



## **Special Economy and Enterprise Overview and Scrutiny Committee**

**Date** Thursday 28 July 2016  
**Time** 9.30 am  
**Venue** Committee Room 1A/1B, County Hall, Durham

---

### **Business**

#### **Part A**

**Items during which the Press and Public are welcome to attend. Members of the Public can ask questions with the Chairman's agreement.**

1. Apologies for Absence
2. Substitute Members
3. Declarations of Interest, if any
4. Items from Co-opted Members or Interested Parties, if any
5. Performance Reporting - County Durham Housing Group: (Pages 1 - 4)
  - (i) Report of the Assistant Chief Executive.
  - (ii) Presentation by Bill Fullen, Group Chief Executive, County Durham Housing Group.
6. Durham Key Options - Revised Policy - Overview: (Pages 5 - 22)
  - (i) Joint Report of the Assistant Chief Executive and Corporate Director of Regeneration and Economic Development.
  - (ii) Presentation by the Housing Manager, Regeneration and Economic Development.
7. Chapter Homes - Overview: (Pages 23 - 30)

Report of the Corporate Director of Regeneration and Economic Development – presented by the Strategic Manager for Housing and the Development Manager, Regeneration and Economic Development.
8. Such other business as, in the opinion of the Chair of the meeting, is of sufficient urgency to warrant consideration

**Colette Longbottom**  
Head of Legal and Democratic Services

County Hall  
Durham  
20 July 2016

To: **The Members of the Economy and Enterprise Overview and Scrutiny Committee:**

Councillor R Crute (Chairman)  
Councillor A Batey (Vice-Chairman)

Councillors E Adam, J Armstrong, J Bell, J Clare, J Cordon, M Davinson, D Hall, T Henderson, C Kay, B Kellett, J Maitland, H Nicholson, R Ormerod, A Patterson, M Simpson, P Stradling, O Temple and A Willis

**Co-opted Members:**

Mr T Batson and Mr I McLaren

**Special Economy and Enterprise  
Overview and Scrutiny Committee**

**28 July 2016**



**Update on the new County Durham  
Housing Group**

---

**Report of Lorraine O'Donnell, Assistant Chief Executive**

---

**Purpose of the Report**

- 1 To provide Members with an update on the development and performance of County Durham Housing Group (CDHG).

**Background**

- 2 Economy and Enterprise Overview and Scrutiny Committee are responsible for the scrutiny of the Council Plan 'Altogether Wealthier' priority theme and associated actions. The committee's terms of reference include examining key policies and services within the sustainable neighbourhoods and rural communities' priority.
- 3 In the past, Economy and Enterprise Overview and Scrutiny Committee has considered a number of housing related issues including:
  - Durham County Council's Housing Strategy.
  - Housing Solutions – including homelessness and Durham Key Options.
  - Housing regeneration including renewal schemes.
  - Private sector housing including empty homes, private landlord accreditation and selective licensing.
  - DCC's market housing scheme (Chapter Homes).
  - Annual Performance monitoring of Durham City Homes, Dale and Valley Homes and East Durham Homes.
  - The large scale voluntary transfer (LSVT) process which established the County Durham Housing Group.
- 4 The transfer of the County Council's homes to CDHG was completed on 13 April 2015 at which point the Council relinquished its housing landlord function. A follow up report to the Economy and Enterprise Overview and Scrutiny Committee on the 29 October highlighted to members the housing functions retained by DCC which would need to be featured within the committee's future work programme including the performance of the LVST.

## County Durham Housing Group

- 5 The transfer of homes required CDHG and the Council to enter into an agreement to ensure the “offers” the Council made to tenants would be delivered. Within the Transfer Agreement were a series of key duties, obligations and responsibilities placed upon both parties. The agreement also included 19 service level agreements through which the Council will provide services to CDHG.
- 6 Performance management arrangements to monitor the delivery of the offers and the implementation of the Transfer Agreement were developed which are monitored and reviewed through the Council’s Overview and Scrutiny procedures with the Economy and Enterprise Overview and Scrutiny Committee undertaking a key role in monitoring the performance of CDHG in relation to its performance against the offers.
- 7 In view of the timescales within which CDHG has been established, it was important that CDHG’s operational arrangements were allowed time to bed in including how the group are to develop performance arrangements in respect of delivery against the Transfer Agreement.

### Current position

- 8 In the past Economy and Enterprise Overview and Scrutiny Committee reviewed the performance of the Council’s housing providers in October every year. Members were provided a copy of each organisation’s annual report together with a short presentation detailing key performance information in relation to their respective organisations.
- 9 Economy and Enterprise Overview and Scrutiny Committee agreed on the 29 October that a similar mechanism to that outlined above should be used in relation to CDHG.
- 10 In October, and in line with other Registered Providers in England, CDHG produces an annual report which sets out performance over the past year; identifies areas for improvement and development; and provides examples of value for money. The report is made available to key stakeholders. Information used to inform the development of the report is collated and analysed by landlords during the summer.
- 11 Arrangements have been made for a special meeting of the committee to be held on 28 July 2016 where members will be updated on CDHG’s progress since transfer by Bill Fullen, Group Chief Executive of CDHG. The presentation will cover the following points:
  - Background to the offer document
  - Progress made since transfer
  - Key achievements
  - Planned work over the next year
  - Work still to progress

- 12 A copy of the CDHG's annual report will be provided to committee in October 2016.

**Recommendations and reasons**

- 13 That the Economy and Enterprise Overview and Scrutiny Committee receive a presentation on CDHG's progress since transfer.
- 14 That the Economy and Enterprise Overview and Scrutiny Committee schedule into the committee's work programme consideration of the CDHG's annual report together with an update on performance in October every year.

---

**Contact: Stephen Gwilym, Principal Overview and Scrutiny Officer**  
**Tel: 03000 268 140**  
**Author: Diane Close, Overview and Scrutiny Officer**  
**Tel: 03000 268 141**

---

---

## **Appendix 1: Implications**

---

**Finance – None**

**Staffing - None**

**Risk - None**

**Equality and Diversity / Public Sector Equality Duty - None**

**Accommodation - None**

**Crime and Disorder - None**

**Human Rights - None**

**Consultation - None**

**Procurement - None**

**Disability Issues – None**

**Legal Implications - None**

**Special Economy and Enterprise  
Overview and Scrutiny Committee**

**28 July 2016**

**Consultation for proposed  
Durham Key Options (DKO)  
Letting Policy changes**



---

**Joint Report of Lorraine O'Donnell, Assistant Chief Executive and  
Ian Thompson, Corporate Director, Regeneration and Economic  
Development**

---

**Purpose of the Report**

- 1 To consult Overview and Scrutiny Committee (OSC) on the proposed changes to Durham Key Options (DKO) Letting Policy. The results of the consultation (and the opportunity for OSC to evaluate the final changes) will be returned to OSC on 26 September 2016.

**Background**

- 2 Durham Key Options began in 2008, with East Durham Homes acting as a pilot to the Choice Based Lettings (CBL) scheme. CBL allows applicants who are registered for housing to bid for empty properties on a weekly basis. Dale and Valley Homes, Derwentside Homes, East Durham Homes, livin (formerly Sedgefield Borough Homes) and North Star (formerly Teesdale Housing) joined in 2009 and Cestria fully entered the scheme in 2010. All seven partners agreed to follow one combined Letting Policy and nominate 100% of their stock through DKO.
- 3 The DKO Lettings Policy was last reviewed, and amended, in 2013. This was in response to the Localism Act 2011 and impending changes to housing benefit.
- 4 The DKO Board has agreed an action plan for 2016-17 and the review of the letting policy is included as one of the actions. It is considered essential that the DKO Letting Policy reflects the changing climate in housing; considers the impact of welfare reform and the changing needs of clients. The main areas for review are qualification criteria, affordability and housing need. The next stage is to review the access to the scheme, how it is marketed and if it is meeting changing customer needs.
- 5 It is a legal requirement to consult with applicants, tenants and partners. The current consultation questions, a summary of the proposed changes mentioned in section 4, the time-line for consultation; and the current and proposed register model can be found in Appendices 2-5.

- 6 Arrangements have been made for the Housing Manager, Regeneration and Economic Development to attend the meeting on the 28 July to provide members with a presentation focusing on:
- Purpose for consultation
  - Background to change
  - Proposed changes
  - Recommendations to OSC

### Proposed changes

- 7 **Banding:** Currently DKO Policy has 5 bands (A to E), band A being for those in highest housing need down to band E for those adequately housed. To create fairer assessment of need and increased competition (to attempt to increase demand through bidding) it is proposed to decrease to four bands: bands 1, 2, 3 and 4. Band 1 would be for those in highest housing need and band 4 would be those adequately housed. This point is included in consultation questions (appendix 2, question 1). Applicants in band B would be re-assessed.
- 8 Applicants currently in band B for 'High Medical' need would need to be reassessed based on new medical framework. Communities and Local Government (CLG) guidance states that two tiers of medical need is appropriate for local authority lettings policy (medical and urgent medical). This point is included in consultation questions (appendix 2, question 3).
- 9 It is also proposed to limit the amount of time applicants can spend in band 1. After a period of time (eg 12 months) applicants could be directly offered a suitable property of type and size (and area) and, if rejected, the applicant would be placed into band 2 with general housing need. This point is included in the consultation questions (appendix 2, question 4). *Note: Statutorily homeless applicants would continue to be given 6 weeks duty by the Council, in this band, before being made a direct offer of housing.*
- 10 Currently, applicants that can prove they may be homeless within 3 months are awarded band D 'Threatened with homelessness' and referred to the Council's Housing Solutions service. There are no reported positive outcomes towards prevention/ resolution by awarding this band. It is proposed to remove this banding reason, with all referrals still going to Housing Solutions for assistance and potential prevention. This point is included in the consultation questions (appendix 2, question 5).
- 11 At present, families *wanting* larger accommodation (eg a bedroom for each child, regardless of age) are given band D (low housing need) with the reason 'Needing larger accommodation (outside of the overcrowding)'. This is no longer sustainable. It's proposed to remove this banding reason from the policy. This point is included in the consultation questions (appendix 2, question 6).



- 12 **Quotas:** Currently, all adverts for social homes are advertised with preference given to either band B, C or D applicants (after band A are prioritised). Band E applicants are only offered homes that applicants in higher bands have expressed no interest in. Quotas prevented those in the highest of housing need from 'cherry picking' the best homes in the best areas. Quotas gave customers in all bands the chance to access social housing when DKO experienced high demand for all stock, pre-Welfare Reform.
- 13 Demand for homes has decreased to the point where applicants in lower demand are now accessing social housing without the need for a quota system; homes are naturally 'filtering' down to give all applicants, of all household types and backgrounds, the chance to be rehoused, regardless of their current housing need. It is proposed to remove the quota system from the scheme. This point is included in consultation questions (appendix 2, question 2).
- 14 **Marketing of properties:** Currently there is just one advertising cycle running Thursday to Tuesday, and all shortlists are worked through on a Wednesday. DKO are to utilise an IT option with its provider by moving to weekly cycles starting each working day. For DKO partners this will be hugely beneficial as a void can be advertised the first day it is known to be available, instead of waiting to be advertised on the next Thursday cycle start. In some cases this will reduce minimum waiting time from 13 days to just 7 days.
- 15 **Qualification:** At present, a current tenant can register a new application with DKO immediately after moving, even if they are adequately housed. This creates increased voids and associated costs. DKO propose to refuse tenants back on to the housing register during the first 12 months of their new home, unless they have a housing need in that time. This point has been included in consultation questions (appendix 2, question 7).
- 16 Currently, DKO uses a guideline of 8 weeks (or 2 months) rent/mortgage arrears for disqualification from DKO. It is proposed to lower the guideline for disqualification to nil (£0) rent arrears. This does not mean a 'zero tolerance' approach to rent arrears- all applications will be assessed on their own merit and applicants will be allowed to qualify, even with arrears, if they can display good reason for accruing arrears and/or begin to set up a repayment plan (or clear a significant amount). This point has been included in consultation questions (appendix 2, question 8).
- 17 **Affordability:** Currently, single applicants and couples are allowed access to 2 bed homes, even if they do not have the finance to cover the full rent. Families are granted minimum size eligibility in line with housing benefit rules but are also allowed an extra bedroom for each child, even if they cannot afford it.
- 18 DKO propose to amend its framework to state that people will only be allowed access to larger homes if they can afford it. This point has been included in consultation questions (appendix 2, question 9).

## **Shared tenancies**

- 19 DKO is asking for comments around the feasibility and 'appetite' for shared tenancies. With the changing market and legislation around benefits, sharing a home may be the only route into social housing for single applicants in the future. This point is included in the consultation questions (appendix 2, question 10).

## **Further Information**

- 20 DKO partners have devised a guidance document for their customer consultation, with an explanation of current policy against proposed policy. This document is set out at Appendix 6.

## **Recommendations**

- 21 This report and all proposed changes to DKO Policy should be noted and commented upon, with all comments directed to John Kelly, CBL Co-ordinator (contact details below). This consultation will inform DKO Board's decision on a final submission of changes. The Head of Economic Development and Housing will continue to have delegated powers to make minor policy amendments in future, beyond those stated in this report.

## **Background Papers:**

- DKO Letting Policy April 2016 v4 (amended from April 2013 v1 - v3)
- CLG Allocation of accommodation: guidance for local housing authorities in England 2012

---

**Contact: John Kelly, Housing Team Leader**  
**Tel: 03000 262 545**

---

---

## **Appendix 1: Implications**

---

### **Finance**

There are no financial implications for DCC during consultation.

### **Staffing**

Some small resource will be required for consultation of the Third Sector and other Registered Providers (signed up to the Nomination Agreement).

### **Equality and Diversity**

An EqIA of the CBL scheme will be undertaken during consultation and finalised based on any agreed amendments.

### **Accommodation**

None

### **Crime and Disorder**

None

### **Human Rights**

None

### **Consultation**

Consultation is being undertaken with all relevant parties/stakeholders.

### **Procurement**

None

### **Disability Issues**

None

### **Legal Implications**

DCC's Legal section will be consulted on all changes, following the completion of this report.

**DKO Consultation 2016 (questions)**

- 1) Do you agree with changing from 5 priority bands (bands A - E) to 4 priority bands (bands 1 - 4)?
- 2) Do you agree with the **removal** of the current banding quotas where 45% of adverts prioritise applicants in bands A and B; 40% in bands A and C; and 15% in bands A and D (ie all homes would be allocated strictly in banding order in future)?
- 3) Do you agree with changing from three tiers of medical assessment (urgent, high and 'medium') to two tiers of medical assessment (urgent medical and medical)?
- 4) Do you agree with limiting the amount of time the highest priority applicants (band 1) can spend in the top band, where it is reasonable a home could have been found in that time (eg 12 months)?
- 5) Do you agree with removing the banding reason 'Threatened with homelessness' (band D) for those providing notice from landlords; replaced with a direct referral to the Council's Housing Solutions section (for advice and assistance)?
- 6) Do you agree with removing the banding reason 'Wanting larger accommodation, outside of the overcrowding criteria' (band D)?
- 7) Do you agree that current tenants of DKO landlords, **assessed as having no housing need**, will not be allowed to re-apply to DKO for 12 months after a move ( note: tenants in housing need will still be able to apply)?
- 8) Do you agree with changing the guideline to disqualify applicants with rent/mortgage arrears (and rechargeable repairs) from 8 weeks arrears to zero weeks?  
  
*Discretion would still be used to assess genuine reasons for the arrears, and (as now) applicants can show signs of change by clearing arrears or setting up an agreeable repayment plan.*
- 9) Do you agree that applicants should only be offered homes if they can afford to pay the rent for that size home?  
  
*Currently, single applicants can apply for 2 beds; applicants with two children can apply for 3 beds; and people with three children can apply for 4 beds (etc) even if they can't afford the rent. In future, applicants that can afford a larger home will be allowed access to them, even if policy had previously restricted them.*
- 10) In light of the changing benefit rules for single applicants under 35 years old, do you agree it is a good idea for DKO landlords to consider shared tenancies for single applicants (who can't afford rent on their own) to access social housing in future?

**Summary: Proposed changes to DKO Policy**

- Bands A to E, to be potentially renamed bands 1 to 4, with some band B and C groups 'merged'.
- Quotas: to be removed if re-aligning bandings 1 to 4. If 5 bands remain, quotas will continue to be discussed with removal a possibility.
- *High Medical* (in band B) to be possible removed, if combining bands B and C (to provide clarity for staff and customers on medical assessments).
- Investigate whether higher bandings, in particular *Urgent Medical*, could be given a 12 month limit to bidding, before a direct offer is made.
- *Threatened with Homelessness within 3 months* to be removed from band D.
- *Needing larger accommodation* to be removed from band D. DKO will not award priority for this 'want' (rather than a need) in future policy, as it can contradict affordability and under occupation by housing benefit rules.
- Amend policy to advise transferring tenants will not qualify in the first year of a tenancy.
- Guideline of 8 weeks for rent arrears/rechargeable repairs (and inclusion of court costs) to be investigated further, for future policy change.
- Eligibility for bedroom sizes to be based on affordability- process to be considered.
- Consider bidding cycles starting 5 days a week (Mon-Fri) with shortlists being created on the 7<sup>th</sup> day. This would allow voids to be advertised immediately, but gives customers a standard week to bid on all properties still. Resources will then be spread on a daily basis instead of weekly. Property comes in on a Monday- advertised Mon-Sun (7 day wait); comes in on a Tuesday- advertised Tue-Mon (7 day wait) and so on. This would improve the current waiting times of void on a: Mon 9 days, Tue 8 days, Wed 7 days, Thu 13 days, Fri 12 days.

## Current and proposed register model

	Current	Proposed
Register size (approx.)	10000	9000
Banding groups	5	4
Banding reasons	17	13
<b>Band A</b>		<b>Band 1</b>
Urgent Medical	185 applicants	300 applicants
Regeneration	10	10
<b>Band B</b>		
High Medical	620	n/a
Overcrowded by 2	100	100
Supported Accommodation	50	50
Stat Homeless	30	30
Care Leavers	10	10
<b>Band C</b>		<b>Band 2</b>
Medical	2400	2900
Overcrowded by 1	600	600
Hardship	100	100
Non-stat homeless	50	50
Armed Forces	15	15
<b>Band D</b>		<b>Band 3</b>
Want larger accommodation	100	n/a
Threat of homelessness (3 months)	100	n/a
Independent Living	900	1200
Relationship breakdown	300	n/a
<b>Band E</b>		<b>Band 4</b>
Adequately housed	4000	3400

## Time-plan: Consultation and DKO Policy changes

Milestone	Start date	End Date	Resources
Discuss policy options/dynamics	22/12/2016		DKO Board
Request delegated report go to DCC for removal of Priority Transfers and Under Occupation bandings from 01 April 2016	26/01/2016		DKO Board
Delegated Decision to remove Priority Transfers (in band A)	01/04/2016		Sarah Robson
Delegated Decision to remove Under Occupancy banding reasons (in B and C)	01/04/2016		Sarah Robson
Finalise policy banding	05/04/2016		DKO Board
Contact all existing Under Occupancy applicants in band B and C for reassessment	22/04/2016	20/05/2016	John Kelly
Begin consultation	13/06/2016	12/08/2016	All partners
Discuss policy options/changes with Abrisas	15/06/2016	31/07/2015	John Kelly
Draft policy report to EDMT	13/07/2016		
Draft policy report to Red MT	21/07/2016		
Papers out for CMT	tbc		
Draft policy report to Corporate MT	if required		
Consultation with OSC	28/07/2016		
Sign off configuration with Abrisas	tbc		John Kelly
Consultation with Tier 5 Manager's meeting (Housing Solutions)	09/08/2016		
Consultation with DCH Board	15/08/2016		
Consultation with DVH Board	16/08/2016		
Consultation with EDH Board	17/08/2016		
Return of consultation evidence	17/08/2016		All partners
Consultation with CDHG Board	18/08/2016		
Re-draft policy report following consultation	19/08/2016		DKO Board
Final policy report to EDMT	24/08/2016		
Final policy report to RED MT	01/09/2016		
Papers out for CMT	tbc		
Final policy report to CMT	14/09/2016		
Results of Consultation to OSC	26/09/2016		
Papers out for Cabinet	tbc		
<b>Final policy report to DCC Cabinet</b>	<b>19/10/2016</b>		
Amend procedures and DKO literature	01/10/2016	30/10/2016	John Kelly
Policy to go to DKO partners' boards for info	19/10/2016	-	All partners
Train all staff in new policy	19/10/2016	30/10/2016	All partners
Review High Medical applicants within DKO (re-assess based on new policy)	19/10/2016	30/10/2016	Steering Group
User Acceptance Training (Abrisas)	tbc		John Kelly
Proposed go live for Policy	02/11/2016		All partners

Nb. Board dates for Cestria, Derwentside Homes, livin and North Star not confirmed as of 27 June 2016

This page is intentionally left blank



## Durham Key Options Lettings Scheme

### Consultation Survey

This survey outlines proposals to change aspects of the Durham Key Options (DKO) Lettings Policy. The DKO lettings policy was implemented in 2009 with the last policy review taking place in 2012. The proposals for this review have been carefully considered to address current housing need within our communities, legislation and to simplify the lettings process for applicants.

This survey is your opportunity to provide feedback which will be considered before changes to the lettings policy are made. There are ten proposals in total.

Following the consultation process any proposals which are approved will be introduced in October 2016.

Your Name(s)	
Your DKO Reference/Bidding Number	
DKO Partner landlord:	

#### Q1 Priority Need

**Current Policy:** In line with government legislation, specific housing needs must be included within our lettings scheme. Once assessed, applicants are awarded a “band” relevant to their housing need criteria. There are currently five bands (A to E) awarded for differing levels of housing need; Band A being urgent to Band E being no housing need. Each band represents differing housing need criteria. For example: applicants with a medical need, overcrowded or in financial hardship may qualify for Band C, applicants wishing to live independently or would like a larger home (but not overcrowded) would qualify for Band D.

**Proposed Changes:** The current five tiered banding structure is sometimes difficult for applicants to understand. A four tiered banding structure is proposed (Bands 1 to 4). This new approach will still combine the recognised levels of housing need, however, the banding criteria will be streamlined to ensure applicants understand banding priority and why their band has been awarded.

**Do you agree with changing from five priority bands (A to E) to four priority bands (1 to 4) ?**

Yes

No

## Q2 Quotas – How homes are let

**Current Policy:** Homes are advertised through the DKO lettings Scheme with a “quota” being awarded to each band. This means that throughout the year; Band A (Urgent Housing Need) will receive priority for all properties available in the first instance, but, if no Band A applicants apply, priority for the properties will be awarded preference going to other bands. The quota is currently set as 45% of properties being advertised with priority to applicants in Band B, 40% in Band C and 15% in Band D. Band E receives no priority. This system means that most bands will be given some degree of priority for homes throughout the year and recognises all levels of housing need on the register. However, it also means that some homes are allocated to applicants with a less urgent housing need than others.

**Proposed Changes:** The quota system can be confusing. Removing the quota system would simply mean that properties will be offered in order of housing need. Those with the highest level of need (Band 1) who have applied/bid would be offered the home first, then applicants in Band 2, then Band 3 and finally Band 4.

**Do you agree with the removal of the current banding quota (i.e. all homes will be allocated strictly in banding order in the future)?**

Yes

No

## Q3 Medical need

**Current Policy:** Medical Need is awarded based upon the level of difficulty an applicant has managing in their current home and the property type needed to alleviate these needs. There are currently three tiers of medical need awarded to applicants ranging from Urgent Medical Need (Band A), High Medical Need (Band B) and Medium Medical Need (Band C).

**Proposed Changes:** Review the criteria for medical need and combine the award into a two tier approach; urgent and medium need. Any applicants currently assessed as High Medical Need will be re-assessed with some moving up to Urgent Medical depending on their circumstance. This will streamline the assessment process and ensure those applicants with the greatest level of medical need are awarded the priority.

**Do you agree with changing from three tiers of medical assessment (urgent, high and medium) to two tiers of medical assessment (urgent and medium)?**

Yes

No

#### Q4 Time on the waiting list

**Current Policy:** There is currently no time limit for how long an applicant can remain on the housing register. This means that an applicant that has been awarded a band based upon an urgent or high housing need could wait for their preferred property to become available before applying despite other suitable homes that may have been available within the time period.

**Proposed Changes:** A time limit will be applied to the most urgent banding award (for example 12 months). Urgent housing need should mean applicants require a home quickly and should not spend years with an urgent need banding before applying for a home. The individual applicant's circumstances will be considered after 12 months to assess whether any reasonably suitable homes could have been applied for within the time period.

**Do you agree with limiting the amount of time the highest priority applicants (band 1) can spend in the top band, where it is reasonable that another home could be found in that time (i.e. 12 months)?**

Yes

No

#### Q5 Threatened with Homelessness

**Current Policy:** Applicants that are under threat of losing their current home within 3 months (i.e. the landlord has served a Notice to Quit to the tenant) are awarded Band D priority. This is not currently a high level banding award for someone who maybe under threat of losing their home in a short space of time.

**Proposed Changes:** This banding award will be removed from the policy. Instead; any applicant stating they are under threat of losing their home will be referred directly to Durham County Council's Housing Solutions section to receive a more thorough assessment and receive specialised advice and assistance.

**Do you agree with removing the banding reason 'Threatened with homelessness' (band D) for those providing notice from landlords; be replaced with a direct referral to the Council's Housing Solutions section for advice and assistance?**

Yes

No

## Q6 Wanting Larger Accommodation

**Current Policy:** Overcrowding is currently a Band B or Band C priority (depending on the level of overcrowding). Overcrowding is calculated based upon the number of bedrooms in the current home, the ages of the household members and the property size required.

There is however an alternative banding award for households who are not overcrowded (i.e. a couple with two young children living in a two bedroom house) who would like a larger property. Band D is currently awarded to assist with a move to a larger property where no overcrowding is present but due to the number of household members more bedrooms would be preferred.

**Proposed Changes:** This banding award would be removed. Priority would still be given to applicants who are overcrowded to ensure that larger homes are allocated to those with a greater need in the first instance. However, applicants will still be able to apply for larger properties providing they can afford them (i.e. they are not subject to an under-occupancy charge).

**Do you agree with removing the banding reason ‘wanting larger accommodation, outside of the overcrowding criteria’ (band D)?**

Yes

No

## Q7 Transferring Tenants

**Current Policy:** A tenant can apply to re-join the housing register and move again as soon as they have accepted the offer of a property. This can result in neighbours coming and going within a community and properties being accepted by people who never intended to stay (over someone who may have wanted the property as a long term home).

**Proposed Change:** A tenant will need to remain in their home for a period of at least 12 months before applying to re-join the housing register. It is hoped this will encourage applicants to only apply for homes which they wish to remain in and feel settled. In such instances where circumstance change and the tenant has a housing need an application may be considered though.

**Do you agree that current tenants of Durham Key Options landlords, assessed as having no housing need, will not be allowed to re-apply to join the DKO housing register for a period of 12 months after accepting a home?**

Yes

No

## Q8 Rent and Mortgage Arrears

**Current Policy:** Applicants will be allowed to join the housing register providing they do not have more than eight weeks rent or mortgage arrears (or rechargeable repairs)

**Proposed Change:** Applicants will not be allowed to join the housing register if any rent or mortgage arrears are owed. Discretion would still be used to assess genuine reasons for arrears (such as financial hardship) and where applicants can demonstrate efforts to clear any outstanding arrears.

**Do you agree with changing the guidelines to disqualify applicants with rent/mortgage arrears (and rechargeable repairs) from eight weeks to zero weeks?**

Yes

No

## Q9 Affordability

**Current Policy:** At present, single applicants can apply for 1 or 2 bedroom homes, applicants with two children could apply for 2 or 3 bedroom homes, and applicants with three children could apply for 3 or 4 bedroom homes etc  
Since the introduction of welfare reforms by the government applying for a property that is “under-occupied” may result in financial hardship for the applicant. Applicants who are not affected by the welfare reforms are still restricted to apply for homes that match their household size in the first instance.

**Proposed Change:** Properties will only be offered to applicants providing they can afford the rental cost of the home to prevent putting tenants at risk of financial hardship. This may mean that applicants will not be able to be offered homes that cost more than they can afford (such as applicants in receipt of welfare support who would be significantly under-occupying their property). This will also mean that applicants who can afford a larger home will be entitled to apply without being restricted to only the bedrooms they require.

**Do you agree that applicants should only be offered homes if they can afford to pay the rent for that size home?**

Yes

No

**Q.10 Single applicants (under 35)**

**Current Policy:** Single applicants over the age of 16 can apply for a 1 or 2 bedroom property. If the applicant takes on the tenancy of a 2 bedroom property and is in receipt of any housing related benefit they may be subject to the under-occupancy charge (“bedroom tax”).

**Proposed Change:** The government has introduced a new policy which means that that housing benefit for single people in social housing under 35 without children will be restricted to shared accommodation rates.

This means they will only be able to claim the same amount of benefit as a private tenant is able to claim for a room in a shared house.

This policy applies to tenancies which are signed for after 1 April 2016 and the changes to the benefit entitlement will be introduced in 2018.

This could mean that some single household tenants, aged under 35, not receive sufficient welfare support to cover the cost of their rent. It is proposed that DKO landlords could begin to offer shared tenancies (i.e. two single applicants applying separately to share the cost of their home) to minimise the risk of homelessness or enable applicants to access housing in the future.

**In light of the changing benefit rules for single applicants under 35 years old, do you agree it is a good idea for DKO landlords to consider shared tenancies for single applicants (who can't afford to rent on their own) to access social housing in the future?**

Yes

No

Thank you for taking the time to read and complete this survey.

**If you have any addition comments; please provide these in the comments box below:**

## Equality Information

You do not need to complete this section of the survey if you would prefer not to disclose the information, however, the feedback would help us identify whether any specific applicants require further assistance to access the scheme

	Please Tick/Complete Which Applies
<b>Gender</b>	
Male	
Female	
<b>Do you have access to the internet that you can use on a weekly basis?</b>	
Yes	
No	
<b>Your current employment status</b>	
Unemployed	
0 – 16 hours paid work	
Part Time Paid Work	
Full Time Paid Work	
<b>Your current Age</b>	
Please state your age:	
<b>Marital Status</b>	
Single	
Married	
Civil Partnership	
Separated	
Divorced	
Widowed	
<b>Are you disabled?</b>	
Yes	
No	
<b>Ethnic Group – White</b>	
English	
Welsh	
Scottish	
Northern Irish	
Irish	
British	
Polish	
Lithuanian	
Any other white background (please state):	
<b>Black or black British</b>	
Caribbean	
African	
Any other black background (please state):	
<b>Asian or Asian British</b>	
Indian	
Pakistani	
Bangladeshi	
Chinese	
Any other Asian background (please state):	

	<b>Please Tick/Complete Which Applies</b>
<b>Travelling Community</b>	
<b>Gypsy/Roma</b>	
<b>Traveller of Irish Decent</b>	
<b>Other member of travelling community (please state):</b>	
<b>Mixed or any Other Ethnic Group</b>	
<b>Please State:</b>	
<b>Religion/Belief</b>	
<b>Christian</b>	
<b>Hindu</b>	
<b>Jewish</b>	
<b>Muslim</b>	
<b>Sikh</b>	
<b>Buddhist</b>	
<b>None</b>	
<b>Other (please state):</b>	
<b>Sexual Orientation</b>	
<b>Homosexual/Gay Man/Lesbian</b>	
<b>Bisexual</b>	
<b>Heterosexual/Straight</b>	
<b>Prefer not to say</b>	
<b>Other</b>	



**Special Economy and Enterprise  
Overview and Scrutiny Committee**

**28 July 2016**



**Chapter Homes Update**

---

**Report of Ian Thompson, Corporate Director, Regeneration and  
Economic Development**

---

**Purpose of the Report**

- 1 This report provides the Economy and Enterprise Overview and Scrutiny Committee with background information on the formation of a new company dedicated to the development and management of housing for market rent and sale.
- 2 Cabinet granted prior approval to explore and develop this project on 18 December 2013. Cabinet received a second report on 19 November 2014 which provided updated information on the procurement progress. Delegated authority was granted to the Director of Regeneration and Economic Development and Director of Resources, in consultation with the Portfolio Holder for Housing and Rural Issues and Portfolio Holder for Finance to proceed with the next stages of appointing a building contractor.
- 3 This report sets out the further work undertaken to date. The Business Plan exists to demonstrate the viability of the new company and its development programme.

**Background**

- 4 The Cabinet report of December 2013 agreed in principle to the establishment of a new 'bespoke' company to develop new housing for market rent and sale. By taking direct responsibility for the development of surplus Council owned land the company will benefit from developer profits and the Council will continue to secure capital receipts from the sale of land.
- 5 Following a competitive tender exercise, specialist legal consultants, Bond Dickinson LLP, were commissioned in January 2014 to give the Council specific legal advice on the advantages and disadvantages of possible company structure options. They also provided some initial high-level advice on the tax implications of possible structures.
- 6 Furthermore, in February 2014 Identity Consult were appointed to act as Technical Advisor for the overall programme following a competitive tender exercise. The Council has ensured a 'break clause' is present at each phase of Identity Consult's contract should there be a need to terminate the contract earlier than anticipated.

- 7 The Council, under its delegated authority provisions (granted in accordance with the recommendations in the report), entered into a Pre Commencement Services Agreement (PCSA) with Gentoo Construction. Building work has commenced on the pilot site at Agnew 5.

### **Development Land**

- 8 The Council has identified four sites in its ownership that would be suitable for the development of market rent and sale housing by the new company, these sites are detailed fully within the Business Plan.
- 9 The sites are chosen because they are immediately available for development and they are each situated in housing markets where demand for both market housing for sale and rent is buoyant. An assessment of market conditions is contained in the Business Plan.
- 10 The sites are located at:
- Agnew 5, Woodham Drive, Newton Aycliffe (125 units)
  - Cobblers Hall Site N, Newton Aycliffe (approx. 60 units)
  - Former Civic Centre site, Chester-le-Street (approx. 53 units)
  - Oakerside Drive, Peterlee (approx. 65 units)
- 11 The site at Agnew 5, Newton Aycliffe is large enough to be sub-divided into 2 phases. The first phase (56 units) has commenced as a pilot phase prior to moving onto phase two.

### **The New Company**

- 12 Following a brand development exercise and associated research the name of the new company has been chosen to be 'Chapter Homes' this reflects our links to Durham City and to the Cathedral.
- 13 The company will take responsibility for both the development of the new housing and the subsequent management of the market rent housing.
- 14 The business of developing and managing housing for market rent and sale is considered to be commercial activity and thus not an activity which the Council could carry out itself.
- 15 The Localism Act 2011, however, permits local authorities to undertake commercial activities through a separate company as long as:
- i. the company's viability can be proven through a Business Plan and the Plan subsequently approved under section 95 of the Local Government Act 2003 .
  - ii. the authority ensures that they are able to recover the cost of supplying any accommodation, goods, services, staff or other things to the new company. (This is intended to avoid any State Aid implications.)

- 16 The company can either be one as defined by section 1(1) of the Companies Act 2006 (a company limited by shares) or one as defined by Co-operative and Community Benefit Societies and Credit Unions Act 1965.
- 17 A company limited by shares is useful when the primary objective is to make and distribute profits to shareholder(s). In this case the shareholder will be the Council and any profits can be used under the local authority's general power of competence.
- 18 A company defined as a 'not for profit' company or a Community Interest Company (CIC) would restrict the distribution of profit.
- 19 It has therefore been determined that the delivery vehicle is a company limited by shares.
- 20 The housing company is a separate entity. Although it is wholly owned by the Council, it has its own identity and its own Board of Directors.
- 21 The draft Articles of Association form part of the Business Plan and they indicate that the Board will comprise up to 7 Directors.
- 22 It should be noted that unlike the Council, the new company will be liable for VAT, Corporation Tax and Stamp Duty.
- 23 VAT is not charged on the main body of costs i.e. the construction works but there will be VAT liability on consultancy and professional fees, although this is limited to the market rent properties only.
- 24 Corporation tax will be levied on company profits – whether this is a capital return or a revenue stream (after taking into account all operating costs).
- 25 Stamp Duty land tax is charged in direct proportion to the value of any land to be purchased and becomes an absolute cost unless relief is available. Bond Dickinson has advised, however, that relief is available between 'connected companies' and they have confirmed that a local authority and a company which is wholly owned by the local authority can be treated as 'connected companies'.

### **Affordable Housing**

- 26 The new company will not be retaining any properties for affordable housing.
- 27 However, planning requirements of the emerging Durham Local Plan (as informed by the Strategic Housing Market Assessment (SHMA)) will necessitate an appropriate percentage of affordable housing (both affordable rented and low cost home ownership).
- 28 In these circumstances, subject to an appropriate financial viability assessment, the new company will seek to transfer the affordable rented and shared ownership housing to a registered housing provider (RP). Those properties identified for Discount Market Sale will be sold directly on the open market by the new company's marketing team.

## **State Aid**

- 29 State aid rules exist (through EU law) to prevent public sector bodies giving preferential commercial treatment to any company including wholly owned subsidiaries operating in a commercial environment. It is therefore crucial that the relationship between the Council and the new company is put on a proper commercial footing. This entails:
- Transferring land at market value
  - Lending money at appropriate (State Aid compliant) commercial rates
  - Charging support costs (especially from Council officers) at the appropriate rate
  - Getting a reasonable return on any share capital injected into the company.
- 30 Having received appropriate legal advice, these matters have all been taken into account in the development of the Business Plan. The Council is therefore confident that its proposals will not contravene the State Aid rules.

## **Development of Business Plan**

- 31 A Business Plan and associated financial appraisals and sensitivity analyses have been concluded to demonstrate that project development proposals are fully viable and that the company can fulfil its role as a profitable wholly owned subsidiary of the Council.
- 32 The viability assessment at Agnew 5 is based on Gentoo's tendered costs and associated master plan submitted as part of the procurement process. These costs have been subsequently refined to take account of the Council's requested changes in house type mix, specification and overall numbers. The costs have now been agreed and form a part of the contract.
- 33 The construction costs for other sites in the programme have also been subject to the tender process but they have not yet been finalised through further negotiations with the building contractor.
- 34 A separate viability exercise has been completed to assess the profitability of the market rented units. This shows that after taking into account management and maintenance costs and loan repayment requirements, a positive revenue income is achievable.
- 35 Funding for the new company is derived exclusively from the Council's resources and is split between borrowing (70% of overall funding) and share capital (30% of funding).
- 36 The current agreed interest rate for borrowing funds to service the longer term ownership of the market rent units is 7.5%.
- 37 Robust loan agreements have been set up between the Council and Chapter Homes.

## **Edenfield, Newton Aycliffe (Agnew 5) Update**

- 38 Work commenced at Eden Field on the 11 January 2016. The initial focus, in line with the programme of works was to establish the site set up, which includes office and welfare facilities and to lay the temporary roads. This was undertaken and the full extent of the site can now be seen.
- 39 The development is split into two phases, this was to ensure the level of demand was in line with expectations, given the demand continues to increase, it is anticipated that approval for phase two will be made in September 2016, providing a consistent delivery programme and clarity to customer who, even at this stage, are looking to purchase properties on phase two of the development.
- 40 The first properties are now almost completed, these include the two show homes, view home and marketing suite.
- 41 At present there has been 110 enquiries and one property has been sold off plan ahead of the marketing suite being available. This level of interest is ahead of expectations and is testament to the design of the scheme.
- 42 A total of 8 affordable properties are to be sold to Livin as part of the terms of the Section106 legal agreement, this provides much needed affordable housing to those who are unable to access the market.  
The programme will continue until October 2018 with a sales rate of 2 properties per month being an average target. The contract has been designed to cater for greater or lower demand and the build rate can be accelerated or decelerated accordingly.

## **Chester Le Street**

- 43 Master planning and site design is being undertaken at Chester Le Street. The overall level of sales and rental demand has been assessed and a draft layout has been prepared.
- 44 The initial appraisal concludes that circa 54 units could be located on the site, to ensure profits are maximised, the design has a greater density than that of Eden Field. The housing market in Chester Le Street is strong, which has been evidenced by our dedicated sales agent.

## **Market Rental**

- 45 Chapter Homes aim to deliver circa 30% of properties available for private rent providing a high standard of accommodation within the Private Sector.
- 46 The following properties have initially been identified as potential for rental purposes. These properties will be let on an unfurnished basis however, actual units available could change based on demand for open market sale units:

Plot No's	Property Size and Type	Rent per Calendar Month
26-29	3 Bed Semi-Detached with Garage	£675
49-51	3 Bed end/mid Terrace, No Garage	£650
56	3 Bed Detached with Garage	£675
67-68	3 Bed Semi-Detached with Garage	£675
79-81	3 Bed end/mid terrace with Garage	£650
90-92	3 Bed end/mid terrace with Garage	£650
103-104	2 Bed Terrace, No Garage	£550
106-107	2 Bed Terrace, no Garage	£550
121-123	3 Bed Terrace with Garage	£650

- 47 The pilot site at Agnew 5 phase 1, Newton Aycliffe will generate up to a maximum of 20 units for market rent available for rent of £550-£650 per month in line with the current Rental Market for properties of this size, type and location.
- 48 The properties available for rent will be let and managed by Chapter Homes via a SLA. As a responsible landlord, Chapter Homes will fulfil a range of management responsibilities. To date there has been 13 expressions of interest in the rental product.

### **Management Functions**

- 49 The housing management function will be delivered by Durham County Council Housing Solutions Service via a secondment arrangement to Chapter Homes. The functions will be delivered to a high standard via robust policies and procedures.
- 50 Processes such as Rent Collection, tenancy matters and property lettings will be required to be effective from the handover date. Housing management staff will be clear of the Chapter Homes culture and deliver a higher performing service to that delivered in a traditional Housing Management Service.

### **Conclusions**

- 51 This report continues to set out the progress being made in establishing a new company to develop and manage a programme of market rent and sale housing.

- 52 The new company now has its own robust Business Plan which evidences the overall viability of the project as well as demonstrating the finance, organisation and governance of the company.

### **Recommendations**

- 53 It is recommended that members note the content of this report and progress made to date by the Project Team.
- 54 That the Economy and Enterprise Overview and Scrutiny Committee receive a further update on the progress of Chapter Homes at a future meeting.

### **Background Papers:**

None

---

<b>Contacts:</b>	<b>Ian Thompson, Corporate Director of Regeneration and Economic Development</b>	<b>Tel: 03000 267 332</b>
<b>Author:</b>	<b>Laura Williams, Housing Manager</b>	<b>Tel: 03000 268 854</b>

---

---

## Appendix 1: Implications

---

**Finance** – A robust Business Plan and associated financial appraisals and sensitivity analyses has been established and agreed by the Chapter Homes board.

**Staffing** – In the short term existing staffing arrangements will be utilised to progress the scheme but ultimately dedicated staff may be required for the project. A dedicated staff resource may need to be recruited once workload(s) are established from the detailed Business Plan, for example a Sales Director. Any staffing costs associated with the scheme will be captured as part of the developing Business Plan.

**Risk** – The appointment of a preferred building contractor will not expose the Council to significant risk should the Council's market housing proposals not proceed.

A 'Pre Construction Services Agreement' (PCSA) has been entered into between the Council and the selected building contractor partner. The Council will contractually only be required to pay a fair and proportionate amount of fees incurred by the building contractor from appointment until the point at which any such agreement ceases.

The design and build building contract will only be entered into should on-going viability be proven immediately prior to tender acceptance and only once planning permission has been obtained.

**Equality and Diversity/Public Sector Equality Duty** - n/a

**Accommodation** – n/a

**Crime and Disorder** – n/a

**Human Rights** – n/a

**Consultation** – The Cabinet Portfolio Holder for Housing and Cabinet Portfolio Holder for Finance are routinely updated on progress of the project via the established Project Board for the scheme.

**Procurement** – Procurement of a preferred building contractor partner is being pursued via the Homes and Community Agency (HCA) Delivery Partner Panel 2 (DPP2) framework.

Joint delegated authority is sought from Cabinet for the Director of Regeneration and Economic Development and Director of Resources, in consultation with the Portfolio Holder for Housing and Rural Issues and Portfolio Holder for Finance, to appoint a preferred building contractor partner in January 2015.

**Disability Issues** – n/a

**Legal Implications** – The Council will need to create a suitable company structure to facilitate development and associated housing management proposals for the market rent units. The Council cannot undertake development itself and it cannot be a landlord on this project.