

**CABINET**

**7<sup>th</sup> November 2012**

**HOUSING STRATEGY OPTIONS & INITIATIVES**

Relevant Portfolio Holder	Cllr Del Booth
Portfolio Holder Consulted	Yes
Relevant Director	Sue Hanley, Executive Director for Leisure, Environment & Community Services
Wards Affected	<b>All</b>
Ward Councillor Consulted	N/A
Key Decision	

**1. SUMMARY OF PROPOSALS**

- 1.1 The aim of this report is to outline the key strategic, legal and policy drivers behind the Government's plans for the national and local housing market. Some of these changes have been implemented already, and others are due to come in shortly, but they are a sum of their parts, and should be seen as a package of measures, rather than stand alone initiatives or changes.
- 1.2 This report also focuses in on some key strategic actions the Council may take immediately, given the changes, to ensure it remains well-placed to meet and manage the future housing needs of residents in Bromsgrove by supporting the supply of affordable housing and flexible tenure in the district.

**2. RECOMMENDATIONS**

The Cabinet is asked to resolve:-

- 2.1 That the Council refreshes the district level Housing Strategy Action Plan to ensure the latest changes and developments in national housing policy and practice are fully incorporated at a local level
- 2.2 That the Council refreshes the Private Sector Housing Strategy to ensure it drives the supply of good quality private sector options for local communities
- 2.3 That the Council reviews the Home Choice Plus Choice-Based Letting Scheme Allocations Policy with other key partners across the county, and establishes balanced communities and a housing pathway for local people, in line with the framework for a Gold Standard housing advice service set out in the DCLG report Making Every Contact Count – a joint approach to preventing homelessness.

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- 2.4 That the Council adopts the power available under sections 148 and 149 of the Localism Act 2011 to discharge homelessness duties into the private rented sector as part of its broader approach to housing allocations.
- 2.5 That the Council utilises the new Tenancy Strategy to support Registered Housing providers in implementing flexible tenure across Bromsgrove
- 2.6 That the Council continues to aim to secure up to 40% affordable housing on new developments in Bromsgrove. That the Council adopts a site-by-site approach to splits by tenure type, with a strong focus on providing opportunities for local people to access a wide variety of home ownership options, and getting as many households as possible onto the housing ladder.

**3. KEY ISSUES**

**Financial Implications**

- 3.1 None of the recommendations above require additional investment by the Council, but the financial implications of failing to manage demand or provide an adequate supply of affordable housing in the county can be significant. Research shows that failing to tackle an inadequate housing supply, or homelessness, creates additional pressure on various services across the statutory and third sectors. Providing good quality affordable housing can enable adults and children to secure and sustain employment, training and education, and it also makes a significant contribution to the local health and wellbeing of communities by reducing the likelihood of poor health, crime and other social problems. These benefits can actually see reductions in Council expenditure.
- 3.2 Homelessness often increases when there is an inadequate supply of affordable housing in the district. This can result in an increase in the number of households being placed in temporary accommodation, which is always the most costly way of managing demand, especially when those temporary placements entail bed and breakfast provision.
- 3.3 There is currently a reserve available of £190k which was set aside by Members to support the financial pressures associated with the changes to welfare reform, mortgage assistance and specific projects across the District. The use of this reserve will be reported to members as part of the quarterly financial monitoring report.

**Legal Implications**

- 3.4 As referred to in the main body of the report there have been a number of significant changes to housing legislation introduced by the Localism Act 2011. The new provisions are set out in Chapter 7 of the act at sections 145 to 185 and in the accompanying Schedules. Members are referred to paragraphs 3.11 and 3.17 which summarise the main elements of the changes.
- 3.5 The Council has a statutory responsibility to comply with the new provisions. Where the revised provisions are different to those on which previous policies were based, it is incumbent on the Council to review the policies in question and consider any updating that is required.
- 3.6 Where due to new initiatives that have been introduced Members have a greater number of options available in relation to affordable housing options based on private ownership, this will need to be balanced against the Council's overall requirement to secure affordable housing suitable to the needs of its population. In this regard any risk of challenge to Council decisions will be mitigated by the Council being able to evidence the factors which have led to departures from existing practices and by ensuring that a measured and gradual approach is adopted to any changes that are introduced.
- 3.7 With regard to Home Choice Plus Choice Based Lettings Scheme, Members are reminded that this is an area where the Council has entered into formal working arrangements with other partner authorities to jointly deliver the scheme. Whilst at this stage the recommendation is to review the policy, there would be legal and financial implications which would have to be investigated in more detail were the Council to decide to withdraw from the scheme. These are issues which would have to be addressed in a separate report in the event that Members were considering withdrawal from the scheme as an option.

**Service / Operational Implications**

- 3.8 Broadly speaking the government aims to achieve the following outcomes in terms of reforming the housing market:
- get the housing market moving again

- lay the foundations for a more responsive, effective and stable housing market in the future
  - support choice and quality for tenants
  - improve environmental standards and design quality.
- 3.9 In 2011, the Government published 'Laying the Foundations: a Housing Strategy for England', which announced a number of important changes designed to influence the housing market in England. The strategy aims to:
- Increase the supply of homes and to promote stable growth
  - Enable social and affordable housing reform
  - Create a thriving private rented sector
  - Tackle the use of empty homes
  - Improve the quality of housing experience and support
  - Improve the quality, sustainability and design of housing
- 3.10 The drive to increase the supply of homes and to promote stable growth locally encourages councils to make an immediate impact in their housing market, and to plan strategically at a local level for future national reform of housing planning and funding. Opportunities to make an immediate impact are encouraged through the new build indemnity scheme, supporting first time buyers via FirstBuy, the further release of public sector land, the Get Britain Building investment fund, and the reconsideration of Section 106 agreements agreed prior to April 2010. Strategic reform of housing planning and funding requires councils to begin to think ahead about supporting locally planned large scale development, Community Right to Build, making best use of the New Homes Bonus, supporting Custom Home Building, proportionate and cost-effective regulation, and economic and financial stability measures.
- 3.11 Enabling social and affordable housing reform encourages councils to make best use of new freedoms and flexibilities made available under the Localism Act 2011. This new legislation allows councils to change the way in which people access social housing locally, the types of tenancies which are provided, and the way in which homelessness duties are discharged. Other measures to support reform include

investing £4.5 billion in new affordable housing over this current Spending Review period, encouraging further innovation by housing associations, tackling tenancy abuse, the entry of for-profit providers into the affordable housing market, self-financing for council housing, and re-invigorating Right-to-Buy with the one-for-one replacement of homes sold.

- 3.12 Creating a thriving private rented sector encourages supporting investment in homes to rent, the marketing of new Build to Rent pilot sites through the Homes and Communities Agency, reviewing investment barriers locally, driving up standards, raising consumer awareness, and Councils making full use of powers available to them to tackle dangerous and poorly maintained homes.
- 3.13 The 2011 strategy saw the award of the New Homes Bonus to empty homes brought back into use, and further national funding to tackle this issue, together with moves to consider levying an 'empty homes premium' on Council Tax payable, and the potential to strengthen the use of Empty Dwelling Management Orders locally.
- 3.14 Councils are encouraged to pay particular attention to the needs of vulnerable groups and troubled families, in terms of improving quality and support, and ensure members of the armed forces can access housing locally. Increasing tenant control, providing a better deal for older people, and supporting the community during the course of welfare reform are also important themes.
- 3.15 Councils are encouraged to ensure homes are well designed, of high quality and are environmentally sustainable, as well as energy efficient and help to reduce carbon emissions.
- 3.16 On 6<sup>th</sup> September 2012, further measures to boost house building, jobs and the economy were announced by Government, and these tie in with a number of themes contained in the 2011 Housing Strategy. These measures include removing restrictions on house builders where work is currently stalled due to sites being commercially unviable, and, where developers can prove a council's requirements make the project unviable, these will be removed. The announcement also outlined new legislation for Government infrastructure guarantees, a major infrastructure fast track, and greater use of the Planning Inspectorate where councils are poor at processing decisions, together with an extension to 'FirstBuy', and reducing the rules and regulations around making minor improvements to commercial and residential properties.
- 3.17 Many of the themes contained within the Government's 2011 Housing Strategy are enshrined in the Localism Act 2011. This Act makes some

very significant changes to the housing regulatory and policy framework, and the key ones are:

- Local authorities must publish a tenancy strategy
- A new Direction to the Regulator of social housing on Tenure, removing the principle of greatest tenure security and asking providers to take account of housing stock management issues when deciding what tenure to offer
- Abolishing the Tenant Services Authority (TSA), with transfer of Regulation to the Homes and Communities Agency (HCA)
- Changes to the handling of housing complaints via an Independent Housing Ombudsman
- Inside the new Directive, changes to security of tenure via 'flexible tenancies', 2 years being the exception, and 5 years the norm
- Under the new TSA Tenancy Standard, encouraging wider use of Affordable Rent tenancies, allowing landlords to charge up to 80% full market rent
- Protecting existing secure and assured tenants' succession rights
- Succession to a secure tenancy entered into on or after the date the Localism Act comes into force will be limited to a spouse, civil partner or cohabitee. There will be no statutory succession to a family member
- Acceptance or refusal of a private rented sector offer (a fixed term assured shorthold of at least 12 months) will discharge a homelessness duty under Section 193 of the Housing Act 1996, subject to the property being suitable and affordable for the applicant.
- The opportunity to review local Housing Allocation policies to ensure they build balanced sustainable social housing communities.

3.18 Running alongside the wide-ranging changes to housing strategy, legislation, policy and practice, the government is also introducing a series of welfare reforms under the Welfare Reform Act 2012. The key changes are:

- The introduction of Universal Credit, to be piloted from April 2013 onwards, with national roll out expected in October 2013 for new claims. By 2017, Universal Credit will have replaced a number of other benefits, including housing benefit, to become a single means-tested benefit available to people under state pension credit age.
- The power for the Secretary of State to prescribe the amount by which a claimant's eligible rent will be restricted if their dwelling is larger than they need, sometimes referred to as 'the bedroom tax'.

- From April 2013, limiting overall-working age benefit entitlement (from all sources) to £500 per week for couples and lone parents, and £350 per week for single claimants
- The freezing of Local Housing Allowance (LHA) rates from April 2012 onwards and, from 2013 onwards, uprating these annually in line with the Consumer Prices Index
- Capping LHA payable for each property size, applying a four-bed limit and calculating LHA on the 30<sup>th</sup> percentile of local market rents rather than the mid-point
- Reforming the Social Fund by replacing it with 'locally administered assistance'
- More powers for the DWP to recover overpayments of benefit

3.19 It is clear therefore that this is a period of considerable change across the housing, welfare and planning arenas, and that housing supply and demand is being tackled in two ways:

- by increasing the number of homes being built
- by maximising occupancy of existing stock, and increasing the move-on amongst tenants currently living in Registered Provider homes

At the same time, the housing market and the economy remain under considerable pressure, locally and nationally. The potential scope and impact of these changes, especially when considered as a package, rather than as separate measures, means that the council needs to continue to ensure it is well-placed to help local communities meet the housing and planning challenges and opportunities that lie ahead, because, as well as presenting opportunities, the changes also present a number of risks in the short and medium term, which are considered below.

3.20 There are some immediate strategic actions the council may wish to take in order to ensure the housing market best meets the needs of local people, particularly in relation to the Government's aims in the 2011 strategy around supply and growth, the Localism agenda, and welfare reform. These are at the front end of the issue of housing supply and demand, and if taken, should positively impact on the overall availability of affordable housing in due course, and further enhance Bromsgrove's reputation as a great place to live - Bromsgrove was highlighted as one of the top ten places to live in a recent report compiled by Experian, published in the Sunday Times on 20<sup>th</sup> May 2012.

- 3.21 The first action the Council may wish to take is to refresh its district level Housing Strategy Action Plan, to ensure the plan fully incorporates the changes made since the publication of the Countywide Housing Strategy in 2011. It is important to ensure that the latest changes are captured locally, and that the right approach and products are therefore being developed to ensure the Council is able to provide suitable affordable housing options locally, and to manage the risk of increased supply and demand pressures whilst these changes are being implemented. The Council also needs to create a more comprehensive profile of local housing needs data which incorporates the wider health and well-being agenda, so that housing placements are better integrated with local employment opportunities, and also have a greater bearing on reducing health and social inequalities.
- 3.22 The Council has a Private Sector Housing Strategy, published in 2009, which aims to ensure a supply of good quality private sector housing options is available for local people. Under the Localism Act 2011, councils will be able to adopt a power, if they so wish, to discharge their duties towards homeless households by securing suitable private sector accommodation, which is available to the household for at least 12 months. This new power, available from November 9<sup>th</sup> 2012 onwards, is designed to reduce pressure on housing allocations by allowing councils to better manage the demand generated for social housing by homeless households. This change will therefore require councils to ensure a stronger supply of private rented options are available in order to make the most of the opportunity to reduce demand on the housing register, so it would be timely to review the Private Sector Housing Strategy in advance, and to consider options for how the discharge of the homelessness duty into the private sector might work locally, in order to ensure adequate plans are in place to drive up standards and supply across the private rented sector in Bromsgrove.
- 3.23 Since the introduction of the Localism Act 2011, a number of Councils across the country have reviewed, or are reviewing, their Choice-Based Lettings allocations policies. This review goes hand-in-hand with the changes made to homeless discharge of duty, outlined in 4.2, and with the broader moves to introduce flexible tenures across the social housing market. The Localism Act has not made changes to the reasonable preference groups, but Councils are now free to set local priorities within their allocation policies, such as increasing access for previously under-represented groups - for example, those working but on low incomes, those leaving the armed forces, or individuals making a community contribution. These allocations policy reviews are also seeing the introduction of income and asset thresholds, and a strengthening of local connection rules, which in time will see a reduction in the number of applicants registered for social housing.



Councils are seeking to establish a more realistic position about the number of households who can reasonably be expected to secure a property locally through the housing register.

- 3.24 In terms of supply and growth, currently, the Local Development Framework Draft Core Strategy 2, Core Policy 7, sets out expectations for the provision of affordable housing locally, and the council aims to ensure that new housing developments provide 40% affordable housing on-site, or that a financial contribution is secured from the developer when this is not possible.
- 3.25 Core Policy 7 also details specific potential breakdowns of tenures on site –for example, 2/3 social rented, and 1/3 intermediate housing. However, given the scale of changes made by Government, which have yet to fully impact, and the steps that need to be taken locally by Registered Providers and the Council to manage supply and demand inside the new framework of flexible tenure, the Council is likely to be better-placed taking a more flexible, site-by-site view on tenure split in the short term, whilst still retaining the aspiration to achieve 40% affordable provision on-site overall, with the support of robust data.
- 3.26 In the current economic climate, and with the wider range of options announced within the last year, adopting a site-by-site view on tenure split will enable the council to demonstrate that it takes local economic factors and demographics, which may vary considerably from ward to ward, fully into account when negotiating affordable housing supply with developers. It also provides an opportunity to be adaptable, and to integrate some of the latest package of housing measures into the Bromsgrove housing market, whilst allowing additional scope to manage supply and demand issues during the transitional period that is likely to form part of the flexible tenure and welfare reform agenda. Avoiding a ‘one size fits all’ approach also helps mitigate against the risk of developers maintaining the Council is making projects unviable, and thus the likelihood of Planning Inspectorate interventions. It also provides Registered Providers with flexibility whilst they pursue private finance to fund their business models. This is a matter that the Council may wish to review in due course, but given the scale of changes underway or imminent, a site-by-site approach in the interim period allows the Council to manage the pressures it faces flexibly.
- 3.27 Many of the operational implications are as above, but the changing nature of tenure security is likely to increase the number of people seeking advice about their future housing requirements, which, in turn, will require housing advice providers to respond swiftly to an increased number of enquiries, so prevention will become increasingly important in the housing field. In short, a new enhanced housing options model

will become increasingly important at the front end, which blends web-based help with telephone and face-to-face support.

- 3.28 Welfare Reform changes could take time to bed in locally, and the transition period could place existing services under greater increased demand for assistance, requiring high quality inter-agency information sharing and awareness-raising across the local housing sector, as well as forward-planning for the implications of income changes for households in terms of the tenure type they are able to afford.

An increased focus on the private rented sector as a source of supply will require concentrated resources in this area in order to drive up standards, and the adoption by the Council of the power to discharge homelessness duties into the PRS, while a review of the Choice-Based Lettings system is likely to see a smaller number of customers on the register, which may require a different method of administration.

There will be a much greater emphasis on affordability of housing options as more tenancies move to 80% market rent, and this could become an area of increased legal challenge for the authority.

**Customer / Equalities and Diversity Implications**

- 3.29 Assessing the likely impacts of policies, programs and services from a public equality perspective, during the course of making any changes to strategies and policies, and reviewing and reporting on progress annually.

**4. RISK MANAGEMENT**

- 4.1 The main risks associated with the introduction of the changes are:
- Increased pressure on homelessness services as a result of potential supply pinch points in Bromsgrove and a reticence to review Choice-Based Lettings
  - An increase in private sector rents and/or Registered Provider rents could leave households struggling if their incomes remain under pressure
  - Increased challenges faced by the Council on affordability of allocations via the Housing Register
  - An over-supply of particular intermediate products that are not financially accessible to local people, and a limited appetite amongst lenders to finance homeowner purchases

- The speed at which Registered Providers are able to respond to flexible tenure, and to raise private finance to fund the purchase of new properties, compounded by fixed tenure type targets
- The speed of move-on for existing tenants from RP properties, and delays in encouraging enough through-put to create vacancies for future tenants
- Decreased confidence in the local housing market amongst customer and providers, with the resulting economic knock-on effects for the local economy

**5. APPENDICES**

Not applicable

**6. BACKGROUND PAPERS**

Laying the Foundations: A Housing Strategy for England  
Making every contact count: A joint approach to preventing homelessness  
Countywide Housing Strategy 2011  
Revealed – the best places to live – Sunday Times May 20<sup>th</sup> 2012

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