

DURHAM COUNTY COUNCIL

SPECIAL ECONOMY AND ENTERPRISE OVERVIEW AND SCRUTINY COMMITTEE

At a Special Meeting of the **Economy and Enterprise Overview and Scrutiny Committee** held in **Committee Room 1A/1B, County Hall, Durham** on **Thursday 28 July 2016** at **9.30 am**

Present:

Councillor A Batey (Vice-Chairman in the Chair)

Members of the Committee:

Councillors E Adam, J Armstrong, A Batey, M Davinson, D Hall, T Henderson, J Maitland, P Stradling, O Temple and A Willis

Co-opted Members:

Mr T Batson

1 Apologies for Absence

Apologies for absence were received from Councillors J Bell, J Clare, J Cordon, R Crute, B Kellett, A Patterson and Mr I McLaren.

2 Substitute Members

No notification of Substitute Members had been received.

3 Declarations of Interest

Councillor J Maitland declared an interest in Item 5 as a Board Member of East Durham Homes.

4 Items from Co-opted Members or Interested Parties

There were no items from Co-opted Members or Interested Parties.

5 Performance Reporting - County Durham Housing Group

The Chairman introduced the Chief Executive of the County Durham Housing Group (CDHG), Bill Fullen who was in attendance to give an update presentation as regards the CDHG (for copy see file of minutes).

The Chief Executive, CDHG reminded Members of the background to the CDHG, with transfer of around 18,500 properties to the CDHG from the Council on 13 April 2015. It was added that £150 million of finance had been secured from Barclays Bank and M&G Investments with good long-term fixed interest rates, giving a stable financial position. It was explained that the homes transferred were already at a standard higher than the national Decent Homes Standard (DHS), and the CDHG transfer was the first post-DHS transfer.

The Chief Executive, CDHG explained that subsequent to the General Election, the new Government imposed a 1% rent cut for four years and this had an impact of a £21 million loss in terms of cash over those four years, impacting upon the non-allocated resource of £70 million. It was added that other issues that impacted upon the CDHG included voluntary Right to Buy (VRTB), which CDHG had signed up to, and issues in terms of regulation.

It was noted these included an in-depth assessment by the Homes and Communities Agency (HCA), with ratings of G2 for governance and V2 for viability, though noting comments in terms of the complexity of the group with a need to simplify. The Chief Executive, CDHG added that another issue was that an Office for National Statistics (ONS) reclassification had meant that housing associations that had public stock transferred to them were within the public sector, however, it had been clarified that new planning legislation would in turn declassify those housing associations, moving them back out of the public sector. Councillors noted that further Welfare Reforms including Local Housing Allowance, and the roll out of Universal Credit reducing the housing allowance available could cause tenants to look to the private sector for cheaper accommodation and would therefore impact and inform future service delivery.

The Committee were reminded of the transfer Offer Document that had been developed in consultation with key stakeholders and set out the promises to tenants in relation to: extra investment in existing homes; better quality neighbourhoods; new jobs and apprenticeship; more varied services; and new homes. It was noted that there were quarterly meetings with the Council's Head of Economic Development and Housing, Sarah Robson to monitor progress in this regard and that of the 80 promises set out in the Offer Document, currently 68% were being provided in full, 27% were partially provided or in progress, with 5% yet to commence.

The Chief Executive, CDHG added that in terms of investment in the stock, this had been made upon the basis of the Stock Condition Survey that had been undertaken, and the investment was carried out in order to maintain progress with the "Durham Homes Standard", a standard beyond the Government's DHS, and to make improvements in areas such as bathrooms and kitchens. Members noted £20 million of investment in 2015/16 with over: 750 kitchens; 720 bathrooms; 650 rewires; 700 new boilers; 700 new roofs; over £1.5 million on disabled adaptations. It was added that this level of investment would be continued to ensure the standard of the stock was maintained.

Councillors noted that in connection with repairs and maintenance, late evening and weekend appointments were currently provided by East Durham Homes (EDH) and Durham City Homes (DCH) and that during 2015/16: 99.9% of emergency repairs were completed within 24 hours and 99.8% of responsive repairs appointments were made and kept.

It was explained that the Handyman service was now available across all three landlords and Dale and Valley Homes (DVH) and DCH had reduced their external painting programme from a 7 year cycle to a 5 year cycle, with EDH terms to be looked at when the service goes back out to tender in 2019.

Members noted that in terms of better quality neighbourhoods, a Neighbourhood Quality Standard (NQS) had been approved in March 2016, and set out what tenants could expect, and also what was expected from tenants. It was noted there was a Service Level Agreement (SLA) in place with the Council's Grounds Maintenance Service and the level of service had been very good. Councillors noted the community investment schemes in place across all three providers, with the DCH "Grab a Grant" scheme launched in October 2015 having supported over 41 initiatives and invested over £16,000 over 2015/16. It was added that the impact of these funds had been far greater than the cost providing training for volunteers to help give each community what it needs. Members noted the DCH Neighbourhood Pride Initiative, which included the planting of trees, flowers and the installation of heritage interpretation boards across 14 sites and during 2014/15 there had been an investment of £9.8 million through the neighbourhood investment programme.

The Chief Executive, CDHG noted that in terms of new jobs and apprenticeships, there had been: 33 tenants helped into employment; 6 into apprenticeships; 1 into self-employment; with 63 tenants attending employability workshops. Members noted that the CDHG had also created 27 new jobs, 13 apprenticeships and 11 work placements. It was added that additional support for tenants included Welfare Benefits Officers and Energy Advisors which had estimated to have secured £2 million of payments for tenants this last year.

Members noted that it was an aspiration for the CDHG to build 700 homes, and the CDHG Board had approved the development of 32 new homes via Section 106 requirements, sites including Bracks Farm, Bishop Auckland, 7 properties and Ushaw Moor, 25 properties. It was noted there was some headroom in terms of purchasing further Section 106 properties and funding approval was pending for a further 150 new homes. The Chief Executive, CDHG added that while progress was slow, the important message to the public was that CDHG was looking at new homes. It was explained that other services being looked at by the CDHG included: Digital Inclusion, helping tenants become ready for issues such as Universal Credit which would be accessed online as the default channel; working together within the group to share ideas; and the hosting of a range of training courses, at the DVH Mickle Grove facility, that had been accessed by 170 tenants.

The Chief Executive, CDHG explained that in terms of the future for CDHG, there would be changes once all repairs services were retendered after current contracts end, with emergency repairs for severe problems such as total loss of power, heating or a water leak to be attended within 2 hours and made safe within 12 hours, and for urgent repairs to be within 3 days. Members noted that in terms of better quality neighbourhoods, £410,000 had been allocated for 2016/17 to prioritise community investment, with the development of a resource centre for customer involvement for DCH, in line with DVH and EDH.

It was noted that the support and services required for older people would be assessed; looking at what specifically was needed. In terms of new jobs and apprenticeships, it was added that there would be a targeted work placement programme with estate management and extension of the Junior Wardens scheme.

The Chief Executive, CDHG added that there would be provision of more varied services, with: accredited money and debt advice service; mediation service; improvements in dealing with anti-social behaviour; and a group-wide Occupational Health service. Members noted that in respect of new homes, there was a HCA funding application for up to 200 new homes for the period 2017-2021.

The Chief Executive, CDHG concluded by noting that one year in, the CDHG had made a good start, was ahead in terms of new build, and despite the 1% rent cut was still delivering the offer, noting it was a 7 year promise.

The Chairman thanked the Chief Executive, CDHG and asked Members for their questions on the update report and presentation.

Councillor E Adam noted the many positives as set out in the presentation, including those in terms of investing in kitchens and bathrooms, however, asked whether there was also investment in terms of helping tenants with their energy costs, looking at physical solutions such as solar panels and providing support such as debt advice. The Chief Executive, CDHG noted that there were 6 Energy Advisors at the CDHG, and they could provide information to tenants on the issues stated. It was added that as part of the offer a “reasonable degree of insulation” was set out and the Standard Assessment Procedure (SAP) energy efficiency rating of a property would be looked at and properties to be improved would be identified. The Chief Executive, CDHG explained that a small number of the Group’s properties did have solar panels, however changes by Government in terms of the feed-in tariff meant that it was no longer a good deal for installation companies, however other energy efficiency solutions would be looked at, such as condensing boilers and insulation.

Councillor D Hall noted that there may be EU Funding available, albeit perhaps for a limited time, in terms of other energy efficiency measures, such as energy storage in conjunction with solar panels, and other renewable sources of energy. Councillor D Hall asked as regards VTRB and whether this would mean there could be a rental income decrease and were other models being looked at, such as leasehold sale. Councillor D Hall also asked as regards community led development. The Chief Executive, CDHG noted he was not aware on any funds in terms of community led development and that there were Government schemes in terms of helping people to buy. It was explained that there were models such as the rent-to-buy, looking at 2-5 years renting, with then the option to purchase after that and that generally the models would be looking at people in work and targeted towards the non-Durham Key Options (DKO) properties. The Chief Executive, CDHG noted that Government rules meant that there needed to be a mix of tenure and not all properties would be social housing and it was added that a number of the products available would not be appropriate for the North East of England.

Resolved:

- (i) That the Economy and Enterprise Overview and Scrutiny Committee note the progress of the County Durham Housing Group since transfer.
- (ii) That the Economy and Enterprise Overview and Scrutiny Committee schedule into the Committee’s future Work Programme consideration of the County Durham Housing Group’s annual report together with an update on performance in October every year.

6 Durham Key Options - Revised Policy - Overview

The Chairman introduced the Housing Manager, Regeneration and Economic Development, Marie Smith who was in attendance to give an update presentation as regards consultation on changes to the DKO Policy (for copy see file of minutes).

The Housing Manager reminded Members of the DKO choice based lettings policy for County Durham and that all social housing partners let 100% of their properties via DKO, and a number of private landlords also let via DKO, having been through the Private Landlord Accreditation Scheme. It was added that the DKO Board noted that there was a need to re-brand and look at marketing properties based upon demand. It was added that there was ongoing consultation in terms of a revised policy, with the last review having been carried out in 2013. Members noted that the results of the consultation would be reported back to the Committee in September.

The Committee noted the reasons for the review were to look at customer needs; the impact of under-occupancy; and the impacts of current and upcoming Welfare Reform changes. It was added that the private sector had improved since the last review of the policy, with many private landlords being able to offer tenants the keys to a property the same day and therefore there was a need to be able to meet the changing needs of customers. The Housing Manager noted that the number of 2 bedroom properties remaining empty was increasing and the demand in terms of moving property was declining, and while there were some options in terms of Discretionary Housing Payments (DHP), there had been an impact upon demand and the upcoming cap on local housing allowance would likely have a further impact.

Councillors noted the main headline statistics for DKO, namely:

- 12,570 applications registered in 2015/16;
- 1000 to 1100 per month;
- Slight decrease in people coming into the scheme;
- Household income below £15,000 (80%);
- Most popular age group registering is 16 to 34;
- Main reason for registering is medical / welfare;
- Let 4,622 properties in 2015/16.

The Housing Manager noted that the main changes proposed to the policy would be to change the current Bands A to E to Bands 1 to 4, in conjunction with a new medical framework and reassessment, with the comparison between the two being set out within the presentation and at Appendix 4 to the report. Members noted that the main change was to Band 1 being urgent and high medical need, and a slight increase to Band 2.

Members noted other proposals included removal of the quota system, also known as the "Manchester model", which had been introduced when demand was high, to help provide great opportunity for those with a lower housing need, and with allocations to be made through Bands 1 to 4 and by date order within those. Councillors were informed that it was proposed to change the current advertising cycle, to operate on a daily basis, albeit with an additional proposal in terms of transferring tenants having to have been in a property for at least one year.

It was added that it was also proposed to make changes in relation to rent arrears; currently DKO uses a guideline of 8 weeks rent/mortgage arrears for disqualification from DKO. It was proposed to lower the guideline for disqualification to nil (£0) rent arrears. This however would not mean a zero tolerance approach as all applications would be assessed on their own merit and applicants would be allowed to qualify even with arrears, if they can display good reasons for accruing arrears.

The Housing Manager explained that there would be changes in terms of an affordability assessment, with access to larger homes being based on affordability ensuring that people could afford larger homes and issues such as shared tenancies would be looked at. Members noted the timescales in respect of the consultation, ongoing until 12 August, with consultation with the relevant Boards and Committees. Councillors noted there would be a report to Cabinet in October, with an aim to have the revised policy implemented from November 2016.

The Chairman thanked the Housing Manager and asked Members for their questions on the update report and presentation.

Councillor D Hall noted he felt that there was potential for a rent crisis in the near future and asked if, given the current economic situation, anyone would pass an affordability test. The Housing Manager noted that while some tenants and potential tenants, post-2018 may not pass an affordability test, there was always the possibility of an individual getting a job at any point and becoming eligible. It was added that there would be some access to DHP, however, there would need to be work undertaken by the Council in terms of looking at other models, such as shared tenancies, and to work with providers. Councillor D Hall noted his concern was in terms of what options would be left available to those people who did not pass an affordability test, especially in respect of the potential for those people to fall prey to unscrupulous landlords. The Housing Manager explained that this was an issue being looked at as part of the consultation.

Councillor J Maitland asked if the proposed 1 year limit in terms of transferring property would apply to tenants who would look to have a mutual exchange. The Housing Manager noted a mutual exchange would still be possible, and also should a tenant's housing need change then they would be eligible for transfer accordingly.

Mr T Batson noted the proposed changes seemed sensible and pragmatic, and asked what was referenced in Appendix 4 of the report where it stated "regeneration". The Housing Manager explained that this was to show where properties were being demolished in terms of regeneration projects; those tenants were given the higher priority in terms of allocation of a new property.

Councillor J Armstrong noted the timescales in terms of the consultation, as set out at Appendix 5 to the report, and asked whether the draft policy was being presented back at the Boards for Derwentside Homes, Livin and North Star for example, in addition to the CDHG Boards. The Housing Manager noted that there would be a meeting on 19 August to look at the feedback from all providers, and that issues would be discussed and that, should there be some differences of opinion, then those issues would need to be voted upon by the Board to go forward into the draft policy.

The Strategic Manager for Housing, Lynn Hall added that while it was hoped for consensus on issues, there would be a result and a revised policy brought forward.

Councillor P Stradling asked as regards the statistic of 80% of tenants being in favour of an affordability test, with the Housing Manager noting both Durham City Homes and Derwentside Homes tenants had been around 80% in favour of an affordability test, however, she did not have information to hand in terms of East Durham Homes tenants.

Councillor O Temple noted the issue of rent arrears, and highlighted that many tenants could be in “technical arrears”, for example if they pay rent weekly and are paid wages monthly, and therefore could there be scope in terms of the rent arrears limit being reduced from 8 weeks to possibly 2/3 weeks, allowing some discretion for those who were not actually in arrears, simply out of sync with their payments. The Housing Manager noted that this was an issue that had been highlighted within the consultation and this would be looked at once all comments had been received to see what position to take in this regard.

Resolved:

- (i) That the report and presentation be noted.
- (ii) That the comments made by the Economy and Enterprise Overview and Scrutiny Committee be fed into the ongoing consultation.
- (iii) That the Economy and Enterprise Overview and Scrutiny Committee receive a further report on the results of the consultation and detail of the draft policy at the meeting scheduled for 26 September 2016.

7 Chapter Homes - Overview

The Chairman introduced the Development Manager, Regeneration and Economic Development and Chief Executive of Chapter Homes, Peter Coe who was in attendance to give a presentation as regards Chapter Homes (for copy see file of minutes).

The Development Manager reminded Members as regards the background to the development of Chapter Homes with Cabinet, in December 2013, having agreed to explore the formation of a new company dedicated to the development and management of housing for market rent and sale. It was added a subsequent report in terms of the procurement process had been received by Cabinet in November 2014. Members recalled that delegated authority was granted to the Corporate Director of Regeneration and Economic Development and Corporate Director: Resources, in consultation with the relevant Portfolio Holders in terms of proceeding to the stage of appointing a building contractor. Members noted that Chapter Homes represented an opportunity to provide quality products and good service while also offering good value for money in terms of Council assets.

Members noted that the in January 2014, technical agents were engaged and structures put in place, and that in January 2016 contractors, Gentoo Construction, entered into a Pre-Commencement Services Agreement and now were on site at the pilot site, Agnew 5.

It was explained that the developments sites had been identified as being in areas with demand and also ready for immediate development, being: Agnew 5, Woodham Drive, Newton Aycliffe; Cobblers Hall Site N, Newton Aycliffe; Former Civic Centre site, Chester-le-Street; and Oakerside Drive, Peterlee.

The Development Manager added that following a branding exercise, the name of Chapter Homes had been decided upon, making reference to the links to Durham City and the Cathedral, with a selection of the branded materials set out in the Durham Room for Members to view after the meeting.

Members learned that the first properties at the Agnew 5 site were now out of the ground and over the next few weeks a marketing suite would be prepared. It was explained that there was a mix of property types, with 3 and 4 bedrooms, noting there had been no demand for 2 bedroom properties.

It was added that Officers had looked at products to help people enter the housing market, and had looked at issues including affordable housing. Councillors noted the new company was a Limited Company, wholly owned by the County Council and there were Service Level Agreements (SLAs) in place to ensure transparency. It was explained that in terms of affordable housing, Chapter Homes would look to transfer any required affordable rent properties to a Registered Provider (RP), and those properties identified for discount market sale would be sold directly on the open market. The Development Manager explained that the business plan took into account issues in terms of "state aid" and the viability was based upon an average of 2 sales per month for the Agnew 5 site, to be known as "Eden Field". Members noted that the Chapter Homes Board consisted of Members and Officers from Durham County Council, however they worked separately in operational terms.

The Development Manager explained that the Eden Field development was on track, with over 100 queries via Rightmove, translating to 10% of those expressing an interest. It was added that there was "help-to-buy" and also the Chapter Homes Assisted Move, offering incentives. Members noted the development would be in two phases and that one property had already sold off-plan, with the purchaser having paid a deposit and been involved in final design choices.

In terms of the Chester-le-Street site, it was explained that masterplanning and site design were being undertaken, with planning permission being sought in October 2016 and soft market testing having been carried out to determine demand. The Development Manager explained that Chapter Homes aimed to deliver around 30% of properties for private rent and had a SLA in place with the Council's Housing Solutions Service in terms of letting the properties. It was explained that there had been 13 expressions of interest. It was added that properties would be for rental between £550 and £650 per month and that rent-to-buy could be looked at should there be a demand.

The Committee noted that statistics showed that around 50% of those expressing an interest did not have a property to sell and the majority were local people, interest being driven by word of mouth. It was added that marketing activities would be via the internet, Rightmove and social media, including Twitter. The Development Manager noted that there would be open days at the Eden Field on 20 and 21 August, between 10.00am and 4.00pm, with the Sales Office being open from 15 August onwards.

Members noted that there had also been: a schools competition in terms of the hording around the site; a Section 106 agreement as regards a play area; apprenticeships via Gentoo; Health and Safety awareness via the local College; and Gentoo helping the local Community Centre in terms of an extension and other works. The Development Manager noted there had been two minor complaints, one resident in terms of work traffic, dust and another in terms of traffic management issues, however no major issues.

The Chairman thanked the Development Manager and asked Members for their questions on the update report.

Councillor J Armstrong asked as regards the marketing of the properties and highlighting how environmentally friendly the new properties were. The Development Manager explained the properties were competitive in terms of their green credentials, however, as the properties were being marketed as affordable, then the properties were as green as possible at that price. It was added that if a person was interested in adding more to a property, for example photovoltaic cells on a roof, then this could be accommodated as could a higher internal specification with customer choice being pushed as a part of the offer.

Councillor J Maitland noted there would be nearly 300 properties across 4 sites and asked whether they all would be 3-4 bedroom properties, or would there be provision of bungalows for example. The Development Manager explained in terms of the Eden Field site there had been no demand for bungalows, with no requests being made, although the original designs did include some bungalows. It was added that if when looking at demand for the Chester-le-Street site there was interest in bungalows, and it would be viable, then this would be taken into account.

Councillor M Davinson asked how the balance was achieved between regeneration of an area and profit. The Development Manager noted that Chapter Homes was already looking at the more marginal areas, though making sure schemes would be viable financially, and it was added that the developments would look to cross-subsidise other sites.

Mr T Batson welcomed the development of new housing and asked as regards new houses for more rural areas. The Development Manager explained that the 4 sites had been chosen from Council owned land surplus to requirements, and currently there were no sites in rural areas earmarked. It was added that if a site was identified as viable then it could be looked at accordingly.

Councillor D Hall asked if there were any further potential sites identified and how issues of quality would be addressed, for example good room sizes, low levels of snagging and so on. The Development Manager noted that the process in terms of developer had been via competitive tender and Gentoo were aware of the quality required and the contact was performance related. It was added that there was the ability for Chapter Homes to review arrangements for subsequent phases of development should there be an issue with quality identified. The Development Manager noted that there were no further sites at this time and that certainty in terms of sales of the current sites was the priority.

Councillor E Adam asked as regards the rental properties, with 8 being for Livin and other properties being let via the Council's Housing Solutions. The Development Manager noted that the 8 properties in terms of the Section 106 Agreement would be transferred to Livin as their stock, they having submitted the strongest bid in this regard.

Members were reminded that the 30% to be "privately rented" by Chapter Homes were those marketed by Housing Solutions in line with the SLA in place. Councillor E Adam asked if there was an SLA in place with Livin in terms of those properties, with the Development Manager explaining the properties were transferred, and therefore the responsibility of Livin. Councillor E Adam noted that there was a potential issue in terms of ongoing maintenance for those properties, with that the quality of the properties would be important if associated with Chapter Homes. The Development Manager noted the comments made by Councillor E Adam in this regard.

Resolved:

- (i) That the report on progress be noted.
- (ii) That the Economy and Enterprise Overview and Scrutiny Committee receive a further update on the progress of Chapter Homes at a future meeting.