

Committee	Date:
Housing Management and Almshouses Sub Committee	4 July 2016
Subject: Housing and Planning Act	Public
Report of: Director of Community and Children's Services	For Information
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Summary

The Housing and Planning Act received Royal Assent in May this year and will have wide ranging implications for the work of the Committee.

The Act requires the sale of higher value council homes to fund the Right to Buy for Housing Association tenants, increases social housing rents for tenants earning over £40k, replaces lifetime tenancies with fixed-term tenancies and introduces a new type of affordable housing, Starter Homes.

Recommendation

Members are asked to note the report.

Main Report

Sale of higher-value council housing

1. The Government has pledged to extend the Right to Buy to Housing Association tenants and a deal to this effect has been agreed with the National Housing Federation. The Act enables the discounts to be funded through the sale of high-value local authority housing, as it falls vacant. Local housing authorities will in effect have to pay an annual levy to the Government, based on an estimate of the total value of their high-value housing likely to fall vacant during the year. Councils will in principle, therefore, have a choice not to dispose of housing, if they fund the payment in some other way.
2. Details of how 'higher-value' is to be defined, and how the levy is to be calculated, are not yet known. The change in language from 'high-value' to 'higher-value' was made in response to concerns raised by peers about the severe impact the policy may have in Central London if a regional definition of high-value were applied. Higher-value is instead thought to indicate that local market conditions will be taken into account which may slightly lessen the impact on the City of London Corporation.
3. A quantitative assessment of the specific impact on the City Corporation must wait for these details to be clarified. Whatever definition of higher-value is used, it is likely that a substantial amount of the City Corporation's housing stock will be

subject to the levy. If homes are sold to pay the levy, this would reduce the capacity to rehouse households on the waiting and transfer lists, increase the number of households in temporary accommodation and reduce long-term Housing Revenue Account (HRA) income. It could also undermine the viability of future social housing investment.

4. The Government has committed to building two new homes for every one sold in London under the policy. However, funding for this is not guaranteed as the Government said this would reduce the money available to cover the Right to Buy discounts. Local authorities would have to draw on their own resources if any replacement homes are to be built.
5. The Regulations setting out the detail of the plans along with what definition of higher-value will be used are due to come back before Parliament. Further information on the timescales for implementation is also expected at this point.

Higher rents for households earning over £40k

6. The Act provides for higher income social tenants to pay market rents. Following consultation with the housing sector and amendments in the House of Lords, this will work on a taper basis, with rents increasing by 15 pence in the pound for every pound of household income over the £40k threshold.
7. Additional revenue raised through the policy will go to the Treasury. Local authorities will be allowed to retain a reasonable amount to cover administration costs.
8. Significant work will be required to verify tenant incomes and modify rents. Although local authorities will be able to cover their administrative costs, there are likely to be increased arrears and legal costs that are not included in this. Those tenants who can afford to do so may seek to use their Right to Buy to avoid paying higher rents.
9. The Government's aim is to implement the mandatory pay to stay scheme from April 2017. The Department for Communities and Local Government have advised that technical advice is likely to be published in July.

Flexible tenancies

10. The Localism Act 2011 introduced flexible tenancies, which could be offered by local authorities alongside or instead of secure tenancies. The City Corporation chose to offer flexible tenancies in very limited circumstances and secure tenancies have remained our predominant offer to new tenants.
11. The Act requires the City Corporation to offer flexible tenancies to most new tenants. These will be subject to fixed-terms from as short as two years to up to when the youngest child in the household turns 19. Local authorities will need to carry out tenancy reviews prior to the end of the fixed-terms to decide if they will renew the tenancy and if so, for how long.

12. Where a local authority requires a tenant to move, for example as part of a regeneration scheme, they will retain their secure tenancy if they have one. Where tenants choose to move, either via the transfer list or by mutual exchange, the local authority will have discretion as to which type of tenancy is offered.
13. The City Corporation will need to review its Tenancy Strategy and standard tenancy agreement when the regulations are set out.
14. Regulations setting out suitable fixed-term lengths, renewal criteria and when local authorities can exercise their discretion to offer lifetime tenancies are expected in winter 2016/17.

Starter Homes

15. The Act introduces Starter Homes as a new type of affordable housing. Developers will be required to designate 20 per cent of a new development as Starter Homes. There is provision in the Bill for commuted sums, which would enable the Starter Homes to be delivered off site.
16. The homes can be bought by qualifying buyers at a 20 per cent discount. The buyer can sell the property at market value after a period of time, originally proposed at five years and now subject to consultation.
17. The requirement to build Starter Homes is likely to crowd out other types of affordable housing. This includes s106 payments provided by developers for affordable housing provision off-site, on which the City Corporation's affordable housing schemes have typically relied.
18. The East London Housing Partnership estimate that all development funding previously available through s106 will now be diverted to Starter Homes. Alternative funds would need to be found if the City Corporation wished to provide new affordable housing for those who cannot afford to purchase homes at 80 per cent of the market price.
19. Secondary legislation, together with Parliamentary debate and public consultation, is required before the Starter Homes provisions of the Act will come into force. This may take until the end of the year.

Conclusion

20. Much of the detail of the provisions contained in the Housing and Planning Act will only be clarified in the regulations. However, the City Corporation should anticipate;
 - the requirement to pay an annual levy equal the value of a large amount of vacant housing stock, likely funded by its sale;
 - the need to assess all tenants' incomes and implement a system of personalised rents for those earning over £40k;
 - moving from a system based on lifetime tenancies, to a system based on fixed-term tenancies;

- the loss of at least the majority of future s106 contributions and subsequent loss of capacity to deliver affordable housing other than Starter Homes.

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