Report to the Council

Committee:	**Cabinet**	**Date: 28 July 2015**
Subject:	**Housing**	
Portfolio Holder:	**Councillor D Stallan**	

Recommending:

That the report of the Housing Portfolio Holder be noted.

Chancellor's Summer Budget

The Chancellor's Summer Budget had a number of implications for the Housing Service, but the main ones were surprise announcements that councils and housing associations should reduce their rents by 1% per annum over the next 4 years and that councils and housing associations must charge market (or near market) rents to tenants living in social housing who are "high earners" (referred to by the Government as the "Pay to Stay" Scheme).

Rent reductions for tenants of social housing and significant loss in the Council's rental income

In 2013, as part of changes to the national Social Rents Policy, the former Coalition Government made a commitment that council and housing association rents should increase by CPI + 1% per annum over the following 10 years, to give giving stability and certainty to housing finances and landlords' business plans.

However, in his Summer Budget, the Chancellor announced that, from April 2016, council and housing association rents must now be ***reduced by 1% per annum*** for the next 4 years. Figures published with the Budget state that the effect of these rent reductions will save HM Treasury £1.4billion in housing benefit payments by 2020/21.

The assumption within the Council's current HRA Business Plan is that CPI will be at 2% for each of the next 4 years and that, therefore, rents would ***increase by 3% per annum***. As can be seen, the reduction in rental income over the next 4 years will therefore be significant, which will be carried forward for the remainder of the 30-year period of the HRA Business Plan since the rent base at the end of the 4 years, on which future rental income will be based, will also be much lower than planned.

The Director of Communities has already commissioned the Council's HRA Business Planning Consultant, Simon Smith from CIH Consultancy, to work with him and Finance Officers to provide a detailed report on the short and long term implications of this Government decision, the level of savings required to planned HRA spending and the options that the Council can consider to ensure that the HRA does not fall into deficit at any time over the next 30 years.

However, CIH Consultancy has already undertaken some initial work to assess the financial impact of the announcement on the Council over both the next 4 years and the next 30 years, compared to our current HRA Business Plan, leaving all other spending proposals and assumptions the same. There are still some uncertainties on the detail of how the Government's decision will be implemented, but CIH Consultancy's current assessment is that it is likely the Council will need to make the following savings on the Housing Service:

- Between £13 million and £13.9 million over the next 4 years (an average saving of between £3.25 million per annum and £3.48 million per annum); and

- Between £212 million and £225 million over the next 30 years (an average saving of between £7 million per annum and £7.5 million per annum)

Clearly, such huge rental income reductions will have a significant effect on the Council's Housing Service over the next 30 years and what it can provide, which will be covered within the options report from CIH Consultancy.

Fortunately, due to prudent management over many years, the Council's HRA is in a far healthier position than most other councils nationally. Within the current HRA Business Plan, there is provision for around £180million of housing improvements and service enhancements over the next 30 years that has not yet been allocated. Most or all of this budget provision could be utilised to mitigate a significant amount of the rental loss, although, of course, it would mean that there would be no financial provision over the next 30 years for any housing improvements or service enhancements. Moreover, most of this current budget provision is in the latter years of the Business Plan, so it is likely that the Council's loan repayments will need to be profiled.

However, even if all of the unallocated budget provision for housing improvements and service enhancements is called upon, further savings of £32million - £45million over the next 30 years (averaging £1million - £1.5million per annum) would be required to ensure that the HRA does not fall into deficit. Therefore, options that will be considered as part of CIH Consultancy's Options Report will include:

- Reductions in the amount of new Council Housebuilding
- Further borrowing to fund the Council Housebuilding Programme
- Reduced investment in the Council's housing stock, resulting in a revised approach to the Council's recently-introduced Modern Home Standard

I will, of course, continue to keep members informed of the effects and implications of this loss in rental income once more information on the implications and potential future options have been identified and assessed.

"Pay to Stay" proposals

At its meeting in July 2014, the Housing Scrutiny Panel considered a Consultation Paper from the Department for Communities and Local Government (DCLG) "High Income Social Tenants Pay to Stay". Under "Pay to Stay", the Government set out its intention that local authorities should be given the ***flexibility*** to charge those with high incomes a higher level of rent to live in their council or housing association home. The DCLG's proposal at that time was based on "higher rents" being set at 80% of market rents (i.e. "affordable rent" levels) and the Government consulted on household income thresholds, above which higher rents would be charged, of between £60,000-£80,000 per annum .

The Scrutiny Panel's view in 2014 was that very high earners living in social housing should pay higher rents, providing that income thresholds are set to ensure residents have a reasonable expendable income, that bureaucracy is kept to a minimum and the income received was more than the cost of administering the scheme. As the Government did not specify how landlords could establish tenants' earnings and stated that it would be up to tenants to self-declare their income, the Panel further agreed that the Council should give further consideration to the proposals when the Government had put in place appropriate legislation to require tenants to declare their income.

Following the consultation exercise, the Government formalised its proposals, and introduced a voluntary scheme whereby councils and housing associations could charge market rents (i.e. not affordable rents) to tenants with a household income in excess of £60,000 per annum

However, in the Summer Budget, the Chancellor announced plans to make it ***mandatory*** for all councils and housing associations to charge tenants living in social rented properties with household incomes of more than £30,000 per annum (£40,000 per annum in London) to pay “something close to” market rents from 2017/2018.

It was also announced that the increased rental income received by councils will have to be passed to the Government; housing associations will be able to retain their increased rental income to help fund the provision of new housing association homes.

The Government has said that it will publish more detail about how the scheme will work in due course.

Government proposals to require councils to sell “high value” empty properties on the open market

The Government's legislative programme announced in the Queen's Speech included proposals to require councils (only) to sell “higher value” properties as they become vacant, in order to fund the proposed extension of the Right to Buy to housing association tenants. It is not intended that this requirement will apply to high value housing association properties that become vacant.

The thresholds for property values above which councils will be required to sell "high value" homes are yet to be defined (and intend to be subject to consultation) but, as an indication, proposed thresholds set out by the Conservative Party on this issue when it launched its manifesto prior to the election were based on regions and number of bedrooms. For the East of England, the proposed thresholds ranged from £155,000 for a one bedroom property to £265,000 for a three bedroom property.

Although there is little data available on the market values of the Council’s properties, officers have undertaken an initial assessment on the potential effect of the Government’s proposals, based on the market values of the 46 properties sold under the Right to Buy and the 498 Council properties that became vacant last year. This has established that if the regional value thresholds proposed by the Conservative Party as part of its election manifesto were applied to all the Council properties that became empty last year, around 158 (32%) of all the vacant properties would have had to have been sold, since they would have been classed as “high value” for the East of England Region.

Implementation of the revised Housing Allocations Scheme and Tenancy Policy

In March 2015, the Cabinet agreed the report and proposals of the Housing Scrutiny Panel, following its review, on changes to the Council’s Housing Allocations Scheme and Tenancy Policy. The revised Scheme and Policy will come into force on 27 July 2015.

Under the previous Scheme, the Council had around 1,800 home-seekers on its Housing Register and around 210 on the Supplementary Waiting List (which is for applicants over 60 years of age who do not meet with the Residency Criteria and have no housing need who wish to apply for sheltered accommodation for older people).

At the time of writing (14th July), around 1,250 home seekers have successfully re-registered to remain on the Housing Register with a further 149 applications awaiting validation. A further 110 applicants have successfully registered on the Supplementary Waiting List.

Under the Council's revised Tenancy Policy, all Council tenancies granted from 27 July 2015 will be flexible (fixed-term) tenancies for a term of 10 years including the introductory tenancy period) - apart from applicants moving into sheltered or grouped dwelling schemes for older people, and existing tenants of the Council who are downsizing to smaller Council accommodation, who will continue to be granted non fixed-term ("lifetime") tenancies.

Contract award for the Council's Choice Based Lettings Administration Service

The Council's Choice Based Lettings Scheme (HomeOptions) was introduced in November 2007. Under the Scheme, all of the Council's vacant social rented properties and housing association properties for which the Council has nomination rights are advertised to applicants on a website managed by the Service Administration Agency and in a two-weekly Property List, and tenancy offers are then made to the home-seekers who have the greatest housing need of those who have an expressed an interest in being offered the tenancies advertised.

The Council is a member of the Herts and Essex Housing Options Consortium (HEHOC) which jointly operates the Choice Based Lettings Scheme and consists of the Council and five neighbouring councils.

The Scheme is currently administered for HEHOC by the external CBL agency, Locata Housing Services (LHS), who were originally appointed following an EU-compliant competitive procurement process, with each authority having its own separate contract with LHS.

The Council awarded its first contract to LHS from June 2007 for a period of 5 years with the option to extend for a further three years. As LHS had provided an excellent service, the contract was extended for 3 further years and expired in June 2015.

HEHOC has therefore undertaken a procurement process for a new contract, by adopting the Competitive Dialogue Procedure (CDP) in accordance with EU Procurement Rules. CDP is used for the award of complex contracts where there is a need for authorities to discuss all aspects of the contract with the candidates to determine the scope of the services to be provided. Three suppliers were shortlisted and invited to participate in dialogue following a Pre-Qualification Questionnaire (PQQ) stage. One supplier withdrew their interest and the two remaining suppliers (one of whom was LHS, the current supplier) were invited to submit a final bid which was evaluated based on cost (30%) and quality (70%).

I can inform members that I have now accepted the tender submitted by LHS, which was assessed by the multi-authority evaluation panel as the most economical advantageous tender overall, based on the agreed evaluation criteria. The contract is for five years, with the option to extend for five further years.

Nursery Workers Housing Task Group

The Private Sector Housing Team within the Communities Directorate has recently undertaken a survey of the housing conditions of workers on 73 commercial food-growing nurseries in Nazeing, Roydon and Waltham Abbey. This industry is important to the local economy as it provides 75% of the UK's production of cucumbers and 50% of the production of sweet peppers. It also provides around 2,700 jobs in the District.

The majority of the sites have seasonal, migrant workers living on them in different types of accommodation such as caravans, converted pack houses and bungalows. The survey found that at least 50 children in total were also living on the sites. The living conditions varied from good to being so bad that officers had to issue a 'Prohibition Notice' on one building, prohibiting its use as living accommodation. Common failings were lack of fire precautions, hazards from badly installed gas and electrical appliances, poor sanitary arrangements and overcrowding. A serious concern was the quality of the drinking water on many of the sites.

The legislation that housing officers have available to address these issues is limited and sometimes action can result a negative impact elsewhere. Therefore, In order to arrive at a satisfactory 'One Council' response, an officer task group is being established to bring together existing services within the Council that have a direct or indirect involvement with the nursery worker community in order to:

- Seek an improvement in the standard of accommodation, amenity and environment for nursery employees and their families to an agreed standard;
- Engage with nursery employees and their families to ensure they have access to the services and benefits that they are entitled to; and
- Identify any additional measures to improve community cohesion.

The Task Group will be meeting for the first time shortly and will develop and carry forward a plan of actions to meet these objectives. I will keep members up to date on progress in future reports to the Council.

Essex County Council's proposal for home improvement agency contracts

Essex County Council is currently deciding the arrangements under which Home Improvement Agency (HIA) services will be provided across Essex from 2016. Under the current arrangements, our own in-house HIA, Caring and Repairing in Epping Forest (C.A.R.E.), receives funding of just over £50,000 a year.

The County Council asked for expressions of interest from councils across Essex to ascertain if they would like to provide their Home Improvement Agencies in-house, in the same way as in Epping Forest (which is currently the only in-house service provided in the County); elsewhere in Essex, HIAs are currently provided by one of two managing agents, Papworth Housing Trust and Swan Housing.

Although some Districts and Boroughs were keen to consider taking their HIA services in-house, the County Council has reported that there was currently insufficient interest in this approach for it to be progressed County-wide. As a result, Essex CC has said that it will be undertaking a tendering exercise, which it hopes will result in new contracts being in place by January 2016 - comprising either one or two contracts across Essex. However, since it is satisfied with the way in which our C.A.R.E Service is managed and the service and outcomes we provide, Essex CC has agreed that we will be able to continue to provide our own HIA in-house, with continued funding.

New arrangements for paperless direct debits

The Council has recently renewed the contract with our rent-payment swipe-card provider, Allpay Ltd, with enhanced facilities to benefit our tenants and other recipients of the Housing Service.

In June 2015, the new Allpay software under the contract went live - with improved payment options so that tenants can now pay their rent by direct debit on ***any*** calendar day. In addition, tenants can choose the frequency of payments (such as weekly, fortnightly or monthly) and can request the introduction of direct debit much quickly by telephone or email, without the need to complete a paper form.

Previously, tenants paying by direct debit could only pay monthly and only on one of four specific days a month. This deterred some tenants from paying by direct debit, since the payment dates did not coincide with the day that funds were available in their accounts (e.g. from their pay or benefits).

This will be particularly important when the Government's universal credit proposals are rolled-out in the District, since universal credit will be paid to different tenants on different dates in the month. Therefore, since direct debit payments can now be made on any day of the month, they can be set-up (or amended) to match the date that tenants receive their monthly universal credit - which introduces a real potential to help minimise rent arrears.

At present, Council leaseholders are unable to pay their service charges by direct debit. However, the functionality of the new direct debit system will be rolled out pater in the year to leaseholders, to give them the same ways of paying their service charges as tenants now have for paying their rent.