

The Housing and Planning Bill and Welfare Reform and Work Bill

Housing Select Committee:
27 October 2015

Economic Downturn & Previous Government

Localism Act: 2011

- Discharge into the PRS to end the homeless duty
- Changes to housing register – no Band 4
- 5 year fixed term tenancies
- Grant rates for new housing supply reduced by 70%
- Affordable rents – up to 80% market rents on new supply and % of relets
- Welfare Benefit Changes (Cap/B'room Tax/ LHA at 30th percentile)
- RtB Discount increased from £16k to £103k
- HRA self financing

New Government New Challenges later...

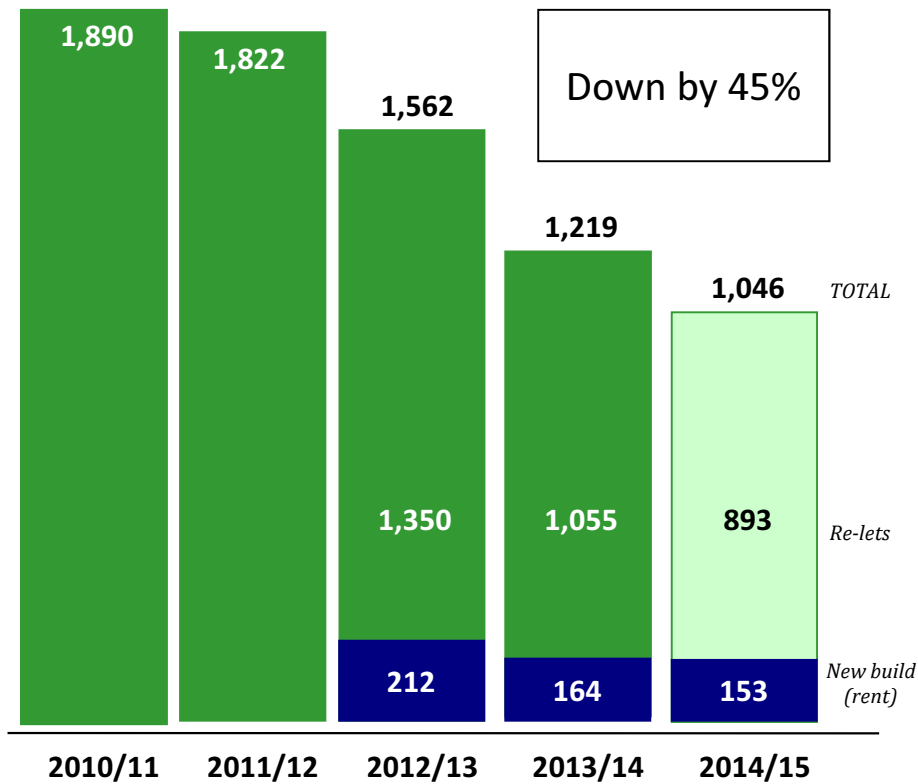
Effects

- Acute shortage of housing
- New supply reduces hugely
- Turnaround in available properties to let also dries up
- Major increase in demand / homelessness
- Affordability problems across all tenures
- Massive Growth in PRS
- Housing Crisis becomes common parlance
- Move households in need to cheaper areas
- Encourage people into work (low pay)
- Councils build new housing again
- More partnership / cross borough solutions

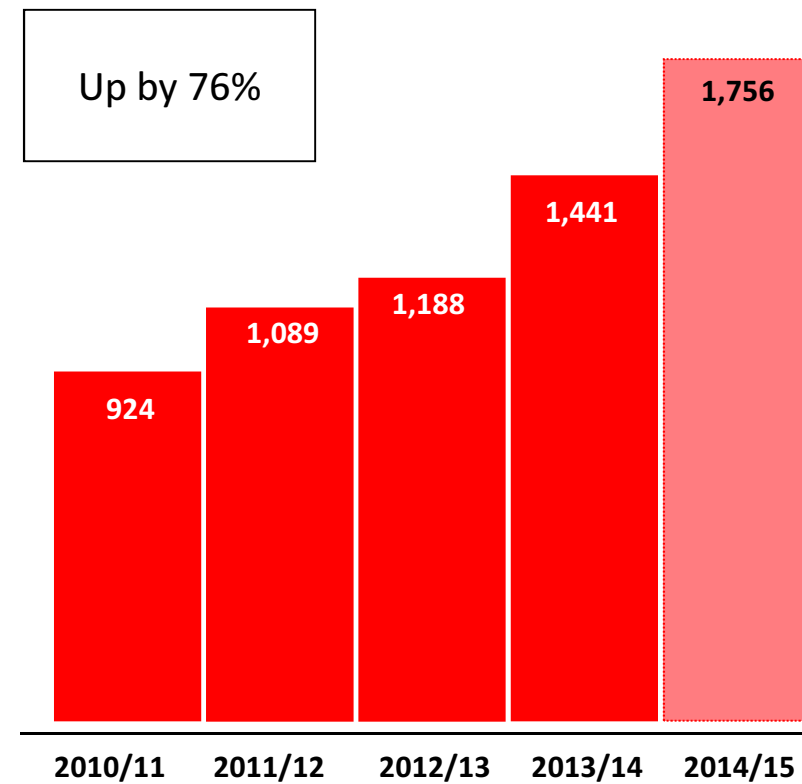
SUPPLY IS DOWN, DEMAND IS UP



Number of available lets, 2010/11 to 2014/15



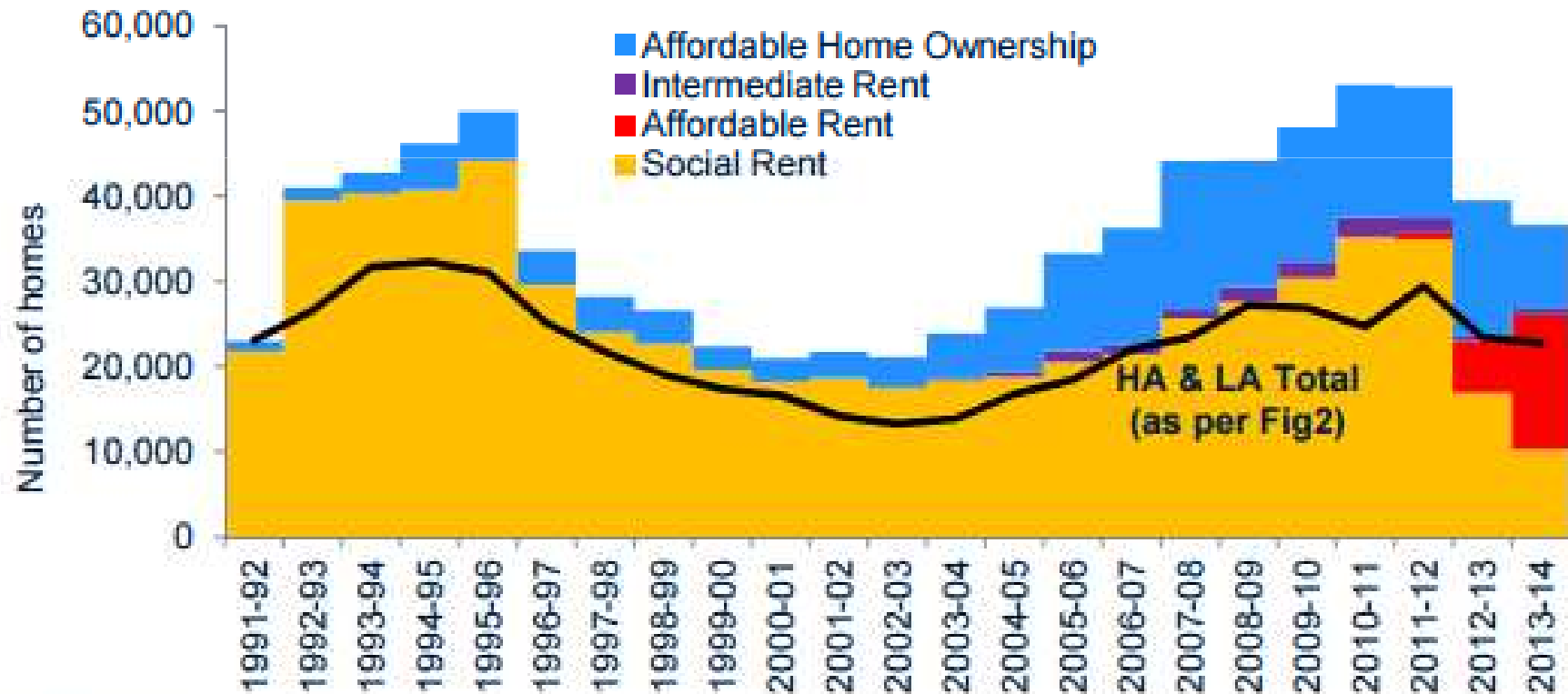
Number of homeless households going into temporary accommodation, 2010/11 to 2014/15



The tenure of new homes has changed

Fewer new builds for social rent and an increase in affordable home ownership products

Fig 3 – New Build Affordable Housing Delivery, England



Source: DCLG

Measures in the Housing Bill and other legislation

The Housing and Planning Bill: published 13 October and Welfare Reform and Work Bill

- Introduction of Right To Buy for Housing Associations
- Forcing the sale of “high value” Council void properties
- “Pay to stay”
- Planning policy and affordable rented housing
- PRS changes
- 1% rent reductions
- Reductions in UC
- Withdrawal of benefit form under 21 year olds

Much of the detail of the measures introduced by the Bill will be set out in subsequent regulation

Measures in the Housing Bill and other legislation

Introduction of Right To Buy for Housing Associations

- This was agreed voluntarily by RPs and is not set out in legislation, though the Bill states that it will be monitored by the HCA
- The NHF offer:
 - All HA tenants (2.3m v 1.3m stated by Gov) to be offered the RTB at the existing discount
 - HAs will have the discretion to sell the tenant an alternative property at the same discount in certain circumstances such as in a rural area or where the property is operationally specific e.g. Sheltered/Supported or it has been built exclusively from charitable funds
 - HAs are to be compensated the full value of the RTB discount
 - HAs can replace sold homes on a 1 for 1 basis and with alternative tenures within 3 years
 - Gov to enable HAs to convert empty properties from social or affordable rent to other tenures
 - Gov to enable HAs to have greater control over who they house i.e. nominations by LAs to HAs to be appropriate to the properties
- Over time RTB will **gradually reduce the stock of properties** available for LAs to nominate to, the time-lag on delivering replacements will have a more immediate impact
- **Current modelling for Lewisham suggests:**
 - HAs might sell 133 properties through RTB in the first year and 67 each year after that.
 - However other measures in the bill such as “pay to stay” may encourage a larger number of HA tenants to exercise their RTB.

Measures in the Housing Bill and other legislation

Forcing the sale of “high value” Council void properties

- The mechanism for this is contained in the Housing Bill, the detail will come forward in regulation
- This will operate by means of a formula. The Government will assess how much each Council should receive from selling high value voids every year, and will expect that to be paid.
- High value has not been defined in the Bill. Stock transferred to HAs will still be subject to formula.
- Hostels are exempt in the Bill. Further exemptions may be included in Regulations?
- Payments can be reduced and subject to bilateral deals with Government by facilitating housing
- The effect will **further reduce the immediate supply of lets to the Council**, again exacerbating the current supply and demand mismatch
- Government has calculated £4.5bn p.a. via sale of 15,000 homes
- **Current modelling for Lewisham suggests:**
 - If average prices across London are used to determine “expensive” then Lewisham could be expected to sell 27 voids (6.4%) per year.
 - 27 times our average property value of £282,094 provides an estimate of £7,616,538 to be repayable to the government each year.
 - If average prices across Lewisham are used to determine “expensive” then Lewisham could be expected to sell 137 voids (32.6%) per year.
 - 137 times our average property value of £282,094 provides an estimate of £38,646,878 to be repayable to the government each year.

Measures in the Housing Bill and other legislation

“Pay to stay”

- This change will force Councils (and all social housing providers) to assess tenants' incomes and charge up to a market rent to any tenants in London with a household income of more than £40k
- Landlords will be given powers to require tenants to declare their incomes and to collect maximum rents from tenants who fail to declare.
- There will be data sharing between HMRC and landlords to verify incomes.
- Councils will not keep any additional income. Housing Associations will
- This is likely to be administratively burdensome to operate.
- The most likely impact will be to **encourage higher income tenants to exercise their right to buy.**
- The Government has issued a consultation document which closes on 20 November and is focusing on the implementation rather than the detail of the Policy, with views being sought on two areas:
 - How the scheme can support incentives to work
 - Evidence of administrative costs
- The government estimates that 290,000 households nationally are above the earnings thresholds – 130,000 in local authority accommodation and 160,000 in housing associations.
- Based on this, we estimate that between 1,800 and 2,200 households in social housing (both local authority and housing association) in Lewisham are above the threshold
- The average market rent for a two bed in Lewisham is now £1,300 a month. According to research by Shelter, a household requires a gross income of £56,902 per annum to afford a rent of £1,300.
- A household earning £40,000 per annum in Lewisham could afford a market rent of £950 per month - £350 a month less than the current market rent.

Measures in the Housing Bill and other legislation

1% rent reductions

- Impact for Lewisham owned stock over the next 4 years is £25m. We can still meet the 500 home target, but delivery capacity after that period is very limited within the HRA.
- The viability of some of our previously agreed schemes is being reviewed and there is a stalling of some developments that otherwise would be on site now
- The impact of the 1% rent reduction for RPs will vary but will affect all business and development plans to a greater or lesser extent.
- Larger RPs likely to retain an element of sub market rent but this will be lower than before and they will build more homes for sale or charge higher rents to cross subsidise.
- Smaller RPs and more recent stock transfers will have much less capacity which will mean that they are forced to scale back their development programmes.
- All this will lead to reducing the supply of social rented new homes
- Dis-incentivises long term plans for affordable homes – landscape keeps changing
- **David Hall proposed amendment:**
 - Proposed amendment to the Welfare Reform and Work Bill.
 - Argues that 1% reduction counts as a material change to self-financing settlement agreed as part of the Localism Act 2011.
 - He proposes debt settlement should be re-opened in light of this and original debt settlement of £27bn should be reduced by £10bn

Measures in the Housing Bill and other legislation

Welfare Reform and

- Reduced cap - £23k limit inside London & £20k outside
- Affects 311 current households subject to the benefit cap - £3k p.a. - **£933k**
- A further 777 will be affected when the reduction is introduced - **£1m**
- No Housing Benefit for 18 – 21 year olds
- Exemptions will apply?

- Impacts
- PRS procurement outside London no longer sustainable?
- Further reduces the supply of affordable rented housing for households in need

Measures in the Housing Bill and other legislation

Planning policy and affordable rented housing

- The Prime Minister recently announced that the Government would amend planning laws so that Councils can no longer require affordable homes to be rented, enabling starter homes to count as affordable instead.
- There will be a duty on councils to promote the supply of Starter Homes. The SoS will have powers to veto developments if he believes the LA has failed to secure enough Starter Homes
- A new duty of councils to grant sufficient sites to meet demand for self build and custom build.
- This will have significant impacts for the Council as approximately 1400 new social homes over the coming five years were expected to be delivered, again **reducing the supply of new affordable rented homes.**

Measures in the Housing Bill and other legislation

PRS Changes

1. Financial penalties for the breach of a banning order

- Banning order can be imposed by First Tier Tribunal to stop a person from letting a property or engaging in letting agency work
- If banning order broken, council can impose fines of up to £5k (?)

2. Rogue landlord database

- Councils will have the responsibility for maintaining the content of the database.

3. Extension of rent repayment orders

- If a landlord breaches a banning order, does not comply with an Improvement Notice or harasses tenants councils and tenants can apply to the FTT to make a rent repayment order whereby the landlord must repay HB/UC to the council and/or rent to the tenant (relating to a period of up to 12 months).
- Regulations will determine what this money can be spent on by a local authority (but it does not need to be treated as recovered HB/UC).

4. Fines for unlicensed HMOs

- Local authorities can impose financial penalties rather than prosecute. Fines cannot exceed £5,000 (and in some cases £2,000).

5. Changes to Buy-to-Let tax relief

- Over time this could make BTL less attractive/affordable to small landlords reliant on large mortgages.
- This may ease some of the pressure on the housing market and make institutional investment in the PRS – both as build to rent and acquisition – more attractive.

Possible Responses - Change to operating model



Housing has become more of a London wide / sub regional issue – new supply, meeting homeless need by placing in more affordable areas, IBAA, NRtPF, PRS Licensing – do we need more of this? Development vehicle?

- **Lewisham Homes:**

- **Extend management agreement for 5/10 years from April 2016**
- **Delegate even more services – grounds maintenance, bulk waste, enhanced sheltered housing, property acquisition....**
- **Explore potential benefits/risks of LHs as charitable organisation to help us meet our housing objectives**
- **Consider all options given the scale of changes proposed in legislative agenda**

- **Consider timescales in relation to regulation/implementation timetable**

- **Establish Council PRS Company/Joint Venture e.g. Besson Street**

- **Grab opportunities, evolve where appropriate e.g. PRS/Rogue Landlords**