

Housing

Purpose

For information.

Summary

The Housing Minister, Mark Prisk MP, will attend the Environment and Housing Board for this item. The Minister will provide an update on the implementation of the Government's housing strategy and the forthcoming spending round. This session will provide an opportunity to discuss key housing issues for councils and the Board's priority areas of work on housing.

The Minister's biography is enclosed at **Appendix 1a.**

Recommendation

That the Board **note** the contents of the report

Action

As directed by the Board.

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Housing

Background

1. This paper provides an overview of priority housing issues for councils and gives examples of good practice to inform discussion with the Housing Minister, Mark Prisk MP. The paper also provides a summary of the key measures proposed by the LGA to be taken forward in the forthcoming Spending Round on 26 June 2013.

Local authority investment in housing

LGA key messages and activity

2. There is a strong case for councils to be able to play their part alongside Housing Associations in bringing forward much needed affordable housing. Our submission to government in advance of the Spending Round sets out proposals that would maximise local authority investment in housing and enable local authorities to rebalance the existing housing stock in response to changing need resulting from the Government's welfare reforms.
3. These proposals are:
 - 3.1. **Remove the centrally set HRA borrowing cap.** This would allow councils to invest an additional £7 billion over five years which could result in up to a further 60,000 homes over and above current plans;¹
 - 3.2. **A new capital investment fund to increase the supply of smaller homes by enabling councils to invest in new housing stock and re-configure existing properties as well as bringing empty homes back into use.** A capital investment grant from government would lever in match-funding and available land and assets from councils and should be open to both stock holding and non-stock owning authorities; and
 - 3.3. **Remove disincentives in the Right to Buy system which undermine the ability for local authorities to invest in new build that meets housing need.** Allowing councils to set the Right to Buy discount locally to reflect local housing markets will enable them to maximise the receipts to reinvest in replacement homes whilst encouraging sales under the scheme. We would also like to see councils retain 100% of the receipts by default and remove the restrictive HCA agreements currently in place which would enable swifter and more effective reinvestment.

Good practice

4. **Stroud District Council** has a stock of 5,200 properties. The council plan to use the new self-financing framework to invest over £23 million in existing properties and build over 100 new council owned properties. If Stroud were provided with the flexibilities we are

¹ This estimate is based on the prudent approach local authorities have taken to date bearing in mind levels of risk and limitations such as land and organisational capacity; and is far below the theoretical borrowing capacity available to councils should the cap be removed.

seeking they would be able to build an extra 188 properties – almost trebling their build programme.

5. Similarly, if **Mid Devon District Council** were provided with flexibilities and increased local discretion they could increase their new build programme by 1,000 homes over 10 years.

Supporting housing development

LGA key messages and activity

6. With 400,000 planning permissions for residential development unimplemented,² it is clear that planning is not the key barrier to housing development. The National Planning Policy Framework and the review of planning practice guidance together establish a localised, democratically-driven system and give councils strong incentives to promote and plan for growth. The reforms are just over a year old and are already having a positive impact; councils are approving record number of planning approvals and we anticipate almost all councils will have a published plan by the end of this calendar year.
7. The LGA is pressing for certainty in planning policy to ensure that the new planning system is allowed to take full effect and to encourage housing development to be brought forward.

Good practice

8. Councils are working in partnership with developers and housing associations and are using their land and planning powers to bring forward sites.
9. Local arrangements to bring forward housing often bring together different partners. Local authorities play an important role as enablers and facilitators who provide leadership and brokerage for projects. For example, **Basingstoke and Dean Council** and **Hampshire County Council** worked closely with a developer to provide an integrated master plan, land, and necessary gap funding to ensure that a school was relocated onto a new housing site to act as a community focal point.
10. Eighty-seven per cent of councils surveyed by the LGA said that their council planned to release its own land for housing development over the next five years. For example, **Exeter Council** is working with Sovereign Housing Association to provide the land and grant to deliver 51 homes.
11. Councils are also increasingly putting in place support for mortgage availability. For example, **Blaby Council** participates in the Local Authority Mortgage Scheme and their initial investment of £1 million supported 41 mortgage completions.

² http://www.local.gov.uk/web/guest/research-housing/-/journal_content/56/10171/3700057/ARTICLE-TEMPLATE

Unlocking sites

LGA key messages and activity

12. Sustainable housing development must come with necessary and supporting infrastructure. Councils are working proactively with developers to ensure development goes forward and discussions around viability are best determined locally. We have argued therefore that it is crucial that local authorities retain appropriate flexibility to secure developer contributions through Section 106 agreements and the Community Infrastructure Levy (CIL). We will continue to press this case through the current consultation on CIL.

Good practice

13. The Government has a specific focus on unlocking major sites and has provided funding and support to enable this to take place. The major sites programme has for example included a £24.7 million loan to Reading University to help unlock a large scale site in Wokingham and £20 million to Cranbrook near Exeter which will deliver 1,500 jobs, new rail links to London, and 6,300 homes.
14. Councils are also working at the local level to unlock sites and to reduce risk, work which enables development to go ahead. For example:
 - 14.1. Councils are voluntarily renegotiating section 106 agreements where this is likely to help restart stalled development schemes. For example **Bristol City Council** proactively seeks requests from developers to renegotiate Section 106 agreements on schemes that have become unviable since planning consent was granted. Requests are considered by the planning committee in a process that includes an open book appraisal of viability by the developer. This has unlocked a £200 million mixed-use development site in central Bristol.
 - 14.2. Councils are working to reduce risk. For example **Eastleigh Borough Council** has worked with developers to offer a “guaranteed purchase” model for those developers who had sites with existing planning permission but were unsure if they could sell the houses so development had stalled. The council offered to act as a purchaser of last resort if the developers could not sell them.

Working with the private rented sector.

LGA key messages and activity

15. Understanding housing needs and aspirations within an area, and identifying future pressures, is crucial to ensure that housing investment underpins and supports locally led growth. The amount, cost, quality and location of private sector housing are important considerations for councils in meeting local housing need and priorities. Councils play a central role and work in partnership with investors and landlords of all tenures to raise standards and facilitate investment to meet demand.
16. Increasing supply: The Government has placed an emphasis on increasing institutional investment in this tenure and the recently created Private Sector Housing Task Force to consider how to increase investment. Councils are exploring options for how they can invest directly or support investment from other sources, including pension funds in

private rented housing. For example, **Islington Council** has announced plans to invest £20 million of its £800 million pension fund with residential property investment manager **Hearthstone Investments**.

17. Raising standards: The size and quality of the private rented sector varies across the country and councils seek a balance between protecting tenants and other residents, and avoiding an excessive burden for landlords. They therefore need a mix of enforcement powers and other tools to support and manage the private rented sector.
18. However, the effectiveness of council enforcement action is undermined by complexity, duplication and lack of clarity of existing legislation. For example, there are cases where councils have been prevented from gaining entry to a property because of different interpretations of the powers under the Act.
19. Addressing these issues by simplifying and streamlining regulation and legislation would allow councils to use limited resources on support for tenants and landlords, instead of administrative processes and complex legislation.
20. Licensing powers can form an important part of a local response to regulation. However, councils are prevented from using licensing powers effectively by restrictive qualifying criteria and bureaucratic procedures. Additional licensing is restricted to homes of multiple occupancy (HMOs), and selective licensing (not covering HMOs) requires 'low housing demand or significant and persistent antisocial behaviour'. In practice, councils find that their private rented market does not fall neatly into either category and there are further barriers in the bureaucratic process of setting up a licensing regime.
21. The focus for councils should be on designing a licensing scheme that is right for the local community and landlords, not in trying to meet the rules set in Whitehall. Additional or selective licensing should be expanded to include all private rented accommodation to allow local authorities to target all areas of poor housing.

Good practice

22. **Harrow Council's** 'Help 2 Let' local lettings scheme helps place families in housing need. The service provides landlords with a steady supply of tenants in addition to other benefits such as fast track processing of Local Housing Allowance (LHA) applications, direct payment of LHA to the landlord, a rent guarantee bond an account manager to provide on-going advice and guidance regarding the management of the property.
23. **DASH East Midlands** is a regional accreditation and local lettings scheme. The local lettings scheme covers four Derbyshire authorities (**Amber Valley Borough Council, Derby City Council, Erewash Borough Council and South Derbyshire District Council**) and assists landlords by finding suitable referenced tenants which can be referred by the respective local councils housing advice teams. DASH's accreditation scheme has over 1000 members, representing more than 6400 privately rented properties across the region.
24. **London Borough of Newham** and **Oxford City Council** have both rolled out area-based licensing schemes (Newham's covering all private rented housing and Oxford's covering all HMOs. Both are structuring their licensing fees to incentivise and reward cooperation from landlords.

Allocations policy and residency test

25. The Government have announced that new statutory guidance that will press councils to use their allocations powers to establish a local residency test that will seek to ensure that those with well-established links to an area will qualify for social housing. This will be taken forward through a package of measures including the immigration bill announced in the Queen's speech. The LGA has written to the Housing Minister to stress that for the small number of councils where this is a particular issue, many are using the powers to give priority to people who have a strong local connection (see **Annex 4b** and **Annex 4c**). We have stressed that a nationally set 'one size fits all' approach to allocations is not appropriate and it is crucial that existing flexibilities established through the Localism Act are maintained. These enable councils to put in place allocation policies that reflect local priorities and manage pressure on their housing waiting lists.
26. The main homelessness duty also means councils will have to find accommodation for people in priority need who present as homeless, regardless of whether they had been a resident in that local authority area.

Welfare reform: Housing implications

LGA key messages and activity

27. The scale, intent, scope and pace of the welfare reforms will have a significant impact on councils and communities, much of which will only be seen and understood in real time as the changes are implemented.
28. Key issues for housing include:
- 28.1. **The introduction of an overall benefits cap** which will be delivered through Housing Benefit, pending the full introduction of Universal Credit. The cap does not take account of household size.
 - 28.2. **The Social Sector Size Criteria** The measure comes into effect from April 2013 and those who are assessed as under-occupying will have their benefits reduced by a percentage of their eligible rent^[1]. The impact of the size criteria measure will vary in accordance with the stock profile in local areas.
 - 28.3. **An expectation that benefit payments will be paid monthly direct to claimants.** Rent will only be paid directly to landlords in exceptional circumstances.
 - 28.4. The **Localism Act** enables local authorities to discharge their homelessness duty in the private rented sector.
29. The introduction of the benefit cap and direct payments under Universal Credit raise concerns about increased levels of rent arrears and knock on impact this may have on investment plans. Housing associations share these concerns about investment and also have a responsibility to ensure that those most in need of affordable housing are able to access it. Councils and Housing Associations therefore need to work together in managing the impacts of welfare reform.

30. The LGA has commissioned research to help understand and map the aggregate financial and geographical impact of the welfare reform programme. This work should help councils, the Government and other service providers by improving their understanding of the potential behavioural and market effects of the changes, and so inform their policy responses.
31. The affordable housing stock currently available in England does not meet needs and is ill equipped to respond to the demand for smaller properties generated through the Government's welfare reforms. We are pressing for an investment fund that will support local authorities to rebalance their stock to meet demand for smaller properties through our influencing activity in advance of the Spending Round.

Good practice

32. Enterprising Futures is a business development project that offers free business advice and practical help to people living in Sunderland. The partnership between Gentoo and Sustainable Enterprise Strategies, a social enterprise organisation, is supported by **Sunderland City Council's** 'Just the Job' campaign and aims to help local residents explore the opportunities of self-employment.
33. **Oldham Council** has completed a successful letting chain involving six households and four different social landlords. Two households were overcrowded, three were under-occupying and one was homeless. By creating a chain and making direct offers of accommodation to each household, once a property suitable for the household at the head of the chain became available, the council was able to move each household into a home which met their needs.

Engagement and next steps

34. The LGA is proactively engaging with government, partner organisations and parliamentarians on all the issues outlined in this paper. This includes recent campaigns to lift the HRA borrowing cap through the Growth and Infrastructure Act.
35. Going forward we will continue to work with government to identify how barriers to housing development can be removed. For example, we will shortly be responding to the most recent consultation on CIL and will be publishing a series of practice notes highlighting the role councils are playing to encourage investment in housing. We are also discussing our proposals for housing in the forthcoming spending round with DCLG and others across government.