

Watford Housing Strategy

CONTEXTS – NATIONAL

Changes at a national level have a significant impact on both local authorities and registered providers and the way housing and housing-related services are provided. The following is a summary of key legislative and policy changes introduced between 2011 and 2014:-

Legislation

The Localism Act 2011- The Localism Act provides for radical changes in the following:

- The allocation of social housing
- The types of tenancies offered, introducing the Flexible or Fixed Term tenancy.
- The way a full homelessness duty can be discharged, with the legal entitlement to offer suitable accommodation in the private rented sector.

The Energy Act 2011 – The Energy Act 2011 set out a framework to achieve energy efficiency measures for both homes and businesses. The Act creates the Green Deal, a new financing framework to enable the provision of energy efficiency improvements, funded by a charge on energy bills rather than up-front payments. The Act also created the Energy Company Obligation (ECO), an obligation on energy companies to help certain groups of consumers who need extra support with saving energy, such as those living in homes that are more difficult to make energy efficient and those on very low incomes. Forthcoming changes under this Act which are relevant to the private rented sector are:

- From April 2016 landlords of residential properties will not be able to unreasonably refuse requests from their tenants for consent to install energy efficiency improvements where financial support is available, such as via the Green Deal and/or the Energy Company Obligation (ECO). There is, however, no obligation for landlords to fund improvements.
- From April 2018 it will be unlawful to let properties rated as F or G on the Energy Performance Certificate (EPC).

The Welfare Reform Act 2012 – The Welfare Reform Act 2012 introduced a wide range of changes to welfare benefits. These changes have been anticipated to impact upon the demand for housing advice and money advice services, and has changed the income situation for registered providers and private landlords. The changes introduced include:-

- *Universal Credit*, scheduled to be phased in between October 2013 and 2017. Regardless of tenure, Universal Credit will replace Housing Benefit for working age claimants, income based Job Seekers Allowance, Income

Support, income-related employment and support allowance, Working Tax Credit and Child Tax Credits. These separate benefits will no longer exist. Universal Credit will cover housing; there will be no separately identifiable payment made exclusively for housing costs.

- *Direct Payments* – Once a household is in receipt of Universal Credit, payment will be calculated and paid directly to the claimant on a monthly basis in arrears. The current mainstream practice of Housing Benefit payments being made directly to landlords will end.
- *Household Benefit caps* – From April 2013 a total cap was introduced on the amount of benefits any individual or couple is entitled to. Different weekly caps were set for single people, and for couples and households with children.
- *Size Criteria/Underoccupancy (Spare room subsidy changes)* – These changes applied to the social housing sector and were introduced from April 2013. Housing Benefit has been restricted according to the number of bedrooms which each person/family requires. Those who are assessed as under-occupying their home will have their Housing Benefit reduced by a percentage rate set at 14% for a tenant with one extra bedroom, and 25% for a tenant with two extra bedrooms or more.
- *Discretionary Housing Payments* – Discretionary housing payments provide financial assistance to tenants in receipt of Housing or Council Tax benefit where the local authority considers the household needs help with their housing costs.
- *Local Housing Allowance changes* – From April 2013 Local Housing Allowance claims for tenants of the private rented sector were set using the April 2012 Local Housing Allowance rate increased in the Consumer Price Index rather than the higher retail price index. From January 2012 in the private rented sector the age limit for single claimants without dependants to whom the shared accommodation rate applies rose from 25 to 35 years of age. From April 2011 the amount of Local Housing Allowance received per tenant was capped.

There are indications that further benefit restrictions might be introduced between 2015 and 2017, including a freezing of benefit levels for people of working age. If these changes are introduced preparations will need to be made for the impact they will have on segments of Watford's population.

The Health and Social Care Act 2012 – The Health and Social Care Act 2012 requires local authorities to work in partnership with the Health and Wellbeing Board to develop a Health and Wellbeing strategy that responds to the specific needs of local populations and communities.

The Public Service (Social Value) Act 2012 – The Social Value Act 2012 promotes sustainable procurement which is described as “A process whereby organisations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis in terms of generating benefits not only to the organisation but also to society and the economy, while minimising damage to the environment.” Areas affected by the Act which are relevant to housing include:-

- Supporting local growth and local jobs

- Reducing pressure on council services
- Reducing Fossil fuel consumption/Carbon Dioxide emissions
- Reduce adverse health impacts
- Promoting equality and social inclusion
- Promoting sustainable urban living.

The Care Bill 2013 – The Care Bill 2013 recognises decent, safe and accessible housing as critical to wellbeing. It stresses the importance of housing in the prevention of the need for care and support and promotes better integration between housing and health related services.

The Redress Schemes for Lettings Agency Work and Property Management Work (Requirement to Belong to a Scheme etc) (England) Order 2014. - This Order requires persons who engage in letting agency work or property management work to belong to a redress scheme that has been approved by the Secretary of State or that has been designated as a government administered redress scheme.

Housing Policy

Laying the Foundations: The Housing Strategy for England – Through this national strategy, published in 2011, the Government aimed to improve affordability and housing market stability. The strategy proposed the following:-

- Increasing housing supply
- Encouraging growth in the private rented sector
- Bringing empty homes back into use
- Providing appropriate support and protections to vulnerable households and families on low incomes.
- Ensuring that new homes are well designed, of the highest quality and environmentally sustainable.

National Planning Policy Framework – From the perspective of the National Planning Policy Framework, development should not be prevented provided it is sustainable and does not affect vital local environmental protections. To demonstrate compliance, local authorities must have in place up-to-date development plans for their district that take into account the provisions of the National Planning Policy Framework. The requirements of the National Planning Policy Framework include:

- Local Planning Authorities should “use their evidence base to ensure that their Local Plan meets the full, objectively assessed need for market and affordable housing in the housing area.” (Paragraph 47).
- Local Planning Authorities should set out strategic policies in their Local Plan to deliver the homes and jobs needed in the area over the Plan Period.
- Local Planning Authorities have an obligation to fulfil a “Duty to Co-operate” with neighbouring local authorities.

The Affordable Rent regime – Following the 2010 Comprehensive Spending Review, the funding available for the Affordable Homes Programme was reduced. In response the Homes and Communities introduced Affordable Rent, a revenue based funding model that gives registered providers the flexibility to develop new homes on which an “Affordable Rent” of up to 80% of market rent can be charged. In addition,

a proportion of properties previously rented out at Social Rent can be converted to Affordable Rent when relet. Surpluses generated by Affordable Rents, once management and maintenance costs have been covered, can be used for the delivery of new affordable housing. The National Planning Policy Framework revised the definition of affordable housing to include Affordable Rent. Affordable Rent is outside the national rent regime which embraces Social Rents, but it is subject to other rent controls that require it to be offered to eligible households at a rent of up to 80% of local market rents.

The Public Health Outcomes Framework 2012 – The Public Health Outcomes Framework focuses on integrating public health into local government. It provides for all services to be planned and delivered in the context of the broader social determinants of health such as poverty, housing, employment, crime and the environment. This will embrace a wide range of housing-related activity, including projects to work more closely with private landlords.

Review of Property Conditions in the Private Rented Sector – In February 2014 the Government published the results of a consultation exercise in reviewing conditions in the private rented sector. It acknowledged that, while most landlords are reputable and provide decent and well maintained homes, a small proportion of landlords neglect their properties and do not provide a good service to their tenants. These landlords, together with lettings agents who provide a poor quality service, should be the focus of policy action. Proposals included:-

- Making tenants aware of their rights through a Tenants' Charter
- Providing and publicising information on local authority websites.
- Imposing a statutory duty on local authorities to investigate and deal with housing complaints, and not closing the case when the tenant leaves the property; the case will remain open until the property is fixed generally. This could assist in reducing retaliatory evictions as there is no benefit to the landlord in evicting the tenants.
- Information sharing between local authorities on so-called "rouge landlords."
- Providing tenants with a holistic approach to handle issues including financial advice, housing advice, mediation with landlords and referrals to other agencies.

The proposed outputs from the review are awaited.

Private Rented Sector Energy Efficiency Regulations – consultation on the implementation of the Energy Act 2011 – in July 2014 the Government published a consultation on energy efficiency in the private rented sector, aiming to support landlords in making improvements to their properties and empowering tenants to request improvements. The policy proposals also include methods of funding these improvements and information on the occasions when the obligation to carry out improvements can be waived.

The proposed outputs from this review are awaited.

Methods of new affordable housing development

Government capital grant funding (formerly Social Housing Grant) is no longer widely available to fund housing development. The main forms of funding affordable housing development from Central Government, local government and registered providers are now:-

Local authorities

- Disused land
- New Homes Bonus
- Other supplementary funding
- Funding from Local Enterprise Partnerships (LEPs)
- Facilitation of conversion of redundant office and commercial premises.

Registered providers

- Section 106 agreements
- Developer contributions
- Affordable rental income (this method of funding affordable housing will be reviewed in 2015)
- Private finance - debts and bonds. The Bond market may soon have equal status with banks in terms of a role in funding affordable housing.
- Institutional investors such as Pension Funds.
- Cross-subsidisation from diversified activities such as market sale or market rent.
- Reserves.

Government

- Limited grant funding – very little Social Housing Grant is now available.
- Equity Loans - an example of this is Build to Rent.
- Guarantees (these do not count as public debt). Examples of guarantees are some low cost home ownership schemes.
- Disused land, such as land owned by the Ministry of Defence and Public Health bodies.

Examples of Government schemes to promote home ownership or increase the supply of market rented or privately rented housing are:-

Help to Buy – The Help to Buy scheme takes two forms:

- *The Equity Loan scheme*- this was introduced in April 2013 and is for the purchase of new homes only. The scheme assists the purchase with the offer of an equity loan. The Government loans a buyer up to 20% of the value of their new home. The buyer will then require a minimum 5% deposit and will need to fund the rest of the purchase from a conventional mortgage. The equity loan is interest free for the first five years. This scheme applies to newly built homes only.

- *The Mortgage Guarantee Scheme* – This was launched in January 2014 and aims to boost high loan-to-value lending for buyers who cannot afford large deposits. This schemes applies to both newly built and existing homes.

Build to Rent – The Build to Rent Fund supports the development of new purpose built privately rented homes. The fund is being used to facilitate institutional investment in the private rented sector and demonstrate models of a more professional, larger scale private rented sector.

The Private Rented Sector Guarantee – The private rented sector housing guarantee scheme supports the building of new homes for the private rented sector across the United Kingdom, offering housing providers a direct government guarantee on debt they raise to invest in new privately rented homes. The guarantee is designed specifically to attract investment into the private rented sector from fixed income investor who want a stable long-term return on investment without exposure to residential property risk.

The Affordable Housing Guarantee Scheme – The Affordable Housing Guarantees Scheme aims to unlock capacity to deliver more homes without increasing public debt. The Government has made announcements to guarantee particular levels of debt. The housing guarantee uses the Government’s fiscal credibility to reduce the cost of borrowing for housing providers, as well as attract investment from fixed income investors seeking a stable, long-term return on their investment without exposure to residential rental property risk.

The new contexts for Registered Providers

Registered providers have a major role to play in delivering the Watford Housing Strategy. The landscape in which registered providers operate has changed significantly since 2010.

The main changes can be summarised as follows:-

Past	Present
Government Grant	Reduced grant (decreased by 63% between 2010 and 2013)
Secure income from Housing Benefit	Welfare Reform, including Direct Payment of benefits to tenants
High credit scores	Credit scores more variable.
Loans from banks	Limited availability of finance from banks

Registered provider activities and remits are now characterised by the following:-

1. Purposes and Objectives – The registered provider sector is debating its purposes and objectives. Registered providers are reviewing their strategies and business plans to aim for a workable balance between social and commercial aspirations.

2. New freedoms and risks – Registered providers have been given new freedoms, but these are accompanied by higher risks. There may be debates about the pace and scale of changes within organisations.
3. Commercial vs Social – Increasing commercial activities allows greater autonomy and more opportunity to cross-subsidise submarket rented housing.
4. Low supply of Government capital subsidy – The amount of social housing grant available for new affordable homes has now been very much reduced.
5. New sources of funding – Reductions in both grant levels and bank lending have forced the registered provider sector to seeking funding on the capital markets, notably in the form of Bond finance. Bond financing looks set to increase and there are likely to be more innovative deals with institutional investors
6. Rent arrears: the effects – There have been concerns about how loan covenants will be affected by the higher rent arrears which might be incurred by the changes introduced by the Welfare Reform Act.
7. Value for Money and use of Assets – As part of the drive to become more commercial, many registered providers are seeking greater value for money from procurement and improving their asset management strategies.
8. New health and community services – Because of fiscal austerity, some registered providers are looking increasingly to deliver social value through community services which can provide an additional income. New partnerships are starting to emerge between registered providers and health authorities.
9. Working with local authorities – There is a view that closer working with local authorities will be key to moving forward, especially over the issues of welfare reforms and other changes in housing-related policy.

Future development

In the 2013 Autumn Statement the Government announced a review to consider the role that councils can play in helping to meet the housing needs of their local population within the context of the need to ensure good value for money and fiscal discipline. It will be entitled *The Review of local authorities' role in housing supply*.

The Review's terms of reference include:-

- What more councils, stock holding and non stock holding, could do to support housing supply, including making maximum use of their existing asset base to support development through asset sales, increasing their capacity and skills to support locally led larger scale development, and how councils are using their own land to support their own and others' house building.

- What innovative financing mechanisms councils have used to increase house building while ensuring value for money, and how central government can manage impacts on public sector borrowing. This should include consideration of institutional investment including pensions.
- How local authorities can best drive efficiency improvements in both their management and development of social housing to free up more resources to support new housing development.

The Review will report in late 2014 or early 2015.