

Housing & Planning Bill: update

The Safer and Stronger Communities Scrutiny
and Policy Development Committee

3rd December 2015

Liam Duggan/ Janet Sharpe

Housing and Planning Bill

Background

- Queen's speech (May) and Chancellor's Summer budget (July) included significant proposals for social housing
 - Some proposals were included in the *Welfare Reform and Work Bill* (tabled in July)
 - Other proposals in the *Housing & Planning Bill* (tabled in October)
- Scrutiny Committee was briefed in September and requested a further update once Housing and Planning Bill tabled

Housing and Planning Bill

Most significant national policy announcements for social housing in 2015:

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

**To be set out in the Housing and Planning Bill*

Housing and Planning Bill

Housing and Planning Bill

- Introduced to the House of Commons on 13 October 2015
- Part 4: Social Housing
 - Extension of Right to Buy
 - Reducing social housing regulation
 - Vacant high value Local Authority housing
 - High Income Social Tenants: Mandatory Rents
 - ('Review of Lifetime Tenancies'- no reference...yet)

1. Extension of Right to Buy

Voluntary deal

- 5th October: deal announced between Government & the National Housing Federation to extend the Right to Buy to Housing Association (HA) tenants voluntarily.
- Voluntary deal allows for policy implementation without need for primary legislation to be brought before parliament.
- Government anticipate eligible tenants will be able to exercise their RtB with discounts on the sale price and Government would compensate the Housing Association the cost of the discount.
- The compensation to the HA should be used by the HA for reinvestment in new homes (not necessarily social rented).
- Deal includes Government implementing deregulatory measures including enabling HAs to convert vacant properties from social/affordable rent to other tenures & review of nomination arrangements with Councils to give HAs “greater control over who they house”

1. Extension of Right to Buy

Funding the policy

- Government will compensate Housing Associations the cost of the discounts
- Government will raise the income needed to pay this compensation from the sale of vacant high value Local Authority housing

So...

- Councils will continue selling LA homes through the Right to Buy at a discount and sharing receipt income, after discounts, with Government
- Councils will be required to sell vacant council homes on open market to raise funds to reimburse housing associations the full market value of the homes they are selling at a discount

Provision for this is in the Housing and Planning Bill...

1. Extension of Right to Buy

Housing & Planning Bill

1. Extension of Right to Buy (voluntary element)

- Provision for the payment of compensation by Government to Housing Associations (for discounts to tenants)
- Provision for monitoring of the policy by Homes & Communities Agency (HCA)
- Provision for Government consent to HA disposals

2. Reducing social housing regulation (part of the deal)

- Provision for Secretary of State, through regulation, to reduce regulatory control over private registered providers (HAs) of social housing or their affairs

3. Vacant high value Local Authority housing (funding the deal)

- Next slide...

1. Extension of Right to Buy

Housing & Planning Bill – vacant high value LA housing

- Local Authorities (LAs) with a HRA will be required to make a payment to the Government each year reflecting the market value of high value housing likely to become vacant during that year, less costs, whether or not receipts are realised
- Regulations will determine ‘high value’ as applicable to different areas
- The way the annual charge is calculated by Government may vary by area, a particular description of local authority or by individual local housing authority
- LAs must ‘consider’ selling high value homes, leaving open the possibility of funding the charge by other means
- Government may enter into an agreement with a local authority to reduce the amount the LA is required to pay on condition the difference is used *for the provision of housing or things that facilitate the provision of housing*

1. Extension of Right to Buy

Considerations

- The annual bill (termed 'determination') for each LA will be based on assumptions so actual receipts may fall short of the payments due. In this case LAs will need to fund the payments from other resources or pay interest on late payments
- No reference made in the Bill to the proportion of housing debt supported by the future rental income of each sold property and whether this is to be reimbursed to the LA as it is for RTB sales
- The Bill does not address the applicability of this policy to new build schemes which may be the highest value properties in the area

2. Higher rents for higher earners

The Summer Budget announcement

- The Chancellor's Summer Budget included an announcement that registered providers of social housing would be required to charge market or near market rents to tenants where the household income is in excess of £30,000 (outside London)
- The policy, known as 'Pay to Stay', to be implemented from April 2017
- Local Authorities will pay the additional rental income recovered from high income tenants to the Exchequer for deficit reduction. Housing Associations will retain the additional income to reinvest in new housing

2. Higher rents for higher earners

Government consultation

- Government consultation held 9th October – 20th November to help inform the detailed design of the policy in relation to:-
 - How the scheme can support incentives to work (i.e. use of taper)
 - Evidence of administration costs (so LAs can be reimbursed)
- Sheffield City Council responded on 20th November:-
 - SCC does not support the policy (inconsistent with mixed communities, disincentive to work, breakup of families)
 - £30k threshold for household is too low, but simple taper supported
 - Income should be retained locally by Councils as for HAs
 - Impossible to estimate costs until some detail released on the policy/ how it will work. SCC view is income data must be supplied by Gov't

2. Higher rents for higher earners

Government consultation

- 'Household' likely to mean tenant/ joint tenants on tenancy agreement plus any tenants spouse, civil partner or partner where they reside in the rental accommodation
- 'Income' likely to mean taxable income in the tax year ending in the financial year prior to the financial (i.e. rent) year in question
- 'Household income' likely to be the highest two incomes where several people live in the property

2. Higher rents for higher earners

Housing & Planning Bill

- The Bill makes provision for the charging of a rent with reference to the market rate or other factors, and for rent to be different for people with different incomes or for social housing in different areas
- Regulations will define how income is calculated and what constitutes 'high income' and 'household'
- There may be regulation to require tenants to provide information and evidence of income and / or this may be provided through HMRC tax records
- Registered providers may be required to charge rent at the market rate to a tenant who has failed to provide income info/ evidence
- Regulation will require LAs to make payment to Government for estimated additional income generated by higher rents less any deductions for admin costs and with interest charged for late payment
- 1% rent reductions in the Welfare Reform and Work Bill will not apply to high income social tenants

2. Higher rents for higher earners

Key elements of the policy which are still not known:

- 1. Confirmation of the rent thresholds, definition of income and household, and size of the taper** - these factors will determine the number of households affected and the impact of the policy on those households.
- 2. How high earning households will be identified** - will councils be required to write to all households, provide support to tenants to make their returns, validate returns, process information & deal with queries & appeals or will this information be provided directly from HMRC?
- 3. The criteria for setting rent and adapting to changed circumstances** – Government is not yet decided how the trade-off between changing rent more frequently to ensure rents follow earnings and the need for a simple process will be addressed. The outcome chosen will impact on arrears and the cost of appeals and of processing changes of circumstances
- 4. How many households are affected** - it is not known how many tenant households in Sheffield will be affected by the policy

3. Review of lifetime tenancies

- Nothing currently included in the Housing & Planning Bill as published
- The national press has been briefed that, subject to formal approval to the proposals (i.e. Cabinet Committee clearance), Government intends to introduce the proposals into the Bill by amendment at the first opportunity
- Its understood the Bill will require the compulsory introduction of fixed term tenancies ('flexible tenancies') for all new tenants of social housing

Further changes in 2015?

- The Chancellor's Joint Spending Review and Autumn Statement due 25th November (after deadline for Scrutiny papers)
- Chancellor looking for £4bn alternative savings after Lords rejected tax credit cuts
- Housing Benefit (and/ or Universal Credit) reported to be likely targets
- The need to find additional savings could mean further amendment to the Housing and Planning Bill
- Verbal update to be provided to the Scrutiny Committee