

CAB2723 (HSG)
FOR DECISION
WARD(S): ALL

CABINET (HOUSING) COMMITTEE- 30 SEPTEMBER 2015

THE OVERVIEW AND SCRUTINY COMMITTEE – 26 OCTOBER 2015

RESPONSE TO NOTICES OF MOTION TO COUNCIL ON RECENT
GOVERNMENT HOUSING ANNOUNCEMENTS

REPORT OF ASSISTANT DIRECTOR (CHIEF HOUSING OFFICER)

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RECENT REFERENCES:

None

EXECUTIVE SUMMARY:

Two notices of motion were tabled at the July Council meeting relating to the Government's announcements regarding plans to extend the Right to Buy to Housing Associations and the impact this would have on local authority housing. A minute extract referring to both notices is attached as Appendix A to this report. This report responds to the notices of motion, considers the impact of the proposals on the City Council's Housing service and sets out what formal representations have been made. The report also considers the potential impact of other measures that may be included in the Welfare and Housing bills.

Since the Council meeting, officers and the Portfolio Holder for Housing have met local members of parliament and local housing associations. Formal representations have been submitted to the Minister for Housing and Planning via the local MPs and also to officials at the Department for Communities and Local Government (DCLG). The response received from the Minister is appended to this report for information.

RECOMMENDATIONS TO CABINET (HOUSING) COMMITTEE:

1. That Cabinet and Council note the potential impact of Government Welfare and Housing Bill proposals on the City Council's Housing service and support the action taken by the Portfolio Holder for Housing and officers in response to the notices of motion tabled at Council in July.
2. That a report detailing how the Housing Revenue Account (HRA) Business Plan and budget should be amended to reflect the impact of the proposed 1% Rent Reduction be prepared for the November Cabinet (Housing) Committee meeting
3. That the response received from the Minister for Housing and Planning be noted.

RECOMMENDATIONS TO THE OVERVIEW AND SCRUTINY COMMITTEE:

4. That the Committee considers whether it wishes to draw any matters to the attention of the Portfolio Holder for Housing or to Council.

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DETAIL:

1 Introduction

- 1.1 This report responds to the two notices of motion tabled at the Council meeting on 23 July 2015 regarding Government proposals to extend the Right to Buy to housing association tenants and for this to be part funded through the sale of “high value” council homes as they become vacant. A minute extract referring to both notices is attached as Appendix A to this report In response to the notices of motion, officers and members have met with local members of parliament and also with local housing association representatives to discuss concerns regarding the proposals. Representations have also been made to officials and the Department for Communities and Local Government.
- 1.2 This report reviews the potential impact of recent announcements and Government proposals included within the Welfare Bill and proposed Housing Bill on the provision of council housing in the District.
- 1.3 It should be noted that very little detail on how all of the proposals will be implemented is currently available. It is clear from discussions with DCLG representatives that the full detail of the implementation is still being considered, along with potential measures of mitigation. Discussions with housing associations suggested that organisations are at different stages of preparation. All have made their own representations and share concerns regarding the impact of the proposals on the future of social housing. They have started to review long term plans and this process will continue until further clarity on changes and the implementation timetable is known.

2 Government Proposals

- 2.1 A number of announcements regarding social housing were initially included within the Conservative Party manifesto. Additional announcements regarding welfare reform and social housing rents were then included in the Summer budget. Some of these have been included in the Welfare Bill currently before Government and additional measures are anticipated to be included in the Housing Bill coming forward in the autumn.

2.2 The Government proposes:

- a) To extend the Right Buy to Housing Association tenants
- b) To force councils in high value areas to sell off council housing to help finance extension of Right to Buy to housing association tenants;
- c) To cut council rents by 1% a year for the next four years, commencing April 2016;
- d) To force council tenants with a household income over £30,000 (£40,000 in London) to pay market or near-market rents; (the additional income would be returned to the Government);
- e) To review the use of “lifetime” tenancies in social housing and give consideration to “fixed term” tenancies being made mandatory.
- f) A number of additional measures in relation to welfare reform to reduce overall welfare spend and to encourage employment.

3 The Right to Buy and “High Value” Sales

3.1 Of the 5,000 homes managed by the City Council, it is estimated that 1,200 may be valued above the suggested thresholds for the South East region. Whilst no formal announcements have yet been made regarding what is meant by “high value” homes, it is understood that current Government assumptions have been based on the following values for homes in the south east:

- | | | |
|----|-------------------------|----------|
| a) | One Bedroom - | £165,000 |
| b) | Two Bedroom - | £250,000 |
| c) | Three Bedroom - | £320,000 |
| d) | Four Bedroom - | £495,000 |
| e) | Five or more Bedrooms - | £755,000 |

3.2 For Winchester, whilst the above values would include a small number of large very high value properties, the majority are actually smaller homes, with many being sheltered or older persons bungalows.

3.3 With an average of 300 to 350 re-lets each year, the policy could see an estimated 70 sales each year. However, it will be almost impossible to predict actual numbers as the Council has little control on which properties become vacant.

4 Assessment of Potential Impact on City Council Housing

- 4.1 Older Persons Housing – Many rural bungalows are above the threshold, as are city centre sheltered flats. Older persons housing is currently exempt from the Right to Buy.
- 4.2 Rural Family Housing – In some villages, all 3 bed homes fall above the threshold. Some measure to ensure at least some social housing provision is retained in rural villages is essential.
- 4.3 Temporary Accommodation – Several Hostel bedsits used for Homelessness provision fall above thresholds. Turnover of these units are very high but any sales would compromise the Council's ability to address/prevent homelessness in the city.
- 4.4 New Build – The City Council is aiming to develop an average of 30 new homes every year. An early tenancy change could force a sale long before any financial return is generated. If New Builds are not excluded from the policy, this is likely to result in only small homes in cheaper areas being developed.
- 4.5 Redistribution – Whilst accepting the housing market is very much a regional one, Housing need in the Winchester district is very high. It is not clear at this stage whether Registered Providers will be required to invest their receipts locally. With no Council stock in most Hampshire areas, it is likely that City Council sales will support replacements on a regional basis or even across much wider areas, resulting in a reduction in social housing locally.

5 Suggested Considerations/Controls/Exemptions for High Value Sales Policy

- 5.1 The following potential exemptions/controls have been suggested to Government and DCLG representatives:
 - a) That the following categories of stock be excluded from High Value Sales policy:
 - (i) Older Persons and Sheltered designated properties that are current exempt from the Right to Buy
 - (ii) Existing stock specifically adapted for significantly disabled tenants
 - (iii) Temporary accommodation/hostels
 - (iv) New build properties built after April 2012
 - b) That a cap or limit be applied on the number of sales in any one area, particularly rural villages.

- c) That local authorities be able to retain sufficient receipts to clear all debt relating to the asset, cover reasonable sales admin costs and to fund re-supply of a new property in a cheaper area.
- d) That receipts that local authorities retain to fund re-supply be at least equal to those passed to registered providers to cover RTB losses.
- e) That all values to be based on actual sales, not a formula approach based on average re-let assumptions.

6 Rent Reduction

- 6.1 Of more immediate significance to the Council's HRA Business Plan is the proposal to move away from the Government's 10 year guarantee of rent increases at CPI+1% per annum, to an actual rent reduction of 1% per annum for the next 4 years. This measure will see a reduction in assumed income of £1m per annum, increasing to £5m per annum by 2019. This will equate to £175m over life of the business plan. This is obviously very positive news for tenants struggling to meet current rents and for the national welfare bill.
- 6.2 The Council has yet to determine how it can revise its plans to cover this shortfall, but future plans will need to consider:
- a) Reductions in the new build programme
 - b) Ceasing discretionary programmes, such as loft conversions, estate improvements, discretionary works/decorating, sheltered improvements etc
 - c) Reductions in capital maintenance spend with the potential impact of extending lifecycles for kitchens, bathrooms, heating systems etc.
 - d) Identifying efficiencies in back office costs, housing management staff
 - e) Reduced investment in social programmes such as tenant involvement, tenant training, employment initiatives, health and wellbeing programmes etc, tenancy support, money advice, downsizing incentives etc.
- 6.3 The "Self Financing" regime provided the additional resource to allow councils to develop new homes. Such a significant reduction in resources clearly limits the future ability to fund development through the HRA.
- 6.4 A report reviewing options for reduced expenditure will be brought to the Cabinet (Housing) Committee meeting in November.
- 6.5 During discussions with local MPs and with representatives at the DCLG, the following suggestions were put forward as potential options for mitigating the impact on new build programmes:

- a) Introducing specific grant/capital programmes to support small scale development programmes (similar to the recent additional borrowing permissions awarded through the Local Growth Fund). A “continuous market engagement” approach to help with schemes that have planning and a degree of certainty in place could help programmes stalled in the short term through the rent reduction changes.
- b) Permitting at least a proportion of affordable rent provision through “off balance sheet” delivery vehicles advocated in the House Elphicke report. This would support the development of mixed communities.
- c) Increasing the amount an authority can retain from Right to Buy receipts to help fund 1 for 1 replacements. For authorities operating at or near their debt cap, the ability to cross subsidise such schemes (other than with free land) is very limited.

7 Pay to Stay/Ending Lifetime Tenancies

7.1 Whilst it is not clear at this stage whether such measures will be included in the Housing Bill, the Government has suggested that it intends to make two existing discretionary schemes mandatory. To ensure that only those in need can benefit from subsidised housing, two measures aimed at higher earning residents include:

- a) “Pay to Stay” – Councils can currently charge higher rents to anyone earning over £60,000. It is proposed to introduce mandatory market rents for any household earning over £30,000. Most landlords hold no data on earnings so it is not clear what would be required to administer such a scheme. It is also proposed that whilst housing associations could retain additional income, local authorities would be expected to pass any additional income collected through the scheme to Government as a further contribution to the cost of the Right to Buy extension.
- b) Fixed Term Tenancies – Councils have the powers to introduce “fixed term” tenancies although few have opted to do so. Whilst they can be a useful way of promoting effective use of stock to meet housing need, it could also be argued that fixed term tenancies could be a disincentive to work, as anyone approaching a “review” could lose their housing if their circumstances had improved sufficiently. One key benefit would be to address under-occupation, although the City Council already has a successful incentive scheme to help with this. Any process to introduce fixed term tenancies would require significant additional administration to ensure regular formal tenancy reviews are implemented effectively.

7.2 Both schemes may well result in significant additional administrative burdens. No information is currently held on high earning tenants, although it is estimated numbers in Winchester are very low. The following measures have

been suggested to DCLG and Government as potential ways to assist with these policies:

- a) Legislative change to allow the enforcement of down-sizing within reasonable time limits.
- b) Direct access to HMRC data in relation to tenants earnings rather than relying on tenant declarations to their landlord.

8 Welfare Reform Changes

- 8.1 The City Council has been preparing for the implementation of Universal credits for some time, although the roll out in this area has only just commenced and the Council has yet to receive its first claim.
- 8.2 The Welfare Bill recommends the implementation of a range of additional measures aimed at reducing the overall costs of welfare and encouraging employment. Changes include:
 - a) The reduction of the Benefit Cap from £26,000 to £20,000.
 - b) A four year freeze in working age benefits.
 - c) Limits on Tax Credits and Universal Credit in relation to children.
- 8.3 The City Council is still assessing the potential impact of the latest changes in relation to working tax credits, benefit caps and universal credits. With the introduction of universal credits only starting in September in this area, it will take time for the full impact to be assessed although the City Council is well placed to support its tenants through this change.
- 8.4 The impact of the reduced benefit cap in particular will result in a significant increase in the numbers of tenants affected. The key measure that would assist with this is the continuation and short term increase in the Discretionary Housing Payment scheme. This recommendation has been made to the Government as part of the recent discussions.

9 Conclusions

- 9.1 The implementation of "Self Financing" in 2012 along with the Government's commitment to a 10 year rent policy resulted in very clear and positive plans being prepared for the management and development of Council housing in Winchester.
- 9.2 The announcements considered in this report effectively result in an end to the certainty provided by "Self Financing", which effectively ensured that all social housing providers (councils and housing associations) operated on a reasonable "level playing field".
- 9.3 The changes can be accommodated and the HRA business plan can be amended to ensure it remains sustainable. However, this can only be

achieved with the significant reduction of services to tenants and to new build programmes.

- 9.4 The changes are likely to result in the Council's ability to deliver additional housing through the HRA being curtailed. The potential to develop through other funding routes, including the establishment of a "housing company" or special purpose vehicle as advocated in the House Elphick report could become increasingly important if the Council is to continue to promote new to meet housing need in the District.

10 Hampshire & Isle of Wight Devolution Prospectus

- 10.1 Members will be aware that Hampshire and the Isle of Wight Councils have submitted to Government proposals for the devolution to a local level powers, responsibilities and funding in a number of areas. This includes housing, where a commitment to increase the supply of affordable homes and certain other tenures is a centrepiece of the Prospectus put to Government.
- 10.2 To achieve that, the local authorities have sought a relaxation of rules on Right to Buy in rural areas, together with the ability to retain locally generated receipts from other RTB sales and an exemption from the policy on rent reduction. If these are agreed they will have a positive impact on the issues outlined in this report.

OTHER CONSIDERATIONS:

11 COMMUNITY STRATEGY AND PORTFOLIO PLANS (RELEVANCE TO):

- 11.1 The potential changes announced as part of the Welfare and Housing Bills will clearly have a very significant impact on the Council's Housing Portfolio Plan and HRA Business Plan. Both documents will need to be fundamentally reviewed in light of the changes announced.

12 RESOURCE IMPLICATIONS:

- 12.1 These are considered within the body of the report.

13 RISK MANAGEMENT ISSUES

- 13.1 The risks associated with the proposed changes to social housing are considered in the report and appropriate representations have been made to Government along with suggestions on ways to mitigate some of the potential impact.

14 TACT COMMENT

- 15 The new TACT chair and committee were only appointed on 16 September and it has not been possible to formally consult them on the report. A

presentation on this issue was delivered to all tenants attending the TACT Annual General Meeting on that date.

16 TACT will be represented at the Committee meeting.

BACKGROUND DOCUMENTS:

Briefing Note on the Impact of Proposed Housing Policy Changes on Winchester City Council

APPENDICES:

Appendix 1 - Extract of Minutes of Council held 23 July 2015

Appendix 2 - Letter of Response from the Minister for Housing and Planning

**EXTRACT OF MINUTES OF
COUNCIL HELD 23 JULY 2015**

1. NOTICES OF MOTION

1. The following Notice of Motion had been submitted by Councillor Tod.

“This Council

- Notes the new Government’s proposal to extend the Right to Buy to Housing Association tenants, to be paid for by selling off the most expensive Council Housing stock nationally;
- Notes that housing prices in the Winchester District are amongst the top 10% of prices in the UK, so a policy of funding the programme through selling off “high value vacant council houses” could pose a particular threat to our housing stock;
- Notes with alarm the shortage of affordable rented homes in Winchester and is very concerned that the proposed government plans risk making matters worse;
- Notes that the 173 authorities, like Winchester, who own council houses will be heavily subsidising the 150 authorities that don’t.

Council is very concerned about the potential effect this will have on our own housing stock and instructs the Assistant Director (Housing) to write a report for Cabinet and The Overview and Scrutiny Committee setting out the potential impact on our stock across the District.

Council further calls on the Portfolio Holder for Housing to write to all housing associations within the District to seek their views on the proposed legislation.”

In introducing the Motion, Councillor Tod highlighted that the overall benefit from the proposals to the Winchester District would be minimal. The proposals were likely to be a considerable issue for those local authorities, like Winchester, which retained their housing stock and were in high value areas. Councillor Tod urged Cabinet to lobby the Government accordingly.

The Motion was seconded by Councillor Weir.

During discussion, a Member referred to the Stanmore housing estate in Winchester where Right to Buy had changed the character of the neighbourhood over the years, in addition to reducing the supply of affordable and rented homes for families in Winchester and causing problems for existing tenants. The matter was to be controlled by exercising an Article 4 direction to limit further increases of Houses in

Multiple Occupation across the estate. It was likely that the issues experienced in Stanmore may occur in other city wards.

In response, Councillor Horrill reported that the Council recognised the lack of clarity in the Government's announcement and also the potential for there to be significant impact on the Council's housing stock across the District, including in the rural areas. Winchester was one of the few local authorities in the area with a retained landlord function and also has some of the most expensive property values in the country.

Councillor Horrill provided assurances that the Council was to make urgent representations to Government on the matter and welcomed a suggestion that the Council also engage with its Housing Association partners with regard to their views on the proposals. A report would be brought forward to Cabinet in due course on the matter.

RESOLVED:

That the Notice of Motion be referred to a future meeting of Cabinet for further investigation and report back to Council.

2. The following Notice of Motion had been submitted by Councillor J Berry.

"The Council notes that the Queen's speech included plans for legislation to extend the right to buy to housing associations, and that the Department for Communities and Local Government has stated that, to help fund this policy, councils will be required to sell their most expensive housing when it falls vacant.

This Council, as a Council which has retained ownership and management of its council homes, believes that this may force the Council to sell properties that are considered to be high value, including many family homes, stripping it of its ability to manage its own housing stock, making it harder for people on lower incomes who are already struggling to access a decent home at a price that they afford, and increasing the chances of families spending time in temporary accommodation.

The Council is further concerned that this may result in new council properties being sold off almost as soon as they are built, instead of being let to local residents in housing need, including those on the housing waiting list.

This Council resolves to write to the Prime Minister and the local MPs, expressing these concerns, and urging the Government to review this policy."

As part of her presentation of the Motion, Councillor Berry highlighted the following:

- The proposals would effectively lead to the stripping of the assets of Housing Associations and they would rely on the sale of Council houses to remain solvent.
- It was unacceptable to expect the Council to sell its assets to fund initiatives that were of no direct benefit to the District.
- The Council was the custodian of Council homes for future tenants.
- The proposals went against the principles of the Localism Act 2011, which had given Council greater flexibility in how it managed its housing stock
- Many of Winchester's two and three bedroom Council houses, in addition to the majority of its rural stock, were within the criteria of being the most expensive Council homes in the country. Newly built Council houses may have to be immediately sold.
- There would be an inevitable increase to the Council's waiting list and therefore an increase in a need to provide temporary accommodation.

The Motion was seconded by Councillor Gosling.

During discussion, concern was raised at both the long and shorter term impact from the loss of the Council housing across the district. Housing stock had already seen some decline in availability, particularly in some of the town area wards. The Council's new build policy would be affected as completed homes may be automatically eligible for sale. The policy was also against the principles of the Localism Act 2011, which gave Councils more flexibility as to how they managed their housing stock.

In summary, Council welcomed an undertaking by the portfolio holder that the Council was to lobby the Government on the proposals and also that a report would be brought to Cabinet in due course.

RESOLVED:

That the Notice of Motion be referred to a future meeting of Cabinet for further investigation and report back to Council.



Department for
Communities and
Local Government

George Hollingbery MP
House of Commons
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Brandon Lewis MP
Minister of State for Housing and Planning

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Our Ref: 1368965

Dear George Hollingbery MP,

14 SEP 2015

Thank you for your email of 31 August on behalf of Cllr Caroline Horrill of Winchester City Council concerning their briefing note in response to the July Budget.

We want all councils to use their resources effectively and efficiently. When there is an increased need for housing across the country, it makes no sense for a local authority to keep hold of high value vacant council houses when they could sell them to fund the building of replacement homes, as well as support people into home ownership, through the extended Right to Buy. I am aware that officials have spoken to officers at Winchester CC about the sale of high value assets and it is very helpful to understand views about exemptions and controls. We will consider these as we develop the policy.

It is critical for the Government to put welfare spending on a sustainable footing while protecting the most vulnerable. Rising rents in the social sector are fuelling the Housing Benefit bill, with the rate of average rent increases in the social sector over the last five years more than double that in the private sector. Whilst average rents in the social sector have risen by around 60 per cent over the last 10 years, average private sector rents have increased by 23 per cent in the same period. By cutting social rent by 1 per cent a year for next four years, the Government is protecting hardworking taxpayers and tenants from the costs of rising social rents. This is a sensible and fair measure.

We are alive to the fact that these reductions in rent will impact on local authorities' housing finance but believe that councils should be able to manage the reductions. We will be engaging with councils, including Winchester, as they develop plans to meet these reductions. We will consider the impact of the rent reduction on local authorities', including Winchester's, finances during the Spending Review.

The housing association sector is financially robust. With a surplus of £2.4 billion in 2014, we think they are well placed to manage these reductions. The Regulator continues to work with landlords as they plan to manage these changes. In playing their part to help reduce the Housing Benefit bill, housing associations should be able to find necessary savings and deliver more efficiencies.

The Government is keen to ensure the best use is made of social housing – that housing support is focussed on helping those in need, and that those social tenants on higher incomes make a fair contribution. "Pay to Stay" builds on current rent policy that allows social landlords to charge higher rents to social households with incomes of at least £60,000 per

year. Under the new policy, from April 2017, housing associations and local authorities will be required to charge social tenants with a household income of £40,000 and above in London and £30,000 and above outside London a market or near-market rent.

The measure will contribute towards the Government's deficit reduction. It will also generate extra income for housing associations to reinvest in social housing. I recognise there will be questions regarding the implementation of the policy. We will consult on aspects of the "Pay to Stay" policy and will issue a consultation in due course.

Social landlords have been able to offer fixed term tenancies since April 2012 but they are not necessarily making effective use of this new flexibility. The Government does not believe it is fair that tenants should effectively be guaranteed a social home for life regardless of their future circumstances; if someone no longer needs a social tenancy they should not be occupying a home which could be used by another household. That is why we have decided to review the use of lifetime tenancies in social housing to limit their use and ensure that households are offered tenancies that match their needs and the best use is made of the social housing stock.

The Summer Budget reforms to the welfare system and the new National Living Wage were a key part of the Government's drive to create a higher wage, lower tax, low welfare society, central to the Government's long-term economic plan.

The Government recognises that some people, particularly vulnerable families, face difficult transitions and will take time to adjust to the new reforms. We are increasing the funding for Discretionary Housing Payments to a total of £800m across the Parliament to enable local authorities to help claimants affected by reform changes who need extra support. This is more than a 40 per cent increase on the notional allocation for the previous five years. The Department for Work and Pensions (DWP) will consult local authority associations later this year around allocations.

There are no plans to revisit in-year DHP allocations, although the DWP monitors local authorities' DHP expenditure twice yearly to see how they are being used. Local authorities may top up DHP to a limit of 2.5 times their allocation. Over the next five years the DHP budget has been increased to £800 million. This is more than a 40 per cent increase on the notional allocation for the previous five years. DWP will consult local authority associations later this year around allocations.


PP BRANDON LEWIS MP

SIGNED ON BEHALF
OF MINISTER IN
HIS/HER
ABSENCE