

Implications of the national 'Summer Budget' for housing

*Housing and Neighbourhoods Service
perspective*

The Safer and Stronger Communities
Scrutiny and Policy Development Committee

10th September 2015

The brief

- The impacts of the Summer budget on housing (the council perspective)
- Outline how the council is planning to deal with the impacts

Key items from the Summer Budget

1. Change to rent policy
2. Higher rents for higher earners 'Pay to Stay'
3. Extension of Right to Buy*
4. Further welfare reforms
5. Review of security of tenure

*announced through the Queens Speech

1. Rent policy

Summer Budget changes:

- Welfare Reform and Work Bill introduced to the House of Commons on 9th July 2015.
- The Bill will force registered providers of social housing to reduce rents by 1% per year for four years with effect from April 2016.
- Registered providers will have a statutory obligation to implement the policy

1. Rent policy

Impact on Council Housing rents:

- All rents reduce by 1% each year for 4 years
- Vacants which are brought to target rent between July 8th 2015 and March 2016 have to be reduced back down again to the pre-increase rent minus 1% from April 2016
- Lose ability to bring vacant properties to target rent?* (still have 40% properties not at target)

*to be confirmed

1. Rent policy

Impact on HRA Business Plan:

- Incremental reductions in income
 - After year 1 (16/17) £7m less income than planned
 - After year 4 (19/20) £27m /year less than planned
- Overall reduction in income over 30 years; £800m (13%)
- Two resulting issues;
 - Business Plan viability (costs) over 30 years
 - Cash flow in early years (have only £40m borrowing capacity)

1. Rent Policy

Responding to the Summer Budget:

1. 30 year - cost reductions

- Investment programme
- Repairs
- Tenant Services
- Back office/ value for money
- Income

2. 5 year - cash flow (smoothing of costs)

- Stock Increase programme
- Photovoltaic panels
- Slippage to core investment programme
- Tenant Services and Repair

1. Rent Policy

HRA Business Plan 2016/17 update:

- The annual HRA Business Plan review process (2016/17 update due at Cabinet in January '16) to consider savings and cash-flow issues arising from the national Summer Budget
- HRA Business Plan with this committee in October
- Tenant /leaseholder consultation to include -
 - 22nd Oct - Tenant Conference
 - Oct- Nov – Local tenant and leasehold fora

2. Higher rents for higher earners

Summer Budget changes:

- Registered providers required by 2017/18 to charge market or near market rents to tenants where household income exceeds £30,000.
- Will apply to existing as well as transferring tenants
- The Housing press has reported, since Summer Budget, the policy is likely to contain a taper meaning social tenants earning just above the £30,000 threshold may not *immediately* have to pay market or near market rent.
- The government said it will publish more detail about how the scheme will work in a consultation paper 'in due course'

2. Higher rents for higher earners

Impact on Local Authorities:

- The lack of information on how this should be implemented make it difficult to quantify but it...
 - will increase the administrative burden on LAs- will need to identify households with income in excess of threshold, maintain additional records and process any changes in circumstances.
 - might make RTB more attractive, particularly with the recent increase in discounts available to tenants.
 - might increase turnover if tenants feel they will get better value for money in the private rented sector.
- Council Housing (unlike HAs), will not retain the additional income to offset the impact of the compulsory rent reductions. Additional rent receipts passed to Treasury
- More clarity expected when the new Housing Bill is published.

2. Higher rents for higher earners

Impact on tenants in Sheffield:

- In Sheffield this might typically mean an increase in rent of around £40/ week or £2,000/ year.
 - Council rents average around £75/ week (3 beds £85/ week)
 - Private rents in East, NE and Manor Arb Gleadless average around £120/ week
- The number of people affected isn't known as household income information is not collected from tenants.
- Average incomes in Sheffield across all tenure in 2014:- nearly 30% households earn more than £30k.
- In parts of the city with highest levels of social housing (Manor, Arb, Gleadless) this figure is 16% (across all tenures).

3. Extension of Right to Buy

- The Government announced through the Queens speech that that it will be extending the Right to Buy to HA tenants through a new Housing Bill
- This policy will be funded from sale of 'high value' council housing assets as they fall vacant.
- The definition of "high value" housing is yet to be defined although figures released by the Conservative Party have suggested the following

	1 bed	2 bed	3 bed	4 bed	5 or more bed
Yorkshire and the Humber	£85,000	£130,000	£165,000	£265,000	£375,000

- There are considerable uncertainties as to whether the receipts from these sales would be sufficient to fund the cost of Right to Buy discounts for HA tenants and compensate HAs for the loss of their assets, let alone fund the replacement of sold properties on a one for one basis as well as providing a new Brownfield Regeneration Fund for house builders.

3. Extension of Right to Buy

Impact on Sheffield

- If thresholds alluded to by Conservatives were applied SCC would have 1,973 properties (5% stock) classed as high value
- However other estimates would indicate a more likely proportion for Sheffield might being around 10% Council stock

Impact on stock numbers

- If 10% stock were considered 'high value' then the policy would see 4,000 properties at risk and 400 vacant Council homes sold each year
- It is assumed the Council would then be invited bid to Govt for some of this money to be returned to part-fund replacement homes

Impact on business plan

- Much will depend on whether Government will allow LAs to retain the debt attributable to each sold unit.
- It is understood the Housing Bill will be published in October

4. Further welfare reforms

a. Reduction to the benefit cap

- The chancellor confirmed that the £26,000 benefit cap will be reduced to £20,000 outside the capital.
- This is likely to bring more general needs households into scope:
 - A single parent family on Job Seekers Allowance with 3 children & high rent costs may be capped,
 - 2 parent family on Job Seekers Allowance with 3 children are very likely to be capped
- The impact of this reduction on the Council's temporary accommodation, and potentially High Support services, could be significant
- A date for implementing the reduced cap is yet to be announced.

4. Further welfare reforms

b. Removal of automatic entitlement to HB for younger people

- From April 2017, those out of work aged 18 to 21 making new claims to Universal Credit will no longer be automatically entitled to the housing element.
- Parents whose children live with them, vulnerable groups, and those who were living independently and working continuously for the preceding 6 months will be exempt from this measure.

5. Review of security of tenure

- The Government will *‘review the use of lifetime tenancies in social housing to limit their use and ensure that households are offered tenancies that match their needs, and ensure the best use is made of the social housing stock’*.
- There is no further information available yet on the Government’s thinking in relation to this review

Summary risks of the summer budget

Risk	Cause
Dispersal of working tenants from social housing to other tenures	<ul style="list-style-type: none"> • Pay to Stay may make private rented sector seem more competitive for higher earners • Review of security of tenure likely to make council housing less accessible (and attractive) to those without support needs
Reductions to social housing capacity and supply	<ul style="list-style-type: none"> • Rent reductions reduce capacity of providers to deliver services & new homes • Extension of RTB erodes social housing at higher rate both directly (HA properties for 1st time) & indirectly (high value council assets) • Right to Buy applications for Council homes may accelerate following Pay to Stay
Lower rents but a reduced capacity of tenants to pay rent	<ul style="list-style-type: none"> • Rent reductions • Reduction to the benefit cap (as well as other welfare reforms)

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