

REPORT FOR: **CABINET**

Date of Meeting: 19 July 2012

Subject: Housing Changes Review: Update on Tenancy Strategy, Housing Strategy, Housing Business Plan and other Key Policies

Key Decision: Yes

Responsible Officer: Paul Najsarek, Corporate Director
Community, health and Wellbeing

Portfolio Holder: Councillor Bob Currie, Portfolio Holder for
Housing

Exempt: No

**Decision subject to
Call-in:** Yes

Enclosures: Appendix 1: Housing Strategy Update
Appendix 2: Draft Tenancy Strategy 2012,
consultation responses and proposed
amendments
Appendix 3: Housing Business Plan Position
statement
Appendix 4: Housing Allocations Scheme
Update (updates 1 & 2)
Appendix 5: Homelessness Strategy Update
Appendix 6: Private Sector Housing Strategy
Update

Section 1 – Summary and Recommendations

This report provides progress updates on key strategies and policies included within the Housing Changes Review since the Cabinet meeting on the 15 December 2011.

Recommendations:

Cabinet is requested to:

1. Note the responses to the draft Tenancy Strategy 2012;
2. Note the further housing policy changes either introduced or in consultation since the Cabinet meeting on the 15 December 2011;
3. Support the direction of travel set out in the various updates attached in Appendices 1 – 6 and that, following further consultation, final approval will be sought for these strategies and policies at the Cabinet meeting on the 13 December 2012.
4. Note that delegated authority has already been granted to the Corporate Director Adults and Housing in consultation with the Portfolio Holder for Housing to approve draft documents for formal consultation.

Reason: (For recommendation)

To enable the completion of key housing policy and strategy documents required by the Localism Act.

Section 2 – Report

Introduction

1. Cabinet received a report on the 15 December 2011 which set out a direction of travel in relation to a wide range of policy changes introduced by the Government. In summary these changes are:
 - The Localism Act 2011 introduced flexibilities to make best use of existing social housing opportunities by introducing fixed term tenancy options for new tenants, enabling the homelessness duty to be ended through the offer of a suitable private rented home and by allowing broader allocation criteria. In addition funding for new social housing has been changed by reducing up front capital grant subsidy which has been replaced by revenue subsidy generated through increased rents of up to 80% market rents.
 - Housing Revenue Account (HRA) self financing started on the 1 April 2012. Although Harrow has had to take on additional borrowing we are some £2m per annum better off as we no longer have to make payments back to the government.
 - The Welfare Reform Act is now in place confirming the introduction of Universal Credit on a phased basis from October 2013. In addition the Act also introduces benefit reductions for working age households who live in social housing that is larger than they need and proposes to end

the direct payment of Housing Benefit to social landlords. Together with changes to the way that housing benefit is assessed for households living in the private rented sector and which have capped the amount of benefit particularly for four bedroom or larger properties the future particularly for large non working families is bleak. In addition, the change in Council tax benefit which will require the majority of current claimants to pay a proportion of their Council tax from their household income, will further squeeze the incomes of the poorest households in Harrow many of whom will be living in social housing and the lower quartile private rented sector.

2. Since December 2011, the government has confirmed or is consulting on further changes as follows:
 - Amendments have been made to the Right to Buy (RTB) discounts from 1 April 2012. Qualifying tenants are now able to claim a discount of up to £75k (rather than £16k). Although the number of RTB applications has not yet significantly increased, unlike some other parts of London, future sales could impact on the viability of the HRA business plan especially as even with the ability to reinvest sales receipts the Council would still need to find significant additional resources to fund the replacement homes.
 - Consultation is underway on the minimum standards for private rented housing that can be offered to applicants to end the homelessness duty. In addition, the government is also consulting on the options to ensure that local authorities offer suitable housing in their local area and prevent the wide scale movement of families out of London.
 - Consultation is under way on replacing the existing statutory guidance on allocation of accommodation under Part VI with new guidance and the desirability and practicality of the proposed changes in the regulations.
 - Consultation is underway on proposals to make high earning social tenants pay higher rents.
3. The council has a statutory requirement to produce a housing strategy which must also be in conformity with the Mayor's London Housing Strategy. A draft London Housing Strategy was published for formal consultation in December 2011. Although a final strategy has yet to be published, with the re-election of Boris Johnson in May 2012 it is anticipated that the final strategy will be similar to the consultation draft.
4. Given the many changes proposed Cabinet agreed that it would be appropriate to review all Harrow's current housing strategies and policies to ensure that the Council has consistent and workable policies which operate together to increase the housing options available to the residents of Harrow, ensure that the most vulnerable continue to have priority and access to locally affordable housing and that they support the continued sustainability of local communities in Harrow. The strategies and policies included within the Housing Changes Review are:

- **Housing Strategy** to set the overarching strategic housing vision and housing objectives for the next 3-5 years taking account of social housing and welfare reforms. On the 15 December 2011 Cabinet agreed revised objectives, policy options and an action plan.
 - **Tenancy Strategy** sets out guidance to all social landlords in Harrow on how the Council wants the new fixed term tenancies and new Affordable Rent model to be introduced and used locally.
 - The **Tenancy Policy** will set out how the Council will introduce and use fixed term tenancies for its own housing stock including a review and Complaints process.
 - The **Housing Allocations Scheme** is being reviewed to ensure it meets local priority needs and makes best use of limited social housing opportunities
 - The Council already uses private rented sector options in its successful prevention approach to homelessness. However this combined with welfare reform means we are looking at options for housing families in other boroughs and areas of the country. The **Homelessness Strategy** is being updated to reflect this.
 - A **Private Sector Housing Strategy** to strengthen our plans for ensuring there is a good quality private rented housing sector locally
 - **Housing Business Plan** to set out the overarching vision and objectives for Housing including a new 30 year business plan which also takes account of the social housing and welfare reforms.
 - **Asset Management Strategy** will identify and map stock condition, investment needs, take account of wider sustainability agenda and look at how best we strategically use all of our housing assets.
5. This report provides a progress update on the Housing Changes review and progress on the Next Steps Action Plan agreed by Cabinet in December 2011. The deadlines for completion of the strategies and policies have been amended pending the outcomes of government consultation on the discharge of homelessness duty and the publication of the final London Housing Strategy.
 6. The Tenancy Strategy has been progressed first because it provides guidance to all social landlords (housing associations) in Harrow, many of whom are already offering fixed term tenancies to new tenants in order to be able to meet their obligations with regard to investing in new affordable housing development.
 7. It is intended that following further consultation final approval will be sought for all strategies and policies within the Housing Changes Review at a Cabinet meeting on the 13 December 2012.
 8. The strategies and policies above cannot be seen in isolation. For example, the availability of affordable housing and other private rented sector housing options, who is a priority for social housing and its affordability impacts on the Council's ability to provide cost effective services for looked after children and vulnerable adults.
 9. Delivery of additional housing, including affordable housing is dependent on delivery of viable planning permissions placed within the context of housing growth set out in the LDF Core Strategy. The LDF and related

planning process places responsibility upon the Council to manage housing delivery in line with minimum housing targets set out in the London Plan. New development has an important role to play in securing contributions for affordable housing and in providing a mix of tenures and property types in line with the borough's housing need.

Housing Strategy Update

10. The agreed objectives and progress on the action plan are attached at Appendix 1. A key aim of the strategy is to increase the supply of housing and in particular, affordable housing in the borough. Demand for this housing continues to increase as evidenced by the huge increase in the use of Bed and Breakfast accommodation over 2011/12.
11. Innovative options for increasing supply are being explored, including how best use is made of existing Housing assets such as garage sites and the additional resources flowing from HRA reform, and whether there is appetite for institutional investment in new vehicles for developing new private rented housing.
12. However, the housing strategy objectives recognise that the social housing sector in Harrow will never be big enough to meet all the current and future demand for affordable housing. The private rented sector will continue to provide the most realistic housing option for households who cannot afford home ownership. Making sure that we make the best use of existing social housing for those households who are most in need will be a critical element of the overall housing strategy.

Tenancy Strategy Update

13. The draft Tenancy Strategy is attached at Appendix 2 and sets out the Council's guidance on the introduction of flexible fixed term tenancies in Harrow. Initial consultation was undertaken in summer-autumn 2011 and the majority of respondents (69% of 210 respondents) were supportive of the introduction of fixed term tenancies for new tenants on the basis this would ensure that social housing in the future would be used to help those most in housing need. For example, family sized homes would only be available to those needing them.
14. The strategy sets out the Council's intention to support the introduction of fixed term tenancies for new tenants. It was generally agreed that longer term tenancies should be offered to vulnerable groups such as the elderly and those with disabilities and the draft strategy proposed two options to meet this requirement. When considering the renewal of fixed term tenancies the strategy considers that in the majority of cases tenancies are likely to be renewed because circumstances are unlikely to change. However tenancies would not be renewed where the property is larger than the household housing need and/or where the household could afford to find alternative suitable housing elsewhere.
15. The strategy proposes income and savings limits at which a household would be deemed to be able to find suitable affordable housing. The income limits are the gross income required to pay the median market rent

for a property in Harrow assuming that housing costs should not exceed 40% of net income (where net income is 70% of gross). These are:

Household size	Income Limit
1 bedroom property	£35,000
2 bedroom property	£45,000
3 bedroom property	£55,000
4 bedroom property	£70,000

The proposed savings limit is £16,000. The income limits would also be set out in the Allocation Policy and households earning above these limits would not be accepted as eligible for social housing in Harrow. This income would also be sufficient to enable purchase of shared ownership affordable housing (as an alternative to renting in the private rented sector).

16. The strategy also confirms the Council's approach to the new Affordable Rent model which requires housing associations to charge 80% market rents on new affordable housing schemes to compensate for a reduction in the level of capital grant subsidy. It accepts that it is necessary to allow housing associations to charge the higher rents to ensure that development of affordable housing continues in Harrow, this being a key objective. However, limits on the maximum rents to be charged are recommended depending on the size of the property and their local affordability taking into account the impact of welfare reform.

17. The draft strategy has been out to consultation since the 9 May 2012. It was discussed at a Voluntary Sector consultation meeting on the 10 May and a consultation questionnaire has been made available on the Council's website and invitations issued to relevant parties to comment. A summary of the interim consultation responses is attached at Appendix 2. The main points to note are:

- Responses have been received from a wide range of people living in different housing tenures
- Just over half of respondents think we should offer fixed term tenancies to most new tenants (apart from older people moving into sheltered accommodation) but there should be automatic renewal in some circumstances eg where the household has a member who is disabled, a severe learning disability or enduring mental health need (Option 2). Children's Services comment that the Council in its role as Corporate Parent should ensure that Careleavers are offered life time tenancies since it is highly unlikely they would not be renewed after 5 years. The uncertainty of a fixed term tenancy may increase vulnerability for this priority need group.
- 45% agree with the proposed income and savings cap, 25% do not and 30% were not sure.
- 66% support the approach to advice and assistance. Children's Services comment that if life time tenancies are not to be considered for Careleavers that advocacy services should be offered to support them during the tenancy review process.
- 69% agreed with the approach to the new Affordable Rents.

18. The Council's Tenancy Policy would follow the guidelines in the Tenancy Strategy but will also include the specific Reviews process to be followed with regard to the renewal of Council fixed term tenancies. It is also proposed to introduce Introductory and Probationary tenancies for Council tenancies alongside fixed term tenancies.

Housing Business Plan

19. An update on the Housing Business Plan is attached at Appendix 3. The self financing regime for the Housing Revenue Account (HRA) commenced on the 1st April 2012 and the HRA business plan model has now been updated to reflect the actual amount borrowed at the actual interest rate, rather than estimated figures and the actual outturn position for 2011/12 including the Major Repairs Reserve Fund.
20. Based on this modelling, the HRA is in a better position than previous projections suggested. Significant levels of balances are projected to accrue in the HRA and the capital investment programme is projected to be fully funded. Additional resources are available over the short-to-medium term to invest in improved service delivery, and proposals are being developed to utilise these resources and determine long term resource requirements.
21. A high level review of the investment options suggests that retention of the housing stock by the council under self financing remains the most beneficial option when compared with the other options that are currently available, such as whole or partial stock transfer. Should the revised transfer guidance due to be published in the near future introduce new delivery models or significantly improve the financial impact of transfer, this area will be revisited.
22. There are a number of areas still to be addressed in developing the detail of the 30 year Business Plan, such as the impact of welfare reform on rent collection, income strategies, and the resources and options available through the HRA in supporting the development of additional affordable housing and other initiatives.

Housing Allocation Scheme

23. A review of the current Allocation Policy has been underway for some time and there have been a number of consultation events over the past 2 years to discuss how it might be changed. The Localism Act has also introduced more flexibility for local authorities to decide who should get priority for social housing in their areas.
24. One of the main concerns highlighted through the consultation events has been the length of time that people have to wait for social housing and that for some people in the lowest priority need that there is an unreasonable expectation of being offered social housing. There is also concern that no consideration is given to applicants who are in employment or add value to their local community. Above all we must have fairness at the heart of our allocation scheme. The reports at Appendix 4 set out the direction of travel flowing from the consultation to date.

25. In order to achieve the goal of significantly shortening the waiting time for people who have a substantial need for social housing, the new allocations scheme will reduce the number of people the Council aims to house. To do this we will define much more narrowly the characteristics of those people whose needs could best be met by social housing. We also aim to lower the high expectations of the thousands of people who currently bid on Locata with no chance of ever being offered social housing (unless their circumstances change). The updates at Appendix 5 set out:
- the groups of applicants that could be considered for exclusion from the register, for example those with no or only short residence in Harrow.
 - the groups of applicants to whom we want to consider starting to give priority (low income working families, those who make a community contribution and ex-members of the armed forces)
 - the way in which we can provide targeted housing options advice for all applicants, even those who we do not allow to bid
 - the options for transition from the old scheme to the new scheme
 - the proposal to introduce financial limits for housing applicants. The limits proposed are the same as set out in the draft Tenancy Strategy (see para 15).
26. Further consultation will be progressed on the above before bringing the final revised Allocations Scheme to Cabinet for approval.

Homelessness Strategy

27. Homelessness in Harrow is on the increase, as a result of the economic situation and Housing Benefit changes for those living in the private rented sector. This is predicted to get worse once the impacts of further welfare reform take place. Since April 2011 the numbers of families the Council has to provide emergency accommodation for has increased significantly from a handful to around 75 families in June 2012. Given the small social housing stock in Harrow, we help the vast majority of people to find suitable accommodation in the private rented sector. Unfortunately the supply of such housing in Harrow is limited and unaffordable especially to larger families.
28. The Homelessness Strategy update at Appendix 5 sets out how we have been consulting on proposals that could make use of the flexibilities introduced in the Localism Act to formalise the option of private rented housing as a solution to homelessness rather than a presumption of an offer of social housing which has resulted in families waiting very many years, often feeling unsettled, before a social housing solution is given. This would also allow us to prioritise social housing to those with the greatest need rather than those who simply experienced a brief period of homelessness.
29. We have looked at the impact of the welfare benefit reforms on households who the Council has assisted to find private rented housing in Harrow in the last 3 years. Initial modelling suggests that a significant proportion would not be able to afford housing in Harrow. Given the

constraints on the availability of affordable private rented housing locally we have also been consulting on how we might help homeless applicants to move to other areas either in London or further away to find an economically realistic housing solution and what factors should be taken into consideration in deciding what is suitable accommodation.

30. The final shape of how this should be progressed will depend on the outcome of the government consultation referred to in paragraph 2 of this report.

Private Sector Housing Strategy Update

31. 90% of the housing in Harrow is in the private sector and we increasingly use the private rented sector to meet housing need especially at the lower end of the market. The Private Sector Housing Strategy update at Appendix 6 sets out our proposed priorities for working in partnership with private landlords to maintain and improve conditions in the private sector. The focus is on what we can do to assist and enable landlords and owners to achieve good standards recognising that it is usually neither desirable nor do we have the resources to increase enforcement activity.
32. The strategy will also consider the opportunities to increase the supply of private rented housing, this being key to meeting priority housing needs. As referred to in paragraph 11 we are exploring institutional investment in new vehicles for developing new private rented housing.
33. We want to continue to be proactive in bringing empty homes back into use and have a range of schemes offering grants to owners as well as taking action where necessary.

Legal comments

34. The Localism Act 2011, S.150 requires local housing authorities to prepare and publish a tenancy strategy setting out the matters to which the registered providers of social housing for its district are to have regard in formulating their tenancy policies. S.150 and associated sections namely the requirement to prepare and publish a tenancy strategy and to consult before adopting the policy came into force on 15 January 2012. The duty to have regard to the tenancy strategy when exercising housing management functions will come into force on 15 January 2013. The requirement to have regard to the Council's current tenancy strategy when formulating a homelessness strategy is not yet in force. However, the Act states that the Council must allow every private registered provider in its area the opportunity to comment and consult the Mayor of London.
35. The Council has a statutory duty to publish a housing strategy under the Local Government Act 2003 and a homelessness strategy under the Homelessness Act 2002. Once the relevant section of the Localism Act comes into force, there will be a new duty to have regard to the allocation scheme, tenancy strategy and London housing strategy when formulating or modifying the homelessness strategy.
36. It can be seen from the legislative requirements, that the statutory policies and strategies are very closely linked and when making decisions about

one, the Council should have regard to the others. For this reason and due to the significant changes being proposed in the Localism Act, it is reasonable to consult on all policies and strategies at the same time and for the Council to approve and publish them at the same time.

Equality duties

Section 149 of the Equalities Act 2010 created the public sector equality duty. Section 149 states:-

- (1) A public authority must, in the exercise of its functions, have due regard to the need to:
 - (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

37. When making policy decisions, the Council must take account of the equality duty and in particular any potential impact on protected groups. An Equality Impact Assessment ("EqIA") has been completed in relation to the Tenancy Strategy and has helped inform its development. The EqIA was published for consultation alongside the Tenancy Strategy and comments have been taken into account in formulating the final document. The same approach will be adopted as the other Housing Changes strategies and policies are finalised and published for consultation.

Financial Implications

38. The thrust of the Housing Changes Review is to make the most effective use of our existing social housing stock as well as the private rented sector, increase new housing supply and other housing options that ultimately will assist in mitigating General Fund revenue pressures relating to the predicted rising costs of homelessness.
39. The development of the Housing Business Plan and the key financial issues to be addressed are set out in the update report attached at Appendix 4. The benefits of HRA reform will need to be maximised to support the development of options that will contribute to tackling homelessness.
40. The introduction of fixed term tenancies for Harrow Council stock may have resource implications in terms of staff resources and training to undertake tenancy reviews. However these are anticipated to be cost neutral in terms of the additional lettings generated and no additional resource is budgeted for at this time.

Performance Issues

41. There are a number of Performance Indicators within the Housing Scorecard relating to the issues arising from the Housing Changes Review in respect of housing demand and supply. It is intended that the introduction of new and revised policies will positively impact on performance in the long term, for example by minimising increases in the numbers of homeless families in Bed and Breakfast.
- 42 However current performance set out below reflects the pressures from rising homelessness and the difficulties in finding suitable private rented housing. These difficulties are projected to continue and will impact on future performance.
- 43 Whilst current supply of affordable housing shows good performance, future supply can only be maintained by continuing to explore a range of new supply models. Targets for future years will be significantly lower based on the Housing Capacity targets agreed for Harrow (350 new per homes per annum with a 40% policy affordable housing target = 140 new affordable homes per annum).
- 44 After the new strategies and policies are completed we will develop a new set of performance indicators to ensure we are able to monitor the ongoing impact of welfare reform and of the agreed policy changes in mitigating them.

Performance Indicator	Q4 2011/12 Performance	Q4 target	Red Amber Green
Total number accepted as homeless and in priority need	110	60	Red
Average number of households in B&B	60	15 (revised to 67 in year)	Red (against original target)
No of households living in Temporary Accommodation	400	420	Green
Number of households we assist with housing in the private rented sector	256	250	Green
Deliver 200 lettings through Help2Let	163	200	Red
Reduce underoccupiers in social housing	33	39	Red
Number of affordable homes delivered (gross)	408	285	Green
Empty private dwellings returned to use	271	200	Green

Environmental Impact

42. The outcomes from completion of the Housing Review will have a positive impact and contribute to the Council's Climate Change Strategy and Delivering Warmer Homes strategy through:

- Improving energy efficiency and reducing CO2 in all housing tenures.
- New affordable homes in London being required to achieve a minimum of level 4 of the Sustainable Building Code.
- Other environmental improvements often included in new affordable housing developments or retrofitting of existing social housing include: provision of green roofs, solar thermal hot water systems to meet the target for use of renewable resources and resulting reduction in CO2 emissions, improved biodiversity as a result of increased tree planting and landscaped communal open spaces, provision of Sustainable Urban Drainage Systems, and green travel plans to encourage use of public transport and walking.

Risk Management Implications

Risk included on Directorate risk register? Yes

Separate risk register in place? No

43. The key risk continues to be completion of the strategies/policies within agreed timescales. Timescales have already had to be revised to take account of government consultations which have themselves been delayed. It is also still possible that further guidance or regulations will be issued which will impact on the timetable. The delegations already granted to finalise the detail of the policies submitted for consultation, will allow any further regulation to be taken into account during this process. The Localism Act requires that certain policies are complete within 12 months of enactment and relevant sections coming into force and the anticipated longstop date for policy compliance is January 2013. It is anticipated that the Harrow strategies will be completed before this date and they are scheduled to be reported for approval by Cabinet in December 2012.

Equalities implications

44. An overarching equalities impact assessment was published for the Housing Changes Review with the intention to publish individual assessments for each strategy/policy at the point of consultation and this approach has been followed for the Tenancy Strategy.

45. The Tenancy Strategy EqIA concluded on a range of actions to remove the identified adverse impacts and better promote equality. For example the strategy proposes options to ensure that fixed term tenancies do not adversely impact on the health and well being of households that include someone with a disability. Through the consultation process an amendment has been suggested with regard to Careleavers to ensure that the introduction of fixed term tenancies does not lead to an increased

vulnerability for this priority group and the EqIA will be amended to reflect this.

Corporate Priorities

46. This report incorporates the following corporate priorities by involving residents in determining future housing policies and strategies that support people in priority housing need:

- United and involved communities: A Council that listens and leads.
- Supporting and protecting people who are most in need.

Section 3 - Statutory Officer Clearance

Name: Roger Hampson	<input checked="" type="checkbox"/>	on behalf of the Chief Financial Officer
Date: 25 June 2012		
Name: Paresh Mehta	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: 22 June 2012		

Section 4 – Performance Officer Clearance

Name: Martin Randall	<input checked="" type="checkbox"/>	on behalf of the Divisional Director Partnership, Development and Performance
Date: 15 June 2012		

Section 5 – Environmental Impact Officer Clearance

Name: John Edwards	<input checked="" type="checkbox"/>	Divisional Director (Environmental Services)
Date: 22 June 2012		

Section 6 - Contact Details and Background Papers

Contact: Alison Pegg/Jane Fernley, Housing Partnerships and Strategy Manager, Tel 020 8424 1933 or email:

Alison.pegg@harrow.gov or jane.fernley@harrow.gov.uk

Background Papers: Housing Changes Cabinet report and associated appendices 15 December 2011, Housing Evidence Base, Draft Tenancy Strategy

**Call-In Waived by the
Chairman of Overview
and Scrutiny
Committee**

NOT APPLICABLE

[Call-in applies]