

## **BUSINESS SUPPORT OVERVIEW & SCRUTINY COMMITTEE**

**14 APRIL 2016**

### **HOUSING (DEMAND, SUPPLY AND AFFORDABILITY) TASK GROUP**

Report from: Richard Hicks, Director of Regeneration, Community and Culture

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#### **Summary**

This report asks Members to consider the final report of the in-depth review into the demand, supply and affordability of housing in Medway. The Committee is recommended to consider the findings and recommendations of the Task Group together with the comments from the Regeneration, Community and Culture O&S Committee on the report.

#### **1. Budget and Policy Framework**

- 1.1 Under Chapter 4 of the Constitution (Part 5 – Overview and Scrutiny Rules - paragraph 22.1 (v)), each overview and scrutiny committee has the responsibility to conduct service reviews. This Task Group covered housing strategy and services (within the remit of this Committee) and also strategic planning issues associated with housing such as the Local Plan and affordable housing targets (which fall within the scope of the Regeneration, Community and Culture O&S Committee).
- 1.2 The recommendations arising from the review are consistent with the Council's Policy Framework.

#### **2. Background**

- 2.1 In June 2011 this Committee agreed to exercise a more pro-active role than previously in prioritising the programme of in-depth scrutiny review work. This followed a Council decision that a maximum of three reviews or themed meetings can be undertaken annually across all four Overview and Scrutiny Committees in light of shrinking capacity across the organisation – representing a shift from the previous position of multiple Task Groups with no fixed timelines running at any one time.

- 2.2 In line with best practice, the Committee also decided to adopt a more systematic approach to the selection of topics with nominations submitted by each Committee, taking into account suggestions and advice from Directors and Deputy/Assistant Directors.
- 2.3 In June 2015 this Committee agreed a timetable and process for the selection of topics for the next round of in-depth scrutiny reviews and also agreed a Task Group on housing: demand, supply and affordability in Medway. The Committee agreed this Group should be the first to commence and its first meeting took place on 21 September 2015. The membership of this Group is Cllrs Wildey (Chairman), Etheridge, Freshwater, Griffiths and Saroy, drawn from this Committee and the Regeneration, Community and Culture O&S Committee.

### **3. Scope of the Review**

- 3.1 The Task Group's Terms of Reference were as follows:

*To review the demand, supply and affordability of housing in Medway in the context of the key social and economic role that housing plays, particularly for those who are struggling to access housing.*

- 3.2 To support their consideration the Task Group agreed a number of key lines of enquiry:

- Context - Housing tenure, types of housing, age of housing stock etc.
- The housing market in Medway
- Affordability and suitability of housing.
- To understand how available housing meets housing need
- Availability of finance to meet housing need
- Current methods of developing affordable housing and options for future delivery
- The appropriate target for the provision of affordable housing in the next Local Plan (taking into account the Strategic Housing Market Assessment )
- The impact on the delivery of housing (both by the Council and social housing providers) of the recent announcements in the Government's summer budget regarding affordable housing including social rent decreases
- The connection between the buy to let market and first time buyers
- Proportion of income spent on rent
- What happened to those unable to rent given that landlords were often able to be selective about who they rented to
- An understanding of how the private sector (private landlords and developers) was operating in Medway.

### **4. Methodology**

- 4.1 The Group met with mhs Homes, Hyde Housing Association, Redrow and Berkeley as well as Medway Citizen's Advice Service and a Kent representative from the National Landlords Association. As usual there were briefings from officers and desktop research was undertaken.

## 5. Conclusions and Recommendations of the Task Group

5.1 The key themes which emerged from the evidence gathering sessions the Group conducted were:

- *In terms of building more homes, a lack of money, shortage of skills and materials and issues around the speed by which homes could be built came across consistently and strongly. Furthermore, there are significant developments happening in the area (such as London Paramount) which could well mean there will be even less skilled labour available to work in Medway.*
- *It will not be possible to meet the Government's targets for building homes by relying solely on private developers*
- *Given the importance of building enough homes to meet the need for housing, there seemed to be a case for a tax on undeveloped land, with the proceeds from the tax distributed locally*
- *The need to speed up the process for archaeology and ecology studies before developments can proceed (possibly getting developers to pay up front for these services)*
- *The Council should explore with its partners the use of different construction methods to those traditionally used in the housebuilding industry, in order to help address the problems identified in terms of an insufficient supply of homes and also the skills shortage in the construction industry.*
- *Whether the Council could legally borrow money to loan to housing associations to build homes for market rent, with a commercial return for the Council. And, if so, what the effect would be on the Council's prudential borrowing.*
- *The lack of quality homes in any sector to enable people to down size and free up larger properties*
- *The serious predicament facing low paid workers who were unable to secure social housing and also unable to pay market rent.*
- *How best to forge links between Education Provider such as the University Technical College and developers (including sub contractors)*
- *Whether the Council could do more to prevent people threatened with homelessness through the use of home bonds etc. merited further investigation.*

5.2 The key conclusions of the Task Group are:

- *a recognition that the problems around the availability, affordability, and to some extent, the quality of housing are the result of a supply / demand imbalance which results in pressures felt more acutely in London and the South East than other parts of the country. Whilst the Council will no doubt wish to continue to play its part in addressing these issues, along with other local authorities in the region, the Task Group acknowledge that the Council cannot hope to solve these issues on its own, and;*
- *an endorsement by the Task Group of the Strategic Housing and Economic Needs Assessment and the implications this has for new housing numbers and spatial impact as the Council develops its Local Plan.*
- *a failure to address the issues around the supply, demand and affordability of housing will mean:*

- *house prices will continue to rise in the long-term;*
- *housing will become more expensive as a percentage of income;*
- *first time buyers will find it increasingly difficult to get on the housing ladder*
- *the likely growth of the private rented sector will continue together with an upward pressure on rental prices and a higher housing benefit bill and increased demand on temporary accommodation. The Group would suggest that Cabinet should recognise this likelihood and put in place measures to make the Council's situation more resilient and find more cost effective ways of meeting demand*
- *more people being housed in hostels and bedsit accommodation or houses in multiple accommodation (HMOs).*
- *employers will find it difficult to recruit workers, particularly for vacancies on lower wages with a knock on impact on economic performance.*
- *a growth in wealth inequality*

5.3 The Task Group's recommendations are set out below:

1. ***Given the importance of building enough homes to meet the increasing need for housing, Cabinet is asked to lobby the Government to introduce measures to encourage developers and land owners to develop sites for housing which have the benefit of planning permission or are allocated for housing development, within the relevant timeframe, in the Development Plan or Neighbourhood Plan.***
2. ***In relation to sites identified in recommendation 1 above, Cabinet is requested to ask the Government to consider introducing a national scheme for a local tax on undeveloped (land banked) land in order to:***
  - ***incentivise developers and/or landowners not to sit on sites they have acquired and have either planning permission or are allocated for housing development, within the relevant timeframe, in the Development Plan or Neighbourhood Plan, and;***
  - ***to build out more quickly where planning permission has been given.***
3. ***The Director of Regeneration, Community and Culture is asked to agree that developers be offered at the pre-application stage, as a matter of course, the opportunity to commission services needed before development on sites can commence, for instance archaeology, ecology and contamination studies in order to allow schemes to start on site without further delay.***
4. ***Cabinet is asked to work with partners to identify suitable funding sources and opportunities in order to develop additional homes, including securing external funding to help meet the costs involved in getting sites ready for development.***
5. ***Cabinet is requested to ask Council officers to identify opportunities to improve working relationships with developers (including sub***

**contractors) in order to improve the supply of skilled labour to the industry and, further, to identify achievable targets to help alleviate the shortages in the industry, including working with local education, skills and training providers, such as the Medway University Technical College and Mid Kent College.**

- 6. Cabinet is asked to review the scope to extend the use of home bonds to help tenants find alternative accommodation and work with the private rented sector to encourage landlords to let properties to residents in housing need and to those in receipt of Housing Benefit.**
- 7. In order to free up much needed social housing, Cabinet is asked to review, in relation to its housing stock, the incentives that are available to residents aimed at encouraging them to move into more suitable forms of affordable housing.**
- 8. Cabinet and its partners are asked to explore the use of more innovative construction methods and forms of housing in order to increase the supply of homes.**
- 9. The Director of Regeneration, Community and Culture is asked to continue to promote shared ownership products and similar available products that will support home ownership in Medway.**
- 10. Given that 50% of supply is now concentrated in the eight largest private housebuilders, Cabinet is asked, with the aim of helping increase the supply and type of housing available, to:**
  - a) identify and assist with overcoming the barriers for small and medium-sized enterprises (SME) builders entering the market in Medway and**
  - b) consider what the Council can do to encourage SME builders to enter and remain in the market in Medway.**
- 11. Cabinet is asked to ensure that there are appropriate resources in place to ensure that tenants in the private rented sector have sufficient protection with regard to minimum standards of accommodation, repair and good management.**
- 12. Subject to this being financially viable, Cabinet is asked to consider the potential of options to generate extra finance, for example prudentially borrowing and use the funds to build and operate housing across all tenures either by working in partnership with a local housing provider or by alternative means.**
- 13. Recognising that the Council, as a regeneration authority, will wish to continue to use its best endeavours to meet its objectively assessed housing needs, Cabinet is recommended to make representations to the Government that the Council should not be penalised as a result of developers failing to deliver housing, particularly where planning permission has been granted.**

## 6. Comments from the Regeneration, Community and Culture O&S Committee

- 6.1 The Regeneration, Community and Culture O&S Committee considered the report at its meeting held on 29 March 2016 and Members' comments are set out below.

### **Discussion:**

The Director, Regeneration, Community and Culture introduced this report which asked Members to consider the final report of the in-depth review into the demand, supply and affordability of housing in Medway. The Committee was recommended to consider the findings and recommendations of the Task Group and forward any comments to the Business Support Overview and Scrutiny Committee. The Director thanked the Members of the Task Group for the report and the positive way the Group had worked on a cross party basis to deliver recommendations which would have a significant impact on communities in Medway. The issues the Task Group had raised showed that the housing problems in Medway were also very much a feature in the region and nationally.

A Member of the Task Group commended the report and the recommendations to the Committee and noted the positive, collegiate way in which the Group had worked in analysing the issues and evidence and formulating workable recommendations, which had been agreed unanimously by the Task Group. He thanked his fellow Task Group Members, the witnesses who had given up their time to speak to the Task Group and the support provided from the officers involved.

The Chairman of the Task Group was invited to speak and also commended the report to the Committee and thanked the Members and officers involved.

Members welcomed the report and made the following comments:

*Recommendation 2* - In response to a question about the likelihood of the Government agreeing to a local tax on undeveloped (land banked) land, officers advised that it was not possible to say at this point whether this proposal would be accepted by the Government.

*Recommendation 3* - Officers clarified that effectively the Task Group were recommending that the ability for developers to commission services such as ecology studies at the pre-application stage in order to allow schemes to start on site without further delay should happen more often given its effectiveness when it had been used to date.

*Recommendation 6* - A Member asked how the reluctance of some landlords to accept Home bonds could be overcome and queried why the Task Group had not spoken to a lettings agency. Officers replied that Home bonds worked for some people and the intention was to review the scheme. One possibility was to combine training for tenants in personal finance etc. with the scheme. The Group had met with the National Landlords Association whose membership included both lettings agents

and landlords.

A Member asked to what extent the Group had spoken to the voluntary sector. In reply, a Member commented that the Group had spoken to Citizens Advice Medway and had also invited Shelter but had been unable to secure a representative.

Referring to the private rental sector, a Member asked whether the Council was looking at mechanisms to maintain the quality of homes in the sector including improving the exterior of properties where necessary. Whether selective licensing would be introduced was also queried. Officers replied that the Council had previously looked at selective licensing for Houses in Multiple Occupation (HMOs), which were much more prevalent in other areas compared to Medway. Those larger properties which were HMOs but did not need to be licensed were risk assessed and inspected. At present it was not felt that selective licensing would add anything to the measures currently employed by the Council. There were proposals about further regulation and licencing in respect of private sector accommodation in the Housing and Planning Bill which officers would be monitoring. The standards the Council enforced against in the private rented sector were set down in legislation and related to the impact of accommodation on a person's health. The aesthetic appearance of a property was not a matter for the Council under its housing powers and a property which looked poorly maintained from the exterior did not necessarily mean that the interior standards were below the acceptable levels set down. Recommendation 11 recognised the importance of these issues.

A Member referred to the issue of the affordability of starter homes and asked if the Council was proposing to increase the density of these in urban areas. Officers responded that starter homes would be dealt with as part of the Local Plan and starter homes would be required in all significant developments, including in rural areas. In addition, the Council was looking to increase the density of starter homes, where appropriate, through the Local Plan.

A Member noted the suggestion from the Group that a briefing for Members on the Housing and Planning Bill be arranged and asked if this could be arranged.

A Member asked if there were any plans for a register of rogue landlords. Officers responded that the Housing and Planning Bill proposed such a register and officers would monitor its progression and bring forward proposals as required.

**Decision:**

The Committee agreed to:

- a) endorse the report from the Housing Task Group and commend it the Business Support O&S Committee for approval
- b) ask that a briefing for Members on the Housing and Planning Bill be arranged

## **7. Risk Management**

- 7.1 There are no risks arising from the report. However, adoption by Cabinet of the recommendations would lead to various options being explored and, at that point, any risks would need to be assessed.

## **8. Financial implications**

- 8.1 Any service improvements as a result of the recommendations of this report will need to be delivered from within existing budgets.
- 8.2 The work of the Task Group was supported by Democratic Services and lead advisers from the housing and planning teams in the Regeneration, Community and Culture Directorate.
- 8.3 There is a small budget held by Democratic Services to meet the costs of any visits, stakeholder events or expenses incurred by expert witness associated with the review. On this occasion no costs were incurred for this review.
- 8.4 Task Groups are advised to formulate recommendations in the context of the prevailing financial climate.

## **9. Legal implications**

- 9.1 There are no other legal implications arising from the recommendations. However, officers will need to consider the legal implications of some recommendations as the proposals are developed.

## **10 Equality**

- 10.1 A Diversity Impact assessment is included with the report from the Task Group review.

## **11. Recommendation**

- 11.1 The Committee are asked to:
- (a) consider the report from the Housing Task Group set out at Appendix A together with the comments from the Regeneration, Community and Culture O&S Committee and
  - (a) approve the report and refer it for consideration to Cabinet on 10 May and also, in respect of recommendations 3 and 9, the Director of Regeneration, Culture, Environment and Transformation

## **Appendices**

Appendix A – Draft report from the Housing Task Group

### **Background Papers:**

The background papers relied on in producing the report from the Task Group are set out in Appendix 2 to the report.