

Housing Update and Future LGA Activity

Purpose of report

For decision.

Summary

This paper provides Members with an update on recent support and lobbying activity on the housing agenda. The paper also considers a range of key reforms and their likely implications for local authorities and the work of the LGA and sets out some proposed next steps for the Programme Board.

Recommendation

That members consider and agree proposals for future work in paragraphs 6, 14, 18.

Action

As directed by the Board members.

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Housing Update and Future LGA Activity

1. This paper provides Members with an update on recent support and lobbying activity on the housing agenda. The paper also considers a range of key reforms and their likely implications for local authorities and the work of the LGA and sets out some proposed next steps for the Board.

Financial flexibilities to invest in new supply and existing stock

2. The board has been proactively pressing government for the tools and flexibilities to allow local authorities the financial flexibilities to invest in existing or new stock. This work has principally been around three areas:
3. A genuine model of self financing
 - 3.1. Building on a significant parliamentary lobbying campaign during the passage of the Localism Bill the LGA has been heavily engaged in negotiations around the proposals to reinvigorate the Right to Buy to ensure they reflect the principles of the new self-financing system for council housing. The Board's response to the government consultation argued that right to buy receipts should be retained locally and that there should be local discretion over the level of discount because it:
 - will maximise the amount of receipts available to build new homes
 - will help councils to mobilise other resources (eg land other sources of funding) to fund replacement homes
 - avoids wasteful and bureaucratic pooling and bidding processes
 - will make sure the new homes built are of the right type and in the right place to meet local housing need.
 - 3.2. We argued that a nationally set discount cannot take account of local housing market conditions and will be a bad deal for the public purse since in some places the discount will be higher discount than needed to generate additional sales and may not leave sufficient receipt to build replacements.
 - 3.3. These positions have been pursued through official and political channels. It is anticipated that decisions on these issues will be announced in March and implemented at the beginning of the financial year.
4. More flexible use of assets and infrastructure:
 - 4.1. Councillors report that the number one barrier to new housing provision is local opposition and that the provision of appropriate infrastructure and good design is central to alleviating local concerns and making new development more acceptable. Proposals in the Housing Strategy would allow developers

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to compel councils to renegotiate s106 obligations (on viability grounds). This may lead to additional resource demands on planning and legal departments and crucially the loss of important infrastructure contributions important to making the scheme acceptable for the community. The government is also still considering its position in relation to the delegation of a meaningful proportion of CIL receipts to the community level.

4.2. The amount of receipts generated by public sector bodies has fallen significantly in recent years. The Board has made representations to the government and CLG Select Committee to increase join up between capital funding streams, and to devolve as far as possible into a place based pot to allow more effective commissioning of capital projects. Encouraging collaboration between public sector partners which is likely to increase the supply of excess assets will be crucial in light of further likely reductions in public funding.

4.3. The case for more joined-up approach to capital financing, more flexibility for councils in raising finance and attracting private investment in infrastructure is also being pursued through the LGA's Local Growth Campaign, led by the Economy and Transport Board and through joint work with the British Property Federation which Councillor Parsons is involved in.

5. A level playing field with housing associations:

5.1. Councils would be able to do more if they were able to build homes with off-balance sheet borrowing. Councils have demonstrated their ability to borrow prudentially and this would allow local authorities to build more by taking their borrowing for the purpose of house-building out of the public sector borrowing requirement. This would ensure limited funding achieves maximum results for local areas. Moves towards this to date have been resisted by government; the further likely reductions in available public funding means that establishing a level playing field becomes ever more important and it is suggested that this remains a core lobbying position for the Board.

6. Next steps

6.1. It is proposed that the three areas listed above are put forward as **key areas for consideration as part of the forthcoming 'Housing the Nation' corporate campaign** and that a campaign plan is developed for further discussion with the Board and the Leadership Board champion.

6.2. It is proposed that the LGA work with councils to **develop a strong evidence base to demonstrate the importance of supporting infrastructure and the pragmatic and proportionate approach taken by local authorities to the issue of viability**. This will build on the work PAS are undertaking to

collate a series of case studies demonstrating councils work to renegotiate or phase payment of agreements where this makes sense locally.

Raising standards and encouraging investment in the private rented sector

7. Discussions with councils have indicated that many are placing increased importance on the private rented sector as a means of managing increased and changing housing demand. As such relationships with private providers in an area to ensure sustained investment and housing of the right type and quality are becoming ever more important. Flexibility for councils to discharge their homelessness duty in the private rented sector clearly raises both opportunities and challenges for local authorities to help manage demand on services balanced with ensuring vulnerable people are placed in accommodation that is of a suitable type and standard.
8. Two forthcoming reports from government will also add to the debate. The government announced an independent review into investment in the private sector as part of the Housing Strategy. The review, led by Adrian Montague will report in June 2012 and will consider the ability of the private rented sector to respond to future demand, and investigate the interest among institutional investors for long term investment in housing.
9. Secondly, the Ministerial Working Group on homelessness is also planning a future report focussing on prevention and housing support. Officers are working with CLG to feed in views and learning from the community budget pilots on families with complex needs to the review.
10. Next steps
 - 10.1. Officers are working with the LGA's Private Sector Housing Forum to review the use of existing powers and good practice in working with private partners. **Housing Portfolio Holders and lead members have agreed that that this work underpins the LGA's submission to the Montague review into the private rented sector and the work on the Ministerial Working Group** and suggests areas where existing powers could be modified to make them more useable.

A new regulatory framework for social housing providers and the democratic filter

11. *The Localism Act* reforms the way that social housing is regulated. The new regulation framework will mean that local authorities as social landlords are no longer proactively inspected for compliance; however the regulator will retain a right to intervene in cases of 'serious detriment'. The Board has made the case

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for a proportionate approach based on principles of sector led improvement and has called for greater transparency.

12. The Localism Act also amends the way in which a social tenant can make a complaint about their landlord. In future, tenants who have exhausted their landlord's complaints procedure will have to go through a designated person (a councillor, MP or tenant panel) in order to escalate a complaint to the Housing Ombudsman. This will have implications for the role of local authority councillors and the demands placed upon them and their relationships with social housing providers, tenants and MPs.
13. These reforms have implications for the role of the Board in maintaining an overview of the performance of the sector as a whole – drawing on existing data and intelligence in the sector to spot those facing performance challenges and offer support.

14. Next Steps

- 14.1. Members have previously agreed that the housing officer network should consider housing related performance indicators collected by LG Inform and develop a suite of key indicators. A housing template report is now available on LG Inform as a result of this work. **It is proposed that this work is extended to consider how the Programme Board (or a sub set of it) could ensure they are kept appraised of performance challenges and that officers develop a model for further discussion and agreement with lead members and housing portfolio holders.**
- 14.2. It is proposed that the officers work with appropriate partners (such as CfPS and others) to **develop a support offer to councils to raise awareness of the new regulatory framework** and what it means for the management of social housing and their role as part of the democratic filter.
- 14.3. It is proposed that the **Chairman of the Board write to the new Regulatory Committee Chairman** to discuss a proportionate and transparent approach to the new regulatory regime and information sharing to support an approach that is based on the principles of sector led improvement.

The future provision of social and affordable housing

15. The affordable rent programme effectively changes the new supply subsidy from a capital to a revenue subsidy. Key issues include the financial viability of housing associations, variable regional impact (in both high and low rent areas) and the long term sustainability of the scheme.

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16. In line with the Board's workplan research has been commissioned which examines the impact of the affordable rent scheme on:

- 16.1. affordability and accessibility of homes in an area (including scale of likely rent increases in different market areas and local variations and the likely impact of high rents and fixed tenancies on different groups)
- 16.2. implications for the housing offer in an area (including projected balance of property types) and
- 16.3. implications for partnership working between housing associations and local authorities.

17. Wider reforms including those to welfare will also impact on future demands on housing supply and wider council services. Further to discussion at LGA leadership board research is being commissioned on the potential impact and cost of the welfare reforms on local authorities in relation to demand on services and housing provision.

18. Next Steps

- 18.1. It is proposed that officers, working with lead members and housing portfolio holders to consider the results of research into the impact of the affordable rent programme and welfare reforms and **present to the Board a series of options for future advocacy work on a future sustainable model of social and intermediate housing provision.**

Understanding and planning for housing need and demand

19. The Localism Act provides the Secretary of State with powers to abolish Regional Spatial Strategies. The government has indicated it intends to use these powers quickly. In addition the Act places a new duty on local authorities and other public bodies to co-operate together on strategic planning issues (including housing). It also introduces a duty to write a tenancy strategy. The draft NPPF also removes the requirement in Planning Policy Statement 3 which required an affordable housing contribution over a certain threshold – leaving this decision now in the hands of local authorities. These legislative and policy changes place greater emphasis on the local authority role in collating a robust evidence base to understand and properly plan for housing need and to work across boundaries to work with others to meet the needs of each authority.

20. Next Steps

- 20.1. Officers across the Programmes team and Planning Advisory Service (PAS) work to **further develop the strategic and local planning support offer led by PAS with a particular focus on elected members.** This may also include input into a sector led tool to support councils to assess housing need.

Annex A - Update on Housing support programme

1. The Environment and Housing Board agreed a housing support programme at the meeting in September 2011. The Board emphasised that support should be primarily directed at elected members and that the LGA should seek to work in partnership with organisations such as the Homes and Communities Agency to extend the reach of the support programme and to draw on skills and expertise.
2. The LGA has developed and planned a range of support activities within existing programme budgets to take this forward. This includes the following:

Events and workshops

3. Housing continues to feature strongly in the LGA's events programme, including:
 - Countdown to Self Financing, December 2011.
 - Meeting Local Housing Needs: What do the Housing Reforms mean for your area. This dedicated elected member event in January 2012 was attended by over 70 councillors.
 - Planning for Growth: From Rhetoric to Reality in February 2012.
4. A series of free housing and planning master classes for elected Members are scheduled to run throughout March 2012. These events will aim to provide an overview of key changes to housing and the role of local authorities and outline both the opportunities and challenges this will bring for local areas. Events will take place across the country and have been developed in partnership with regional LGA's to ensure that they reflect local issues and concerns. Board members have agreed to Chair the sessions which will be facilitated by a political peer.

Publications and guides

5. The LGA has published a series of publications and guides for elected Members on Housing reforms and the opportunities and challenges for local areas. These include:
 - A series of five Member briefings published in January 2012, exploring the practical implications of the housing reforms.
 - A guide for councillors to support them in the move to self-financing for the Housing Revenue Account has also been published.
 - A joint publication with the HCA aimed at elected Members and Chief Executives, published in January 2012. This publication sets out the key reforms and their implications for local areas through a number of scenarios.

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- A collection of essays on 'Delivering Housing Growth' was published in February 2012. The publication contains a variety of perspectives on the role of councils in promoting growth. Contributions are included from councils, the development industry, the planning profession and the Housing Minister.
6. Further to discussion with housing portfolio holders officers are also developing the following support products:
- Two sets of practice notes or 'how to' guides have been commissioned for development at the end of the financial year on developing tenancy strategies and raising standards in the private rented sector. The guides will offer practical suggestions to help councils overcome some of the challenges of delivering in a tough financial climate. These notes will be developed with the sector via a series of interviews and the master classes.
 - A series of 'quick reference' cards for Members highlighting key messages and facts from the Housing and Planning masterclasses.
 - A councillor workbook on meeting local housing needs which will cover some of the challenges involved in engaging local people in housing growth and development.
 - In collaboration with colleagues in the Planning Advisory Service, a series of podcasts, (recorded MP3 audio files, for downloading and sharing), which will provide support to councillors on working with developers and on engaging local people in discussions about growth. A separate podcast on helping councils navigate the new housing revenue account system will also be produced.
 - Housing Peer Challenges continue to be offered to the sector, alongside a free self assessment tool.