

**COUNCIL SEMINAR  
20th September, 2016**

Present:- Councillor Beck (in the Chair); Councillors Albiston, Allcock, Allen, Andrews, Atkin, Bird, Cowles, Cusworth, Cutts, Cutts, Elliot, Elliott, Ellis, Khan, McNeely, Mallinder, Marriott, Reeder, Roche, Russell, Sansome, Senior, Sheppard, Short, Simpson, Taylor, Walsh, Watson and Wyatt.

Apologies for absence were received from Councillors Maggi Clark, Hoddinott, Jarvis, Jepson, Roddison and Rushforth.

**THE IMPACT OF LEGISLATION ON THE HOUSING REVENUE ACCOUNT**

Councillor Beck, Cabinet Member for Housing, welcomed Members to the Seminar and introduced the following officers:-

Jane Davies, Interim Strategic Housing Investment Manager  
Paul Elliott, Business and Commercial Programme Manager  
Wendy Foster, Social Housing Officer

The following presentation was given by Jane, Paul and Wendy: -

Housing and Planning Act 2016

- Starter Homes
  - Shift from social rent to home ownership
  - New build, first time buyers under 40, 20% discount
  - £1.2b Starter Home Land Fund
  - Rotherham's bid: Town Centre Starter Homes Programme
  - £32M of investment to develop over 1,000 homes
  - 12 sites in total, six of which are Council-owned
  - 3 "go early" sites
- Mandatory Fixed Term Tenancies
  - Does not affect existing tenants
  - From April 2017 local authorities are to issue tenancies for 2-5 years
    - Exemptions for families with children under 9 to minimise disruption to education
    - Longer tenancies may be issued to people with disabilities
  - Tenancies to be renewed at local authorities' discretion
  - Awaiting regulations from Secretary of State
- Pay to Stay
  - Will affect households in which the 2 highest earners' combined income is greater than £31,000
  - It will be a requirement to charge 'high earners' an increased rent in line with market rent levels

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- Additional rent collected through Pay to Stay to go to Treasury
- Awaiting regulation from the Secretary of State
  
- Extension of the Right to Buy
  - Housing Associations' equivalent of Right to Buy was Right to Acquire – much less generous discounts and few sales
  - Housing Association tenants will now qualify for the same level of discount as Council tenants
  - Discretionary for Housing Associations
  
- Levy/enforced sale of high value stock
  - To fund the discounts offered to Housing Association tenants under Extended Right to Buy, local authority landlords are to sell their 'high value' stock when it becomes vacant or pay an equivalent levy
  - Many higher value Council properties in Rotherham are bungalows or new build

### Welfare Reform and Work Act 2016

#### Overview

- In Rotherham 26,870 people aged 18-64 (17.4%) claim DWP benefits
  - 10,780 dependent children (19.1%) live in families on benefits
  - Cumulative impact of benefit reductions is estimated to reach £132M per annum by 2020/2021 (Sheffield Hallam University)
  - The Welfare Reform Impact Steering Group co-ordinates partnership responses. Workstreams include Benefit Cap, Universal Credit, Under 35s LHA and DLA to PIP transition

#### Universal Credit

- Is a means tested benefit for people of working age who are on a low income/out of work. It is paid monthly, in arrears, into a bank account and combines six existing means tested benefits:-
  - Income Support
  - Housing Benefit
  - Child Tax Credit
  - Income based JSA
  - Working Tax Credit
  - Income related Employment Support Allowance

#### Benefit Cap 2013/16

- Is a limit on the total amount of certain benefits working age claimants can receive. It only affects people claiming Housing Benefit or Universal Credit. The current limits are:-
  - £500 per week for couples – with or without dependent children
  - £500 a week for lone parents with dependent children
  - £350 a week for single people without children

Benefit Cap – November, 2016

- Further reduction will take the cap from £26,000 to £20,000
- This will affect around 400 families with 1,400 children  
Except for supported housing from November 2016 the limits will be:  
£384.62 per week for couples – with or without dependent children  
£384.62 a week for lone parents with dependent children  
£257.69 a week for single people without children

Housing Benefit V Local Housing Allowance

- Local Housing Allowance – private rented sector  
Based on the household size e.g. 2 person household (mother and son) would qualify for the two bed roomed rate
- Housing Benefit – social rented sector  
Based on the property size e.g. 2 bed roomed property costs less than a 4 bed roomed property

Different rates payable

- Local Housing Allowance is locally calculated based on the bottom 30% of private sector rents:  
Shared room rate £58.50  
1 bedroom £79.40  
2 bedrooms £96.96  
3 bedrooms £101.00  
4 bedrooms £138.08
- RMBC rents (average by property size not type)  
Bedsit rate £67.81  
1 bedroom £69.49  
2 bedrooms £75.19  
3 bedrooms £80.74  
4 bedrooms £87.74

Extent of the problem

- 1,929 applicants to the housing register who are under 35 years old
- 1,592 staying with family, others are rough sleeping, no fixed abode or staying in hostels/temporary accommodation

Supported housing – caring for the old and the young

- 2 elements of housing benefit for supported housing:  
Core benefit and Service charge  
Extra Care at Bakersfield/Oak Trees shortfall of between £24.66 and £41.96 per week  
At Rush House the shortfall will be £99.43 per week

Damian Green's Recent Announcement

- 'The Government will transfer money to Councils to top up the cost of supported housing as part of its plan to cap Housing Benefit at Local Housing Allowance rates'  
Supported housing would be included in the benefits cap  
Cap to be deferred to 2019/2020 for supported housing providers

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### Housing Revenue Account Business Plan – the impact of Policy changes 1% Rent Reduction

- Loss of income over next 30 years equivalent to £638M
- Assume rent will increase by CPI only after the 4 year rent reduction (was previously CPI +1%)

Policy	Issue	Potential Financial Impact	Year of Implementation
Benefit Cap	Reduction in Housing Benefit income leading to an increase in rent arrears, resulting in an increased bad debt provision	£400K per annum	October 2016
Social Sector Size Criteria (Bedroom Tax)	Reduction in Housing Benefit Income	£100K per annum	Ongoing
Universal Credit	Reduction in Local Housing Allowance income. Increase in rent arrears, resulting in an increased bad debt provision	£200K per annum and increasing	Ongoing
Restriction of Housing Benefit for 18-21 year olds	Fewer tenants to 18-21 year olds. Increasing arrears, leading to increased bad debt provision	Up to £500K per annum	April 2017
Pay to Stay	Increasing Right to Buy. Charging market rents leading to increased rent arrears. Increased administration costs	Not yet know	April 2017
Local Housing Allowance (LHA) rate capped for under 35's	Fewer tenancies to single under 35's. Harder to let properties. Increase rent arrears, leading to increased bad debt provision	£1.3M per annum	April 2018
Cap Social rents to Local Housing Allowance (LHA)	Cost of a furnished tenancy not covered fully by Housing Benefit due to LHA cap	Up to £1.3M per annum to General Fund	April 2018

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Fixed term tenancies	Increase tenancy turnover leading to increased void costs	Not yet known	April 2018
Higher Value property levy	Sale of properties becoming vacant and/or payment of annual determination from DCLG	£2M per annum (awaiting Regulations)	2016/17?

### Summary

- Reduction in forecast surplus at year 30 from £401M to £35M
- By year 30 of the plan it is anticipated the housing stock size will have reduced to circa 15,500 units i.e. a reduction of around 5,000 units
- Strategic property acquisitions will cease in 2017-18 rather than 2020-21 as in the 2015-16 base case. This will save £36.375M and mean around 360 fewer Council properties are acquired
- There will be £273M less to spend on property investment over 30 years
- There will be £98M less to spend on supervision and management over 30 years

Discussion ensued with the following issues raised/highlighted:-

- The calculation for Pay to Stay was not based on savings but on annual income
- More detail was awaited regarding Fixed Term Tenancies. Currently there were only the 2 exemptions highlighted in the presentation
- The rents in Rotherham did vary by property size and location based on the previous rent formula. Rent Convergence had been introduced by the previous Government with the aim of aligning rents of similar properties in the same area over a period of time. However, that had now been removed. As part of the 1% rent reduction the Local Authority had been given the flexibility of continuing to move properties to rent convergence but that would only be achieved when a property was re-let
- The Authority would be eligible for an administrative grant for Pay to Stay but it was not known how much that would be
- Fixed Term Tenancies could be issued for between 2-5 years. There would be clear renewal or non-renewal criteria and there would not necessarily be different lengths of tenancy for different criteria, the detail was being worked through by a working group. A detailed impact assessment of Fixed Term Tenancies would be conducted
- Work was taking place on possible alternative provision for 18-35s

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- Definite drive to encourage people into home ownership – work was taking place on home ownership options and clearly stating what the financial implications were

Councillor Beck thanked the Officers and Members for their attendance.