

Report to COUNCIL

Response to a motion passed on the Housing & Planning Bill on 23rd March 2016

Portfolio Holder:

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Briefly explain the reason for the decision

This briefing report has been prepared in response to a motion passed by the Council on the Housing and Planning Bill at its meeting on the 23rd March, 2016.

As requested in the motion, the Council's Housing team, in conjunction with the Oldham Housing Investment Partnership (OHIP), has undertaken an analysis of the likely impact in Oldham of the proposals contained within the Bill. Since the Council motion was passed, the Housing and Planning Bill has had many changes through discussions in Parliament and finally received Royal Assent on 12th May.

This report assesses the likely impact of the following issues highlighted in the resolution:

- i) Forced sale of council homes
- ii) Extension of Right to Buy (RTB) to all housing association tenants
- iii) The diminution of the 'starter homes' requirement on developers
- iv) The imposition of market rents on households with a £30,000 income occupying social housing, and
- v) The imposition of a cap on housing benefit payments made to vulnerable tenants occupying specialist social-rented accommodation, and to identify any measures that may mitigate this impact.

i) Forced sale of council homes

The forced sale of 'higher' value council homes is being introduced by Government as a way of paying for the extension of the RTB to housing associations. Councils will now be

forced to consider selling every 'higher' value empty property within their stock and then make a payment to the Treasury based on an estimate of how many such properties they could have sold each year.

During debates in both houses of Parliament, the Government made some concessions and has committed to providing one affordable home (this could also be a starter home) for every home sold outside of London. They have also said that they may exclude some housing from that duty and, in particular, that they will consider 'whether there is a case to exclude rural areas that have particular difficulty in replacing housing.' There is still considerable uncertainty about how the two policies will operate and interact, including whether this will deliver receipts of sufficient value, quickly enough and distributed in the right way to compensate Housing Associations.

Potential impact in Oldham

All local authorities with Housing Revenue Accounts (HRA) will be required to make a payment to the Secretary of State in respect of a financial year. Details of the actual amount will be set out in regulations, which are expected over the summer. Our payment is likely to be based on the 700 general needs homes in the Gateways to Oldham scheme which we currently own, as the vast majority of our 1400 sheltered housing stock is exempt from right to buy. The new law states the Secretary of State must ensure the amount of the payment represents an estimate of –

- (a) the market value of the authority's interest in any higher value housing that is likely to become vacant during the year, less
- (b) any costs or other deductions of a kind described in the determination.

We anticipate that any payment Oldham Council is asked to make is likely to be very small. This is due to the fact that turnover on our general needs stock is currently very low, coupled with the fact that we're unlikely to sell most of these units because of the 'cost floor' rule. In other words the amount we've invested in these units is higher than the open market value.

ii) The extension of right-to-buy

Originally it was expected that there would be a statutory RTB for housing association tenants included in the Bill. However, following the Government's acceptance of the National Housing Federation's (NHF) offer to implement the RTB on a voluntary basis, the Act now provides for grants to be paid to housing associations to compensate them for selling homes at a discount.

There are currently around 8,000 Registered Provider tenants in Oldham who have the 'preserved right to buy', stemming from when they were council tenants and in theory are eligible to buy their council home. The vast majority are tenants of First Choice Homes Oldham, but there are also a significant proportion of tenants of Villages, Regenda and Contour homes.

This extension gives potentially a further 9,000 housing association tenants the right to buy their homes (subject to the 3 year eligibility rule), bringing the total number to approximately 17,000.

Potential impact in Oldham

Analysis undertaken by the Chartered Institute of Housing suggests that around 10% of tenants will exercise their right to buy within the first five years. This is based on experience with local authority Right to Buy in the 1980s, taking into account that the proportion of housing association tenants in employment is a lot lower now than was the case with council tenants then. They also anticipate that sales will peak in years two and three.

Based on that analysis, it is estimated that around 180 additional tenants per year will exercise the right to buy. Over 5 years, this could mean the loss of 900 homes in Oldham. Past experience also indicates that the properties are mostly likely to be 3 or 4 bed houses in higher demand areas of the borough. It will be difficult for housing providers to replicate stock in those areas in the same period due to (a) Land costs in higher-value neighbourhoods (b) Ability of providers to borrow or access grant to build new affordable homes for rent

iii) The diminution of the ‘starter homes’ requirement on developers

The requirement for Starter Homes was introduced in March 2015 through a Ministerial Statement and set out in National Planning Policy Guidance (NPPG). The Housing and Planning Act came into force in April 2016. The Act defines a ‘starter home’ as a building or part of a building that is:

- a new dwelling;
- available for purchase by qualifying first-time buyers only;
- to be sold at a discount of at least 20% of the market value;
- to be sold for less than the price cap (£250,000 outside of London); and
- subject to any restrictions on sale or letting specified in regulations made by the Secretary of State (to be determined)

The Act places a general duty on local planning authorities (LPA) to promote the supply of starter homes. A LPA must also prepare reports containing information about the carrying out of its functions in relation to starter homes (which could be set out within the authorities Monitoring Report). The Secretary of State may make a compliance direction where LPA has failed to carry out its functions in relation to starter homes.

Further legislation may be set out in regulations by the Secretary of State where appropriate, which will clarify how the requirements set out in the Act are to be met.

To deliver the minimum 20% discount, NPPG states that LPAs should not seek Section 106 contributions towards affordable housing, including any tariff-based contributions to general infrastructure pots, from developments of Starter Homes. LPAs will still, however, be able to seek other Section 106 contributions to mitigate the impact of development to make it acceptable in planning terms.

Potential impact in Oldham

The unprecedented level of investment in Oldham town centre is targeted at reviving the economy, making it a much more attractive place to work in and visit, as well as making it family friendly. The completion of projects such as the Old Town Hall refurbishment and Princes Gate Development (mixed use scheme anchored by M & S) will see the town benefit from a broad range of amenity as well as excellent connectivity via road and metrolink.

Bringing new homes into the heart of the town is the next part of the strategy, offering a range of homes to meet the aspirations of new and existing households will underpin demand from shoppers and workers for the improved facilities of the town. Opportunities for residential development around the new Southern Gateway retail development had already been identified, but this new Starter Homes Initiative has challenged us to look again at the town's potential to deliver new homes.

We have identified sites with potential for residential development, capable of delivering over 1800 new homes, which will deliver a critical mass of population into the heart of the town. The sites offer a mix of opportunities from conversion to new build as well as offering opportunities for varying built forms – townhouses/apartments/assisted living across varying forms of tenure. We envisage a substantial proportion would be starter homes as part of a wider mix.

These sites are being put forward, although selection to be part of the Expression of Interest will be prioritised upon a number of factors including value for money and deliverability.

iv) The imposition of market rents on households with a £30,000 income occupying social housing

There is now an obligation on stock holding councils to charge a higher rent to a high income tenant of social housing in England. This policy will still be voluntary for Housing Associations. The household income thresholds will be over £31,000 outside of London and £40,000 in London and the duty will be on the tenant to disclose their household income and failure to do so will probably mean that councils will have to charge a market rent. The government has stated that the definition of 'household' will not include income from non-dependent children and that certain state benefits will not count towards the calculation of income. The rent rise will be tapered at 15% (down from the proposed 20%) and all tenants receiving Housing Benefit or the housing element of Universal Credit will be automatically excluded from this policy. The thresholds will also be up-rated every year in line with CPI.

Potential impact in Oldham

Implementing this policy is going to be a huge challenge due to the complexity of having to verify tenants' income and set a variety of rents each year whilst many of those tenants move in and out of work or up and down the income scale. We also anticipate that this policy may lead to an increase in the number of RTB applications from high income tenants and may lead to high turnover of voids as some tenants may choose to leave their council tenancies to rent privately in areas of high demand due to the benefit of low social rent being diminished. Without seeing further details, which will be set out in the regulations, it's difficult to assess the full implications of this policy.

v) The imposition of a cap on housing benefit payments made to vulnerable tenants occupying specialist social-rented accommodation, and to identify any measures that may mitigate this impact.

The Government has introduced a cap on social rents to LHA levels for all tenancies starting from April 2016, with the new rates applying from April 2018. They have however delayed implementing the cap on housing benefit and universal credit in supported housing for a year to enable the current review of supported accommodation to be completed. Previously the government had planned to implement it to new and re-let supported housing tenancies, signed from 1 April 2016, and then apply the cap from April 2018. This exemption applies to all refuge for those fleeing domestic abuse, homeless provision, housing for ex-offenders, as well as supported housing for older and disabled people. The cap would now apply to social sector supported housing tenancies that are signed from 1 April 2017.

Potential impact in Oldham

The implication of this policy cannot be underestimated. The proposed cap, if implemented, will severely limit the ability of Housing Benefit to cover the necessary rental costs needed to run supported housing. As a result, a significant proportion of existing supported housing schemes will be forced to close leaving many vulnerable and disadvantaged people with nowhere to live. The LGA, NHF and a whole host of other organisations are campaigning to get the Government to change its mind and have offered to work with them to explore funding options for supported accommodation.

At the moment we are keeping a watch on developments in relation to future funding arrangements for the elements that are regarded as not the usual property based rent and service charges, so effectively the intensive management element. The Housing Strategy team is developing a number of case studies to model the impact of a range of our tenants (including sheltered and extra care) and the impact to the existing Council Housing rental/service charge income streams. This work also links to wider work underway with Housing Strategy and Revenues and Benefits to look at the impact across the piece; future use of discretionary housing payments and to homelessness and current general fund commissioned exempt accommodation. Our RP partners have also set up an operational working group to look at the impact.

Conclusions

When the Housing and Planning Bill was introduced the Government said that it would kick-start a “national crusade to get 1 million homes built by 2020” and transform “generation rent into generation buy.”

Whilst the Act has eased some of the planning restrictions to enable delivery of more homes, the focus is on home ownership, with measures to facilitate the building of Starter

Homes; self/custom build housing; and the extension of the Right to Buy to housing association tenants. The latter will exacerbate the ongoing loss of social rented housing if these are not replaced and will add to the growing pressure of meeting local housing needs. The LHA cap on supported housing is also a real concern as it would seriously limit our housing options to support homeless households.

We are keeping a close watch on the current review and developments in relation to future funding arrangements around supported housing, as well as working with key partners to explore ways to mitigate the impact of the measures on our housing services.