

1 October 2015

Housing update

Purpose of Report

This paper updates the Board on the progress of activity to inform the development of policy impacting on housing supply, and seeks views on next steps.

Summary

Housing is at the forefront of public debate as the Government prepares to implement the commitments made in its manifesto, in the Summer Budget and in the Productivity Plan. The proposals will have a significant impact on councils. The Board is proactively seeking to influence policy in advance of the forthcoming Housing Bill and Spending Review, and around the Welfare Reform and Work Bill.

This paper updates on LGA activity following agreement of policy and the LGA's position at the last Board meeting, and seeks Member views on the next steps.

Recommendations

That the Board:

- Provide further comment on the policy position set out in the LGA's Spending Review submission and in this paper
- Note the activity undertaken over the summer, providing additional steer on the future positioning of our messages to the Government
- Comment on the proposed next steps for influencing the forthcoming Housing Bill and the current Welfare Reform and Work Bill, set out in paragraph 21 and 22

Action

To take forward the proposed next steps subject to Members' views.

Contact officer: Nick Porter
Position: Senior Adviser
Phone: 020 7664 3113
Email: nick.porter@local.gov.uk

1 October 2015

Housing update

1. Local government is ambitious to support house building. Building more homes can help meet housing demand, meet aspirations of home ownership, and reduce Housing Benefit spending, all key priorities for the Government. Councils must play a central role in expanding the stock of housing where it is most needed and be supported to take an active and innovative role in shaping local housing markets.
2. The Government's proposals set out in its manifesto, the Summer Budget, and the Productivity Plan will have a significant impact on the capacity of councils to deliver more houses. The Government has committed to:
 - 2.1. Requiring the reduction of social rents by 1 per cent a year over 4 years from April 2016.
 - 2.2. Extending the Right to Buy to housing association tenants.
 - 2.3. Funding the extension of Right to Buy to housing associations by requiring councils to sell their most expensive council housing.
 - 2.4. Delivering an additional 275,000 affordable homes by 2020.
 - 2.5. Require an increase in rent to social tenants earning above a certain threshold through a Pay to Stay.
 - 2.6. Review the use of lifetime tenancies with a view to limiting their use.
 - 2.7. Deliver 200,000 new Starter Homes.
 - 2.8. Prioritising brownfield development by requiring councils to have a register of what is available and ensure that 90 per cent of brownfield sites have planning permission by 2020.
 - 2.9. Enable councils to retain 10 per cent of receipts from the sale of wider public estates.
 - 2.10. Conduct a review of the Community Infrastructure Levy.
 - 2.11. Streamline the Local Plan making process.
 - 2.12. Bring forward proposals to make the compulsory purchase regime clearer, fairer and faster.

1 October 2015

2.13. Strengthening planning performance measures.

3. An LGA briefing and expressed view on the full range of new announcements is available on the LGA website¹.

LGA activity

4. The Board has continued to make a strong, pro-active and positive offer to the Government on the behalf of councils that want to be able to increase housing supply. This has included arguing for the powers and flexibilities to invest in building and to bring forward development, for instance calling for powers over the wider public estate, and making the case for council housing expenditure and borrowing to be excluded from the counting against the UK index of public debt².

5. The LGA Chairman and Board have undertaken a range of activity over the summer seeking to lead the debate in a way that mitigates the negative impacts of recent policy developments on councils and local housing markets. This has included:

5.1. Regular representations to Ministers and discussions on policy detail with officials

5.2. Research and analysis on the impact of proposals, including press releases attracting national media coverage³

5.3. Activity and events, including a seminar with officials, seeking to bring together a consensus view to the Government, involving a range of councils, Association of Retained Council housing (ARCH), Society of Local Authority Chief Executives (SOLACE), District Council Network (DCN) and London Councils

5.4. Engagement in Parliament, including representations to the Communities and Local Government Select Committee, and on the progress of the Welfare Reform and Work Bill⁴

6. The activity has been underpinned by the housing chapter of the LGA Spending Review submission (Annex A). It is proposed that the Board

¹ LGA briefing: Budget and national Productivity Plan: housing and planning announcements, 2015
http://www.local.gov.uk/web/guest/planning/-/journal_content/56/10180/7393878/ARTICLE

² Investing in our nation's future, the first 100 days of the next government, 2014 http://www.local.gov.uk/campaigns/-/journal_content/56/10180/6348141/ARTICLE

³ For example - Social housing rent reforms to cost councils £2.6 billion, Financial Times, July 2015
<http://www.ft.com/cms/s/0/11714258-31e8-11e5-91ac-a5e17d9b4cff.html#axzz3m6WiVeCf>

⁴ For example – Welfare Reform and Work Bill, Public Bill Committee evidence session, Housing of Commons, September 2015 http://www.local.gov.uk/web/guest/briefings-and-responses/-/journal_content/56/10180/7396343/ARTICLE

1 October 2015

seek to build on this work over the coming months, setting out a strategy to inform the Government's thinking and to influence the Housing Bill and Welfare Reform and Work Bill as they progress through Parliament.

7. Key areas of work include:

The cumulative impact and unintended consequences

8. The Board has set out an offer to work with the Government to understand and mitigate the potential cumulative impact of the different housing policies on the collective ambition to build more homes. In particular, to explore the impact of policy initiatives on:

8.1. The capacity of councils and housing associations to help deliver the levels of house building needed;

8.2. The availability of affordable homes and the medium-term impact of less affordable and specialist housing stock on the demand for Housing Benefit and other financial assistance;

8.3. The proportion of families able to pursue home-ownership, and the impact on mixed tenure in communities particularly in areas with high house prices.

9. To inform work around the Housing Bill and Welfare Reform and Work Bill, the Board has commissioned Savills Ltd, a global real estate company, to undertake a statistical analysis of the potential cumulative impact and unintended consequences of the Government's proposals on its ambitions to build more homes, on affordable housing stock, and on housing tenure. The analysis will assess the impact on local government specifically, and will likely provide further evidence for mitigating the impact of policy proposals on councils. The project will be split into two reports: one produced in advance of the Housing Bill, and a second produced afterward to take into account additional detail from the Bill.

Required social rent reductions

10. Proposals to reduce the rents paid by tenants in social housing in England by 1 per cent a year for four years from 2016 will have a significant impact on council's 30 year housing investment strategies, which were agreed with the Government just two years ago.

11. The Board has estimated councils will lose around £2.6 billion in planned revenue over the four years up to 2019/ 2020, with a gap of £1 billion per year thereafter once the lower rent base of CPI+1 per cent is reintroduced

1 October 2015

in 2020/2025. The annual £1 billion gap is equivalent to 25 per cent of the controllable expenditure in the Housing Revenue Account or 60 per cent of the total maintenance budget, and will have implications for planned investment in housing and in maintaining existing stock. This analysis has been widely covered in the media⁶.

12. The analysis has underpinned LGA's work on the Welfare Reform and Work Bill, including a written submission recommending the deletion of the social rent clause, and the Chairman's evidence session to the Bill Committee⁷. It is proposed the Chairman and Board continue to make representations aiming to reduce the financial implications of the proposed rent reduction on councils, pursuing and evidencing a number of amendments ahead of the Report Stage of the Bill in Parliament.

Sale of vacant high value council homes

13. Councils are committed to managing their housing stock in a way that benefits local communities. It is important that measures to encourage the sale of vacant high value council homes support this ambition, and do not risk a drop in affordable housing.
14. The Chairman and the Board continue to make the case for the sale of high value council homes and the extension of RtB to be pursued as two separate policies, that a number of exemptions are introduced – such as those to protect specialist properties, newer properties with high levels of debt, and properties tied to regeneration programmes - and for councils to retain 100 per cent of receipts to invest in new homes locally.
15. The Government is not undertaking a public consultation but officials are running a technical working group. The LGA have a place on this group but have felt it important that the Department engage more openly with the sector. Therefore, following the roundtable with council Chief Executives and DCLG Permanent Secretary Melanie Dawes, the LGA has hosted a workshop with councils and senior officials on the implications of the policy, and supported the Department to run a programme of workshops with councils around the country.

Planning for infrastructure and growth

16. The Board continues to make the case that the planning system is not a barrier to house building. Councils are making good progress in

⁵ Local Government Association, July 2015

⁶ Reducing social rents will cost councils £2.6 billion by 2019/20, LGA, 2015 http://www.local.gov.uk/media-releases/-/journal_content/56/10180/7397692/NEWS

⁷ Welfare Reform and Work Bill, Public Bill Committee debate, September 2015
<http://www.parliament.uk/business/publications/hansard/commons/this-weeks-public-bill-general-committee-debates/read/?date=2015-09-15&itemId=1186>

1 October 2015

implementing local plans and there is a need to avoid further fundamental reform of the planning system which would undermine progress towards long-term strategic planning.

17. The Board is working with the Government to ensure that the proposed reforms support councils to continue their progress, making a range of representations as the Government plans to deliver its ambitions for 200,000 Starter Homes, on the proposals to streamline the Local Plan making process, on the review of the Community Infrastructure Levy, and on the proposed targets for development on brownfield land.

18. There are measures the Government could take which could support both councils and developers in their shared aim to bring forward housing with the necessary infrastructure to build strong communities, including:

18.1. Introducing locally-set planning fees to ensure effective, responsive and fully funded council planning services, removing the burden from taxpayers who currently subsidise 30 per cent of total costs.

18.2. Removing national exemptions to section 106 contributions and Community Infrastructure Levy, to be replaced by a robust and transparent local viability assessment process to ensure development and supporting infrastructure meets community need. For instance section 106 exemptions for delivering 200,000 Starter Homes could cost £3 billion in lost investment into affordable housing.

18.3. Enabling local communities to have a say over new development on all brownfield land and the conversion of office to residential property, combined with giving councils the power to ensure developers prioritise brownfield sites.

Skills to build

19. The Board has continued to lead the debate on the availability of construction skills a central factor limiting the capacity of developers to build more homes. The Board is calling on the Government to implement a national Skills to Build strategy that devolves skills funding so that councils can work with colleges to resolve the widening construction skills gap threatening building and development.

20. The project has attracted significant media attention, gaining national media coverage for six days running⁸. It has been widely supported by private developers and building companies that are increasing focusing

⁸ For instance – UK trains 'too many hairdressers, and not enough bricklayers, Financial Times, 2015
<http://www.ft.com/cms/s/0/fa93ed04-4274-11e5-b98b-87c7270955cf.html>

1 October 2015

on skills gaps, rather than the planning system, as a key barrier to development.

Next steps

21. It is proposed that the Board continue to press for councils to be enabled with the powers and flexibilities to increase housebuilding, making this case through proactively engaging with the development of the Government's policies, including those within the Housing Bill and Welfare Reform and Work Bill.
22. The following further work is proposed to support this:
 - 22.1. Complete and promote analysis on the cumulative impact of the Government's housing policies on councils and the unintended consequences they might have on house building, affordable housing stock, and home ownership. Use analysis as the basis for proactively informing the development of the Housing Bill and Welfare Reform and Work Bill, working with the Government, parliamentarians, partners and councils.
 - 22.2. Refresh research into the number of unimplemented planning permissions and develop an LGA position on the future of funding infrastructure for development, including proposals for a robust approach to viability assessments to influence the review of CIL, and to make the case for the removal of national exemptions from infrastructure and affordable housing contributions.
 - 22.3. Take forward discussions with the Government for a new deal with central government on public land and property, promoting the need for giving councils a power to direct the use of surplus public land and retaining a proportion of receipts for reinvestment locally.
 - 22.4. Work with Lead Members to develop the priorities and the approach to take in discussions with Ministers and officials.