

## **Meeting the Housing Challenge**

### **Purpose of report**

For discussion and direction

### **Summary**

This report sets the background for discussion at the meeting on the opportunities and challenges councils are facing with the housing reform agenda.

Angela Brady (Royal Institute of British Architects), Steve Partridge (Chartered Institute of Housing), Liz Peace (British Property Federation) will be attending the meeting to briefly present their views, and participate in the discussion.

### **Recommendation**

Members are asked to use the attached report to inform a discussion on recent reforms to housing.

### **Action**

As directed by Members.

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## **Meeting the Housing Challenge**

### **Background**

1. There have been a large number of policy changes, proposals and initiatives both within the Localism Bill and outside which have a significant impact on the role of local authorities housing services and how they are delivered.

### **The issues**

2. Key changes affecting councils include:
  - 2.1 Reform of the **Housing Finance System**, allowing councils which own housing stock to retain rental income, giving more freedom to manage, maintain and invest in housing. The LGA has been generally supportive of the reform which reflects a long term LGA campaign; however we have lobbied through the Localism Bill to remove the power for the Secretary of State to impose a borrowing cap on local authorities. The LGA is also working with others including The Chartered Institute of Public Finance and Accounting (CIPFA) and Chartered Institute of Housing (CIH) to develop support and advice for local authorities through the transition arrangements. An area of current concern is the impact of inflation on rents and the settlement which could significantly increase the debt that councils are required to take on. We expect the revised settlement will be published in draft in November.
  - 2.2 Proposals to increase the discount on **Right to Buy**; the recently announced proposals could significantly affect future sustainability of self financing if the number of sales increase and councils are not allowed to retain enough of the receipt to invest in replacement stock. The LGA is lobbying for councils to have discretion over setting the discount and for 100% local retention of proceeds from sales.
  - 2.3 The introduction of the **Affordable Rent** model, designed to generate additional financial capacity to support new supply. Registered Providers bid for funding to build homes to be made available at up to a maximum of 80% of market rent.
  - 2.4 **Changes to tenure** arrangements removing the requirement to offer lifetime tenancies to new tenants and flexibility to offer shorter terms.
  - 2.5 A new approach to regulation with the abolition of the **Tenant's Services Authority** and the transfer of its regulatory functions to the Homes and Communities Agency. The new regulatory framework will look at consumer issues only in relation to councils and will not undertake a proactive

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inspection programme; with powers of intervention limited to cases of serious detriment. The LGA is working to influence the shape of the new system.

- 2.6 A new duty requiring local authorities to draw up a **tenancy strategy** and for registered providers to have regard to the strategy. LGA in partnership with the National Housing Federation (NHF) pursued amendments to the localism bill on this issue.
- 2.7 The **Welfare Reform Bill** abolishes Housing Benefit and rolls housing costs into Universal Credit. The Government has announced its intention to introduce, through regulations, a reduction in the amount of financial support social housing tenants will receive if they are deemed to be “under-occupying” a property, such as where there is an empty bedroom. The LGA is focusing on the case for a locally-commissioned face to-face service with regard to Universal Credit.
- 2.8 Introducing the ability for councils to **discharge the main homelessness duty** to secure accommodation with an offer of suitable accommodation from a private landlord, without requiring the applicant’s agreement. The LGA is working with our private sector housing network to address issues including standards in the private rented sector.

## **Response to the reforms**

### Sector and professional bodies

3. The **National Housing Federation (NHF)** have questioned how the affordable rent reforms would tie in with housing benefit changes and how effective they would be in low value housing areas. They have however welcomed some elements of the scheme, particularly the key role of councils in agreeing investment plans.
4. The **NHF, Shelter** and the **CIH** launched a jointly authored Housing Report on 17<sup>th</sup> October 2011 highlighting that the reform agenda has not yet addressed the shortfall in housing supply and homelessness. The report does however cite positive results in reducing the number of empty homes.<sup>1</sup>
5. The **CIH** have been broadly supportive of the reform agenda and recognise it has the potential to contribute to a modern and more flexible approach to social housing. However the **CIH** and the **British Property Federation (BPF)** have claimed government assumptions that cutting benefits will reduce private rents

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<sup>1</sup> <http://www.insidehousing.co.uk/tenancies/ministers-promise-to-improve-record-on-housing/6518451.article>

could be flawed. They argue benefit payments have risen at a time when rents are falling because of changes in the make up of claimants.

#### Voluntary and Community sector

6. **Shelter** support the principles of the new Universal Credit, however also cite that the Welfare reform bill will introduce a second wave of cuts to housing benefit, undermining the housing safety net for people who lose their jobs and need temporary financial help to keep their homes, as well as affecting those who are in work but on very low incomes, or who are unable to work due to old age or disability<sup>2</sup>.
7. **Civic Voice** welcomes the proposed changes to the Community Infrastructure Levy to ensure a “meaningful proportion” goes direct to communities<sup>3</sup>.

#### Media Reaction

##### 8. **Affordable homes project reaches £560m**

A total of £102million has been awarded to eight different housing associations to deliver 4,999 new homes. These latest grants mean a total of £560million has been awarded so far for almost 28,000 new homes.<sup>4</sup>

##### 9. **Private rents unaffordable for families in most English boroughs**

Shelter Rent Watch found that average private rents were unaffordable for ordinary working families in 55% of local authorities in England. Typical rents charged by private landlords were more than a third of median take-home pay, the widely accepted measure of affordability.<sup>5</sup>

##### 10. **Home Swap Scheme to get jobless moving**

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[http://england.shelter.org.uk/professional\\_resources/policy\\_library/policy\\_library\\_folder/briefing\\_welfare\\_reform\\_bill - commons report stage and third reading](http://england.shelter.org.uk/professional_resources/policy_library/policy_library_folder/briefing_welfare_reform_bill_-_commons_report_stage_and_third_reading)

<sup>3</sup> [http://www.civicvoice.org.uk/uploads/files/Localism Bill - briefing for House of Lords - June 11.pdf](http://www.civicvoice.org.uk/uploads/files/Localism_Bill_-_briefing_for_House_of_Lords_-_June_11.pdf)

<sup>4</sup> [http://www.insidehousing.co.uk/development/affordable-homes-projects-reach-£560m/6518585\\_article](http://www.insidehousing.co.uk/development/affordable-homes-projects-reach-£560m/6518585_article)

<sup>5</sup> <http://www.guardian.co.uk/money/2011/oct/13/families-unable-to-afford-rents>

The planned house swap scheme could involve a national database of properties around the country. However, critics accused the Government of trying to blame rising unemployment solely on a lack of mobility<sup>6</sup>.

#### **11. Economists call for more investment in housing**

Housing experts and economists agreed that if the latest round of the government's move to inject cash into the economy - failed, there was a good case for achieving growth through direct investment in more affordable housing via the Homes and Communities Agency, housing associations and local authorities.<sup>7</sup>

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<sup>6</sup> <http://www.telegraph.co.uk/news/politics/8830112/House-swap-scheme-to-get-jobless-moving.html>

<sup>7</sup> <http://www.insidehousing.co.uk/development/economists-call-for-more-investment-in-housing/6518520.article>