APPENDIX A

2017-20 Budget and Financial Plan Process
Housing Revenue Account: Welfare Reform and Legislative Impact

Welfare Reform and Work Act 2016

This is a complex piece of legislation, and contains a number of clauses which will impact on the HRA, relating mainly to welfare benefits and social housing rents:

Welfare Reforms
The main measures are:

- Working-age benefits, including tax credits and Local Housing Allowance, will be frozen for four years from 2016/17;
- The household benefit cap will be reduced to £20,000 outside London;
- Support through Child Tax Credit will be limited to two children for children born from April 2017;
- Those aged 18 to 21 on Universal Credit will have to apply for an apprenticeship or traineeship, gain work-based skills, or go on a work placement six months after the start of their claim;
- There will be reductions to tax credits for people on low incomes.

The Government had originally also announced that the “caps” on Housing Benefit that apply in the private sector in relation to Local Housing Allowance (LHA) will also apply to new Council housing tenants from April 2018 onwards. This was to affect any tenants who took on a new tenancy from April 2016 onwards but was not due to commence until April 2018. However, in a statement released on 21 November 2016 the Government announced that this deadline would be pushed back to April 2019 for all tenants, including Supported Accommodation tenants, who had been subject to an exemption, but that potentially the requirement will apply to everybody on Universal Credit at that point, not just new tenancies.

For Supported and Sheltered Accommodation tenants 2019-20 the proposal from Government is that rent and core service charges will be covered by Housing Benefit or Universal Credit up to the LHA rates, with any additional support costs being subject to a ring-fenced grant allocation, similar to Discretionary Housing Payments (DHP), which the Authority will have to administer for all Supported Housing providers across the Borough.

It is easy to see that the above type of measures have the potential to place tenants in financial difficulty, particularly when considering that the LHA rate for under 35s is £60 per week in this area in the private sector i.e. a shared room rate.

All of the HRA current rents are above this level so the impact will be significant for tenants especially for those with additional service charges for furniture packs, or sheltered tenants paying communal charges etc.

From April 2016 the Act required all stock-owning authorities to reduce their social housing rents by 1% in real terms for a 4 year period. An exemption to this was initially allowed for Supported housing schemes, Sheltered Accommodation and PFI schemes but the Government now intends to remove that exemption from April 2017. Cabinet had already decided to apply the 1% reduction to all property types.

Housing and Planning Act 2016

The Act became law early in 2016 and contained the following key proposals although much of the detail is still being determined. Further reports will be brought to Cabinet when appropriate.

- Extension of Right to Buy (RTB) to housing association tenants;
- The sale of "vacant" high value council homes;
- An obligation for tenants on higher incomes to pay higher rents.

Below is an update of what is known about the current Government position on these issues:-

- **RTB** –The Government intends to finance the extension of RTB by the introduction of a "levy" on Local Authorities via the Sale of High Value Assets policy (HVA). The Department of Communities and Local Government (DCLG) had provided little detail around the development of this policy and the Regulations necessary for its implementation, possibly as a result of the Brexit decision.
  However, in the Chancellor's Autumn Statement on 23 November 2016 it was announced that:-
  "The government will fund a large-scale regional pilot of the Right to Buy for housing association tenants. Over 3,000 tenants will be able to buy their own home with RTB discounts under the pilot." It therefore appears that the policy is not being scrapped but merely delayed whilst the government give the Regulations required for its implementation more thought. The documentation supporting the Autumn Statement confirmed that the government would fund the extended regional pilot for a period up to 5 years, and would not be seeking HVA payments from Local Authorities in 2017/18, which gives a small period of respite.

- **Sale of Higher Value Council Assets (HVA)** - There will be a duty placed on authorities to consider selling higher value vacant social housing and passing the proceeds net of the debt and an administration fee to the Treasury, in order to fund the discounts for the extension of RTB discussed above. The details regarding this policy and any timetable for implementation have still not been issued yet. However, shortly after the Autumn Statement on 25 November the Housing Minister issued a further statement declaring that government would not be seeking any HVA payments from Local Authorities during 2017/18. He also stated however that it should not be assumed that this policy would not be pursued, as it was a clear part of the government's manifesto commitment. Further to that statement the Authority has received a request to provide updated stock data to the government, which will form part of the calculations to determine any "levy" that would be required if and when the policy comes into force. Cabinet will be kept informed of any developments.

- **High Income Social Tenants (HIST)** – This policy introduces a requirement for local authorities outside London to charge tenant households earning over £31,000 a year an increased rent closer to market rent using a taper of 15p additional rent per year for every pound earned above the threshold up to market rent, and to give the additional money to the Treasury. The policy is referred to as "Pay to Stay". Authorities would be required to put robust systems in place to calculate market rents for all properties, as well as to collect, analyse and manipulate all income data in order to calculate increased rents for all properties affected and to deal with appeals. DCLG had consistently taken the line that this policy would be implemented from April 2017. However, in a significant change in government policy announced in a statement by the Housing Minister on 21 November 2016, it was announced that the Pay to Stay policy will be voluntary for local authorities the same as was previously proposed just for Housing Associations. As the government are no longer enacting any Regulations as provided for in the Housing and Planning Act, it means the scheme would remain based on earnings of over £60k per annum, which is the existing voluntary scheme, which has not been implemented as yet by one single local authority. The Government has also stated that it still intends to ensure that social housing is provided for those most in need, so we may well see other measures introduced to target those on higher incomes. For instance, government also announced that fixed-term tenancies will become mandatory, with prescribed reviews which will include an element of financial assessment, so this may well be one way of trying to identify any higher income tenants.