



City of Westminster

Housing, Finance and Corporate Services Policy and Scrutiny Committee

Date:	6 January 2016
Classification:	General Release
Title:	Housing Policy Developments: 1% social rent reduction and Pay to Stay
Report of:	Barbara Brownlee – Director of Housing and Regeneration Julia Corkey – Director of Policy, Performance and Communications
Cabinet Member Portfolio	Cabinet Member for Housing, Regeneration, Business and Economic Development
Wards Involved:	All
Policy Context:	Housing, growth and prosperity, City for All
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1 Executive Summary

- 1.1 This item outlines the Government's current proposals on the 1% social rent reduction and the introduction of a mandatory Pay to Stay scheme, considers the potential impacts of these proposals for Westminster and sets out the Council's response so far.

- 1.2 This report follows a presentation to the Housing, Finance and Corporate Services Policy and Scrutiny Committee about the changes in the Housing and Planning and Welfare Reform and Work Bills in September 2015, who agreed that a Housing Task Group would be established to scrutinise the specific changes, and the Council's response, in more detail. This report supports that recommendation. However, due to the cancellation of the first Task Group meeting, this has now been submitted to the Policy and Scrutiny Committee.

2 Key Matters for the Committee's Consideration

- 2.1 Members are asked to:

- Note the proposals as they currently stand
- Scrutinise Westminster Council's response to date
- Provide guidance on any further lobbying activity or mitigation actions, in light of the level of detail we currently have about the respective policies.

3 Summary: 1% Social Rent Reduction

- 3.1 Based on current assumptions and projections, Westminster's HRA is viable and supports the proposed investment plans. However, since last year's business plan was approved, the Government has announced a number of policy changes that will have wide-ranging impacts on the Council's ability to fund its planned programmes.
- 3.1 The most significant is a reduction in social housing rents by 1% per annum over the next four years (which will be implemented through the Welfare Reform and Work Bill). This will reduce HRA rent income by £32 million in cash terms over the first four years of the plan. The effect on the 30-year business plan is an anticipated NPV loss of investment capacity of £237 million.
- 3.2 This reduction in HRA income, both actual and anticipated, has led to an initial review of priorities within the HRA investment strategy. Key initiatives and existing commitments to residents have been protected, including: investment to protect residents' health and wellbeing such as fire precautions, adaptations and measures to address condensation in council housing stock; investment schemes that are already well into the planning stage and on which residents have been consulted; and the housing renewal programme schemes. Appendix 3 sets out further detail about the potential impacts of these proposals in Westminster and the Council's response so far.

4 Summary: Pay to Stay

- 4.1 The Government announced in July their intention to make what is currently a discretionary policy which enables social landlords to charge tenants with incomes over £60k market or near market rent compulsory for social housing tenants. Housing associations would be able to retain the additional income raised to fund new housing; local authorities would have to pay any estimated additional income raised through increased rents to the Exchequer. In December 2015, it was announced that the scheme would remain discretionary for housing associations.

4.2 To date, the Government has published limited information about how the scheme will operate in practice - the Bill provides high level principles for its introduction and the technical consultation provides some further insight into the options being considered for implementation. Therefore, there are a number of ways in which the policy could be introduced which would have differing impacts and administrative costs associated with them. See Appendices 4 and 5 for more detail on the potential impacts on Westminster and our response so far.

If you have any queries about this Report or wish to inspect any of the Background Papers please contact Sarah Monaghan (0207 641 2286/smonaghan@westminster.gov.uk)

APPENDICES:

Appendix 1 – Overview of the Welfare Reform and Work Bill and Housing and Planning Bill

Appendix 2 – Written evidence to the Housing and Planning Bill Committee

Appendix 3 – Background Report: 1% social rent reduction

Appendix 4 – Background Report: Pay to Stay

Appendix 5 – Pay to Stay Consultation Response