

Housing Select Committee			
Title	Key Housing issues		
Key decision	No	Item no	6
Wards	All		
Contributors	Executive Director for Customer Services		
Class	Part 1	16 September 2015	

1 Summary

- 1.1 The Housing Key Issues is a general report that aims to update the Housing Select Committee on current and new issues important to housing.

2 Recommendations

- 2.1 Housing Select Committee is recommended to note the contents of this report.

3 Budget

- 3.1 The budget of 8 July 2015 introduced a number of changes to housing, specifically around rents in social housing and welfare reform. Officers are currently reviewing the full financial and policy impacts of these changes and further updates will follow in due course, including – where relevant – the specific implications for Lewisham.

Social rents

- 3.2 From April 2016, social rents will be reduced by 1 per cent a year for four years. In principle this is a measure designed to reduce the housing benefit bill, and it will of course be a positive change for tenants. However it will also have a significant impact on the capacity of all housing associations and developing Local Authorities to build new social housing.
- 3.3 This is because until now the feasibility assessment of a new build scheme would have been based on rates rising by inflation plus a small additional uplift, but which will now reduce for the first four years, which is a significant change when grant rates are already low and the viability of many developments was already marginal. The rent reduction is included in the draft Welfare Reform and Work Bill; this is the first time that the setting of social rents has been set directly by primary legislation. They had previously been set through a formula set by the Department for Communities and Local Government and monitored by the Homes and Communities Agency's Rent Standard.

- 3.4 The change will impact on the longer term ability of the Council to develop new Council housing, as a result of lost income from reducing rents. Officers are currently modelling the impact of the lost income, and will report back full and final details as part of the HRA budget setting process in the autumn. Our initial assessment is that this policy will reduce the amount of rent we had forecast to receive over the four year period by £25 million; however at present it does appear to be the case that the 500 new home target can still be delivered by the HRA by 2018. Furthermore this policy change is slowing down schemes which were due to start as their financial viability is reconsidered.

Pay to stay

- 3.5 The proposed rent cut will only apply to social housing tenants on lower income, because the Budget also introduced an expectation that tenants who earn more than £40,000 a year (£30,000 outside of London) will now have to 'pay to stay', paying up to the market rent. It has not yet been announced whether there will be a 'taper' for those who earn over the threshold but who would struggle to afford full market rents. Whilst this 'pay to stay' policy currently exists, it is voluntary and most authorities – including Lewisham – have chosen not to implement it.
- 3.6 Housing Associations will be able to retain the additional income raised from this policy, but Councils, including their Arms-Length Management Organisations, will have to return additional income to the Treasury.
- 3.7 It is not yet clear how a policy of this type might be implemented, and there are clear operational challenges with doing so. For instance at present social landlords have no way of knowing the income levels of their tenants, and so some form of information sharing between government agencies or, failing that, some form of means testing, may prove necessary.
- 3.8 The standard measure of affordability is that tenants should not pay more than a third of their net income on rent. The median rent in Lewisham for a two bed property is now around £1,200 per month and so a tenant earning £40,000 would pay around 43 per cent of their net income. In order to be able to afford the average market rent for a two bed in Lewisham, a household would need an income of around £52,000, indicating that those who earn more than £40,000 in Lewisham are not in fact on incomes sufficiently high to pay market rents.

Mortgage interest relief for residential landlords

- 3.9 The budget announced changes to mortgage interest tax relief for landlords, which will be restricted to the basic rate of income tax. This change will be phased in from April 2017, and will make it much costlier for buy-to-let landlords with large mortgages.

3.10 Officers will continue to monitor the impact of this change over time, as it may alter the nature of the private rented sector, making it less attractive to smaller buy-to-let landlords.

Welfare Reform

3.11 The benefits cap has been confirmed, with benefits capped at £23,000 in London. People on disability-related benefits and of pension age will be exempt. It was also confirmed that £800 million of Discretionary Housing Payments will be provided to local authorities over the next five years.

3.12 Reducing the benefit cap to £23,000 will affect the 311 households in Lewisham that are currently subject to the benefit cap and a further 777 who will be affected when the reduction is introduced.

3.13 The reduction on the 311 households currently subject to the cap will create a further £3,000 shortfall for them per year and so the total impact on these households will be £933k. It is currently projected that a further 777 households will be impacted by the reduced benefit with an estimated loss of benefit of £1m.

3.14 In addition to the financial impact on benefit claimants, there is a significant risk to the Council from increased homelessness and rent arrears. The current weekly average loss as a result of the benefit cap is £88.16; the further reduction will make the average weekly liability for capped households of £145.85.

3.15 The table below shows that 54% of capped households are in the private rented sector (PRS) and 10% are in housing association properties. If tenants fail to meet this liability it is likely the Council will see an increase in evictions and the demand for accommodation from the Council when 29% of capped households are already in temporary accommodation.

Tenure Type	Number capped	Percentage
PRS	168	54 per cent
RP (HA)	31	10 per cent
Council	23	7 per cent
TA	89	29 per cent
Totals	311	

3.16 An immediate problem with managing this transition is the absence of a start date. DWP have confirmed that they may roll out the reduced cap at different times for different areas or cases as they believe this will mean the change can be delivered more effectively.

3.17 The benefit cap has also reduced for single people, from the current £18,200 to £15,410. The impact will be an additional loss but as there are only 9 single people currently subject to the benefit cap, 2 being supported by DHP, the impact is far less significant for the Council.

- 3.18 The Budget has confirmed to restrict access to Housing Benefit for under 21s. Parents whose children live with them, vulnerable groups, and those who were living independently and working continuously for the preceding six months will be exempt from this measure.
- 3.19 The initial budget announcement suggested that Housing Benefit would be withdrawn for 18 – 21 year olds living in the social rented sector and no further formal clarification has been received. Our initial analysis confirmed that Lewisham has 79 individuals who would be affected.
- 3.20 However, a recent House of Commons information release has suggested that from April 2017, there will be no automatic entitlement to housing costs included in Universal Credit for 18 – 21 year olds who are out of work. There will be some exemptions but no details have been made available.
- 3.21 Most working-age benefits will be frozen for 4 years from April 2016. This will apply to Job Seekers' Allowance; Employment and Support Allowance; Income Support; Child Benefit; applicable amounts for Housing Benefit; and Local Housing Allowance rates.
- 3.22 As part of the on-going welfare reform programme, DWP have confirmed that £800m of DHP funding will be available nationally over the next five years. Assuming the same apportionment arrangements are used to share out the £800m and that the £800m is apportioned evenly over the five years, it is likely Lewisham will receive around £1.7m pa, an increase in the region of £500k pa. However, the likely impacts of the additional welfare reforms will far exceed this and so the council will likely have to review how it uses discretionary payments.

4 Housing Bill

- 4.1 The Queen's Speech of 28 May 2015 announced that a new Housing Bill will be introduced this autumn. The bill has yet to be published, but will include the following measures:
- The Right to Buy for tenants of Housing Associations
 - A requirement for local authorities to sell their most valuable properties
 - A 'Right to Build' with requirements for local authorities to assist those who want to build their own house
 - Plans to deliver 200,000 new 'starter homes' which will be available to first-time buyers under 40.

Right to buy

- 4.2 The National Housing Federation estimates that 850,000 Housing Association tenants will gain the Right to Buy (that is, they have lived in their property for long enough to qualify and do not already have a preserved Right to Buy).

- 4.3 Currently, there are around 120 Right to Buy completions per year in Lewisham's existing council-owned properties. As the split of council-owned and Housing Association-owned properties is around fifty-fifty, this gives some indication of the rate of Right to Buys we could see in Housing Association-owned properties; however the exact impact cannot be estimated until the details are published in the draft Bill.

Sale of high value properties

- 4.4 Officers have commenced some modelling on the potential impact of this policy on Lewisham. Again the exact detail is still to be published, but we think that if the values threshold is set with reference to London values, it could lead to around 25 sales of high value properties per year. If the threshold is set at a sub-regional level (e.g. South East London) the numbers sold would be higher.
- 4.5 The exact detail of how these policies will be implemented will be set out when the draft Housing Bill is published. This is expected to happen in October, and officers will continue to keep Committee updated on changes and their implications for Lewisham.
- 4.6 Further measures which will have an impact on housing policy will be announced in the Spending Review on 25 November, and again officers will ensure that Committee is fully apprised of these.

5 Rogue Landlords – government consultation

- 5.1 Over the summer, the government conducted a consultation on measures to tackle rogue landlords and improve the private rented sector.
- 5.2 The government consulted on measures such as:
- Whether fines for housing offences are sufficient
 - Introducing a 'blacklist' of rogue landlords, and banning the worst offenders
 - Revisions to the 'fit and proper persons test' for landlords of those Homes in Multiple Occupation which require a license
 - Introducing civil penalties for more minor contraventions
 - Making changes to how landlords can reclaim properties which are believed to be abandoned.
- 5.3 Our response drew on the experiences of Lewisham's Rogue Landlords team to demonstrate the ineffectiveness of some of the existing penalties. For example we highlighted that the level of fines we have seen can amount to a small fraction of a landlord's income, especially if they have a portfolio of properties.

6 'Generation Rent' research

- 6.1 In July PwC published its most recent economic outlook, with a focus on the housing market. Its most notable finding was the rise of 'generation rent'. The report noted that in the 1980s and 1990s, the size of the private rented sector remained stable at around 10% of the market. However since 2003, the sector has been growing sharply and is now around 20% of the market nationally, and is growing much more rapidly in London and Lewisham. The financial crisis and its impact on the housing market and mortgages has contributed towards this increase, as has the marked increase in house prices over the last five years.
- 6.2 PwC's analysis projects that this trend will increase, and that by 2025, the private rented sector will comprise 25 per cent of the market. This would represent an additional 1.8 million households becoming private renters. 'Generation rent' refers to those aged 20-39 who have been priced out of buying a home and continue to rent for much longer than used to be the case in the UK market. Around half of 20-39 year olds currently rent privately. The PwC report suggests that for much of this generation, renting privately is now and will continue to be the norm.
- 6.3 One of the key objectives of Lewisham's new housing strategy is to provide greater security and quality for private renters, including finding ways to provide more stable accommodation in the private rented sector. We will provide an update on the Housing Strategy to Housing Select Committee soon.

7 Public consultation on licensing of 'flats over shops'

- 7.1 Committee has previously considered plans for additional licensing of flats over shops that would require landlords renting out flats in multiple occupation above commercial properties (such as flats above shops) to obtain a licence from the Council. The consultation commenced on 2nd September and runs until 24th November.
- 7.2 The proposed licensing scheme is intended to help improve conditions in these properties. It would ensure that landlords manage the immediate environment around their properties, including making proper provision for waste and recycling. And it would result in improved health of tenants living in these properties.
- 7.3 The current estimate is that there are 4,223 private lets in 1,813 properties above commercial premises across the borough. Evidence shows that large houses in multiple occupation (HMOs), which are already subject to mandatory licensing, provide more satisfactory housing than small HMOs. This would suggest that licensing does help to improve standards.
- 7.4 Under the proposed scheme any private landlord operating a private rented flat in multiple occupation above commercial premises will need to apply for a license, show that they comply with the requirements of the license and pay the fee. A licence is likely to cost around £100 to £110 a year.

- 7.5 If a landlord continues to operate a private letting without a licence then they will be liable for prosecution. They may also be liable for a Rent Repayment Order (RRO).
- 7.6 The consultation is asking for comments on the licensing proposal in principle, the proposed standards that would need to be reached to be eligible for a license and the fees to be charged for the licence.
- 7.7 A public meeting is being arranged for Tuesday 15th September at 6 pm in the Council Chamber, Civic Suite, Catford Road, SE6.

8 PLACE/Ladywell development

- 8.1 Committee will be aware that the Council has developed plans for an innovative re-deployable housing development on the empty Ladywell Leisure Centre Site, which has now been re-branded as PLACE/Ladywell. . As well as providing 24 two bedroom homes for homeless families in Lewisham, the ground floor of PLACE/Ladywell will be used in an innovative way to create a community space that can be used flexibly to provide opportunities for business, learning and creative industries to co-exist and grow.
- 8.2 The ground floor will also feature the Ladywell Enterprise Hub, part of a network of three hubs being set up by the Council to promote enterprise in the borough, and a Café to serve the buildings users and the wider community.
- 8.3 Following a procurement exercise in the summer, the contractor took control of the site on 9 September. A consultation on how PLACE/Ladywell can be used to benefit the local community, and on how Ladywell should look in the future, will take place at the end of September. There will also be a coffee bar on the site which will have information about the development and a suggestions box. PLACE/Ladywell will then open at the end of March 2016, following a construction programme of just six months, made possible by the off-site nature of construction being used.

9 Pocket Living development

- 9.1 Committee will be aware that the Council agreed to work with Pocket Living to deliver an innovative approach to starter homes on a site in Lewisham Central. Following the commercial and planning processes, Pocket Living are now on-site on Mercator Road and in the process of demolishing the disused Anton Bobb Community Centre and adjacent garages.
- 9.2 The new development will provide 26 starter homes available only to people who live or work in Lewisham. Pocket use design techniques to maximise smaller sites, in order to build houses aimed at middle-income earners at prices 20% cheaper than the local market. The 26 new homes are expected to be completed in September 2016, and marketing to local people will commence in the spring.

10 Update on Lewisham Homes acquisition programme

10.1 Committee has previously considered proposals for Lewisham Homes to acquire homes on the open market to be used by the Council to house those in need. Lewisham Homes has now completed the acquisition of eight properties, with a further 25 either in the process of completion. After carrying out the necessary works to repair the property, the first one was let in August to a family at risk of becoming homeless. The new tenant's main concern was who would be responsible for keeping the property in repair as she had problems with private landlords previously. We anticipate the other acquired properties becoming available to let over the coming months as refurbishment works are completed.

11 Financial Implications

11.1 The purpose of this report is to inform members of current key issues that affect housing and as such has no direct financial implications.

11.2 Where necessary, the financial implications of each issue will be considered in specific reports as matters progress.

12 Legal implications

12.1 There are no specific legal implications to provide within this report save for noting that when the Council carries out its housing statutory functions, it must always be mindful of the need to comply with the provisions of the Equality Act 2010.

12.2 The Equality Act 2010 (the Act) introduced a new public sector equality duty (the equality duty or the duty). It covers the following nine protected characteristics: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

12.3 In summary, the Council must, in the exercise of its functions, have due regard to the need to:

- eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
- advance equality of opportunity between people who share a protected characteristic and those who do not.
- foster good relations between people who share a protected characteristic and those who do not.

12.4 The duty continues to be a "have regard duty", and the weight to be attached to it is a matter for the Mayor, bearing in mind the issues of relevance and proportionality. It is not an absolute requirement to eliminate unlawful discrimination, advance equality of opportunity or foster good relations.

- 12.5 The Equality and Human Rights Commission has recently issued Technical Guidance on the Public Sector Equality Duty and statutory guidance entitled “Equality Act 2010 Services, Public Functions & Associations Statutory Code of Practice”. The Council must have regard to the statutory code in so far as it relates to the duty and attention is drawn to Chapter 11 which deals particularly with the equality duty. The Technical Guidance also covers what public authorities should do to meet the duty. This includes steps that are legally required, as well as recommended actions. The guidance does not have statutory force but nonetheless regard should be had to it, as failure to do so without compelling reason would be of evidential value. The statutory code and the technical guidance can be found at: <http://www.equalityhumanrights.com/legal-and-policy/equality-act/equality-act-codes-of-practice-and-technical-guidance/>
- 12.6 The Equality and Human Rights Commission (EHRC) has previously issued five guides for public authorities in England giving advice on the equality duty:
1. The essential guide to the public sector equality duty
 2. Meeting the equality duty in policy and decision-making
 3. Engagement and the equality duty
 4. Equality objectives and the equality duty
 5. Equality information and the equality duty
- 12.7 The essential guide provides an overview of the equality duty requirements including the general equality duty, the specific duties and who they apply to. It covers what public authorities should do to meet the duty including steps that are legally required, as well as recommended actions. The other four documents provide more detailed guidance on key areas and advice on good practice. Further information and resources are available at: <http://www.equalityhumanrights.com/advice-and-guidance/public-sector-equality-duty/guidance-on-the-equality-duty/>.

13 Equalities Implications

13.1 There are no equalities implications arising from this report.

14 Crime and disorder implications

14.1 There are no crime and disorder implications arising from this report.

15 Environmental implications

15.1 There are no environmental implications arising from this report.

16 Background Documents and Report Originator

16.1 There are no background documents to this report.

16.2 If you have any queries relating to this report please contact Jeff Endean on 020 8314 6213.