



**WARDS AFFECTED: ALL WARDS**

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1. PURPOSE OF REPORT

- 1.1 To advise the Scrutiny Commission of a number of national housing policy developments and their impacts for the Council.

2. RECOMMENDATION

- 2.1 That Scrutiny Commission note the contents of the report and put forward observations and recommendations on the potential impacts to the Council's Executive.

3. BACKGROUND TO THE REPORT

- 3.1 The Government have introduced a number of housing policy changes since coming into power in May 2015. A number of these will impact directly on the council in its landlord function, with others having a more strategic housing impact.

3.2 **Social Housing Rent reduction by 1% a year for four years**

- 3.2.1 In 2013 the financing regime for council housing changed from the subsidy system to one of self financing, where councils could keep rent raised to support services and for reinvestment. The last rent guidance issued by the government in 2013 gave some certainty in terms of rent rises (CPI + 1%) and these rent increases were built into, and underpin, HRA Business Plans and Investment Strategies.

- 3.2.2 The Government announced in the summer that from 2016/17 rent increases would not be allowed and social housing landlords would be required to reduce rents by 1% each year over the following four years.

- 3.2.3 This policy announcement has resulted in social landlords reviewing business plans and considering future investment priorities. A number of Registered Providers (RP's) have cut back on their programmes for affordable housing provision, which will impact on the ability to meet housing need into the future.

3.2.4 **Considerations for HBBC**

- 3.2.5 The Council considered the national consultation on whether Housing authorities wanted to continue with the Housing Subsidy System (which was costing this Council £4.1m per year and would have increased by inflation in future years) or to buy out of the subsidy system. Following specialist external advice from Tribal, the Chartered Institute of Housing and Butlers (now Sector/Capita), the Council unanimously agreed to buy out of the Subsidy System. The cost of the one-off buy out was determined by the Government to be £67.652m.

- 3.2.6 The HRA Investment Plan 2013 – 2018 was approved by Council on 16<sup>th</sup> July 2013 and a detailed financial model was aligned to the Plan which allowed for investment in stock enhancements, service improvements and council house new build and acquisition. These priorities were agreed by Council following consultation with tenants and the financial model was based on the self financing settlement which

enabled the council to cover the debt borrowed over a 25 year period, whilst also providing a budget for capital investment.

3.2.7 This financial model assumed that rents would be increased by the guidance figure over the time of the business plan, providing a surplus which formed a regeneration reserve to finance the additional enhancement to properties and the council house new build and acquisition programme.

3.2.8 A refresh of the HRA Business Plan is being undertaken to inform the HRA Investment Strategy going forward and to incorporate the 1% rent reduction. Members should note that this is effectively a 3% reduction from the original Plan as the assumption (as advocated by CLG) was CPI plus 1%. Therefore, prudent rent increases of 2% had been assumed. Options for managing the reduction in rental income to enable the current HRA Investment Strategy to continue are being considered and will be reported to a special meeting of the Scrutiny Commission as soon as feasible.

### 3.3 **Pay to Stay Policy**

3.3.1 The Housing and Planning Bill has included the proposal that council house tenants and tenants of other social housing) with a household income of over £30k will be required to pay a rent near to market rent to remain in their council property.

3.3.2 A household is defined as a tenant or joint tenant named on a tenancy agreement and any tenant's spouse, civil partner or partner where they reside in the property. Income is defined as taxable income in the tax year ending in the financial year prior to the rent year.

3.3.3 Social housing tenants will be required to declare their income to their landlord. Landlords will be able to share data with HMRC to verify the information they have been given is correct.

3.3.4 Registered Providers who raise additional income through the Pay to Stay policy will be able to retain the income: councils will be required to pay the income back to central government.

3.3.5 Considerations.

- The council doesn't hold income details on our tenants and therefore does not know how many tenants will be affected.
- There will be an administrative burden of collecting and processing data, amending rent systems etc.
- Direction is needed on some areas for example what happens if a tenants income falls – will the rent be reduced and how will tenancy agreements be amended.
- There could be a further loss of council house stock as tenants whose rents are increased to market rents exercise their RTB.

### 3.4 **Extension of Right To Buy to Registered Providers**

3.4.1 The Right to Buy (RTB) currently available to council tenants is to be made available to Registered Provider tenants. Registered Providers raised concerns about the legitimacy of legislating to force the sale of assets owned by charities/not-for-profit organisations, and concerns about the effect on their property portfolios and on business plans of the reduction in assets/income.

3.4.2 As a consequence of these concerns the National Housing Federation put an offer to the Government in which it proposed the implementation of an extended RTB on a voluntary basis. The offer, which was accepted by Government, secured the

independence of Registered Providers, gave a deal on compensation for discounts and flexibilities to allow the refusal of RTB in certain circumstances.

- 3.4.3 Whilst positive for Registered Provider tenants, the extension of the RTB will further reduce the stock of affordable housing with which to meet housing need. The Government has said that properties sold will be replaced on a one to one basis, although there are uncertainties on how replacement will be financed, the timing of replacements and where the replacements will be built.

### 3.5 **Sale of high value council voids**

- 3.5.1 To finance the extension of the RTB to Registered Provider tenants councils will be required to sell high value void properties. This proposal has been included in the Housing and Planning Bill.

- 3.5.2 The Bill will enable the government to set out the definition of “high value” homes and will create a duty on councils to consider the sale of homes that meet this definition when they become vacant.

- 3.5.3 The Bill will further allow the Government to estimate the amount of money it would expect each authority to receive, in each financial year, from sales of high value voids. Councils will then be expected to pay this amount to the Treasury.

- 3.5.4 Details of the definition of high value homes and the mechanism by which the government will calculate the amount owed by each stock retaining council will be published at a later date.

- 3.5.5 Councils have received a request for stock information from the government to help inform their policy on the sale of high value voids. This information is to be returned by the 23<sup>rd</sup> December 2015.

### 3.5.6 **Considerations for HBBC**

- Collation of information requested by the government is being considered to ascertain what is readily available and any issues with regards responding to the request. The government has made available funding of £5000 to assist with the collation.
- There will be a negative impact on the HRA Business plan - reduction in stock/rental income.
- If the mechanism is for a one off yearly payment to the treasury this will further reduce the income in the HRA. Decisions will need to be taken on the sale of properties when they become void – these won't necessarily be high value properties and if this is the case how will the loss of income be made up?
- The stock profile may be affected, for example, properties in the rural areas will be high value, but this is where there is a shortage of affordable housing.
- The council will need to consider the impact on meeting housing need with a reducing stock – tension between the requirement to sell a void v use of the property to meet a high housing need eg a homeless case in B and B.

### 3.6 **Review of Lifetime tenancies**

- 3.6.1 There is currently the ability to consider offering flexible, short term tenancies to council tenants. The Council in 2013 took the decision to continue offering secure, lifetime tenancies.

- 3.6.2 The government is proposing removing this choice and limiting the use of lifetime tenancies. Although the detail is awaited, the following has been suggested:

- Not retrospective – would only affect new tenants.
- Fixed term tenancies for between 2 and 5 years.

### 3.6.3 Considerations for HBBC.

- Clarity is needed on whether some accommodation would be exempt – for example older persons accommodation/vulnerable tenants where it is clear that alternatives or moving to other accommodation is not an option.
- There will be a capacity issue with the review of tenancies at the end of their fixed term and possible homeless consequences if a tenancy is ended but the tenant unable to secure alternative accommodation.

## 4. FINANCIAL IMPLICATIONS [IB]

- 4.1 The change in direction by the government imposing the 1% reduction in rents means a reduction in the headroom investment of £5.141m.
- 4.2 Financial options arising from the rent reduction and the impact on HRA investment plan will be reported to at the Executive meeting.
- 4.3 Where know, financial implications arising from other national policy changes mentioned in this report will be presented in the same report.

## 5. LEGAL IMPLICATIONS [MR]

- 5.1 None

## 6. CORPORATE PLAN IMPLICATIONS

- 6.1 Contributes to creating a vibrant place to work and live and supporting individuals.

## 7. CONSULTATION

- 7.1 None with regard to this report. Consultation with tenants may be required around aspects of policy change.

## 8. RISK IMPLICATIONS

Management of significant (Net Red) Risks		
Risk Description	Mitigating actions	Owner
Impact of HRA Investment Strategy of 1% rent reduction	Updated HRA Business plan and options for mitigating the rent loss are being considered and will be reported to a future Scrutiny.	Sharon Stacey
Impact on capacity of preparing for the implementation of various policy changes and ongoing management of those changes.	Ensure effective use of additional funding provided and ensure any impacts on front line delivery are reported.	Sharon Stacey
Impact on ability to meet social/affordable housing need.	Maximise affordable housing delivery.	Valerie Bunting.

9. KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS

9.1 Implications of the various policy announcements will be considered in more detail as further details emerge. The impact will be on council tenants and those needing to access social/affordable housing.

10. CORPORATE IMPLICATIONS

10.1 By submitting this report, the report author has taken the following into account:

- Community Safety implications
- Environmental implications
- ICT implications
- Asset Management implications
- Procurement implications
- Human Resources implications
- Planning implications
- Data Protection implications
- Voluntary Sector

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Background papers: None  
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