



ARCH Member Briefing: June 2009

New housing powers for local authorities

Key issues

Investment in housing increased to £2.1 billion Changes to allocations policies Consultation on dismantling the HRA system
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1. Introduction

Announcements have been made by the Prime Minister Gordon and Housing Minister John Healey outlining changes to housing policy in response to continued lobbying around the problems with the supply of social housing and concerns about the redistributive Housing Revenue Account system.

Reform of the Housing Revenue Account has been the topic of debate for a number of years. In 2007, the then housing minister, Yvette Cooper, said the way the HRA worked in practice made it "less viable" for councils to build affordable homes, as they don't directly benefit from rents. She indicated the Government wanted to take away obstacles that prevented local authorities building more affordable homes. Complexity and lack of transparency has been a regular criticism of current HRA arrangements and the review of the financing system has been in place for a number of months.

2. Government announcements

In the Prime Minister's statement on Building Britain's Future, Gordon Brown stated that in the next 2 years investment in housing will treble from the £600 million announced in the budget to a total of £2.1 billion providing 110,000 affordable homes to rent or buy over the next 24 months and helping create 45,000 construction related jobs.

The increased funding will mean an extra 20,000 affordable homes will be built on top of the 90,000 already in the pipeline and there will be an emphasis on energy efficiency.

A further 10,000 properties will be delivered through the private sector.

The £1.5 billion housing investment includes

- extra funding so councils and housing associations can build around 15,500 new affordable homes, of which over 11,000 will be available for social rental and the rest will be affordable housing. More may be built if greater value for money can be achieved.
- extending the Kickstart programme to get stalled housing sites back on track, to deliver an additional 13,000 homes, of which 4,000 will be affordable.
- investing in the development of public sector land owned by the HCA, local authorities and other public sector bodies to deliver up to 1,250 units of which 500 could be affordable.

This investment will be matched with further reforms to deliver value for money and recognises the rights and responsibilities for those in social housing. While preserving security of tenure these reforms will include:

- changing the current rules for allocating council and other social housing by enabling councils to give more priority to local people and those who have spent a long time on a waiting list.
- expanding Choice Based Lettings to help residents to move nationwide, and support to tenants who need to move to take up the offer of a new job.
- clamping down on fraud within the sector, freeing up more homes for those in need.
- consulting on reforming the council house finance system to allow councils to keep all the proceeds from their own council house sales and council rents with a bigger role and responsibility for councils to meet the housing needs of people in their areas.

The HRA Review has been underway with consultation taking place with a range of specific stakeholders and a number of groups feeding into the process. The consultation process is now set to be opened up to all who wish to respond and this will be for a 12 week period. John Healey will make a further announcement on the HRA Review and another briefing note will cover that announcement.

3. ARCH Comment

ARCH welcomes any moves which provide local councils with greater resources to increase the supply of affordable housing. The increase in funding is especially welcome as it can be directly transformed into homes on the ground, transform the lives of individual families and reduce the size of housing waiting lists.

In his statement, John Healey said “I am giving councils the green light to start building more homes in their area”. This is a refreshing message and it is to be hoped that the spirit of the announcements made today will continue to be reflected in the outcomes of the HRA review. Irrelevant of the scope of changes to the redistributive element of the HRA system, the move to providing local authorities with greater control of their rental income without the need to process it all through central government departments is one which must emerge from the review if councils are to be allowed to fulfill their role as place shapers. Local authorities will then be able to commence building affordable housing in the numbers required locally and respond to local priorities and need.

ARCH awaits the detail to be added to these announcements and encourages Government to make it as straightforward as possible for local authorities to access the extra resources without unnecessary bureaucracy or tight return deadlines.

ARCH is happy to see changes to the current rules for allocating council and other social housing by enabling councils to give more priority to local people and those who have spent a long time on a waiting list. However circumstances vary in different parts of the country and once given the powers councils must be left alone to allocate homes as they see fit within the rules. Furthermore, existing and upcoming equalities legislation partly shape the actions that councils can take when allocating homes and must be borne in mind when the rules for allocating council housing are altered.

The statements note that the extra funds will come from re-allocation of existing budgets from within the Department for Communities and Local Government and other departments. It is hoped that funds which would otherwise have been spent on the housing stock are not being shifted to enable this initiative.

One of the reasons ARCH was established was to tackle the issue of differing financial rules between housing providers with different management arrangements and to promote transparency. ARCH’s approach and lobbying activity has prompted the Government to re-consider its stance on new build council housing and financial regulations. These changes have justified ARCH’s work and the part it has played in influencing government to make these policy changes.

4. Previous relevant briefings by ARCH

The following briefings are available on the ARCH website at www.ARCH-housing.org.uk

‘Consultation on changes to revenue and capital rules for new council housing’ – January 2009

‘HCA proposals for local authority new build’ – May 2009