



Scrutiny Committee
9 February 2016

**Report from the Chief Executive's
Department**

For action

All wards

**Proposed Scope for Scrutiny Task Group on Housing
Associations in Brent**

1.0 Summary

1.1 This report sets out the proposed scope for the Scrutiny task group on Housing Associations in Brent. This task group was initially prompted by the departure of Genesis Housing Association from the arena of providing for social and affordable rent, ostensibly as a result of policy changes contained in the 2015 Budget and associated legislation.

1.2 The task group will seek to examine the fast changing demographic, social and legislative environment that housing associations find themselves in, their planned responses, and the particular implications this will have for residents and policy makers in Brent.

1.3 The purpose of the task group will be to focus on analysing seven key areas:

1. Government policy, legislation, and loopholes
2. Brent's current response
3. Impact on affordable and social housing
4. Impact on quality of service and resident experience and accountability
5. Demographic analysis
6. The strategic roles of housing associations in the sector locally, and how Brent can respond.
7. Effect on Brent's policy environment

The format for the task groups work should consist of three sessions of oral evidence by invitation, and be open to short written submissions from local stakeholders according to set structure laid out by the task group.

Invitees will include:

- Housing associations operating locally,
- Brent Housing Partnership,
- Senior council officers and the cabinet member for housing and development; and
- Local third sector partners as deemed appropriate by the task group.

The panel will consist of four elected members including the chair, and two external appointees.

1.4 The task group will review a number of concerns in the changing housing landscape; which it will seek to look at in the context of Brent, these are:

- Viable methods for the council to engage with Housing Associations and the local community; with a view to improve partnerships and accountability to residents and councillors.
- Options for supporting Housing Associations to remain viable providers of local affordable and socially rented homes
- Means to ensure that the impact of adverse changes do not unduly target vulnerable or minority groups.
- Possible solutions for the Housing Associations, the Council and the local community work to ensure good quality, efficient repairs etc.
- Identify the priorities for policy making
- Determine how the council uses the task group's findings to improve future work.

1.5 As part of 'Our Vision' the council envisaged services and citizens working together. This means everyone – the council, its public service partners in the NHS, the police and fire service, housing associations, local businesses, voluntary organisations – working together collaboratively towards our common goals.

1.6 The borough plan also states that we need more homes to be built and to be affordable so that we can house our growing population, and we need to make sure that all housing is of a decent standard. This will require close and constructive working partnerships between the council, housing associations, private landlords and developers. The work of the task group will build and support partnership working with these partner groups.

2.0 Recommendation

2.1 Members of the Scrutiny Committee are recommended to agree the scope, terms of reference and time scale for the task group on Housing Associations in Brent, attached as Appendix A and B. Please note that the membership of this task group is still to be confirmed.

3.0 Detail

3.1 The Genesis Housing Association is large and influential with a 33,000 home portfolio, and its exit from the market could have profound effects which we may see repeated elsewhere. The stability of the housing association form in providing high quality social and affordable tenancies may come into question, particularly with the Right to Buy having been extended in an altered form into the sector.

3.2 Within the longer term context of a housing market in which supply is not keeping up pace with demand, particularly in the area of affordable family accommodation, the pressures

acting on housing associations and how they respond had already been an issue worthy of examination for some time.

- 3.3 It is necessary for the public and policy makers in Brent to have an understanding of the effect that combined pressures are likely to have on Housing Associations of different sizes and their strategies for general provision as well as long term sustainability. The task group will seek recommendations to help us assist Housing Associations in delivering their obligations, and to mitigate any potential negative effects resulting from demographic and social trends, or government policy. The proposed scope and terms of reference for this work is attached as Appendix A and B.

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Appendix A

Housings Associations in Brent Proposed scope for Scrutiny Task Group February 2016

Task Group Chair: Cllr Tom Miller

Task Group Members: Cllr J Mitchell-Murray, Cllr Long, *Cllr Duffy, Cllr Perrin, Mr Robin Sivapalan*, Ms Jackie Peacock

Panellists: Cllr Arshad Mahmood, Cllr Collier

Time frame: The Task Group will begin in February/March 2016 and report in late April or early June.

1. What are we looking at?

The task group will seek to examine the fast changing demographic, social and legislative environment that housing associations find themselves in, their planned responses, and the particular implications this will have for residents and policy makers in Brent.

2. Why are we looking at this area?

This task group was initially prompted by the departure of Genesis Housing Association from the arena of providing for social and affordable rent, ostensibly as a result of policy changes contained in the 2015 Budget and associated legislation. The Housing Association is large and influential with a 33,000 home portfolio, and its exit from the market could have profound effects which we may see repeated elsewhere. The stability of the housing association form in providing high quality social and affordable tenancies may come into question, particularly with the Right To Buy having been extended in an altered form into the sector.

Within the longer term context of a housing market in which supply is not keeping up pace with demand, particularly in the area of affordable family accommodation, the pressures acting on housing associations and how they respond had already been an issue worthy of examination for some time.

It is necessary for the public and policy makers in Brent to have an understanding of the effect that combined pressures are likely to have on Housing Associations of different sizes and their strategies for general provision as well as long term sustainability. The task group will seek recommendations to help us assist Housing Associations in delivering their obligations, and to mitigate any potential negative effects resulting from demographic and social trends, or government policy.

Local Context

Housing Need and Housing Supply in Brent

Brent's population has grown significantly, with a marked increase in average family size and the numbers of children. Demand for homes is rising in consequence, accompanied by

rising rents and prices, with demand for larger homes in particular above the London norm.

There has also been significant change to the tenure pattern in London as a whole and in Brent in particular. Owner occupation has declined while the private rented sector grew from just over 17% of the stock in 2001 to 28.8% by the 2011 Census and around 33% now, making it a larger source of supply than the social sector. The proportion of social housing has remained broadly unchanged and the majority (around 16,000 homes) is owned and managed by housing associations, while the council owns just fewer than 9,000 rented and 3,000 leasehold homes, managed by Brent Housing Partnership (BHP).

Homelessness demand is being driven by a lack of access to affordable housing and the supply of accessible and affordable (within the limits of the Local Housing Allowance - LHA) accommodation in the private rented sector has been affected by welfare reform, specifically the changes to the LHA and the introduction of the Overall Benefit Cap (OBC). Further proposed reductions in the OBC and the freezing of LHA rates are likely to worsen the position. In particular, there has been a 300% increase in the number of households accepted as homeless following eviction from the private rented sector, with this group accounting for 55% of all homelessness acceptances.

At the end of March 2015 there were a total of 3,161 households living in temporary accommodation, the largest number of households in temporary accommodation in England and Wales. With regard to the Housing Needs Register, there are currently 4,358 households in the Priority bands A to C, which provides one indicator of unmet need. Including households in band D would give a level of unmet demand for social housing within the Borough of 16,566 households. Of the 4,358 households in 'active' bands on Brent's housing register, 20% are in Bands A or B and 80% are in Band C. Homeless households in Bands A to C make up 80% of the register. In 2015/16 there will be a projected 589 lettings into social housing (council and housing association) which will meet around 14% of the current total demand from Bands A to C.

While this provides a snapshot of immediate demand for affordable housing, the council has recently undertaken a Strategic Housing Market Assessment, looking at the longer term position. Although the report has yet to be finalised and agreed, the provisional findings are unlikely to change. These indicate that, the Full Objective Assessed Need for Housing in Brent is 47,500 dwellings over the 26-year Plan period 2011-37, equivalent to an average of 1,826 dwellings per year. This includes the Objectively Assessed Need for Affordable Housing of 21,707 dwellings over the same period, equivalent to an average of 835 dwellings per year.

As noted above, housing associations are the major providers of affordable rented housing and low cost home ownership (LCHO). Although around fifty organisations own stock in the borough, many of these are very small or specialist providers and the overwhelming majority of stock is owned by the following bodies (BHP is included here as it has Registered Provider Status – see below):

- A2Dominion Housing Group
- LHA Asra
- Catalyst Housing Group
- Family Mosaic

- Genesis Housing Group
- Hyde Group
- London and Quadrant
- Metropolitan Housing Partnership
- Network Housing Group
- Notting Hill Housing Group
- Octavia Housing & Care
- Brent Housing Partnership (ALMO)

The main source of funding for new affordable housing is the Affordable Rent Programme, managed nationally by the Homes and Communities Agency and in London by the Mayor, with the current programme running from 2015-18. To qualify for grant, organisations must secure Private Registered Provider Status; the term Registered Provider is often used interchangeably with housing association, although there are technical differences between the two. This report refers to housing associations for simplicity.

Under the coalition government, changes to the subsidy arrangements for the programme led to the introduction of the Affordable Rent product, which is now the principal affordable option funded by the Mayor. To balance a reduction in subsidy, Affordable Rent homes can be let at up to 80 per cent of local market rents, although average actual rent levels in the current programme are below that maximum, with subsidy skewed towards larger homes. In London, the Mayor has introduced two variants of Affordable Rent: Capped and Discounted Rents, with rent levels respectively ranging from 50% to 80% of market rates. The other main mechanism to deliver affordable housing in recent years has been the use of S106 agreements, requiring provision of a proportion of affordable homes through the planning process.

Delivering new supply across all tenures is a central aim for housing and planning policy locally. The Core Strategy projects development of at least 22,000 homes between 2007 and 2026 of which 11,000 (50%) will be affordable housing. Much of this development will be in the five Growth Areas identified in the Core Strategy and the Regeneration Strategy (Wembley, Alperton, Burnt Oak/Colindale, Church End and South Kilburn) and in the two Housing Zones (Wembley and Alperton)

The Housing Strategy (2014-19) anticipated that the main source of new affordable housing would be the Mayor's Housing Covenant Programme and set the following priorities, which were agreed with the GLA through a Local Framework Agreement:

- Social housing for rent that is affordable within the Overall Benefit Cap, which will require the provision of larger properties as Capped Rent homes with rent levels up to 50% of market rents and close to target rent levels.
- Discounted Rent housing, typically one and two bed properties, affordable to those claiming Housing Benefit, with rents pegged to LHA levels, including as part of mixed market rented developments.
- A range of low-cost home ownership products that can be accessed by those on middle incomes.

In addition to grant support, funding would come from cross-subsidy arising from private sale development in mixed-tenure schemes and from selective disposals of high-value

affordable housing units in order to release resources for investment.

Alongside development by housing associations, the strategy set a target for the council to provide a minimum of 700 new affordable homes by 2019 (and 1,000 new homes by 2021/2), using HRA borrowing under the debt cap. Usable capital receipts arising from Right-to-Buy sales and from disposal of high-value and poorly-performing units, and from selective disposals to rebalance the stock towards larger units would also be ring-fenced and re-invested in new homes

Impact of Current Policy Direction

The programme set out in the Housing Strategy was predicted on the legal and policy position prevailing at the time and the priorities of the council and partner housing associations. Since then, the policy landscape has altered significantly and the following section highlights the key changes. Again, it is important to stress that there are still many areas of uncertainty that will only be resolved as further detail emerges from government. Similarly, local authorities and housing associations are also considering their positions and most have yet to make final decisions on their future plans. There have been some well-publicised early reactions, including suggestions that some housing associations may shift their focus to a more commercial approach and, at the extreme, move out of social housing altogether. The reality is that a much more mixed and nuanced response is likely and that the true position will only emerge gradually; although it is clear that, whatever stance individual providers adopt, the overall policy shift, backed by legislation, will force a realignment of activity.

National Context

There are 4.1 Million homes for social rent in the UK. 2.2 Million of these are provided by local authorities, but 1.9 Million are provided by other social landlords including Housing Associations. 43% of these are single person households, with 32% with two residents or more. Residents tend to have an employment rate not much below average, and are older than the average householder. The median social rent property in England is £82 per week, while the “affordable” rent median is £112. In London, the average social rent per week is £108, but £177 for an “affordable” property. The biggest disparity between rents is for two-bedroom properties, at an average of £103 per week for local authority homes in London, but £183 for an identical property under “affordable” rent.

Recent legislative changes and proposed changes include the ending of ‘life tenure’ in social housing and the right to buy for Housing Association owned properties. They also include an obligation for Councils to sell of their most valuable housing stock. This means that citizens seeking housing for social rents are subject to a range of new pressures mediated by housing associations, ALMOs, and local councils; in short, providers.

A lack of supply of social and affordable housing (alongside a lack of housing more generally) is leading to rocketing rents within London and the South East, as well as large increases in freehold value. A natural consequence of this is an increase in generalised housing need.

3. Legislation and Government Policy

The Government plans to legislate and extend the Right to Buy to housing associations and in its 2015 Budget announcement it told social landlords to reduce rents by 1% annually from next April, reversing a two-year old instruction to increase rents by 1% above inflation for ten years. These policies could make it more difficult for housing association to raise development finance for affordable housing.

On the 'pay to stay' measures for social housing, the Budget papers state: The government believes that those on higher incomes should not be subsidised through social rents. Therefore, social housing tenants with household incomes of £40,000 and above in London, and £30,000 and above in the rest of England, will be required to 'Pay to Stay', by paying a market or near market rent for their accommodation.

This will ensure they pay a fair level of rent, or make way for those whose need is greater. Housing associations will be able to use the rent subsidy that they recover to reinvest in new housing. This could raise hundreds of millions of pounds in additional rental income for housing associations. The government will consult and set out the detail of this reform in due course.

4. What are the main issues?

- The 2014-19 Housing strategy is outdated due to the significant shift in the housing policy landscape.
- The potential impact of Housing Associations leaving Brent's social and affordable rented housing sector.
- How rising rents and 'Pay to stay' will impact on social renters.

5. What should the review cover?

The review will focus on the following areas:

- Government policy, legislation, and loopholes
- Brent's current response
- Impact on affordable and social housing
- Impact on quality of service and resident experience and accountability
- Demographic analysis
- The strategic roles of housing associations in the sector locally, and how Brent can respond.
- Effect on Brent's policy environment

6. How do we engage with the community and our internal and external partners?

As part of this review the task group will invite relevant partners to get involved; via one of the three sessions of oral evidence. Alternatively the task group will accept short written

submissions from local stakeholders according to set structure laid out by the group.

- Housing associations operating locally,
- Brent Housing Partnership,
- senior council officers and the cabinet member for housing and development, and
- Local third sector partners as deemed appropriate by the task group.

7. What could the review achieve?

The review is expected to deliver a number of outcomes as listed below:

- Viable methods for the council to engage with Housing Associations and the local community; with a view to improve partnerships and accountability to residents and councillors.
- Options for supporting Housing Associations to remain viable providers of local affordable and socially rented homes
- Means to ensure that the impact of adverse changes do not unduly target vulnerable or minority groups.
- Possible solutions for the Housing Associations, the Council and the local community work to ensure good quality, efficient repairs etc.
- Identify the priorities for policy making
- Determine how the council uses the task group's findings to improve future work.

Appendix B

HOUSING ASSOCIATIONS IN BRENT MEMBERS TASK GROUP TERMS OF REFERENCE

A. CONTEXT

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B. PURPOSE OF GROUP

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A Council Members' task group chaired by an elected member and coordinated by a council Scrutiny officer was set up in February 2016. Sponsored by the Scrutiny Committee, the aim of task group is to collate, review and evaluate evidence gathered from various sources. The format for the task groups work should consist of three sessions of oral evidence by invitation, and be open to short written submissions from local stakeholders according to set structure laid out by the task group.

Invitees will include:

- Housing associations operating locally,
- Brent Housing Partnership,

- Senior council officers and the cabinet member for housing and development; and
- Local third sector partners as deemed appropriate by the task group.

The panel will consist of four elected members including the chair, and two external appointees.

C. AIM & OBJECTIVES

The task group will seek to examine the fast changing demographic, social and legislative environment that housing associations find themselves in, their planned responses, and the particular implications this will have for residents and policy makers in Brent.

- **Aims**

The aims of the task group form three main themes

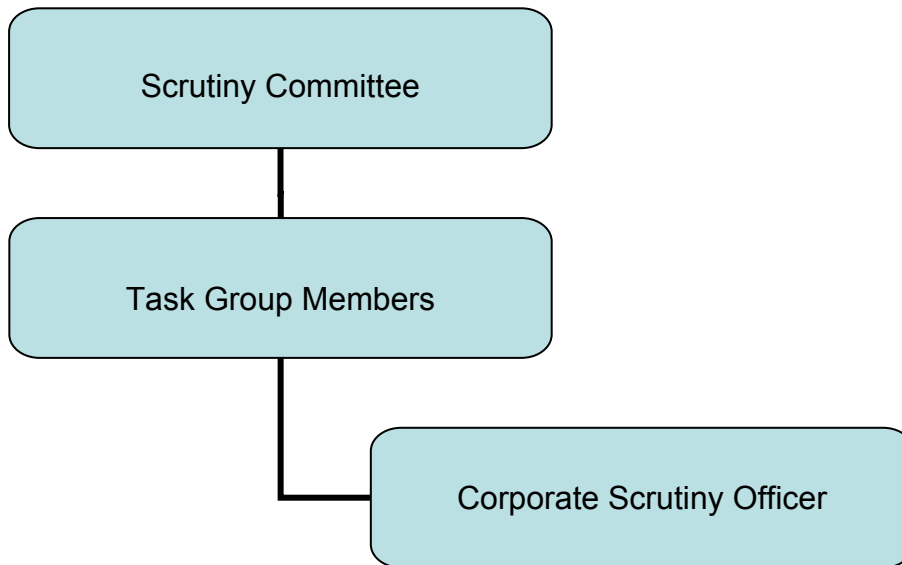
- To explore how legal and sector developments will affect Brent's provision for housing at affordable and social rent
- To understand the current context for customer services and how the changing business environment for providers will affect this
- To identify areas where adaptation is required, efficiencies can be made, more effective and impactful working can be introduced, and how policy can encourage this.

- **Objectives**

The review is expected to deliver a number of outcomes as listed below:

- Viable methods for the council to engage with Housing Associations and the local community; with a view to improve partnerships and accountability to residents and councillors.
- Options for supporting Housing Associations to remain viable providers of local affordable and socially rented homes.
- Means to ensure that the impact of adverse changes do not unduly target vulnerable or minority groups.
- Possible solutions for the Housing Associations, the council and the local community work to ensure good quality, efficient repairs etc.
- Identify the priorities for policy making.
- Determine how the council uses the task group's findings to improve future work.

D. GOVERNANCE & ACCOUNTABILITY



E. MEMBERSHIP

1. Cllr Tom Miller (Chair)
2. Cllr J Mitchell-Murray
3. Cllr Long
4. Cllr Duffy
5. Cllr Perrin
6. Mr Robin Sivapalan
7. Ms Jackie Peacock

Panellists:

1. Cllr Arshad Mahmood
2. Cllr Collier

Kisi Smith-Charlemagne – Scrutiny Officer

Other key stakeholders would be invited as appropriate.

F. QUORUM & FREQUENCY OF MEETINGS

There should be at least 2 members present at each meeting. A minimum would be the Chair, and another member of the task group. The task group will meet twice per month or approximately every two weeks with sub meetings held between the chair and the Scrutiny Officer as required.

G. DATE OF REVIEW

Start: February/March 2016

End: Scheduled for presentation to the Scrutiny Committee on 26 April 2016.