

Arch

Association of Retained Council Housing

A row of black silhouettes of people with their arms raised in a gesture of celebration or protest, set against a red and blue background.

a fair deal for all our residents

The Government's Housing Agenda

ARCH Tenant Group

12 October 2015

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ARCH CEO**

What we will cover:

- The self-financing settlement
- New 10 year rent settlement from 2015
- Conservative Party Manifesto
- Summer Budget announcements
- The NHF voluntary deal on RTB
- Conservative Party Conference
- Welfare Reform & Work Bill
- ✓ -1% rent reduction
- Housing Bill 2015
- ✓ Sale of high value voids?
- ✓ Compulsory Pay to Stay
- ✓ Review of lifetime tenancies
- ✓ Revisions to S106 & Nomination arrangements
- ARCH response so far
- What next?

The self-financing settlement (1):

- “intention to dismantle the HRA subsidy system and replace it with a devolved system of responsibility & funding” (John Healey Housing Minister 30 June 2009)
- “Reform of council housing finance” (consultation paper 21 July 2009)
- New coalition government confirmed HRA subsidy system would be scrapped (Grant Shapps 5 October 2010)
- Provisions to enable the move to self-financing included in Localism Act 2011
- Self-financing introduced in April 2012

The self-financing settlement (2):

- Debt settlement 28 March 2012 based on a calculation of the value of each councils housing landlord business
- 136 councils took on additional debt of £13billion paid over to Government
- 34 councils received payments of £5billion
- Government received net payment from councils of £8billion

The self-financing settlement (3):

- Debt settlement payments roughly equivalent to amount council stock would generate over 30 years from assumed rent income (based on Government guidance on rent setting policy) allowing for costs of managing and maintaining the housing stock to Decent Homes standard over that period.
- Examples:
 - ✓ Runnymede paid £103million
 - ✓ South Derbyshire paid £57million
 - ✓ Birmingham paid £336million
 - ✓ Bournemouth paid £42million
 - ✓ Wandsworth paid £433million
 - ✓ West Lancs paid £88million

The self-financing settlement (4):

- **Assumed rental income.** *As described in both the February and July 2011 policy documents, national social rent policy is that rents in the council housing sector should converge with those charged by housing associations by 2015/16, followed by rent rises at RPI+0.5% pa after this, in line with housing associations. In valuing each local authority's housing business we have assumed adherence to this policy.* (DCLG Draft HRA determination Nov 2011)

A 10 year rent settlement from 2015

- **2013 Budget announcement:** *“from 2015/16 social rents will rise by CPI + 1% each year for 10 years”* (Treasury “Investing in Britains future” June 2013)
- **The end of rent convergence:** “Having considered the issues carefully we are minded not to extend rent convergence beyond 2014/15” (DCLG letter to councils 2 July 2013)
- **Guidance on rents for social housing May 2014:** “from 2015/16 to 2024/25 the uplift for each year should be consumer price index (CPI) at September of the previous year plus 1.0 percent” . Some flexibility retained.
- **Impact on HRA Business Plans:** “The effect of the new formula would be a cumulative reduction in rent income by 0.9% a year compared with current business plan assumptions” (ARCH “The new rent formula what does it mean” 27 June 2013)

Conservative Party Manifesto:

- Priority on increasing home ownership
- 200,000 new starter homes for first time buyers
- Extending RTB to housing association tenants
- Compulsory sale of “high value” council housing expected to raise £4.5billion to pay for HA RTB discounts, fund 1 for 1 replacements of both HA and LA sold stock and create £1billion brownfield fund
- Proceed with implementation of Universal Credit
- Lower benefit cap to £23,000

Summer Budget announcements:

- **The Chancellor's summer budget contained a number of surprises for stock retained councils that no one saw coming:**
 - ✓ The announcement that rents in the social rented sector will be reduced by 1% per year for the next 4 years
 - ✓ The compulsory introduction of "pay to stay" requiring "higher earning" social housing tenants to pay market rents and for councils to handover to the exchequer the additional rents collected
 - ✓ A review of the use of lifetime tenancies in social housing *"to limit their use and ensure households are offered tenancies that match their needs and ensure best use is made of social housing"*.
 - ✓ The expected cuts in the welfare budget were included although perhaps not entirely in the way anticipated and most notably the Benefit Cap expected to be reduced from £26,000 to £23,000 was in fact reduced to £20,000 outside London.

NHF deal on voluntary RTB (1)

- Voluntary deal brokered between National Housing Federation & Ministers
- Deal put to housing associations with a 6 day deadline for responses by Friday 2 October
- Prime Minister announces the deal at Conservative Party Conference on 7 October
- Housing associations to give tenants RTB in return for Government giving housing associations 100% re-imbusement of RTB discount and right to retain capital receipts from sales.
- Housing associations to provide 1for1 replacement of sold stock aiming for replacement within 2 years but with default period of 3 years but...

NHF deal on voluntary RTB (2)

- HAs to use sales proceeds to deliver new supply and would have flexibility to replace rented homes with other tenures
- The definition of a replacement home would be broad and include development of Starter Homes, shared ownership homes and other part buy and part rent models
- Certain exceptions to RTB but with portable discounts for tenants refused RTB their current home
- Deal includes deregulatory measures to reform
 - ✓ disposal consents regime
 - ✓ Section 106 & LSVT agreements with councils
 - ✓ Allocation policies and nomination agreements with councils to give greater control over who they house.

NHF deal on voluntary RTB (3)

Paragraph 4 of the NHF offer document says:

“In line with its manifesto commitment, we anticipate the Government would put in place arrangements to manage the financial costs of the policy to ensure that the cost of sales does not exceed the value of receipts received from the sale of high value council assets. This could include, for example, introducing an annual cap on the costs of RTB discounts. The Government and housing associations would commit to working together to ensure any such arrangements operate effectively”.

Conservative Party Conference October 2015:

- NHF vote closed at 5pm on 2 October. Out of the NHF's 584 members, 55% said yes, 6% said no and 39% abstained or did not respond (inside housing magazine)
- On 7 October Prime Minister David Cameron announces deal at Conservative Conference " A historic new agreement with housing associations and NHF that will extend RTB to 1.3million more families" (DCLG press release 7/10/15)
- Prime Minister David Cameron also announces that builders will be allowed to provide starter homes instead of traditional affordable rented housing on private sites to satisfy S106 planning requirements

Welfare Reform & Work Bill:

- Bill currently in committee stage
- Includes provisions (sections 19 to 22) to impose -1% rent reduction in social rents for next four years starting in 2016/17
- This policy will deliver savings of £1.4bn on housing benefit bill towards govt deficit reduction target of £12bn cut in welfare bill
- Councils forecast to suffer an income loss of over £2.4billion in rental income compared to anticipated rental income
- This is in addition to loss as a result of earlier change from RPI & 1/2% to CPI + 1% and doesn't take into account any loss of rent through compulsory sale of high value voids.
- Bill also includes other measures to cap benefits and reduce tax credits which will impact on rent collection & rent arrears

Housing Bill:

- Presumed all other measures announced so far will be included in a new Housing Bill to be published “in the Autumn”:
 - ✓ Compulsory sale of high value voids?
 - ✓ Compulsory Pay to Stay
 - ✓ Review of lifetime tenancies?
 - ✓ Changes to S106 Planning Legislation?
 - ✓ Changes to LSVT & nomination arrangements?
- No further details available yet*

* NB Pay to Stay Consultation issued 9 October

Sale of high value voids:

- Based on a series of “high value” thresholds relating to regions.
- Thresholds range from £80,000 for 1 bed in North East to £1.205million for 5 bed in London.
- Only information so far is that included with a Conservative Party press release issued with the Manifesto
- ARCH member survey shows proposal will badly affect some councils but not others
- Suggestion that DCLG may be looking at some form of “levy” based on empty property turnover and house values
- Conservative press release promised government would consult on high value thresholds and areas.
- NFA voluntary deal makes it clear that RTB discounts will be funded by *“sale of high value council assets”*
- Does this include General Fund Assets as well as HRA assets?

Pay to Stay (1):

- Govt believe tenants should not benefit automatically from subsidised rents
- Based on existing discretionary Scheme which is targeted on tenants with household incomes of £60k & over
- New compulsory Scheme aimed at social housing tenants with household incomes of £30k and above (£40k in London) who will be required to pay a market rent or “near market rent”
- “Income” means taxable income in the tax year ending in the financial year prior to the rent year in question
- “Household” means tenant or joint tenants and any tenant’s spouse, civil partner or partner residing in the property.
- Social Landlords will be required to administer the policy and collect additional rent
- Any additional rent collected by housing associations can be kept by the HA for re-investment in housing
- Any additional rent collected by councils will be required to be paid over to the government

Pay to Stay (2):

- Thresholds of £30,000 (£40,000 in London) expected to hit between 1 in 8 and 1 in 10 tenants.
- Govt Impact Analysis on social rent reductions says that Pay to Stay will raise *“Hundreds of millions of pounds per year of additional rental income”*
- Scheme planned to come in from April 2017
- Dual earning household working 40 hours per week on NMW of £7.20 from next April will be earning just short of £30,000 threshold:
 - ❑ $£7.20 \times 40\text{hours} = £288\text{pw}$
 - ❑ $£288\text{pw} \times 52\text{ weeks} = £14,976$
 - ❑ $\times 2 = £29,952$ annual earnings.
- Increases in National Minimum Wage and new National Living Wage (£9.00 per hour by 2020) likely to draw in significant number of tenants unless thresholds are index linked to wages.
- Likely to lead to increase in RTB by tenants affected

Review of Lifetime Tenancies:

- *“The Govt 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 that the best use is made of social housing”* (Summer Budget 2015)
- Not a “review” as such but a proposal to be included in the Housing Bill
- Details sketchy but likely to mean that most general needs housing tenancies will include a break clause and review after a period (5 years?)
- Councils will be expected to terminate the tenancy on grounds of? : under-occupation, anti-social behaviour, tenant no longer in need of social housing.

What have ARCH been doing?

- Pre-election manifesto launched February
- Letter to new Housing Minister 14 May 2015 seeking early meeting
- Briefings to ARCH members via website & bulletins
- Member survey of impact of sale of high value voids
- Representations to Public Bills Committee on Welfare Reform & Work Bill
(circulated with agenda)
- Briefing to MPs (circulated with agenda)
- CEO meetings with other bodies with interest in housing including Solace, DCN, LGA, NFA & CIH
- ARCH Board met with DCLG officials 14 September
- Letter to shadow Housing Minister John Healey 15 September
- Joint letter with NFA to Greg Clark 1 October re RTB voluntary deal
- Joint approach by ARCH CEO & NFA MD to NHF 7 October seeking meeting
- Press comments – latest 8 October <http://www.insidehousing.co.uk/business/finance/councils-reconsider-housing-association-links/7012161.article>

What next?

- ARCH Tenant Group today
- Your views will feed into Special ARCH Board meeting before end of the month
- Development of policy response ready for publication of the Housing Bill & any associated consultation papers.