

Briefing Paper

The Queen's Speech 2014 – Implications for Housing & Local Government

June 2014

Introduction

The 2014 Queen's Speech, that sets out the government's legislative programme until the next general election in May 2015 was made on 4th June 2014. In advance of the speech the government made it known that it would be 'unashamedly pro-work and pro-business'. Ministers said that changes to annuities and the funding of workplace pensions would show the coalition's continuing 'boldness' as would proposals to 'recall' failed MPs. A total of eleven bills and three draft bills were laid out by the monarch.

The Queen stated that the government would continue to focus on cutting the public sector deficit, with both a total cap on benefit spending and an updated charter for budget responsibility being introduced to parliament. The charter is expected to commit the next government to run a surplus by the end of the next Parliament in 2020.

Ministers said the measures would mark a 'significant step' in helping to embed the economic recovery and in promoting work, enterprise and opportunity. They also refuted opposition claims that the coalition has run out of steam and that the months leading up to the election will be dominated by wrangling and attempts by the coalition partners to put distance between themselves.

The purpose of this briefing paper is to summarise the Queen's Speech and to highlight the main implications for Housing and Local Government.

The principal measures are:

- An Infrastructure Bill that will reduce the obligations on developers to provide affordable housing through section 106 agreements; and reduce the environmental obligations on developers.
- Reforms to speed up infrastructure projects, including new freedoms for the Highways Agency and allowing fracking firms to run shale gas pipelines on private land without getting prior permission. This proposal had generated opposition even before the Queen's speech was made with protestors surrounding David Cameron's house in Oxfordshire.
- A bill implementing reforms to annuities announced in March's Budget. In future, people will not be required to buy an annuity with their pension savings and will be able to draw their retirement income as a lump sum if they choose.
- A separate bill to allow employees to pay into collective pension funds shared with other workers, a move it is hoped will cut costs and encourage saving.
- A new state-funded childcare subsidy worth up to £2,000 a year, replacing the existing employer-funded scheme.
- Extra legal protection for people carrying out good deeds, volunteering or planning local events who end up being involved in liability claims.

- Restrictions on public sector employees claiming redundancy and then taking a job within the same sector.
- Plans for a 5p charge for plastic bags in England as proposed at the 2013 Liberal Democrat conference. This policy is already in place in Wales.
- New criminal sentences for those assisting organised crime syndicates and tougher powers to seize the assets of crime bosses.
- Help for pub landlords including a statutory code and a body to adjudicate disputes.
- Giving voters the ability to trigger by-elections where MPs have committed serious wrong-doing.

In advance of the Queen's Speech the Prime Minister and his deputy made a joint statement in which they said that the emphasis of the programme would be helping those 'who want to get on in life' and added:

"We may be two parties, with two different philosophies but we understand one thing... Countries rise when their people rise. So this Queen's Speech is unashamedly pro-work, pro-business and pro-aspiration."

They also said that the legislative programme was testament to the coalition's longevity and the fact it was still capable of 'taking bold steps'. They said that the pension changes would provide 'freedom and security in retirement', suggesting they would prove every bit as radical as reforms to schools and welfare since 2010 in terms of empowering people.

With Parliament taking a six-week summer recess from July and rising for a further five weeks for the party conference season in September, parliamentary time available to agree new legislation will be limited. In addition, six bills - including one authorising the building of a new high-speed rail line between London and the West Midlands - are being carried over from the last session.

Infrastructure Bill and Section 106

The 'imposition' of section 106 will be 'scaled back' on small-scale developments as part of the Infrastructure Bill. Section 106 is currently being consulted on by the government and it has previously been suggested there would be a ten unit threshold before section 106 would be introduced on developments. However, a spokesperson for Communities & Local Government said the department would not give any detail about the size of developments which were to be defined as 'small-scale' and that more information would be released later this year.

The Chartered Institute of Housing has previously warned the move would lead to fewer affordable homes being built in rural areas. In their submission to Communities & Local Government they stated that:

"We are very concerned about the proposal to remove the ability to impose Affordable Housing Requirements for small sites of less than ten units. The paper says that the government considers that they make schemes 'undeliverable', but presents no evidence for this. Indeed, as far as we are aware there is no systematic assessment of small sites and factors which make their development unviable, including from the academic research cited in the introductory paragraph. Furthermore, insofar as developers are claiming this is the case, it seems very likely that these views reflect earlier difficulties in the market rather than the current, more buoyant market."

“We are surprised that there appears to be no impact assessment of the proposal, particularly of its likely impact on delivery of the Affordable Homes Programme and a potential shift in delivery towards (urban) areas where larger sites are more readily available. While the exemption for Rural Exception Sites would be welcome, this does not address the issue of small village extensions that are not exception sites and where there are very limited opportunities to provide land for affordable housing. The government should not be under the impression that exempting exception sites is a sufficient response, since most village developments do not involve the use of exception sites and this is a much more difficult route to achieving local affordable housing provision (which is presumably why it was given its title). We understand that about two-thirds of affordable housing in communities of less than 3,000 population is through section 106 sites of ten units or less.

“The government should in any case be working to increase, not reduce, the potential for affordable housing in rural areas given the severe shortage of it in most regions, the loss of rented stock through right to buy and the widening use of private stock as second homes. The proposal also strengthens the shift in affordable housing delivery to larger sites and unmixed developments, both of which mean that opportunities for well-integrated smaller schemes (both rural and urban) can get ignored.

“In terms of current local planning policies, the proposal undermines work which many local planning authorities have done to promote the sustainability of rural settlements by removing their ability to require affordable housing on many allocated sites in rural villages, where viability studies will have shown them to be feasible. New homes for market sale will not be available for local people on low incomes, forcing them to move. Such a switch would also run contrary to the National Planning Policy Framework that requires a plan-led approach to development in rural areas.

“Section 106 has in the recent past (2010/11) facilitated more than half of total affordable housing provision, and even now nil-grant section 106 schemes provide almost 5,000 units per year. The mechanism is vital as grant through the Homes & Communities Agency reduces and more reliance has to be placed on nil-grant schemes. In addition, Local Planning Authorities often provide capital subsidy for Rural Exception Sites using commuted sums drawn from small developments, which would end if the policy change were to be made.”

In May 2014, Action with Communities in Rural England warned that the proposal would lead to even fewer affordable homes being built in the countryside.

Infrastructure Bill and the Environment

The Infrastructure Bill will exempt all small housing developments from new green standards and allow builders to pay their way out of full obligations.

The government has effectively abandoned a pledge to make all new homes ‘zero-carbon’ by 2016, as new legislation would not apply to housing built in small developments and companies would be allowed to buy exemptions from new green standards. Ministers have repeatedly watered down the goal of making sure all new housing does not create any carbon emissions and the new infrastructure bill would reduce the obligations of developers in an effort to encourage the construction of more homes.

The bill will exempt all small housing developments from the new green standards and allow builders to pay their way out of their full obligations. Where the developer chooses not to go 'zero-carbon', they can build a home with emissions 44% lower than 2006 levels and make up for this by contributing to alternative green schemes at a rate of between £38 and £90 per tonne of carbon to be saved. Liberal Democrat sources said the party was pushing for developers to have to pay at the highest end of this scale.

Brian Berry, Chief Executive of the Federation of Master Builders, welcomed the proposals and told 'Inside Housing' that:

"The legislative programme for the final year of this parliament shows that the coalition is far from a so-called 'zombie government'. The small developers' exemption from zero carbon homes regulations will help Small and Medium Enterprise house builders plug the gap in the supply of new homes. The government clearly recognises that the cost implications for smaller developments are much higher than previously estimated and now accepts that it is not sensible to impose the same regulatory burden on Small and Medium Enterprise house builders when at the same time urging them to build more new homes."

Paul King, Chief Executive of the United Kingdom Green Building Council, told 'Inside Housing' that:

"The coalition will laud their green credentials by claiming to have delivered on the promise for all new homes to be zero carbon from 2016. This has undoubtedly been hard-won by the Liberal Democrats, but unfortunately they are at risk of snatching defeat from the jaws of victory by letting small developments – a large chunk of the house building market - off the hook. Zero carbon homes save a fortune for households in energy costs and are better for the environment."

"However, the policy of allowing developers to pay into a fund to offset emissions they cannot reduce is a sound idea in principle, despite its lukewarm reception... If implemented properly, this could lead to investment in local, community energy schemes and drive innovation in clean technology. On the other hand, a weak scheme, that generates little investment that has no connection to the house building which is taking place, would be a deeply disappointing outcome."

Infrastructure Bill: Other Provisions

The bill will also introduce a £15million repayable fund to support up to 10,000 new service plots for custom-build homes and a £525million builders' finance fund to support small house builders deliver up to 15,000 further homes on small sites.

The government will consult on 'how to implement a new right to build to give custom builders the right to land in their local area'.

The bill has a section on garden cities which said in the next session the government will introduce secondary legislation to allow for a locally supported development in Ebbsfleet and 'two further programmes to provide infrastructure support for large-scale, locally supported schemes.'

It also includes amending secondary legislation to make it easier for empty and redundant buildings to be converted into 'productive use, supporting brownfield regeneration and increase the supply of new homes'.

The Homes and Communities Agency will be able to assume control of land directly from other government quangos. The bill will include reforms to quicken the sale of government land for development, with measures to allow assets to be transferred directly from arms-length public bodies to the Homes and Communities Agency in an attempt to reduce bureaucracy.

The Bill will move the Highways Agency towards full Government ownership, with Passenger Focus and the Office of Rail Regulation to represent the interests of road users and to monitor performance.

The Infrastructure Bill will apply largely to England.

Housing and Planning

A spokesman for the Department for Communities and Local Government said:

"Everyone needs the security and stability of a decent, affordable home, and more people who aspire to own their own home should have the opportunity to do so. That's why the Government, through its long-term economic plan, is getting Britain building again, fixing the broken housing market left by the last Administration and helping hardworking people get what they want."

When councils grant planning permission, they usually do so with conditions attached such as building flood defences, landscaping or including affordable homes. However, house builders claim that councils are delaying tens of thousands of new homes by failing to sign off the conditions. New legislation will mean that planning applications will be automatically approved if councils 'fail to discharge a condition in time'. Planning experts have described the move as a 'nuclear' option.

The Government is set to press ahead with its controversial plans to transfer statutory responsibility for the local land charges register and delivery of local land charges searches from local authorities to the Land Registry. The Government claimed that transferring statutory responsibility for the local land charges registry to the Land Registry would support 'the delivery of digital services'. It added that the Registry's powers would also be extended to enable it to provide information and register services relating to land and other property.

The proposal has previously provoked a hostile reaction from the Society of Local Authority Chief Executives, the Local Land Charges Institute and the Association of Independent Personal Search Agents. The Society of Local Authority Chief Executives warned in March 2014 that the plans presented 'substantial risks'. Graeme McDonald, Director, wrote:

"While improvements in a minority of locations can be made, the centralisation of land charges would place an over-reliance on a single, fragile system with considerable associated costs. It also seems unlikely that a more distant, centralised approach would spur innovation or ensure a more responsive service."

Small Business, Enterprise and Employment Bill

It was confirmed that legislation would be brought forward to limit what the government called 'the revolving door of big redundancy pay-outs for highly paid public servants'. As part of the Small Business, Enterprise and Employment Bill, ministers will be able to reclaim some redundancy payments from public sector employees if they return to work in the same part of the public sector, such as the National Health Service, within a year. Part of this Bill will also introduce new protections for workers with controversial zero-hour employment contracts, including ending restrictions on working for more than one employer. The bill will apply to England, Scotland and Wales.

Recall Bill and Democratic Issues

The government will introduce a 'Recall Bill' to empower citizens to remove an MP part way through their term of office if their performance is considered inadequate. This was suggested during the 2010 election campaign. Under the proposed legislation, a recall will only be triggered if MPs are given jail sentences of less than twelve months or if the House of Commons resolves that they have engaged in 'serious wrongdoing'. Voters would then have to collect the signatures of 10% of constituents to force a by-election.

Conservative backbencher Zac Goldsmith MP, who has been campaigning for tougher recall powers, said the proposed bill was 'worse than meaningless' because a committee of MPs would still have the final say. He said it would be 'a waste of Parliament's time' unless it can be amended.

It is possible that there will be directly elected members of National Park Authorities. The government also intends to start the renegotiation of the terms of the United Kingdom's membership of the European Union.

Pensions

People aged over 54 with defined contribution pensions will be able to withdraw their savings as they wish, subject to marginal rates of income tax and scheme rules. No-one will be required to buy a guaranteed lifetime annuity with their pension pot and all other existing restrictions on accessing entitlements will be lifted. New measures will be introduced to prevent exploitation for tax purposes.

New 'defined ambition' collective pension schemes based on a Dutch model will be launched as an alternative to other existing options. This would allow thousands of people to pay into the same scheme and share the risk. All those approaching retirement who have defined contribution pensions will be entitled to guidance. Pending the outcome of a consultation, the government will have the power to ban people transferring out of private and unfunded public defined benefit schemes. Some critics consider this to be risky. However, Steve Webb, the Pension Minister, told the Sunday Telegraph that collective pensions gave 'people greater certainty and probably better value', possibly by up to 30%.

Campaigners have welcomed more innovation in pension provision but warned that the changes are not risk-free and said employees and employers must be helped to make informed choices.

Heroism Bill

A Heroism Bill is expected protect people from unfair negligence claims when they were simply trying to help. Judges would in future decide whether someone should really be liable for an accident when they were doing something for the benefit of society, acting in a generally responsible way or acting in an emergency. Chris Grayling, the justice secretary, said he did not want a society where people felt they could not do the right thing for fear of becoming liable if something goes wrong or where a responsible employer gets the blame for someone doing something stupid.

Scotland and Wales

Other measures set out include continuing legislation to give new fiscal powers to the Scottish Parliament ahead of the independence referendum in September 2014 and the introduction of new borrowing powers for the Welsh Assembly.

United Kingdom Stamp Duty Land Tax and Landfill tax will no longer apply in Scotland, and the Scottish Parliament will introduce new Scottish taxes to replace them. Scottish ministers will also have enhanced borrowing powers and access to a cash reserve to manage revenues from the two taxes. From April 2016, the Scottish Parliament will also set a Scottish rate of income tax, through which it will have the flexibility to raise additional funds.

There will be a Wales Bill that will:

- Devolve stamp duty land tax and landfill tax to Wales, enabling the Assembly to replace them with new taxes specific to Wales
- Allow further taxes to be devolved, with the agreement of Parliament and the Assembly
- Provide for a referendum in Wales on whether an element of income tax should be devolved
- Allow the Assembly, subject to a vote in favour in a referendum, to set a Welsh rate for the purpose of calculating the rates of income tax to be paid by Welsh taxpayers
- Grant new powers for Welsh ministers to borrow to fund capital expenditure, and extends the circumstances in which they can borrow in the short term to manage fluctuations in tax revenues
- Give the Assembly the power to decide the procedure for scrutinising and authorising the Welsh government's tax and spending plans

Reactions in Local Government

Jonathan Carr-West of the Local Government Information Unit commented as follows:

"Two weeks after the local elections we might reflect that there is little in the next year which fundamentally changes local government. In fact, the current fiscal regime and devolutionary measures all occurred in the first years of the Coalition – local government has effectively been set to task from the start. Yet gone are the days when a speech from the Throne would entail a check-list of measures which councils would have to incorporate. Policy officers across the country will welcome the clear, if constrained steer the Government has provided."

"The Local Government Information Unit has some concern over the proposed changes to allow developers effectively to bypass the local democratic planning system if a decision has not been given in time. The Government assumes that the blockage in development lies at the hands of local authority planners – after many years of land banking on the part of developers."

"The government has announced that it will stop public sector employees from keeping redundancy payments when returning to the public sector. A popular move but could this have implications for the freedom of councils to employ, and fire, who they want to?"

"Free school meals will also be a project which councils will need to watch in development – the provision of kitchens and the relationship between school meals and the pupil premium will need to be worked out to give councils a clear idea of what their own spending commitment is likely to be."

"The question for local government to ask is what will the Queen be announcing in a year's time – will we see an administration of whichever political hue usher in another period of radical change? Or will the next Government send out the message 'steady as she goes', with a continued dribbling down of difficult funding settlements with no bargain to devolve real power?"

Developments in Local Authority Housing Finance

Our seminar and workshop 'Developments in Local Authority Housing Finance' in London on 8th July 2014 will include reference to the financial implications of the Queen's speech. Details follow.

Conclusions

Most commentators are agreed that this Queen's speech has presented a very light legislative programme for 2014/15. However, this is usual in the last year of a Parliament.

The Infrastructure Bill appears to be significant for housing with the government attempting to increase house building by reducing the obligations that the law places on developers especially with regard to planning conditions, the provision of affordable housing and environmental targets. This will probably be of concern to those in the affordable housing sector. The Chartered Institute of Housing has already expressed reservations.

There are plans for increased devolution in Scotland and Wales.

Other measures include the ending of redundancy payments to certain public employees and the introduction of a limited power for voters to 'recall' members of Parliament.

Perhaps the 2014 Queen's speech could be seen as a missed opportunity to address important issues in housing and local government such as the lack of affordable housing, the crisis in adult social care and the 'democratic deficit'.

Adrian Waite
June 2014

Developments in Local Authority Housing Finance in England 2014

July 2014

We are holding a seminar and workshop on 'Developments in Local Authority Housing Finance in England' in London on 8th July 2014. This seminar is designed to look in depth at current developments in local authority housing finance in England – especially the implications of the recession, austerity, self-financing and the welfare reforms.

If you want to be up to date with the world of local authority housing finance, this is the seminar and workshop for you!

The seminar and workshop will address the following questions:

- What is the Political, Economic, Social and Technical Context of Local Authority Housing?
- How can we develop effective self-financed business plans in the light of government reforms to rents, right to buy and welfare; and changing approaches to the ring-fence?
- How can we invest in existing and new housing in the light of the 'borrowing cap' and the conditions for social housing grant?
- What can the Strategic housing services achieve?
- How can we get 'value for money' and excellent customer service?

The day also includes a Participatory Case Study – Budgeting and Business Planning for a Local Authority Housing Revenue Account.

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We believe in quality rather than quantity and so numbers at each session are limited to twenty people to permit the maximum possible interaction and participation.

Who should attend?

All those with an interest in developments in local authority housing finance in England, including Senior Management and Housing Managers in Local Authorities and Arm's Length Management Organisations, Elected Members, ALMO Board Members, Housing Accountants, Civil Servants, Tenant Representatives and College Lecturers. The course will assume a basic knowledge of local authority housing finance but will not assume that delegates are experts.

The course is accompanied by a very useful book entitled: **"Developments in Local Authority Housing Finance in England 2014"**

Venue and Date:

London: Novotel Hotel, Waterloo – Tuesday 8th July 2014

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'AWICS' is a management consultancy and training company. We specialise in providing support in finance and management to clients in local government and housing in England, Scotland and Wales. We are well known for our ability to analyse and explain complex financial and management issues clearly.

Our mission statement is 'Independence, Integrity, Value'. We therefore provide support to clients from an independent standpoint that is designed to help the client to achieve their objectives. We are passionate about working with the utmost integrity. We believe that we offer the best value for money that is available today!

For more information about us and our services please visit our website at www.awics.co.uk or contact Adrian Waite at Adrian.waite@awics.co.uk

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