

# Local decisions: a fairer future for social housing

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## About the author

**Kate Murray** is a freelance writer on housing and social policy issues. She works for a number of organisations and publications, including HQN's new magazine for boards, executives and leaders, *The Governor*. Kate was editor of *Inside Housing* for more than seven years, guiding the magazine through two redesigns and successfully launching a number of spin-off publications and events. She was previously editor of *Housing Today* and has also worked for a number of regional weekly and daily newspapers.



## Introduction

The last few months have brought a huge amount of change to social housing. Big cuts to the affordable homes budget, the slimming down of regulation, and Housing Benefit reform will all have a massive impact on social landlords and their tenants. But this week's proposals to reform social housing allocations and rents are in some ways the most significant of all. They will reshape what social housing means. And they pose serious questions for landlords about their role and mission.

When the Conservative Party published its manifesto before the election, it explicitly promised to 'respect the tenures and rents of social housing tenants'. It is now clear that new tenants will not be covered by that pledge. It is also evident that ministers are not convinced about the role social housing providers have been playing in creating thriving communities. Social housing, the government says in these proposals, needs to be a 'springboard to help individuals make a better life for themselves', rather than a 'block on mobility and aspiration'.

This briefing sets out the key points in the new proposals and takes a look at what they might mean for the housing sector.

***"This week's proposals will reshape what social housing means"***

## The proposals

For far too long, according to housing minister Grant Shapps, there has been a ‘lazy consensus’ about the use of social housing, ‘which has left one of our most valuable resources trapped in a system that helps far fewer people than it should’. He adds: “This out-of-date approach has seen waiting lists rocket and is unfair to people who genuinely need social homes.”

Shapps says the reforms will ensure that social housing helps as many people as possible, with those in greatest housing need given priority.

### **Key points:**

- An end to an automatic ‘home for life’ for council tenants. Both local authorities and housing associations will be able to offer a new ‘flexible’ tenancy with a minimum term of two years
- Tenants to be given six months’ notice if their flexible tenancy is not to be renewed
- No maximum fixed term for tenancies – landlords will be free to set a fixed term of ‘ten years or 20 years or longer’
- Older people and those with a long-term disability or illness are likely to continue to get a guaranteed social home for life. The government will also consider whether families with children should be given a longer fixed term than the minimum
- A new duty on all local authorities to publish a strategic tenancy policy. This would set out the ‘broad objectives’ to be considered by all social landlords in an area when granting tenancies
- The Right to Buy to be extended to flexible tenancies
- New tenants will be guaranteed one succession to a spouse or partner, but landlords may choose to offer additional succession rights
- New powers for councils to set their own rules about who qualifies to go on their housing waiting list. Councils, the paper says, will ‘no longer be forced to include... those with no real need and no realistic prospect of ever receiving a social home’

- New flexibility over housing homeless people. Councils will be able to discharge their duty with an offer of suitable private sector accommodation, without requiring consent
- A new national home swap programme will be introduced. Existing home swap services will be expected to share data
- A consultation on further powers to tackle overcrowding
- Confirmation that housing associations will be able to charge rents of up to 80% of market rent levels for new tenancies, to help bring in cash to fund new affordable house building
- Confirmation of the overhaul of regulation, including a new 'power of scrutiny' for tenants. Landlords will be expected to support tenant panels 'or equivalent bodies' to monitor their performance in the wake of the abolition of the Tenant Services Authority
- Confirmation that the current Housing Revenue Account subsidy regime will be scrapped and replaced with a self-financing system
- The provisions on allocations, rents and homelessness will be taken forward in the Localism Bill.

## **Tenure**

The 'home for life' offered by local authorities was, for years, seen as one of the great untouchables in social housing. No longer. Security of tenure, introduced in its current form in 1981, is a key component, many argue, in creating stable communities. But more recently, there has been growing pressure for reform. Many in the housing sector have argued for more flexibility in the way social housing can be let. But few, perhaps, expected the government to go so far so quickly.

The plans for a new flexible tenancy mean council and housing association tenants whose circumstances improve could be asked to move on as little as two years after moving into their new home. It is difficult to see how this squares with the idea of creating mixed communities. Aspirational tenants could be expected to leave as soon as they are able. The government's proposals certainly offer a means of making a scarce resource go further. But they risk further stigmatising social housing, with an underlying message that it is essentially a tenure of last resort, guaranteed for life only to elderly and disabled people. The paper itself points out that, in 2008/09, only 49% of social

tenants of working age were in work, compared with 89% of owners and 75% of private renters. But if those deemed no longer to need social housing are to be moved on, that proportion will surely slip even further and concentrations of deprivation on social housing estates will rise.

*“The minimum length of tenancy is controversial”*

And providers which would like to offer the maximum security that they can will come under pressure where homes are in high demand. Giving landlords the discretion to set tenancy terms means the onus will be on them to demonstrate they are making the best use of their resources.

The minimum length of tenancy is controversial. The housing minister has suggested that a two-year term would be exceptional, with most set for a longer term. He stresses too that even the minimum tenancies offer much more protection than private sector tenancies. But that will not be enough to reassure those who fear that two years is just not long enough for tenants to establish themselves.

Practically, there will be issues for landlords in deciding their criteria for reviewing flexible tenancies. The paper says their policy on whether tenants should be allowed to stay on at the end of their fixed term should reflect tenants’ ‘levels of continuing need, work incentives and local pressures for social housing’. Social landlords will also need to think hard about managing expectations and perceptions locally, if they decide they need to move significant numbers of tenants on within a relatively short space of time.

An interesting issue concerns the Right to Buy. The government plans to extend this to the new flexible tenancies. But will the most aspirational tenants, who are able to move on after two years, want to stay longer to qualify for the Right to Buy? If they cannot do so, then does that not conflict with the government’s wish to encourage home ownership?

## **Rents**

The budget for building new affordable homes was slashed by more than £4bn in the Comprehensive Spending Review. Ministers hope allowing new homes to be let at higher rents – of up to 80% of local market values – will help plug the funding gap. But the shift will fundamentally alter the housing landscape. Once homes already in the programme are completed, there will be no new ‘social’ homes. Instead, there will be ‘affordable’ homes, or, as it might be more accurate to call them, ‘intermediate’ homes. It is unclear to what extent the government will encourage housing associations to develop under the new system. But given the fall in the capital budget, there will no doubt be some pressure for associations to do as

much as they can. In some areas of the country, where market rents are lower, the change will have little effect on associations' rental stream – meaning their development capacity will be low. According to the latest figures, in 19 English local authority areas, association rents are already at least 75% of market values.

***“The new proposals will allow authorities to set their own criteria”***

But in higher value areas, the new rents regime could also have a knock-on effect on the existing stock available for social rent. The more of their homes that become vacant that associations decide to let at higher rents, the bigger the rental stream for development – but the fewer homes available at low rent. The paper confirms that the higher rents will be eligible for Housing Benefit, raising questions about the eventual impact on the Housing Benefit bill the government has pledged to cut back.

### ***Allocations***

The ‘open’ waiting lists introduced by the 2002 Homelessness Act have been partly responsible for the steep rise in the number of households waiting for housing, the government claims. Households are putting their names down for social housing when they have no real chance of getting it, the paper says. The new proposals will allow authorities to set their own criteria, perhaps restricting their list to those in housing need, or setting residency conditions. Other authorities, where demand is lower, may choose to continue with open lists. The changes will certainly address the upward trend on waiting lists. But it is likely that many variations in councils' policies will emerge, depending on local circumstances.

The government says it intends to keep the ‘reasonable preference’ categories, to ensure that social housing continues to go to ‘those who need it most’. It is also planning to remove existing tenants who want to move from the allocations framework, in a bid to make it easier to arrange transfers, including chain lettings.

### ***Homelessness***

The proposals will allow local authorities to discharge their duty under homelessness legislation with an offer of a home in the private rented sector – whether the applicant agrees or not. People will, the government says, ‘no longer be able to insist on being offered social housing... regardless of whether they have a real need for it’. This, it adds, ‘will give local authorities the scope to arrange appropriate housing solutions promptly, avoiding the need for long periods in temporary accommodation and freeing up social lets for others in housing need on the waiting list’.

This change represents a big shift. The government points out that only 7% of applicants currently accept a suitable home in the private sector, compared with 70% of homelessness cases which end with an offer of social housing. It insists that while applicants may need accommodation, they do not necessarily need social housing. What sort of private sector homes will councils use? The paper suggests they should be within the same local authority area 'so far as reasonably practicable'. But what about the highest value areas? Where will the suitable private sector homes be found there? Costs, especially given the restrictions on Housing Benefit, will be a real issue.

***“The government wants to up the number of social renters who move within the sector”***

### ***Mobility***

The government wants to up the number of social renters who move within the sector – fewer than 5% each year, it says, compared to almost a quarter of private renters. It says existing home swap providers will need to share their data, so that an applicant who enters their details into one system will get access to all potential swaps.

### ***Housing Revenue Account reform***

The paper reiterates the government's intention to implement the reform of the HRA system originally proposed by the previous government. The paper confirms a planned implementation date of April 2012. Further details are to be announced shortly, with a policy document due to be published in January 2011.

### ***Timescale***

The consultation on this paper runs until 17 January next year.

## Conclusion

A 'one size fits all' model on rents and tenancies cannot adequately address the needs and circumstances of those in social housing, the government says. It claims its proposals aim to deliver more fairness and flexibility. But they are also a way of making scant resources go further in tough economic times. Can the system really be transformed in the way the government envisages, to tackle, at a stroke, waiting lists, under-occupation and over-occupation?

With the budget for affordable house building slashed, the government is pinning its hopes on higher rents providing more cash for development. But will the higher rents make up the shortfall? Some housing providers are already concerned about how the new 'affordable' homes fit in with their core mission of housing those in most need. Even more may think twice about letting their existing homes at higher rents when they fall vacant. Given that no new truly 'social' homes are to be built for the foreseeable future, more new lets will need to come from the existing stock. That is, of course, where the new flexible tenancies come in. But homes let for as little as two years, and new homes – and some existing ones – at much higher rents: will this really be social housing? How will housing providers square this with their mission and values? There will be some soul-searching ahead. It is possible that the social housing sector as we know it will be split, both on geographical and ideological grounds, as some providers in higher value areas seize the new development opportunities, while others concentrate on their traditional core business.

There are big questions too about how the new policies on tenure, allocations and rents, designed to increase flexibility and bring in extra cash to make up the investment shortfall, will work alongside the benefit reform programme. As rents rise, can government afford Housing Benefit to take the strain again?

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