

**HOMES POLICY DEVELOPMENT GROUP
15 JANUARY 2019**

HOUSING UPDATE

Cabinet Member(s): Councillor Ray Stanley
Responsible Officer: Mrs Claire Fry, Group Manager for Housing

Reason for Report: To provide a written briefing on latest developments relating to social housing

RECOMMENDATION: Members to note the report

Financial Implications: None arising from this briefing
Approved by Finance: Yes, JP McLachlan, Principal Accountant

Legal Implications: None arising from this briefing
Approved by Legal: Yes, Kathryn Tebbey, Group Manager for Legal Services

Risk Assessment: None arising from this briefing
Approved by Performance/Governance: Yes, Catherine Yandle, Group Manager for Performance, Governance and Data Security

Equality Impact Assessment: None arising from this briefing

Relationship to Corporate Plan: Homes are a priority for the Council and this includes increasing supply in the District and also ensuring that those homes in our ownership are managed efficiently and effectively

1.0 Introduction/Background

- 1.1 Members agreed that it would be helpful to receive a regular briefing on matters relating to social housing.
- 1.2 Since the announcements relating to the social housing Green Paper: “A new deal for social housing” and the new “rough sleeping strategy” during Housing Week, which commenced on 13 August 2018, there have been further announcements relating to proposed changes in government policy.
- 1.3 This report will include reference to these and also other relevant matters which may be of interest to Members.
- 1.4 It should be noted that issues relating to cladding on tall buildings and other matters arising from the fire at Grenfell Tower continue to be reported in the press. However, this report to the Policy Development Group (PDG) does not contain any information about these due to the fact that the Council does not have qualifying buildings with external cladding.

2.0 The Housing Minister

- 2.1 In an interview given on Housing Day, 10 October 2018 (Hilditch, 2018), Mr Kit Malthouse, the Housing Minister, suggested that the government may support proposals to require social landlords to give more fire safety information and fire risk assessments to tenants on an annual basis. These proposals had originally been contained within a private member's bill.
- 2.2 In response to a question relating to why the voice of social housing tenants is important to the government, Mr Malthouse said: "it became clear after Grenfell that a lot of people in social housing didn't feel that they were being listened to". He acknowledged that the government had stopped listening and being responsive to certain groups of people, one of which was social housing tenants.
- 2.3 He said that he was aware that tenants feel "excluded at the highest level".
- 2.4 With regard to welfare reform, Mr Malthouse reiterated his support for the continuing roll-out of Universal Credit.
- 2.5 He said that he felt that some social landlords had become "less responsive" to tenant needs because "there was no direct commercial relationship" with them. "Reconnecting people with that relationship I think is going to bring big changes to the social rented sector", he said. This was in response to the fact that a significant proportion of tenants are in receipt of Housing Benefit which, in many cases, is paid directly to the landlord. Those in receipt of Universal Credit are expected to pay their own rent using money claimed for housing costs. It would seem that Mr Malthouse is expecting people who pay their own rent to have increased expectations resulting in them engaging more with their landlords and challenging them, resulting in change which drives up standards and which results in the delivery of a service more responsive to the needs and desires of those who live in social housing.
- 2.6 Mr Malthouse attended the eighth Savills annual housing seminar in November (Simpson (1), 2018) and said that the current level of homes being built for social rent is not enough. Government figures released in November showed that of the 222,000-plus new homes built in the last financial year (2017/18), only 6,463 were new social rented homes, or just under 3%.
- 2.7 Mr Malthouse said: "We are now giving councils no restrictions to get back into the business of building homes. The initial number that people believe they can build over the next couple of years is 10,000, but I hope and believe that local councils will be really keen on this and can be more ambitious". Members will be aware that any additional borrowing will incur additional debt charges and eventually need to be remunerated; and that this needs to be factored into the long-term business plan of any Council which decides to take on any more debt to finance additional house-building.
- 2.8 Members may be aware that Mrs Teresa May, the Prime Minister, had announced plans to abolish the Housing Revenue Account borrowing cap at the Conservative Party Conference. The borrowing cap restricted Councils' ability to invest in housing. The cap was implemented as part of the self-

financing agreement in 2012.

- 2.9 Previously the Government had offered £1bn additional borrowing to councils and this had been exhausted by bids from just 12 councils. Of the 12 largest bids, all but two were made by London Councils. Exeter City Council is thought to have made the largest bid outside London, seeking £103m and Bristol City Council sought £40m. (Barker, 26 October 2018)

3 Welfare Reform

- 3.1 Amber Rudd was appointed Work and Pensions Secretary in November, replacing Esther McVey who resigned. Ms Rudd will be required to take the secondary legislation through the House of Commons to allow the “managed migration” of people still receiving some of the six benefits that universal credit (UC) replaces onto the new system. (Steward and Walker, 2018)
- 3.2 The Work and Pensions Select Committee published a report which stated that the Social Security Advisory Committee, Members of Parliament (MPs), and peers need more time to assess changes to the regulations for the managed migration of UC (Barker, November 2018). The Committee acknowledged that the new rules were improved but made reference to “major areas of concern” in the Government’s plans for transferring 4 million claimants onto UC by 2023. The Department of Work and Pensions was asked to set and meet tests on its readiness for the next phase of managed migration before the migration begins.
- 3.3 A report, Safe as Houses 2 (Smith Institute), found that tenants of Southwark Council, one of the first local authorities where Universal Credit was piloted, who were in receipt of the benefit for long periods, struggled to pay their rent. In addition, those tenants sometimes built up more arrears. The report found that rent was being consistently underpaid by an average of 7%, even 15 months after the claim.

4 League Tables

- 4.1 Jonathan Walters, Deputy Director of Strategy and Performance at the Regulator for Social Housing, indicated that sector league tables could be in use within 18 months to 2 years (Barker, 12 October 2018). Members will recall that the Government consulted on the introduction of league tables as part of the feedback requested in relation to the Green Paper. The same information would be requested from Councils and housing associations with the aim of giving tenants the ability to compare the performance of other registered providers of social housing in their local areas. Mr Walters said: “With regard to league tables, I think that the question is what government is trying to achieve with that and I think there are two things really. The first is that league tables are trying to achieve transparency, so tenants can see more about what their landlords are actually like. The other thing is that no one wants to be bottom of the league table, so this would persuade people who aren’t doing well to do better”.

5 Housing Supply

- 5.1 In the budget on 29 October 2018, the Chancellor announced proposals to boost house building (Barrett and Simpson, 2018). This included £653m of grant to be used to support seven partnerships with housing providers to build 13,475 new homes by 2022. The removal of the borrowing cap on HRAs also took effect and there was an announcement that stamp duty will be lifted for first time buyers of shared ownership properties.
- 5.2 Sir Oliver Letwin also published his report alongside the Budget. His review was established to investigate whether or not large builders were land banking (Apps and Barrett, 2018). It said that builders should be required to accept suggested levels of affordable housing for large sites in order to receive government support, including Help to Buy. The report said that the government should make: “Any future government for funding house builders or potential purchasers on such sites conditional upon the builder accepting a section 106 agreement which conforms with the new planning policy for such sites”. Members will recall that section 106 agreements are planning documents which set out the level of affordable housing to be provided on specific sites as part of the planning permission. The final allocation on any one site is open to negotiation and developers will often seek amendments with a view to having the number of affordable homes reduced, and this can be retrospective.
- 5.3 Housing consultancy, Savills, has considered what might happen if there was a market downturn. (Inside Housing (1), November 2018). In a report, Affordable Housing: Building Through the Cycles, they predicted what would happen if there was another recession similar to that in 2008. Chris Buckle, Director of Residential Research, said: “From the end of the last property cycle in 2007/08 we saw a roughly 50% fall in section 106 affordable housing completions”. He said that at the time of the last housing market downturn homes developed as a result of section 106 agreements made up only 19% of affordable housing starts in 2007/08.
- 5.4 The number of homes converted from social rent to affordable rent by housing associations dropped by 6% last year. (Inside Housing (1), December 2018)
- 5.5 Inside Housing (2) (December 2018) has also reported that the number of new affordable homes started funded by Homes England increased by more than 42% for the first half of the financial year. 9,909 homes were started in the six months up to 30 September 2018, up from 6,989 during the same period last year. 5,714 of the new homes started were for affordable rented properties and 3,702 were for intermediate schemes including shared ownership and Rent to Buy. Social rent accounted for 493 homes started during the period. These figures do not include homes built through section 106 agreements; they are the homes built using funding from Homes England.
- 5.6 A number of large housing associations have been making plans which will be implemented if the United Kingdom leaves the European Union without an agreed settlement. There are some key risks which could impact these organisations. For example, a fall in house prices could result in housing providers having to reduce the number of new homes being developed. In addition, Homes England is working on contingency plans to mitigate the impact of any shortages in labour supply and materials which could also affect

the number of new homes in the pipeline. (Simpson (2), 2018)

6 Housing Associations

- 6.1 There have been mergers involving new organisations: Thames Valley and Metropolitan have merged to become Metropolitan Thames Valley and will manage around 57,000 homes across London, the South East, East Midlands and the East of England. Waterloo Housing Group and Fortis Living have combined to create Platform Housing Group, an organisation with 45,000 homes and 1,200 staff. This group has plans to build over 18,000 new homes over the next 10 years. In the South West, Knightstone Housing has now merged with DCH and the new organisation is known as LiveWest. Their website states that they will be building 15,000 homes over the next 10 years.
- 6.2 A former Labour Minister, Nick Raynsford, warned against housing associations becoming “monopoly” providers in some areas. (Inside Housing (2), November 2018). He said: “In too many areas local authorities had during the 1960s and ‘70s – the years of plenty when they were building a lot – they’d created near-monopoly situations which were not always very well run and where people – members of the public – had little redress against a very dominant single landlord in the area”. He said that he strongly supported the partial transfer of some estates in Greenwich, which is in his own constituency to housing associations, while the Council still retains a significant housing stock.

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Circulation of the Report: Cabinet Member seen and approved: Yes, Councillor Ray Stanley, Cabinet Member for Housing

Leadership Team seen and approved Yes, Andrew Pritchard, Director of Operations

List of Background Papers:

Peter Apps and Luke Barratt, Letwin: Large Sites Need Mix of Tenure, Inside Housing, 2 November 2018

Inside Housing (1), Downturn Could Cuts 106 Delivery, 30 November 2018

Inside Housing (2), Former Minister Warns Against “Monopoly” Providers, 30 November 2018

Inside Housing (1), Huge Drop in Conversions, 7 December 2018

Inside Housing (2), Homes England Affordable Home Starts up 42% in 2018, 30 November 2018

LiveWest website: <https://dch.livewest.co.uk/about-liverty/>

Luke Barrett and Jack Simpson, HA s Target Social Rent and “Difficult Sites”, Inside Housing, 2 November 2018

Nathaniel Barker, Regulator: Sector League Tables Within Two Years, Inside Housing, 12 October 2018

Nathaniel Barker, Councils Primed to Return to Building, Inside Housing, 26 October 2018

Nathaniel Barker, MPs Call for Government to Delay Parliament Vote on Universal Credit Roll Out, 22 November 2018

Martin Hilditch, The Big Interview, Inside Housing, 19 October 2018

Office for Budget Responsibility, Economic and Fiscal Outlook, October 2018, www.obr.uk
29 October 2018

Jack Simpson (1), Malthouse: Not Enough Social Homes Being Built, Inside Housing, 30 November 2018

Jack Simpson (2), Sector Braced for No-Deal Brexit, Inside Housing, 30 November 2018

Smith Institute, Safe as Houses 2, 29 November 2018

Heather Steward and Peter Walker, The Guardian, 16 November 2018