

HOUSING BILL WILL CUT THE NUMBER OF NEW HOMES BUILT

The Government should be proud of its record that council house building is at a 23 year high. The Housing and Planning Bill threatens to reverse this record and will prevent local authorities from playing their part in delivering the new homes that the country needs. We therefore urge you to support amendments that maintain the objectives of the Bill but will enable councils to carry on building.

Depletion of Council Housing Stock

Under the Bill, local authorities and ALMOs will be forced to sell off their high value homes when they become vacant to fund housing association homes that have been sold under the extension of Right to Buy. This means that local authorities will lose both valuable assets and capital receipts denying them the ability to re-invest in new homes in their area.

As the payment will be made on a formula basis which will not necessarily reflect the actual level of high value voids or sales in any one year, local authorities may have to find other ways to make the payment to the Government including taking on extra borrowing.

Councils already have to cover the costs of the discounts given to their own tenants exercising the Right to Buy from their own resources and in some cases still have to pay any remaining capital receipt over to the Treasury rather than be able to use it to re-invest in housing locally.

With 1.4 million households already on council house waiting lists, councils are being placed in a very difficult position to provide housing in their own local communities.

The NFA proposes an amendment that would see local authorities retaining local decision making powers over what gets sold and when and to keep 100% of the capital receipts to re-invest in new housing.

The NFA is also proposing an amendment to ensure that no more than a third of all the council houses in any one area are sold.

About the NFA

The National Federation of ALMOs (NFA) is the trade body which represents all housing Arms' Length Management Organisations (ALMOs) across England. There are currently 39 ALMOs, including 9 in London, which manage around 542,808 council properties across 42 local authorities. Over the last 4 years ALMOs have built 2,000 new homes and were scheduled to deliver at least a further 9,000 for their parent councils over the next five years.

'Pay to Stay'

The NFA believes that the proposed thresholds of £30,000 outside London and £40,000 inside London **are too low and will not take account of household need and local incomes.**

We believe that the threshold should be set at £74,000 in London and £60,000 elsewhere which is in line with the current maximum household income for access to Government funded affordable home ownership schemes, such as First Buy.

'Pay to Stay'

It is also completely iniquitous that any **extra rent generated by this policy will have to be paid over to central government whereas Housing Associations will be able to retain the additional income.**

At a time when ALMOs and councils are already losing income from rent cuts and receipts from the sale of high value homes, this further erodes their ability to self-finance their housing work. We argue that ALMOs should also retain the extra income generated.

The NFA supports an amendment to delete Clause 79 requiring payment by local authorities of increased income generated by 'Pay to Stay' to the Secretary of State.

The Bill also gives providers of social housing the power to require income information from tenants and the power for HMRC to disclose income information to "a registered provider of social housing." The NFA is concerned that the wording of this legislation excludes the vast majority of ALMOs who are not Registered Providers unlike their parent councils and Housing Associations. Our members will need to be covered by these provisions if they are going to be able to implement the policy on the ground on behalf of their parent councils. **An amendment suggested by the NFA would address this.**

Thousands of Homes Will Now Be Lost Says OBR

The measures announced in the Housing and Planning Bill come at a time when the council housing sector faces a number of challenges to meet the housing supply crisis that faces people looking for a home.

In England, council house building starts are **at a 23 year high**. The Government introduced a new regime of HRA self-financing in 2012 in which councils won the right to keep rental income in full and invest it locally. **The result has seen a surge in council house building with 6,340 new local authority homes being built in England since April 2010.**

This renaissance in council house building is now likely to end as the measures in the Housing Bill combined with the 1% cut in social rents from 2016/17 to 2019/20, set out in the Welfare Reform and Work Bill will have a significant impact on councils' ability to fulfil their plans for new build. In total, **councils will suffer an income loss of £2.4 billion by 2020**. That means that the planned building of thousands of new homes will not now go-ahead.

The Office for Budget Responsibility has said that rent reductions will mean that over the forecast period around **14,000 fewer 'affordable homes' will be built.**

On previous income expectations, ALMOs had plans to build at least 9,000 homes for their councils over the course of the next five years. Early indications suggest that these will now be cut to a handful of new starts. The rent cuts are particularly problematic in the council housing sector as our members have already made efficiency savings and tailored capital investment programmes to fit a reduced projected income stream due to the stopping of the rent restructuring policy early and the change from using RPI in the social rent formula to using the lower CPI figure.

ALMOs have demonstrated that they are cost effective housing managers and are efficient providers of new homes, they should be enabled to use their resources and invest in new homes.

The NFA calls on the Government to uphold the principle of self-financing and make changes to the Housing Bill which will enable ALMOs and councils to build the new affordable homes that are desperately needed.

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