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LGA / CLG Housing Commission

Purpose

For discussion and direction

Summary

This paper provides an update on the LGA/CLG Housing Commission. Lord Richard Best will outline his main findings and recommendations.

This paper also seeks a steer from Members on the Government's Spending Review proposals for an 'Affordable Rent Scheme.'

Recommendation

Members are asked to:

1. comment on the findings and recommendations Lord Best outlines in the meeting
2. decide whether the LGA should press for councils as well as housing associations to be able to participate in the 'Affordable Rent Scheme.'

Action

As directed by the Programme Board.

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Housing Commission

LGA/CLG Housing Commission

1. In March 2010, the then Minister for Housing, John Healey MP, and Chairman of the Association, Baroness Eaton jointly established a commission to consider how local authorities can ensure a sufficient supply of new homes for their areas. Details of the terms of reference and Commission Members are attached at **Appendix A**.
2. The new Minister for Housing and Local Government, Grant Shapps MP, asked the Commission to continue its work and an interim report was presented to CLG and LGA in July 2010.
3. The report is scheduled for publication in late November 2010 and has been informed by the knowledge and expertise of the Commission Members, visits to councils and meetings with council leaders, national housing organisations and related bodies.
4. The report sets out recommendations on each of the following themes:
 - 4.1 planning
 - 4.2 local authorities working together
 - 4.3 leadership
 - 4.4 incentives for local authorities
 - 4.5 partnerships between the public and private sectors
 - 4.6 new Council housing
 - 4.7 investment by local authorities
 - 4.8 housing associations
 - 4.9 community right to build and self-help initiatives.
5. Lord Best will present his findings and recommendations at the meeting, some of which will be directed at central government, and some at the local government sector and the Group.

The Affordable Rent Scheme

6. The government announced measures to change the contractual footing of new social tenants in the Spending Review. Housing Associations will be able to offer a growing proportion of new social tenants new intermediate rental contracts at rent levels between current market and social rents, this is likely to be at around

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80% of market rent. The terms for existing social tenants and their rent levels will remain unchanged. The government state that this, combined with capital investment will allow the building of 150,000 new affordable homes over the spending review period.

7. The changes to the contractual footing for new social tenants announced in the spending review will only apply to housing association tenants at the moment (the current HRA legislation does not allow councils to charge 80% rents). Establishing a level playing field between councils and housing associations has in the past been a cornerstone of LGA lobbying; **Members are asked for a steer on whether the LGA should lobby for the increased flexibility to set rents at up to 80% of market value should be extended to councils who wish to take it up.**
8. Members may wish to consider the following issues:
 - 8.1 The proposals to place new tenants on a different contractual footing from existing tenants could mean that residents will be paying different rents for the same service.
 - 8.2 The changes (as they currently stand) to the contractual footing do not apply to councils, this may mean that councils income will be restricted compared to RSLs, so the ability to build more homes may be further reduced.
 - 8.3 Many tenants are recipients of Housing Benefit (HB), this additional rent will add to difficulties in managing the cost of the HB bill at a time when Government is trying to reduce this bill.
 - 8.4 This measure must be considered alongside other measures to cut the benefits bill including; a cap on Local Housing Allowance rates, extension of the shared room rate to single persons under 35 years and a downgrading of the Local Housing Allowance to be set at the 30th percentile (down from the 50th percentile). There has been concern in the media that benefit customers will have to leave high cost areas.
 - 8.5 The potential impact on community cohesion that may arise in high cost areas if benefit recipients can not find accommodation there.
 - 8.6 The concerns of some councils about the potential impact on their area and services it they have to pick up tenants that are priced out of neighbouring areas.

Financial Implications

9. The changes to the contractual footing for new housing association tenants will have an impact on the total Housing Benefit Bill; it is not yet clear how significant this will be. Extending this flexibility to councils would provide greater local ownership of rent setting levels and, depending on the detail of the HRA reforms

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yet to be announced, may result in greater funding to invest in new or existing stock.