

ANGUS COUNCIL

NEIGHBOURHOOD SERVICES COMMITTEE – 8 OCTOBER 2009

SCOTTISH GOVERNMENT NATIONAL HOUSING TRUST PROPOSALS

REPORT BY DIRECTOR OF NEIGHBOURHOOD SERVICES

<p>ABSTRACT: This report briefs Members on the Scottish Government's snap consultation on the National Housing Trust proposals and Angus Council's initial response</p>
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1. RECOMMENDATION

1.1 It is recommended that Members:

- i. Discuss the proposals
- ii. Note the growing trend for local authority borrowing powers to be seen as a national funding source
- iii. Homologate the Director of Neighbourhood Services comments set out in appendix 1
- iv. Agree that the Director of Neighbourhood Services monitors the situation and reports back to Committee as necessary

2. BACKGROUND

2.1 Members have previously been briefed on the emerging Scottish Government thoughts on accessing additional investment sources for affordable housing in Scotland. In the discussions on, and response to, the Housing Bill consultation Members expressed caution and concern on the policy direction of using Housing Revenue Account resources as a substitute to current but declining central Government housing investment.

3. CONSULTATION

3.1 This snap consultation was received by the Director on 25th August 2009 with a need for responses by the 28th August 2009. This pressing time scale, whilst unusual, is not uncommon and prevented the usual expansive consultation route.

3.2 The full briefing paper has been placed in the Member's lounge but headlines are set out below.

3.3 The discussions appears to form part of a wider set of discussions between COSLA and the Scottish Government under the overall banner of the Scottish Futures Trust. Briefly, the NHT would buy-up un-sold or un-saleable properties from private developers, and rent them out to low/moderate income households at a "mid-market rent". Resources could also be directed towards sites which have not been progressed to completion. Properties acquired would be let on Short Assured Tenancies, and would be disposed of by the NHT after 5 to 10 years. Funding for the NHT's activities would come from local authority borrowing, and local authorities would be refunded when properties were subsequently sold off. No funding would be provided by Scottish Government.

4. COMMENTS IN RESPONSE

4.1 Angus Council's full response is attached at Appendix 1. Angus Council is not closed to the possibility of new ways of working or of levering in additional finance for housing investment. However as made clear in the response it is doubtful whether or not the proposals as set out would

fit with Angus Council's desire to remain prudent in its use of capital resources and maintain affordable rents, or more importantly, in general, affordable within an Angus context, notwithstanding the issue that a local authority cannot let properties under a short assured tenancy.

5. FINANCIAL IMPLICATIONS

- 5.1 There are no financial implications for the Council arising directly from the recommendations in this report.

6. HUMAN RIGHTS IMPLICATIONS

- 6.1 All implications, have been considered in preparation of this report. The recommendations are considered to be proportionate.

7. CONSULTATION

- 7.1 The Chief Executive, the Director of Corporate Services, Director of Social Work and Health the Head of Finance and the Head of Law and Administration have been consulted in the preparation of this report.

8. EQUALITIES IMPLICATIONS

- 8.1 The issues contained in this Report fall within an approved category that has been confirmed as exempt from an equalities perspective.

9. CONCLUSION

- 9.1 Whilst this particular approach to consultation is unusual, the opportunity to comment is welcomed. This approach may not have immediate or widespread application within Angus, and it is not thought it would be prescriptive in any case, but Members should be aware that the fact this is being discussed is important in itself and perhaps provides indications of further discussions which may have more interest in the Angus context.

**RON ASHTON
DIRECTOR OF NEIGHBOURHOOD SERVICES**

NOTE: No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to a material extent in preparing the above Report.

Hsg/NS/AMcK/MK

Appendix 1 – Director’s Response

Thank-you for the opportunity to comment on Scottish Government’s proposals to establish a National Housing Trust (NHT). Briefly, it is our understanding that the NHT would buy-up un-sold or un-saleable properties from private developers, and rent them out to low/moderate income households at a “mid-market rent”. Resources could also be directed towards sites which have not been progressed to completion.

Properties acquired would be let on Short Assured Tenancies, and would be disposed-of by the NHT after 5 to 10 years. Funding for the NHT’s activities would come from local authority borrowing, and local authorities would be refunded when properties were subsequently sold-off. No funding would be provided by Scottish Government.

It is Angus Council’s view that the proposal to establish an NHT undoubtedly has some potential to assist private developers in selling stock and completing sites, and would also widen the range of housing options available to low/moderate income households where projects were progressed. However, there are a number of points of concern re the proposals to establish an NHT, some of which may be a result of the speed with which the proposals have had to be developed.

Firstly, will the NHT be able to access the right housing stock in the right locations? If developers have been unable to sell completed properties, or generate sufficient interest to progress development of a site, this suggests that even when issues re mortgage availability are taken into account, the size and type of properties provided/proposed may not be entirely appropriate to local needs. In addition to this, not all private developers may be willing, or financially able, to accept the 50% of discounted market value which the NHT is likely to offer for each property. A small number of developments have been identified in Angus where the NHT proposal might be applicable.

Angus Council has made clear its commitment to investing in high-quality affordable housing on a number of occasions in recent years. As such, the Council would be reluctant to borrow money which will then be used to fund the acquisition of properties from private developers which may not meet all of the quality standards applied to new RSL development, and may not be located in the areas of highest housing need. In addition to this, under the current proposals the NHT is unlikely to create a long-term asset in terms of meeting housing need, as properties will be sold-off after 5 to 10 years. It would be difficult to argue that this represents “best value” for local authorities, even if the money borrowed is eventually returned.

There is also an issue with the affordability for tenants of the properties which would be offered for rent by the NHT. It is proposed that properties would be let at 70 to 80 percent of the relevant Local Housing Allowance level. While this will in most instances be cheaper than renting an equivalent property from a private landlord, a simple comparison suggest that NHT rents would be significantly higher than RSL and local authority rents.

For example, Hillcrest Housing Association charges a monthly rent in the region of £222.65 for a 3-person 3-apartment flat with electric central heating and double glazing, etc. The NHT would charge a rent in the region of £323.06 for an equivalent property, based on 70% of LHA rates for Angus for September 2009. This is a difference of around £100 per month, which could well be significant for many low/moderate income households.

If the NHT were to be established, and acquire property in Angus, it would undoubtedly be able to house some households from Angus Council’s Housing Waiting List. However, it is debatable whether the NHT would be providing these households with genuinely affordable and sustainable housing. The numbers of households accommodated from the Council’s Housing Waiting List may well also prove to be relatively small, dependant upon the allocations policies and management practices adopted by the NHT.

In conclusion, I would suggest that while the proposals for the establishment of an NHT are of interest to Angus Council, they would benefit from further research and development prior to implementation. Properties should be provided at lower rent levels for a longer period of time, and with a greater focus on meeting assessed housing need rather than simply acquiring properties where they happen to be available.