

5 July 2010

Housing

Summary

The new government's ambitious and localist policy agenda for housing and planning, combined with the reductions in spending announced in the Budget and before, are set to make housing one of the liveliest and most challenging areas of the Group's business over the coming year.

This report outlines proposed policy positions on key elements of the housing agenda and provides an update on LGA work on these issues.

Recommendations

Members are invited to give views on issues and policy positions covered in the report, and in particular:

- Comment on the impact of proposed reform to Housing Benefit (paras 5 – 11)
- Comment on and approve outline report on planning and funding for infrastructure (paras 12- 17)
- Approve the policy position on reform of council housing finance set out at (paras 21-29)

Action

Officers to take forward work programme in light of member's comment

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Implications of spending cuts and emergency budget 2010 on housing

1. On 24 May, the government announced £6.2bn reductions to public spending in 2010/11. This included reduction to the Homes and Communities Agency's as follows budget as follows:

Programme	Amount
Housing Market Renewal (investment in areas of low housing demand in Midlands and North)	£50m
Gypsy and Traveller Site Grant	£30m
Kickstart (grants to private developers to move stalled schemes)	£50m
National Affordable Housing Programme (grants to housing associations for new homes)	£100m

2. Following these initial reductions, the Treasury also announced that the £610 m of planned and agreed funding for the HCA, through End Year Flexibility arrangements in summer 2009, could no longer be regarded as secure. The HCA subsequently announced that it would freeze all uncommitted expenditure and requested all those due to receive the funding to do likewise. This included the remaining unallocated Affordable Housing budget, the bulk of the Kickstart 2 schemes and a number of Local Authority New Build schemes where legal agreements have not been confirmed.
3. The Government's intention was that decisions over the £610 million would be resolved by the 22 June Budget. This was not however forthcoming and at the time of writing, no decisions have yet been announced.
4. In the budget on 22 June, the Chancellor announced reform of the Housing Benefit system (see below). He also confirmed that there would be no further reductions in capital funding above those announced by the previous government, which will see capital spending drop from £44 billion to £22 billion in 2014. The budget also included proposals for a Regional Growth Fund to provide capital finance for regional capital projects over the next two years. The fund will incorporate existing housing, transport, regeneration and other funding streams into on "pot" which is expected to be distributed in part through formula and in part through a bidding process.

Housing benefit reform

5. The 2010 emergency budget also included the announcement of reforms aimed at saving £1.8bn in housing and council tax benefit costs. The proposals are summarised below.

6. The majority of the measures affect the private sector—local housing allowance (LHA). From April 2011 there will be new upper limits for the maximum LHA payments; the maximum payable will be £400 a week for a 4 bedroom property or larger. The removal of the £15 excess will also go ahead. From October 2011 rents will be set based on the lowest thirty percent of the market in each of the Broad Rental Market Areas, rather than on the median, that is the rent at the mid point. From April 2013 the Government propose to update LHA rates in line with the Consumer Price Index rather than market rents; this will require primary legislation.
7. Other measures requiring primary legislation also affect housing benefit customers in the social housing sector. This includes limiting housing benefit in the social rented sector if the size of the household is smaller than is appropriate to the property occupied. And Housing Benefit for those customers who are also claiming jobseekers' allowance will be reduced by 10% after 12 months on JSA.
8. In addition there will be a steeper rate of deductions in housing or council tax benefit to take account of non-dependants such as adult children, relatives or friends who live with benefit customers. This has not risen in line with rises in rents or council tax and the government now propose that it should rise in stages from April 2011 to April 2014 to reach the point where it would have been had it so risen.
9. Finally there are two measures where the government is planning to provide more money. In local housing allowance, the size criteria will take account of the need of disabled customers for overnight care. And the government will increase the sum allocated by Government for Discretionary Housing Payments, currently at £20m by £10 million in 2011 and by £40 million a year thereafter. The government stated that this is aimed at giving more flexibility to local authorities to help a greater number of new and existing customers who face a shortfall in rent because of changes to the Housing Benefit rules.
10. The Government also announced its intention to make changes to the way mortgage interest costs are paid for and has decided to apply the Bank of England published average mortgage rate as the standard interest rate from October. The Bank of England published average mortgage rate is currently 3.67%.

Planning and funding for infrastructure

11. Tackling the deficit through reducing public spending is the top priority of the new government. The LGA group business plan identifies as a key lobbying priority the need to ensure that investment in infrastructure (including housing) continues to avoid deterioration of existing networks and increasing capacity to support economic recovery and growth.

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12. LGA officers and advisors are developing proposals for a different approach to planning and funding for infrastructure that will ensure necessary investment when there is less public money available. This will result in a report planned for publication in early summer. The draft executive summary is included as a confidential annex to this report. Members are asked for comment on and approve the outline report.
13. In summary, the work will make the case for:
 - continued investment in infrastructure (including housing)
 - planning and investment decisions to be locally driven
 - innovative new models for funding and delivery of infrastructure at the local level
14. In setting out the case for investment in infrastructure, the work will:
 - Examine current and predicted trends for investment in infrastructure and the roles of local and central government and the private sector.
 - Present evidence on why investment in infrastructure is crucial to supporting economic growth, delivering quality public services and meeting our environmental commitments.
15. The proposals will demonstrate how better alignment of planning and investment decisions will result in more efficient use of public sector funding. This will involve:
 - Moving away from the current centralised and fragmented approach to investment;
 - Devolving capital budgets, cutting out waste from administration of numerous funding streams and enabling efficient targeting of funding locally
 - Improving appraisal systems to provide better capture the costs and benefits of investment, enable better coordination and integration of investment at local level;
 - Giving councils powers to plan and co-ordinate infrastructure delivery at the sub-regional level;
 - Improving the planning system to make it more efficient and responsive to local needs and priorities;
 - Putting in place effective incentives for housing supply and development, including financial incentives trailed in “open source planning” and commitment to local development tariffs.
16. The report will argue that existing models of providing capital need to be supplemented with new mechanisms of raising investment locally. This will explore potential models and options for locally raised finance, borrowing against assets and future revenue streams and leveraging in private investment.

CLG / LGA Commission on Councils' role in new housing development

17. In March, CLG and LGA appointed Lord Richard Best to lead a commission to look at councils' role in new housing development. The group was set up to examine scope for a stronger role for councils in facilitating and delivering new housing supply. The terms of reference and list of commission members are attached in annex B to this report. Cllr Dame Margaret Eaton, Lord Best and Grant Shapps are meeting to discuss the commission's work so far and how it can help inform to the new government's policy agenda on housing.
18. The commission has carried out an extensive programme of visits to councils across the country to look at councils role in housing delivery on the ground. So far the commission has visited Leeds, Wiltshire, Westminster, Croydon, Basingstoke & Deane, Cambridge, Liverpool, Manchester, Sheffield, Newham, Hackney and Greenwich. Further visits are planned to Birmingham, Nottingham, Derby, Leicester, Exeter and Bristol. In addition, the commission has held a series of discussion with key parties from the housing sector.
19. The commission is due to report jointly to CLG and the LGA in September.

Housing Finance Reform

Background

20. In March the Board received a report on our work to pursue self financing for local authority housing. Since this report Members will be aware that the then Housing Minister, the Rt. Hon John Healey MP launched a further Government consultation paper on HRA reform at the end of March. The paper entitled *Council housing: a real future - prospectus* sets out the Government's proposals for debt allocation and the devolved self financing model.
21. The consultation closes on the 6 July 2010 and councils have been encouraged to respond to this consultation.
22. Many councils have expressed a concern that this consultation would be lost as a result of the election. However, the new Housing Minister has committed to taking this consultation forward. Describing the current system of council house finance as a mess Mr Shapps said the Coalition Government would review the unfair Housing Revenue Account subsidy system.
23. Mr. Shapps has pledged to continue the consultation on self-financing system and has urged councils and other partners to respond to this so he could get a comprehensive assessment of the options currently on the table. Following thorough analysis of responses the Minister will then announce whether the current proposal will be taken forward in part or in full, or whether an alternative model will be considered.

24. The LGA has been working to encourage member councils to respond to the consultation. During May the LGA working with the Chartered Institute of Housing held a series of regional seminars with over 80 authorities attending. Feedback from these seminars has been positive and most attendees have indicated that they are interesting in accepting the proposals in the current consultation. Though obviously, there are issues and improvements that they would like to make.
25. The LGA's response to the consultation has been circulated separately to this report but Members are asked to note that the response highlights the issues that we have consistently campaigned for in our lobbying for self financing. Most notably, we are saying:
 - a. that we welcome self financing as a means for councils to properly fund and plan their housing services;
 - b. that self financing will allow councils to produce new housing for their communities;
 - c. that the Decent Homes backlog should be properly financed;
 - d. that allowances should reflect those identified in the research undertaken for the review;
 - e. that aids and adaptations money should be identified and made available to councils;
 - f. that we believe that the Prudential Code is sufficiently rigorous and we do not need additional caps on borrowing;
 - g. that we want to work with Government to look at the viability of removing housing debt from the PSBR.

Issues for Members

26. Members are asked to comment on and agree the LGA response to the consultation.

Tenant Services Authority

27. Grant Shapps MP, the Housing Minister has announced that the Tenant Services Authority (TSA), as part of the Coalition Government's economy and efficiency drive, will be disbanded.
28. The TSA is the regulator for tenants and was set up to provide tenants with a body that could call landlords to account where services were considered to be below acceptable standards.
29. It is the Minister's intention that the functions of the TSA will be split between the Homes and Communities Agency (taking on financial regulation) and the Housing Ombudsman (taking on tenant standards issues).

30. The proposals to disband the TSA are likely to form part of the Decentralisation and Localism Bill that will be presented to Parliament in the autumn.
31. We propose that we develop proposals for Members' approval about how some of the space occupied by TSA's service standards could be filled by locally and tenant-led processes of scrutiny and challenge.

Financial Implications

32. There are no financial implications at this stage.

Implications for Wales

33. There are no direct implications for Wales from this report. However, Wales is undertaking a review of the HRA in Wales.

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