



**Service Delivery  
Committee**

**13 October 2015**

**For Information and  
Decision**

Title:

**Impact on Housing following Government Budget  
Announcement**

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## **1 Introduction**

Following the announcements in the last government budget announcements there are a number of implications that will impact on stock retaining landlords holding authorities such as Oadby and Wigston Borough Council in terms of the viability of HRA Business Plans.

## **2 Recommendations**

Members are asked to note the report and support the review of the Rent policy once further details are known of the impact on legislative changes.

## **3 Information**

In summary there are two main concerns

- Viability of HRA Business Plans going forward and the impact on maintaining current investments levels and future plans, particularly around new build of council housing
- From a strategic housing perspective, the impact of both budget and welfare announcements which will see a probable reduction in affordable housing development to meet need at a time when need is likely to increase, and impacts on levels of homelessness as people are unable to either secure accommodation or maintain it once secured

### **Housing implications of the Budget**

The issues below have been collated from consultation with Chief Housing Officers in Leicestershire. Whilst mirroring the debate happening at a national level, it was important to consider from a local perspective and to begin to decide collectively how the announcements will impact. In summary there is concern in two main areas:

- For stock retaining landlords in terms of the viability of HRA Business Plans going forward and the impact on maintaining current investment levels and future plans, particularly around new build of council housing.
- From a strategic housing perspective, the impact of both budget and welfare announcements.

In isolation the proposed changes are impassive, however, taken together the consequences for individuals, for communities and for agencies providing services are potentially huge. This raises questions over capacity and resources to provide services to meet increased demand.

The main areas of concern are identified below.

**Social housing rents to be reduced by 1% a year for four years.**

Stock retaining council landlords (SRCL) all have a 30 year HRA Business Plan in place which, following self financing, set out their investment requirements, debt servicing detail and future investment proposals over 30 years. Rent forecasts are included in the Business plan and the income from rents underpins all service provision and proposals for investment. Usually the rent forecasts have been based on the rent guidance issued by Government (with some local deviations), and this guidance, the last of which was issued in 2013, gave some certainty in terms of rent rises (CPI +1%).

Requiring a 1% reduction in rents over the next four years undermines these Business Plans and calls into question whether we are still operating under a self financing regime. Further, under self financing the value of the housing settlement took into account future rent increases which are now lower. It has been predicted that the debt settlement would have been £10b lower had it taken into account the four year rent reduction.

Impacts have been well documented nationally and are mirrored locally:

- Loss of rental income. We are seeking an initial remodelling of our rental income and waiting detailed figures from the Chartered Institute of Housing who are preparing the projections for the next Policy fiancé Development Committee as to what the actual reductions are.
- This will have implications for maintenance of existing levels of investment, particularly around maintenance of stock, and on investment programmes. Practically this means looking at current plans for investment in the current stock to see whether they can be maintained or whether standards will have to be reduced and the reduction in, or halting of, development plans for new council housing stock i.e. less council houses built and less kitchens/bathrooms/roofs etc replaced.
- Whilst provision has been made for Landlords who face serious financial difficulty due to the rent reduction to ask for exemption by the secretary of state, it is doubtful whether the definition of this would extend to the reduction or ceasing of investment programmes.
- From a strategic housing perspective, Registered Providers have voiced concern about the impact on their investment programmes going forward, with predications being made of a reduction in the number of affordable units being developed (National Housing Federation have

predicated 27,000 less units being developed,). This raises questions as to how housing need will be met;

- What is the government's position on self financing?
- What will a landlord need to demonstrate to show serious financial hardship?
- What comment is there regarding the reduction in affordable housing programmes and how are strategic housing authorities to meet future housing need with the reduction in the social/affordable sector?
- What has happened to "Target Rents", for example where landlords have policies at letting void properties at target rents, is this still possible?
- Will there be renegotiation of the debt held by Oadby and Wigston Borough Council take into account the reduction in rent?

### **"Pay to Stay" policy**

Proposal for tenants on incomes over £30k (£40k in London) to pay a rent more aligned to market rent in order to remain in the property. The increase rent will not be retained by the Landlord, but will be returned to the treasury and it is unclear where rents of stock retaining councils landlords (SRCL) such as this one and whether this will apply to Registered Providers (RP's)

For clarity detail is needed on:

- Implementation date.
- How will income details be obtained from tenants (will Landlords be able to access tax records or will tenants be expected to self declare. If the later, what happens if they don't comply)?
- Will a yearly review be required?
- What will happen if a tenant has a reduction in income below £30k, will the rent revert back to a social rent level? If the property isn't converted back how this will be affordable to the tenant (could be consequences for housing benefit).
- There will be an administrative burden of implementing the scheme. Will there be additional burdens funding available to meet the costs, particularly SRCL since they will not be retaining the increase in revenue.
- What will the position be with RP's in terms of the additional revenue raised? If it is not proposed to return this to the treasury where is the equity in this?
- Does this proposal require any changes to the tenancy agreements held with tenants?

## **Right To Buy**

The proposal is to extend the RTB to RP's and require local authorities to dispose of high value vacant council houses to fund the extension. RP's themselves have raised a number of questions regarding this proposal from their own point of view, highlighting the impact on their business plans and future development programmes. The following questions are from a local authority perspective:

- How is housing need to be met by a continual reduction in the supply of local, affordable housing?
- Clarity is needed on what "high value" vacant council property is. Will it be a top slice from a local authorities own valuation of its stock or will a value be given from the government for an area and any properties above this value will be required to be sold. These properties could be in high demand and the loss of them could result in increased waiting times, including applicants accepted as homeless and in temporary accommodation.
- Will exemptions be made for properties in rural areas? This is both in terms of the extension of RTB to properties in rural areas and in particular rural exception sites, and the sale of high value council housing. For the former this could completely undermine rural exceptions site. In terms of high value council houses it is very likely that given any definition these will be in rural areas and therefore will result in a loss of supply. The overall impact for rural areas will be a reduction in supply, resulting in people having to leave settlements due to the lack of affordable housing, with the consequential impact on communities.

## **Review of lifetime tenancies.**

There is already the ability for SRCL and RP's to offer flexible tenancies if it suits local circumstances and decisions on whether to offer flexible tenancies is contained within landlords Tenancy Policies. The proposal to review this again, with a view to limiting the use of lifetime tenancies is concerning for both landlords and tenants.

Further clarity is needed on:

- What is the time scale for this review?
- What is the position with regard to tenancies in areas of low/medium demand where the argument for limiting periods of tenancy to free up accommodation for those in more need doesn't follow through and creates an administrative burden for no purpose?
- Will there be any exemptions for vulnerable tenants where it is clear that alternatives or moving out of accommodation would not be feasible.
- How does this policy contribute to creating and maintaining sustainable communities?
- How does this policy contribute to incentivising people back into work?

- Is the administrative burden on landlords of the proposal recognised?

This will mean that there is need to review the current Rent Policy and it would be prudent to start planning for the review of Rent Policy when the further details of changes are known and if the 1% decrease in rental income is legislated.

### **Welfare changes / private landlords.**

There are a number of proposed changes to welfare benefits which will impact on individuals and which could have implications on housing services namely:

- Benefit cap reduced to £20k (£23k in greater London)
- Family premium to be withdrawn from new HB claims from April 2016.
- From April 2017 most welfare support provided to families will be limited to two children.

Of particular notes are:

### **Freeze on local housing allowance/Changes in tax relief to private landlords.**

Councils have worked successfully with private landlords to meet the shortfall in social/affordable housing and meet housing need. This has impacted on reductions in numbers of people being accepted as homeless and in thus reductions of the use of temporary accommodation. Councils have already seen a withdrawal of landlords from the sector due to benefit changes and to the housing market picking up and landlords deciding to sell rather than rent. It is unlikely that landlords will reduce rents to accommodate the freezing of local housing allowance and therefore if tenants are unable to meet the shortfall we will see an increase in arrears and evictions, with subsequent pressure on homelessness services. The changes to tax relief could further encourage landlords to leave or not enter the sector.

### **Changes to housing benefit backdating regulations.**

Currently housing benefit can be backdated for up to 6 months under certain circumstances. This assists with prevention of homelessness, since often people will get into difficulty with claiming housing benefit due to various reasons, but with assistance housing benefit can be claimed and eviction prevented. It is proposed that the period for which a backdating claim can be made is to be reduced to four weeks, with consequential impacts on evictions and homelessness.

This raises further concerns in relation to a number of policy areas such as the above which will have implications on the supply of accommodation for those in housing need and on tenants being able to sustain tenancies. Is the impact on strategic housing authorities to continue to meet housing need and manage the increases in homelessness and temporary accommodation, which for some time now have seen positive reductions and which should be recognised.

## **Reduction of housing benefit (housing element of Universal Credit) to 18 – 25 year olds.**

This proposal has implications for re-housing of 18 – 25 year olds and increases in homelessness with further clarity needed:

- Clarity on implementation date.
- Clarity on exemptions, in particular will these be the same as definitions of vulnerability under Homeless Legislation. If these definitions aren't tied up then it will have implications in terms of accommodating young people where a homeless duty has been accepted and where temporary accommodation is provided pending a homeless decision.
- Will the legislation be retrospective or will 18 – 25 year olds accommodated at the time of implementation be affected?

Further guidance and commentary is emerging and being discussed at various levels amongst District housing colleagues as well as National debates through the Chartered Institute of Housing (CIEH) and the National Federation of Housing (NFH) and details impacting on this authority will be subject of the HRA business Plan which is currently being reviewed.

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<b>Implications</b>	
Equalities (AC)	No Significant Implications
Financial	The Government's new legislation changes will need to be built into the HRA business plan to test the viability of the service.
Legal (AC)	No Significant Implications
Risk (APM)	CR4 Reputation Damage CR 5 Effective utilisation of Asset/ buildings CR7 Failure to respond to a significant changes