration on behalf of the Government

2. MAIN ISSUES

- 2.1 The options for the Council or its Housing Company to manage affordable housing are therefore threefold:-
 - not to register as an RP and hold Social Housing managed from within existing resources in Strategic Assets, or the Company
 - to register as an RP and manage from within Strategic Assets or the Company
 - to employ a Local Housing Authority or an RP to manage retained Social Housing

2.2 Not registering as an RP

- 2.2.1 This would mean that the Council would run the risk of not achieving planning consents, or only being able to do so by transferring land or housing to a third party RP.

2.3 Registering as an RP

- 2.3.1 This would mean having to meet the HCA regulation objectives, which would require the Council or its Company to establish a robust set of processes and resource geared up to provide regular reporting, requiring significant investment of time and cost. The regulation objectives are as follows:-

- to ensure that registered providers of social housing are financially viable and properly managed, and perform their functions efficiently and economically
- to support the provision of social housing sufficient to meet reasonable demands (including by encouraging and promoting private investment in social housing)
- to ensure that value for money is obtained from public investment in social housing
- to ensure that an unreasonable burden is not imposed (directly or indirectly) on public funds, and to guard against the misuse of public funds
- to support the provision of social housing that is well-managed and of appropriate quality
- to ensure that actual or potential tenants of social housing have an appropriate degree of choice and protection
- to ensure that tenants of social housing have the opportunity to be involved in its management and to hold their landlords to account, and
- to encourage registered providers of social housing to contribute to the environmental, social and economic well-being of the areas in which the housing is situated

- 2.3.2 This would require specialist skills and experience of managing Social Housing tenants, right to buy and Housing Act tenancies not currently employed by the Council (i.e. housing management, lettings, rent control, service charges, anti-social behaviour management, housing property management and maintenance (response repairs and cyclical/planned maintenance), leaseholder consultation), and these would need to be recruited into Strategic Assets or the Company. The ability to recruit for a critical mass of properties to be managed would be a risk whilst the Company grows from a low base.

- 2.3.3 It might be possible to manage within resources the Company might employ for managing the Private Rented Stock ("PRS") it retains. The current intention is for the Company to employ housing management teams directly to manage Private Rented Stock, although these are seen as different skills to managing Social Housing. The same risks around recruiting for a critical mass of properties apply for managing PRS.

- 2.3.4 Registering as an RP would in theory enable the Company to apply for HCA grants, although in reality these are currently extremely limited

2.4 Employing a Local Housing Authority or an RP

- 2.4.1 This would allow the Council to manage the Social Housing stock from delivery of the first units, without having to recruit in a full range of skills or critical mass.
- 2.4.2 This would also generally meet the s.106 requirements of local planning authorities
- 2.4.3 There are a number of RP's and Housing Authorities who would be capable of providing an appropriate management service for Social Housing on a contracted basis. Market testing has not been carried out at this stage although it is understood that a proposal is shortly to be produced by the South Cambridgeshire DC Housing team. This could provide an opportunity for a collaborative agreement with South Cambridgeshire, or under the auspices of the City Deal, should this meet Council's aspirations
- 2.4.4 There would be a cost to the management service, which could be minimised either through a public:public relationship, or by a competitive procurement process.
- 2.5 The particular skills needed to manage Social Housing and its tenants would require significant time and investment to provide to a critical mass by recruitment to the Council or Company, but would be available at a cost from existing providers. Typically management costs equate to around 5-8% of rents received, which will impact further on returns already impacted by rent reductions imposed by government

3. **ALIGNMENT WITH CORPORATE PRIORITIES**

3.1 **Developing the local economy for the benefit of all**

There are no significant implications for this priority.

3.2 **Helping people live healthy and independent lives**

There are no significant implications for this priority.

3.3 **Supporting and protecting vulnerable people**

There are no significant implications for this priority.

4. **SIGNIFICANT IMPLICATIONS**

4.1 **Resource Implications**

The following bullet points set out details of significant implications identified by officers:

- The Council does not currently possess the specialist skills required to manage social Housing and its tenants

- Recruitment of the appropriate skills will take time and cost to implement
- There is a cost to employing an external resource which will impact on returns

4.2 Statutory, Risk and Legal Implications

There are no significant implications within this category.

4.3 Equality and Diversity Implications

There are no significant implications within this category.

4.4 Engagement and Consultation Implications

There are no significant implications within this category.

4.5 Localism and Local Member Involvement

There are no significant implications within this category.

4.6 Public Health Implications

There are no significant implications within this category.

Source Documents	Location
None	N/A