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Councils' leadership role in Housing - discussion with the Homes and Communities Agency and feedback from LG Group housing seminars

Purpose

For discussion and direction

Summary

Pat Ritchie, Chief Executive, Homes and Communities Agency will attend the meeting to update members of the work of the HCA and to discuss their priority areas of work and how the HCA and the LG Group can work together to support councils on current issues and priorities for housing.

Merron Simpson and Lee Shostak will also attend for this item to present the outcomes of the recent LG Group seminars *Changing the way we do housing*.

This paper provides background information and suggested issues for discussion and key messages emerging from the housing seminars.

Recommendation

Members to consider raising issues in this report in discussion with Pat Ritchie and consider how the HCA and LG Group can work together to support councils to deliver a strong leadership role on planning and housing and what a support offer to councils should seek to address.

Action

Subject to the outcomes of the discussion, officers will develop proposals for a programme of support to councils in delivering an enhanced leadership role in housing.

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Background

1. Pat Ritchie became Chief Executive of the Homes and Communities Agency in October 2010. Following a successful session in September 2010 with her predecessor Sir Bob Kerslake, Pat has agreed to attend the board to discuss HCA priorities and challenges facing the sector.
2. The Local Government Group convened five seminars across the country in March 2011, to help elected members and senior council housing officers consider the opportunities arising from the government's planned reforms of housing and planning and how these will affect councils in their strategic leadership role. At each event, a senior official from the Homes and Community Agency (HCA) spoke on increasing the supply of housing. The events were facilitated by Lee Shostak and Merron Simpson who have subsequently produced a report, *Changing the way we do housing*, summarising discussions and key messages emerging from the events. The key messages are summarised in annex A to this paper and hard copies of the full report will be available at the meeting.
3. This item provides an opportunity to discuss emerging issues and future challenges for local authorities with the HCA and the authors of the report and how the HCA and the Local Government Group could work together to support councils in meeting the housing needs of their communities. This paper provides an overview of the HCA work programmes, current issues for local authorities and key messages resulting from the seminars.

New focus for the HCA

4. Following spending cuts and the government's housing reform agenda, the HCA's remit is changing to place more emphasis on its role as an enabler rather than an investor. The previous 17 investment programmes have been reduced to three. With the abolition of regional targets and a new role for councils in determining local housing needs and achieving housing growth, the focus will be on supporting and enabling councils in this.

Council's strategic leadership role

5. The success of the government's fundamental reforms to housing policy depends on strong leadership from councils. However, more fundamentally,

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the LGA has long argued a strong strategic housing function is essential to the wider success of an area, supporting economic growth, contributing to health and well-being, tackling inequalities and creating places where people want to live.

6. Now more than ever before, councils will need to provide a coherent local approach in engaging their communities, in understanding housing needs, putting evidence based plans in place, identifying sources of investment and bringing together key partners to meet local housing needs. The challenge for local authorities is to deliver this leadership role at a time of considerable change and fewer resources.
7. The *Changing the way we do housing* work identified four key areas in councils need to consider in meeting their strategic housing needs and in which government reforms will require them to work differently. The four key areas are:
 - 7.1 Increasing the supply of housing
 - 7.2 Putting homes to good use
 - 7.3 Improving existing homes
 - 7.4 Supporting vulnerable people and communities
8. The key messages emerging from discussion of these themes are attached in annex A and will inform the LG Group's work on developing a support package for councils on housing.
9. Points for discussion:

Given the consensus that councils' strategic leadership role is crucial to delivering the government's ambitions for housing growth and meeting the needs of local communities, how can the HCA and LG Group work together to support councils in developing this role?

HCA key programmes:

HCA enabling role on land and investment

10. The HCA have an enabling role to bring forward public sector land to stimulate housing development. This involves identifying and unlocking surplus public sector sites to increase the supply of land available for commercial, housing and community-led development. On 8 June 2011 HCA published a Development and Land Disposal Strategy setting out its approach to the disposal of HCA land. They are also working other public sector bodies, such as the Regional Development Agencies, and working with councils to analyse

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how best public land can be used collectively to maximise benefits to communities, through economic growth and regeneration schemes.

11. The HCA has worked with councils to develop Local Investment Plans (LIPs) to set out investment required to deliver the economic, housing and environmental ambitions of an area. The plans are based on robust evidence from local strategies (including the sustainable community strategy, local development frameworks and infrastructure plans) and are designed to inform funding discussions. As of the end of April 2011, 144 LIPs were in place, covering 90% of the country.

12. Points for discussion:

12.1 The HCA aims to promote councils acting in a more commercially focused way with developers. What support can the HCA provide councils in this regard? For example supporting councils to assess viability of private development locally?

12.2 Delivering communities ambitions is not simply about increasing housing supply at all costs. What is the HCA doing to support councils to balance the pressure on them to deliver supply with the need to ensure that development is sustainable and locally appropriate?

12.3 In light of reductions in funding and proposed abolition of Regional Spatial Strategies in the Localism Bill what is the scope to revise Local Investment Plans and what support can HCA offer?

Affordable Homes Programme

13. The HCA's Affordable Homes Programme (AHP) aims to invest £4.5 billion over the period 2011 – 15 to build 150,000 affordable homes in England. The programme includes existing commitments from the previous National Affordable Homes Programme. There is £2.2bn of uncommitted funding for the development of new affordable housing for the period 2011-2015. Affordable Rent will be the primary housing product supported by HCA.

14. Other parts of the programme include the Mortgage Rescue Scheme, Homelessness Change Programme, Traveller Pitch Funding and Empty Homes. Some funding will also be retained for proposals that come through the Community Right to Build route over the course of the 4 year period.

Affordable Rent

15. The Affordable Rent model is designed to generate additional financial capacity to support new supply. Registered Providers (RPs) are able to bid for funding under the scheme to build homes to be made available to tenants at up to a maximum of 80% of market rent and allocated in the same way as

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social housing is at present. Government has introduced a series of other measures such as changes to tenure (no longer a requirement to offer lifetime tenancies to new tenants, flexibility to offer shorter terms with a minimum of two years); greater flexibility for local authorities in their strategic housing role and options to increase mobility for social tenants. An LG Group briefing on Affordable Rent is attached at annex B.

16. There has been concern that in some areas of the country with where social rents are close to market rents the scheme will not be feasible because the potential for additional income will be limited.
17. The deadline for providers to submit proposals to the HCA was 3 May 2011, with the intention that initial contracts will be signed in July 2011. In deciding which programmes to support, the HCA will have a strong focus on value for money and will look for evidence that proposals will meet identified local needs.
18. Local authorities are theoretically able to apply under the scheme. However, the public borrowing rule places councils at a disadvantage compared with housing associations. This is despite the fact that in previous local authority led programmes the level of central government grant received for each home built has been less than for housing associations. For example, £1m of HCA grant would buy an extra two, typically larger homes from a council than if the funding was directed to a housing association.
19. Points for discussion:
 - 19.1 What has been the response from registered providers to the programme – are there geographical trends?
 - 19.2 Have local authorities been engaged in determining successful bids and are these decisions based on Local Infrastructure Plans?
 - 19.3 What has been the take up from local authorities wishing to take forward direct provision of the affordable homes scheme (including authorities wishing to take forward the scheme using their own resources)?
 - 19.4 There are concerns that the Affordable Homes model will not be sustainable in the long term as providers have used all available investment in the first round. Has the HCA done any work to assess the long term viability of the scheme?
 - 19.5 Affordable rent means that more than ever strong partnership working will be crucial to ensure that local authorities coordinate with housing providers. Requiring local authorities to write a strategy is not the most effective means of doing this. We would like to see enabling powers in the bill for registered providers to come together to discuss tenancy options and approaches locally and make these transparent in an accessible means to residents.

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Funding for decent homes

20. The 2010 Spending Review settlement made £1.6bn available to local authority landlords - including those with housing stock managed by ALMOs - to help tackle the backlog of homes that are not meeting the Decent Homes Standard. The Government made available another £500m to 'gap fund' the existing transfer of housing stock.

21. The Decent Homes programme remains a priority for social housing and councils' existing duties and powers enabling them to support and improve private housing remain¹. There have been reductions in Decent Homes funding for social housing and funding for improvements to private homes (around £300m) has ended.

22. Points for discussion

22.1 Councils will continue to invest, through the HRA, in the improvement of their existing stock of dwellings. The LGA is lobbying through the localism bill to remove the borrowing cap to allow local authorities to invest in their stock as appropriate locally.

22.2 There is increasingly a need to think creatively about funding improvements and reinvesting in stock. For example the Energy Bill contains measures relating to the Green Deal and sets out a process for driving energy efficiency improvements in the private rented sector. In addition many councils are engaging with the new Health and Well Being Board to make the case for investment in housing as a means for driving up health outcomes. How are the HCA reinforcing the importance of these relationships – for example by engaging with other government departments at national level?

Financial Implications

No funding requirements currently arising from this report.

¹ These include duties to enforce against poor standards, a duty to draw up a policy for providing support for home improvement, duties to license HMO's and powers to license private housing in an area.