

## CABINET

19 FEBRUARY 2021

### REFERENCE REPORT FROM THE RESOURCES AND SERVICES OVERVIEW & SCRUTINY COMMITTEE

#### A.3 SCRUTINY OF HOUSING MATTERS

(Report prepared by Keith Durran)

##### **BACKGROUND**

The Resources and Services Overview & Scrutiny Committee, at its meeting held on 1 February 2021 received a report in response to the enquiry scope set out in the Committee's Work Programme. Discussion of this item had been framed by the previous item where the Essex County Council's Head of Housing Growth had provided a position statement on the development of that Council's Housing Strategy.

In respect of this item, the Committee heard how the housing acquisition strategy had been adopted by Cabinet in October 2020 and which set out a framework around which the council owned housing stock would be increased to achieve a target of 200 additional homes.

Members of the Committee were informed that, when added to the housing stock held within the Council's Housing Revenue Account (HRA), the impacts of right to buy had to be taken into consideration and factored into the financial planning.

The total discount figure was essentially the financial loss to the HRA compared to the market value of the properties sold. Sales had peaked in 2017/18 and had now returned to a lower level. The addition of newer and more desirable properties to our housing stock could have led to an increase in sales.

The current maximum discount was £84,200 or £112,300 if you lived in London.

Houses: Discounts started at 35% when you have been a public sector tenant for three years and the discount remained at 35% until five years spent as a public sector tenant. After year five, the discount went up by 1% for every year up until a maximum of 70% or £84,200 across England (excluding London) whichever was the lower.

Flats: Discounts started at 50% for three years as a public sector tenant and remained at 50% until five years spent as a public tenant. After year five, the discount went up by 2% for every year until a maximum of 70% or £84,200

##### Cost floor rule

Discounts could be reduced by the 'cost floor' rule. That may apply if the property had recently been purchased or built by a landlord or they had spent money on

repairing or maintaining it. Discount could be reduced to nil if the cost floor was more than the value.

It was reported to the Committee that the cost floor period for council properties was either a 10 year period prior to receipt of the RTB application form or 15 years if the home was built or acquired by the Council after 2 April 2012.

That meant that a house bought through right to buy after year 15 could subject the HRA to a loss of over £80k.

Extending the cost floor to 30 years would alleviate that risk and put the Council onto a much lower risk position. Officers had discussed that with civil servants however it required a change of Government policy and legislation so at this time all decisions around acquisitions and development had to be taken on the basis of the current 15 year cost floor.

The Committee welcomed the Portfolio for Housing and the Assistant Director for Housing and the Environment to the meeting and they were asked questions including on:

- The use of the 21 years lower limit for acquisitions of properties within the Housing Acquisitions Policy.
- The demand for, and supply of, affordable housing referenced in the Housing Acquisitions Policy.
- The level of Council housing that was unoccupied (“voids”) and the time between those properties being tenanted.
- The recently outsourced contract to prepare properties vacated by one tenant ready for the property to be tenanted again.
- The extent to which those on the housing waiting list were likely to be offered housing.
- The small housebuilding project that the Council was a pilot in.
- The accounting for housing acquisitions and improvements to transparency in the HRA around this.
- The use of section 106 Planning monies/gifted properties to acquire Council Housing.

At the conclusion of the meeting the Portfolio for Housing and the Assistant Director for Housing and the Environment were thanked for their attendance and for answering the questions the Committee Members had.

#### **COMMITTEE RECOMMENDATION(S) AND/OR COMMENT(S) TO CABINET**

During the consideration of this matter it was **RECOMMENDED** to **CABINET** that:

- the quarterly Housing Revenue Account monitoring report (and the Out-turn HRA report) should include specific detail on the spend and funding for housing acquisitions to that point in the year and comparable data from previous years.

- the Small Housebuilding Scheme Pilot the Council was participating in continue to be given the full support of the Council as a tangible measure to getting local construction firms back working at capacity and helping to provide good quality homes for local people.
- representations be made, or continue to be made, to Government to adjust the Cost Floor Period for new Council Housing from 15 years to 30 years and thereby mitigate the risks to Council Housing supply from the “Right to Buy” and consequently positively contribute to the (re-) provision of Council Housing as an element of a vibrant mixed economy in housing.

## **PORTFOLIO HOLDER’S COMMENT(S) AND RECOMMENDATION(S) TO CABINET**

### **Portfolio Holder Comment(s)**

The comments of the Housing Portfolio Holder are as follows:-

*“It is great to have the Committee’s support for our SME builder project, something that I am optimistic will enable us to deliver some new council homes – contributing to our 200 home target - whilst at the same time supporting local firms. There is also a strong alignment to the Council’s Back to Business initiative.*

*Quarterly reporting on our spending on housing acquisitions is something that I support and I am told this can be incorporated into the existing reporting process relatively easily.*

*The Right to Buy does present a risk to any house building or acquisition programme. With careful budgeting the risk can be minimised but an extension of the cost floor to 30 years would prove to be enormously helpful. I therefore welcome the support for making further representations to Government in that respect.”*

### **Recommendation(s) to Cabinet**

That the recommendations of the Resources and Services Overview and Scrutiny Committee be noted and the comments of the Housing Portfolio Holder, in response thereto, be endorsed.